

SWCC Group

Medium-Term Management Plan
"Change SWCC2022"
Rolling Plan (2019)



Creating for the Future

SWCC SHOWA HOLDINGS CO., LTD.
(TSE 1: 5805)

<https://www.swcc.co.jp>

Toward Achieving "SWCC VISION 2026"



Contribute to sustainable development of society through supporting public infrastructures

**Mid-Term Management Plan
"Change SWCC2022"
FY2022 Target**

Net sales: 200 billion yen

Operating income: 10 billion yen

Operating income margin: 5% or over

ROE: 10% or over

“SWCC VISION2026”

VISION 2026

MISSION

Contributing to people's lives with supporting society with trusted products and services

VISION

Becoming a growing company that creates added value through the Group's strengths

VALUE

Discovering customer needs with "quick," "passion," and "thought and action"

Mid-Term Management Plan 【Change SWCC2022】

Basic Policy

1. Strengthen profitability of core businesses
2. Create new businesses
3. New development of overseas business

Measures to support the policy

- Innovation of operations and production with **AI and IoT**
- Focus on core technologies
- Utilize open innovation
- Personnel system reform and **human resource development**
- Promotion of Work Style Reform


Energy and Infrastructure operations


Anti-vibration component


Lighting components


SICONEX


General-purpose electric cables


High-voltage power cable


Seismic isolation materials


Anti-vibration component


General-purpose electric cables


Anti-vibration component

Communications and Industrial Devices Operations



Wire harness



Leakage coaxial cable



Communication cables



Communication cables



Wire harness



Wire harness



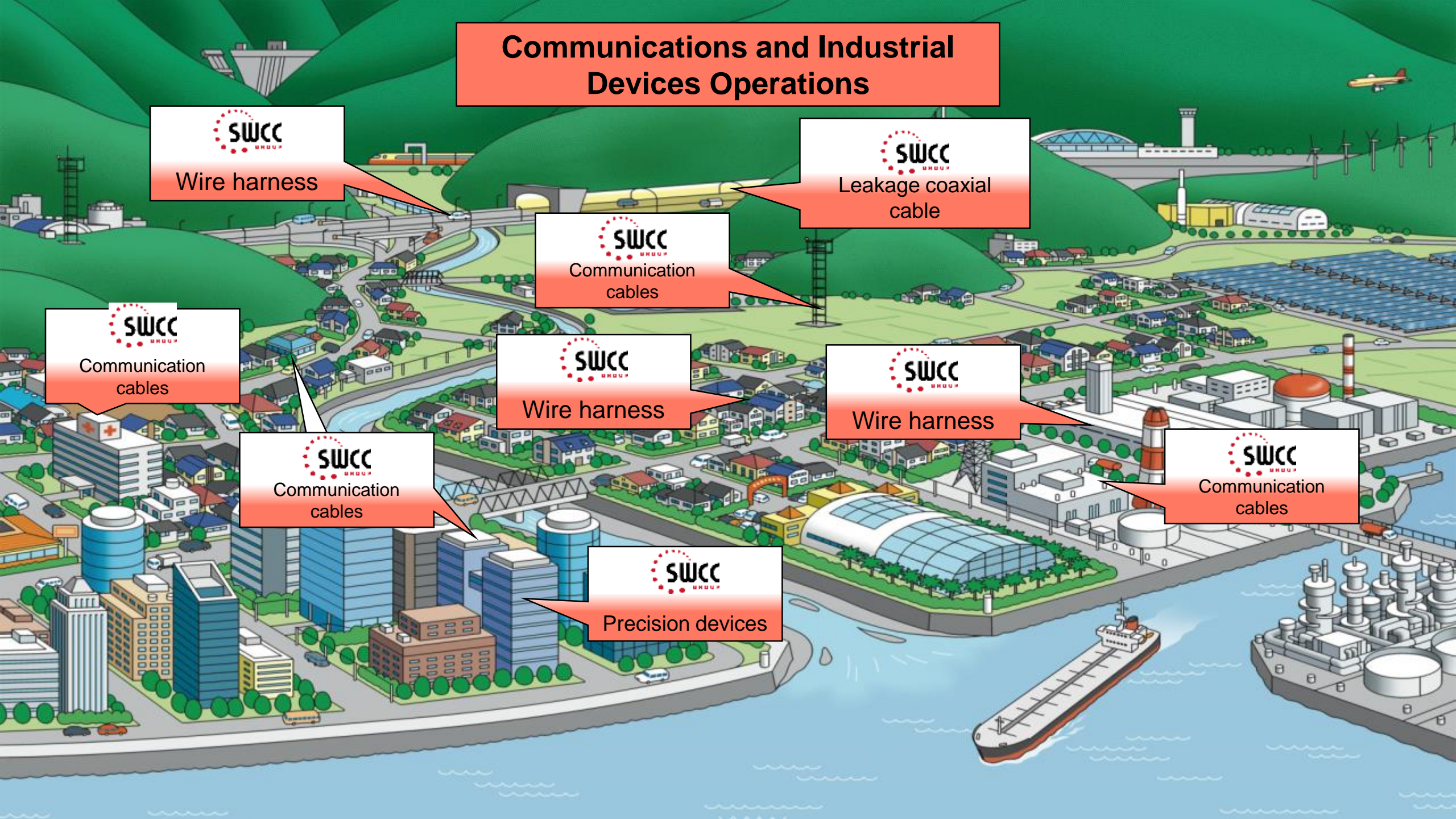
Communication cables



Communication cables



Precision devices



Electrical Equipment and Components Operations



Magnet wire



Heater alloy wire



Magnet wire



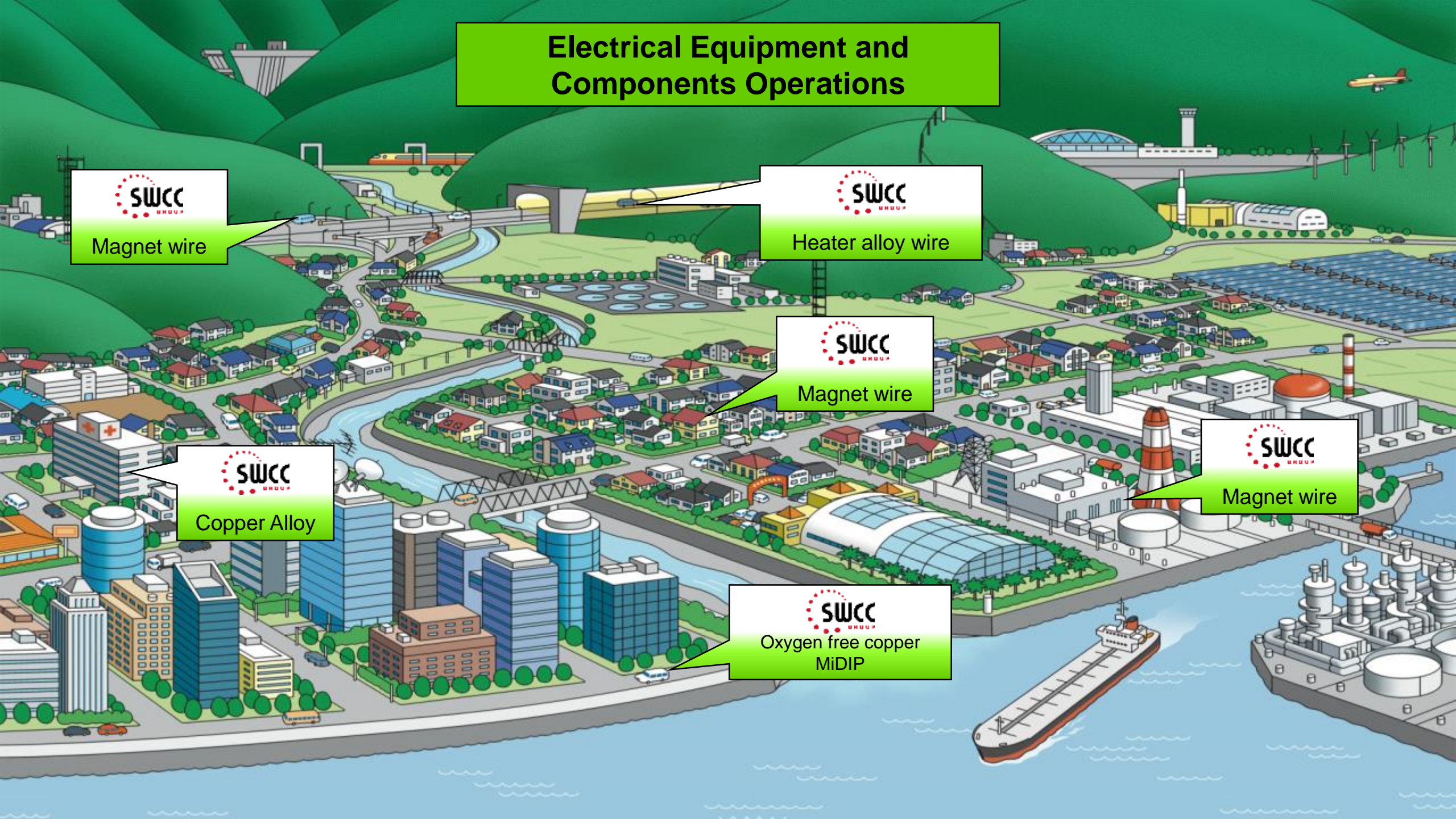
Copper Alloy



Magnet wire



Oxygen free copper
MiDIP



Change SWCC2022 Measures

“Change SWCC2022”

1. Strengthen profitability of core businesses

- **Business structural reform** ⇒ Improve profitability and stable production by strengthening domestic production systems
- **Business profitability assessment** ⇒ Improve return on invested capital by introducing ROIC management
⇒ Dealing with low-margin businesses and withdrawing from unprofitable businesses
- **Promotion of centralized purchasing and development purchasing through group procurement**
- **Building Smart Factories utilizing AI and IoT**

2. Create new businesses

- **Creation of new businesses by Group-wide production, sales, and technology project teams**
- **Develop new products by creating core competencies and elemental technologies and identifying needs**
- **Promote DX* solutions based on IT technology cultivated by manufacturer-affiliated IT companies**

3. New development of overseas business

- **Expansion of the wire harness and electronic wire business and the copper and magnet wire business**
- **Strengthening the Overseas Governance System**

Medium-Term Management Plan Numerical Target (KPI)

(Unit:100 million yen)

	FY2018 Result	FY2019 Forecast	FY2022 Mid-Term Management Plan	VISION 2026
Net sales	1,771	1,730	2,000	2,100
Operating income	66	73	100	150
Ordinary income	56	66	95	150
Net income attributable to owners of parent	45	48	66	100
Operating income margin	3.8%	4.2%	5% or over	7% or over
Dividend/Payout ratio	7 yen (4.6%)	10 yen (6.2%)	50 yen or over (Approx. 20%)	120 yen or over (Approx. 35%)
Interest-bearing debt	466	452	380 or under	300 or under
DE ratio*	134%	113%	70% or under	40% or under
Net assets	356	401	550 or over	800 or over
Equity Ratio	28.1%	31.3%	38% or over	50% or over
ROE	13.5%	12.8%	10% or over	10% or over
ROIC	5.6%	6.1%	7% or over	9% or over

*Debt-to-equity ratio is calculated based on shareholders' equity.

Measures for Energy and Infrastructure Operations



■ Vision

Continue to provide the best total solution in the domestic infrastructure domains (electric power, construction wire, seismic isolation)

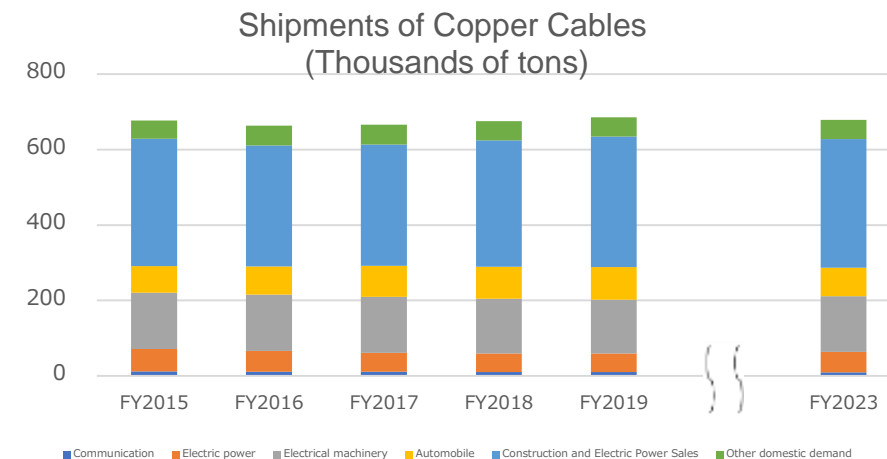
■ Priority measures

[Strengthen profitability of core businesses]

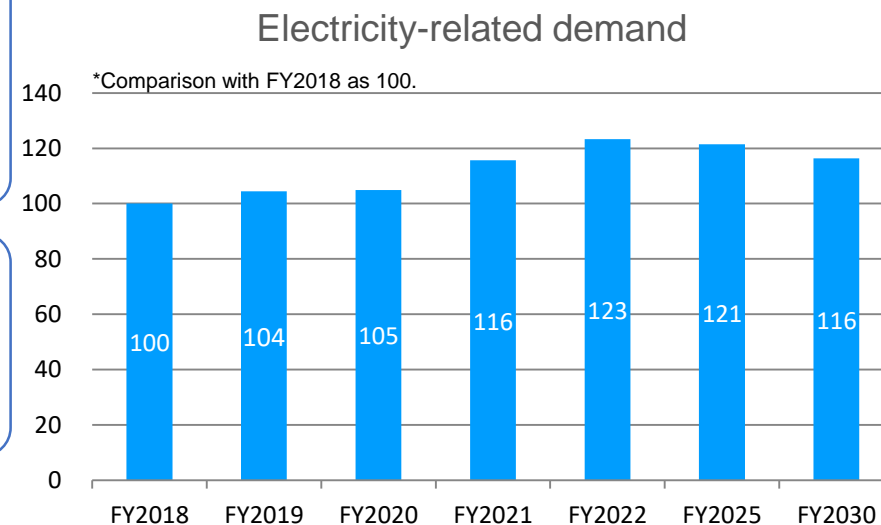
- As for sales for the electric power industry, capture demand for measures to strengthen national resilience and the spread of renewable energy, etc., and expand business by strengthening construction capabilities and new technologies.
- Strengthen profitability of construction-related products by increasing market share and efficiency
- Improve profitability by integrating seismic isolation and anti-seismic businesses
- Shift management resources to highly profitable businesses through selection and concentration (Sale of rubber wire business)

■ Core Technology (Strengths)

- SICONEX, high-performance power components
- Seismic isolation and anti-seismic devices

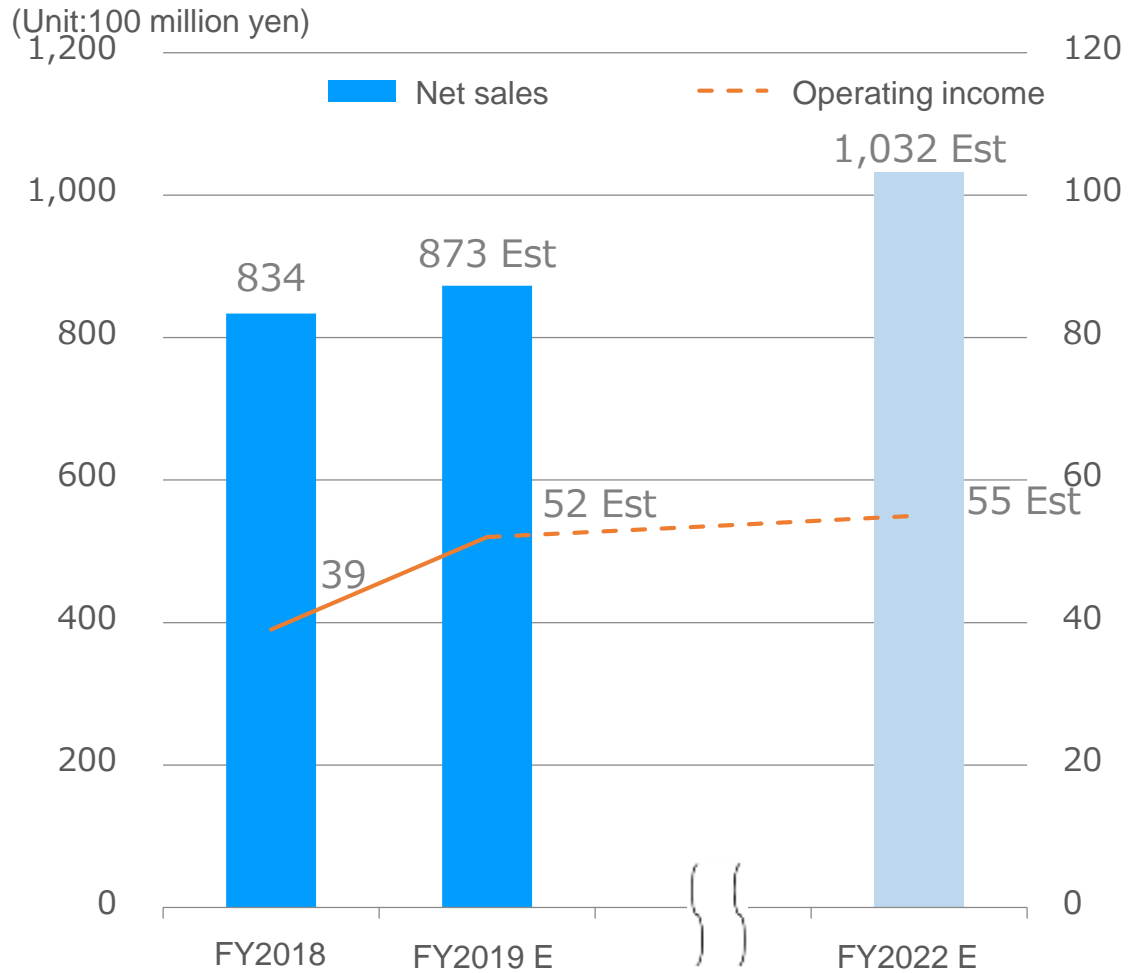
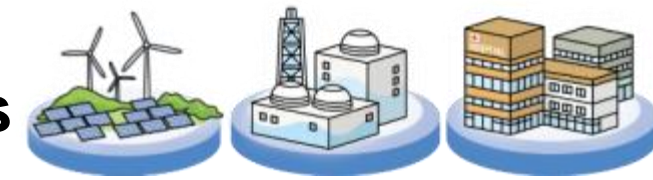


Source from Japan Electric Wire Manufacturers Association



Source: Prepared based on our forecasts using various data

Earnings Plan for Energy and Infrastructure Operations



※Est : Estimated

■ Features: Our core businesses

- ① Power cables connecting from power stations to houses
- ② SICONEX, high-performance power components
- ③ Electric wires and seismic isolation components used in buildings

■ Net sales:

- Increase in sales of electric power infrastructure by strengthening national resilience and capturing demand for renewable energy
- Increase in sales of general-purpose electric cables due to increase in market share, despite decrease in demand for construction
- Seismic isolation and anti-seismic business remained flat.

■ Operating income:

- Steady earnings continued in the electricity infrastructure
- In general-purpose electric cable for construction and electric power sales and seismic isolation and damping component business, improve profit margin by improving efficiency and labor saving, etc.

Operating income margin: 5.3% (FY2018: 4.7%)

Measures for Communication and Industrial Devices operations



■ Vision

Become the best trustworthy partner with products that meet customers' needs in the informations and communications market, which continues to grow globally with 5G and Industry 4.0.

■ Priority measures

[Strengthen profitability of core businesses]

- Improve customer service by optimizing domestic manufacturing bases and strengthening logistics
- Develop and expand sales of high-value-added products for overseas markets
- Dissolution of Daiji Co., Ltd. and streamlining of the Group's wire harness business

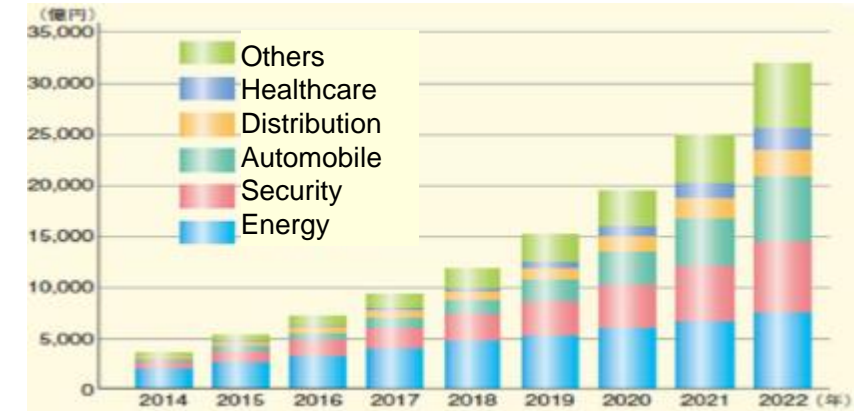
[New development of overseas business]

- Expand production bases for wire harnesses and precision devices (China and Vietnam)
- Launch of a development base for the wire harness business
- Strengthening affiliations with business partners

■ Core Technology (Strengths)

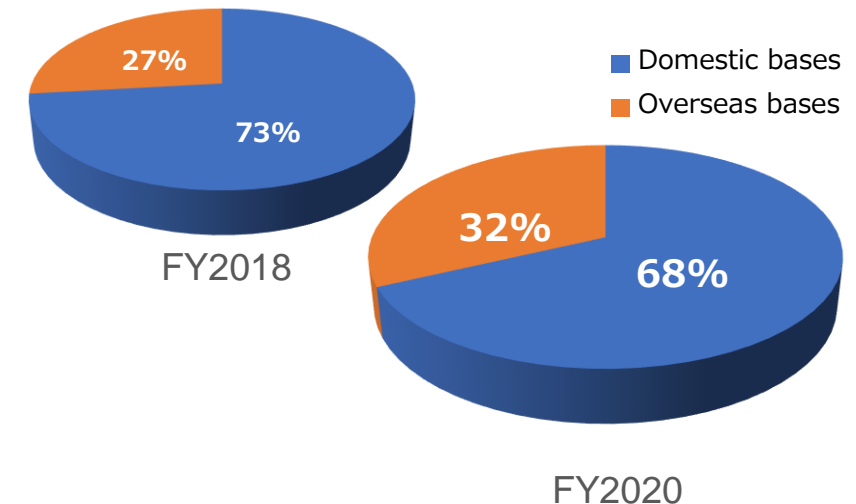
- Proposing wide variety of product technologies, from cable to processing and device to meet customer needs
- Global management resources in Japan and overseas

IoT Market Demand Forecast

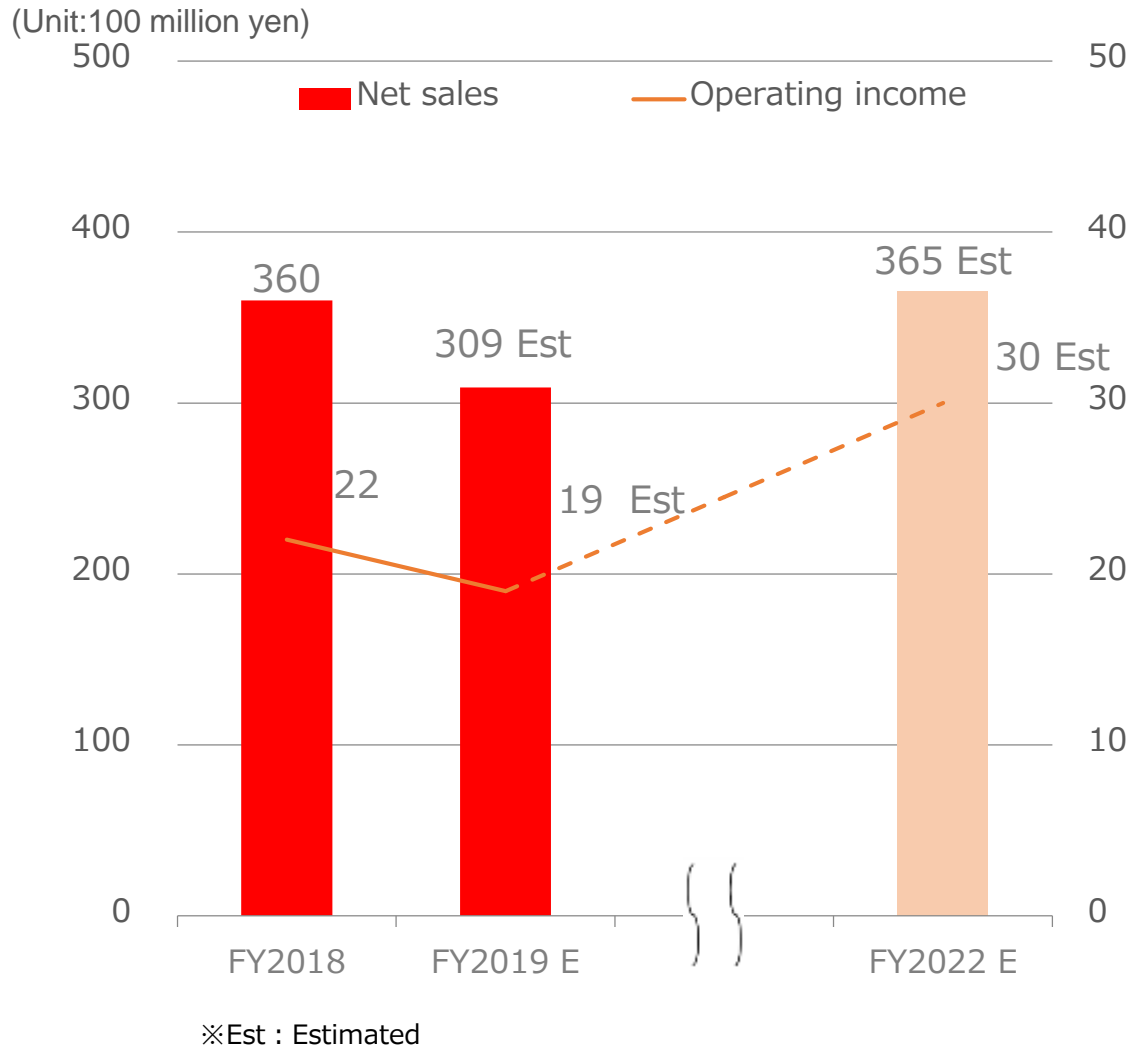


Source: 2017 Nomura Research Institute
"Expansion of the IoT market and utilization of IoT in Japan"

Sales Ratio by production base of Communication and Industrial Devices



Earnings Plan for Communication and Industrial Devices Operations



■ **Characteristics: provision of communication cables and industrial devices for global various markets.**

■ **Sales:**

- Increased sales of cable for communication infrastructures, reflecting expansion of 5G communications network
- Capturing new demand for products for automotive and information industry equipment (wire harnesses and precision devices), where sophistication is accelerating

■ **Operating income:**

- Increase profits from steady sales of value-added products such as communication cable and processed products
- Increase profitability by expanding overseas production bases for wire harnesses and precision devices

Operating income margin: 8.2% (FY2018: 6.1%)

Measures for Electrical Equipment and Components Operations



■ Vision

Generate new profits through synergies among wire, magnet wire, and processing

■ Priority measures

[Strengthen profitability of core businesses]

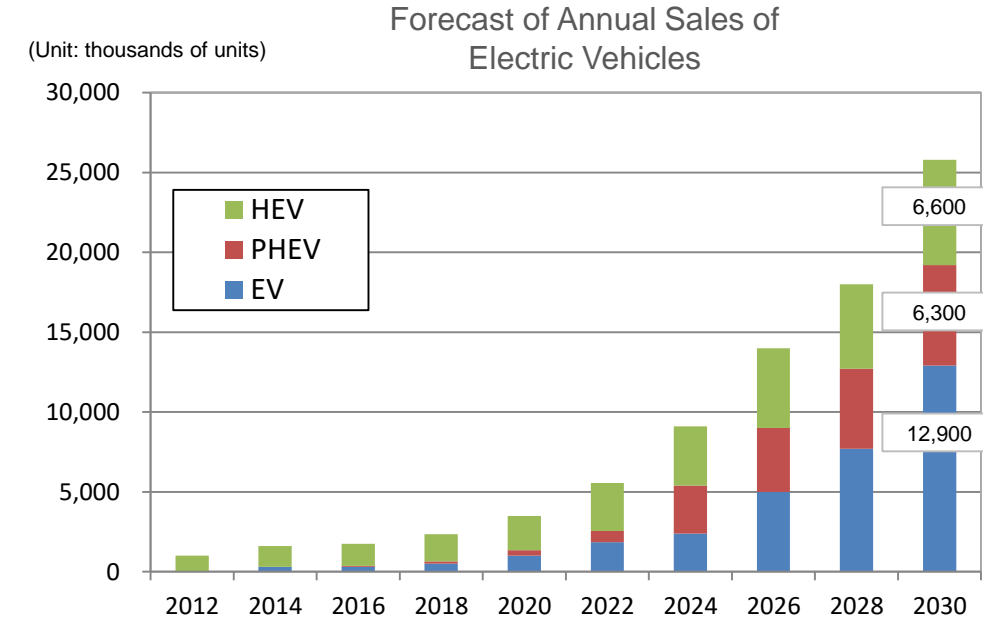
- Efficiency improvement through reorganization of domestic wire business (Absorption-type Merger of Tamagawa Electric Wire Co., Ltd. by SWCC SHOWA UNIMAC LTD.)
- Expand earnings by increasing production of high-grade wire materials and developing high-performance magnet wires to meet growing demand for in-vehicle products
- Develop downstream strategies including processing technologies, Oxygen free copper MiDIP, and Copper Alloy Wire through active use of open innovation

[New development of overseas business]

- Global expansion through cooperation with overseas partners
- Commercialization of thin magnet wire products using high-grade wire materials (Oxygen free copper, Copper alloy wire)

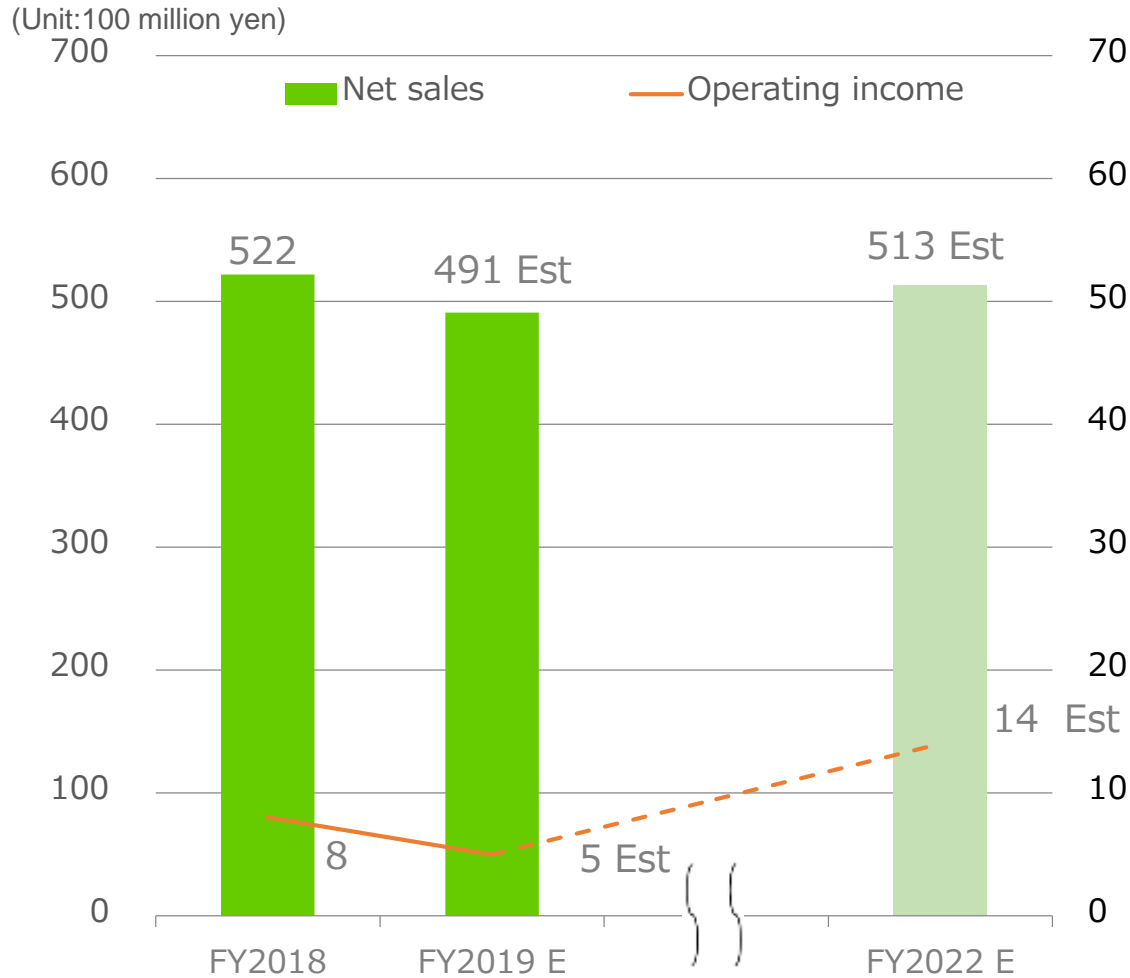
■ Core Technology (Strengths)

- One and only DIP-forming manufacturing technology for Oxygen free copper MiDIP and High Performance Square Magnet Wire available in Japan
- Technology for designing and manufacturing copper and aluminum



Source: Prepared based on our forecasts using various data

Earnings Plan for Electrical Equipment and Components Operations



※Est : Estimated

■ **Characteristics: Strategic products of Oxygen free copper MiDIP and copper-silver alloys manufactured by the Japan's only dip forming systems**

■ **Sales:**

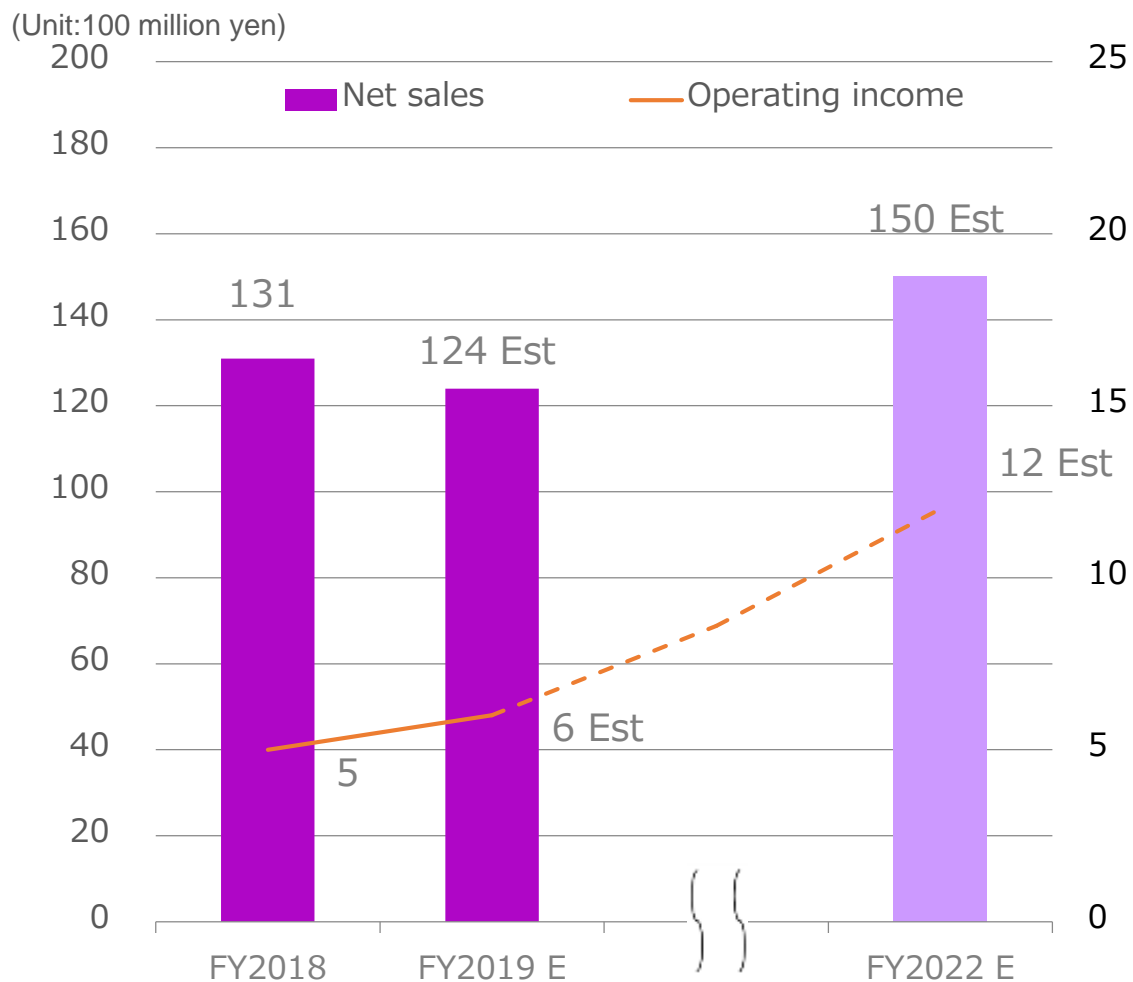
- Increase of production and sales of Oxygen free copper MiDIP in line with expanding automotive demand (FY2022: 1.5 times the FY2018 level)
- Expansion of high-performance magnet wire products for in-vehicle use (production of general-purpose magnet wire decreased)
- Increase in sales of copper alloy wires for automotive and medical applications

■ **Operating income:**

- Improve profitability by developing and expanding sales of downstream products by adding processing technology to high-grade wire materials
- Expand profits by increasing sales of high value-added products (Oxygen free copper MiDIP and copper alloys)

Operating income margin: 2.7% (FY2018: 1.6%)

Earnings Plan for Overseas Subsidiaries and Affiliates



■ Priority measures

① Expansion of the mobility field

- Strengthen bases in Vietnam and China to capture demand
- Strengthen cooperation with joint venture partners and develop new products

② Expansion of copper business with the Futong Group

- Expansion of sales channels by promoting cost reductions at Chinese bases

■ Areas of Focus

① Expansion of wire harnesses and electronic wire domains

Redevelopment of Harness Plants in China and Vietnam

② Expansion of copper business in China

Expand sales of high-grade EV wire and magnet wire

③ Expansion of electric power equipment components

business with SHOWA-TBEA (Shandong) Cable Accessories Co., Ltd.

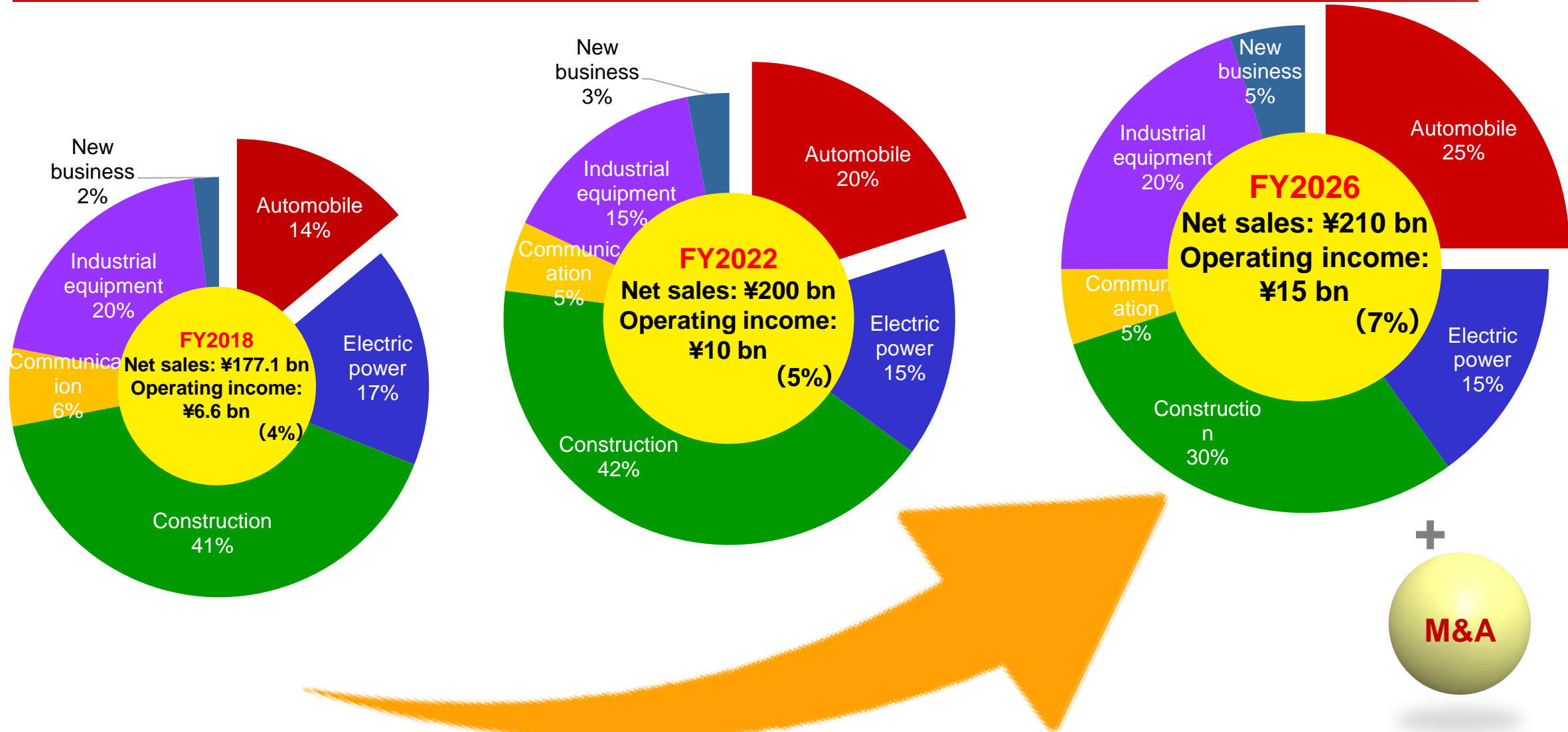
Expand sales for transformers and rail vehicles

■ Operating income:

Improve productivity by promoting automation, labor saving, and cost reduction

Operating income margin: 8.0% (FY2018: 3.8%)

Targeted Sales Composition by Market

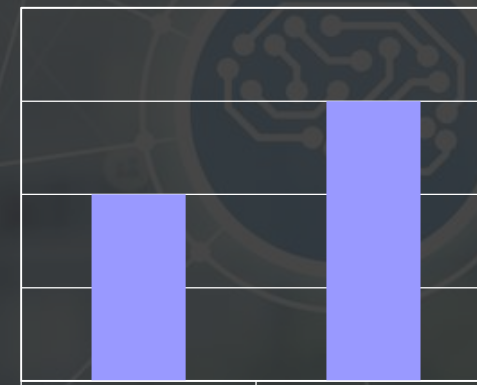


New businesses: Expansion of IT business

Promotion of DX* solutions



50% increase in sales



RPA & AI Operations

- Automation of not only routine work but also non-routine work
 - Speech recognition and AI-OCR utilization
- Integration with full-scale AI system and self-reliant system
- Utilization of digitalized business systems

Next-Generation Infrastructure Operations

- Data collection and analysis using IoT sensors
- Utilization of various big data
- Next-generation infrastructures and services by 5G and WiFi6

Integrated Certification Core Operations

- New user information management for threats and convenience
 - Cloud certification measures
 - Biometric certification and SSO
- New certification needs
 - Managing access to IoT devices
 - RPA scenario control management

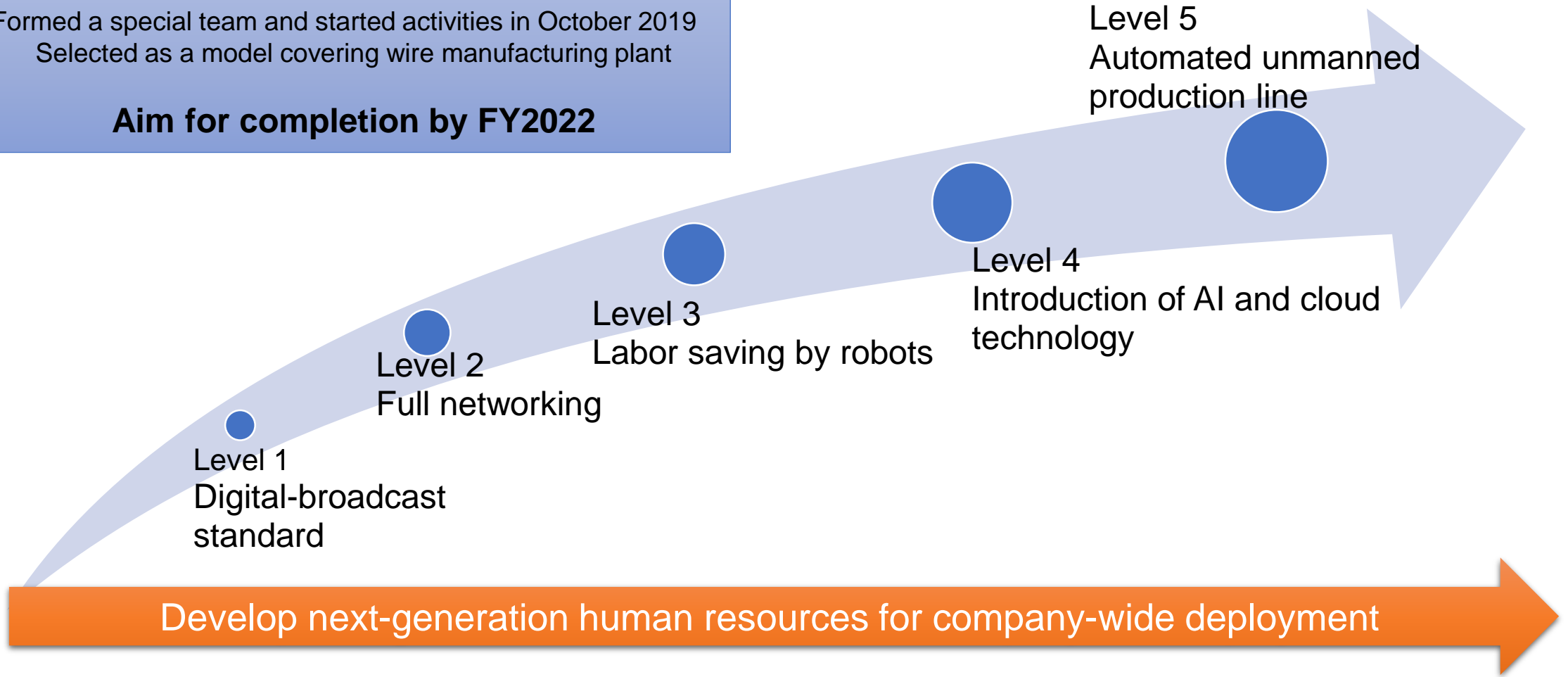
* DX stands for Digital Transformation/ Digital Innovation.

New Initiatives for Labor Saving and Automation

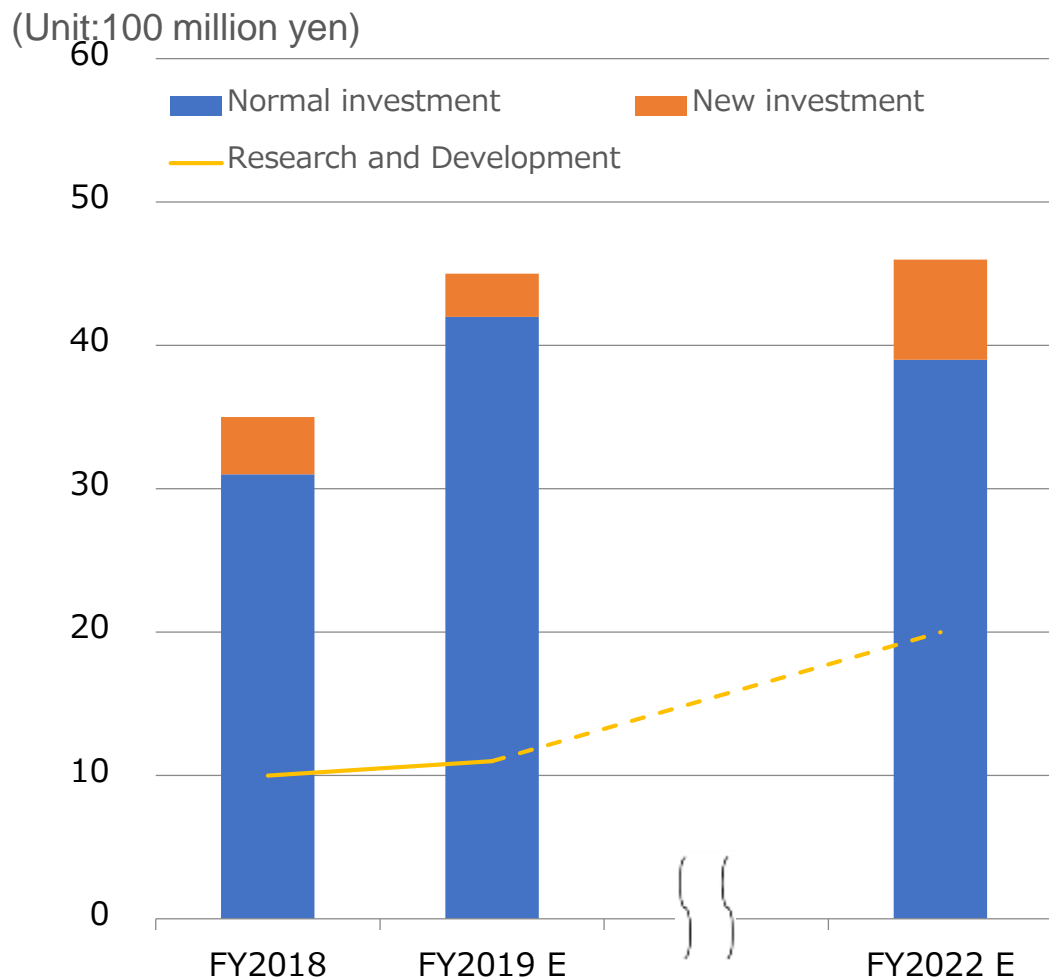
Building Smart Factories that Combine AI, IoT and TOC (Theory of Constraint)

Formed a special team and started activities in October 2019
Selected as a model covering wire manufacturing plant

Aim for completion by FY2022



Investment During the Period of The Medium-term Management Plan (Investment and R&D)



[Investments]

FY2018 Result: 3.5 billion yen

Cumulative investment from FY2020 to 2022:

16 billion yen or more

Cumulative investment to strengthen new businesses and overseas businesses:

3.0 billion yen or more

Accumulated investment to strengthen domestic production system:

2.5 billion yen

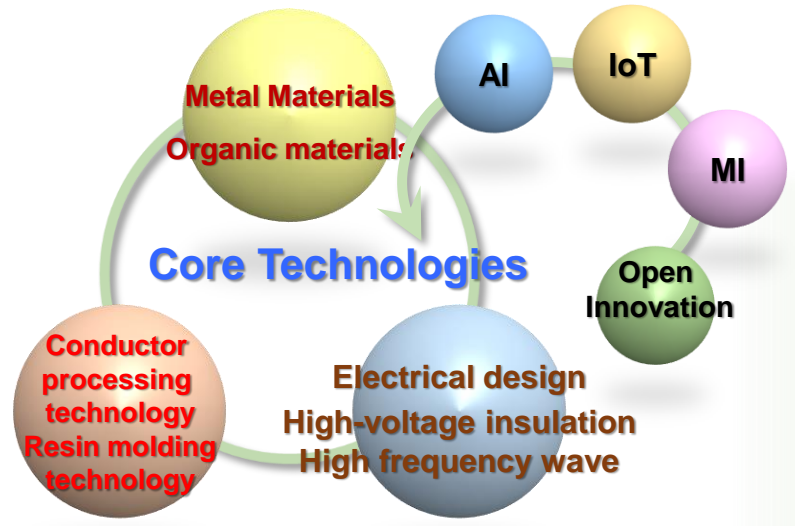
[R&D]

FY2018 Result: 1.1 billion yen

FY2022: **2.0 billion yen**

Creation of new businesses, Development of new products, Open Innovation

R&D -Linking the Future with Technical Capabilities and Creativity-



Creating a human-friendly and comfortable society

Creating a safe and secure Society

Creating an eco-friendly society

Mobility



Automobile (EV)



Rail vehicle



Bicycle



Drone



Unmanned transport

Smart Infrastructure



5G



Data center



Energy System

Superconduction

Smart Industry



Industrial equipment



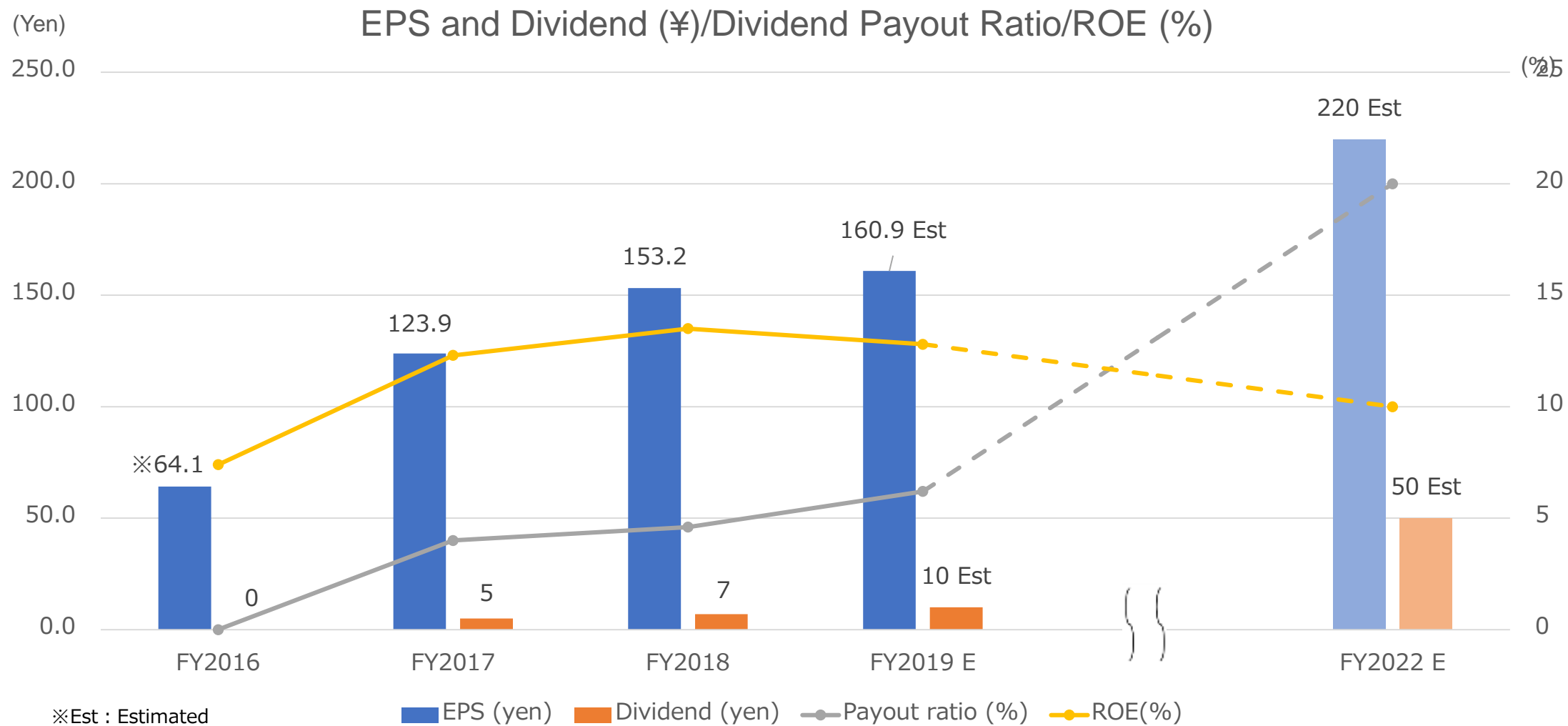
Office equipment



Healthcare



Shareholder Returns (Dividend Policy) & ROE Plans



SWCC's Medium-and Long-Term Environmental Vision






Item	Mid-term Targets (2030)
Global Warming Prevention	Reduce CO2 emissions: Reduce energy-derived CO2 emissions by 20% compared to FY2013
Effective use of resources	Reduce final disposal volume (landfill amount) by 50% from FY2018 level
Effective use of water resources	Reduce consumption and wastewater volume by 50% compared to FY2018



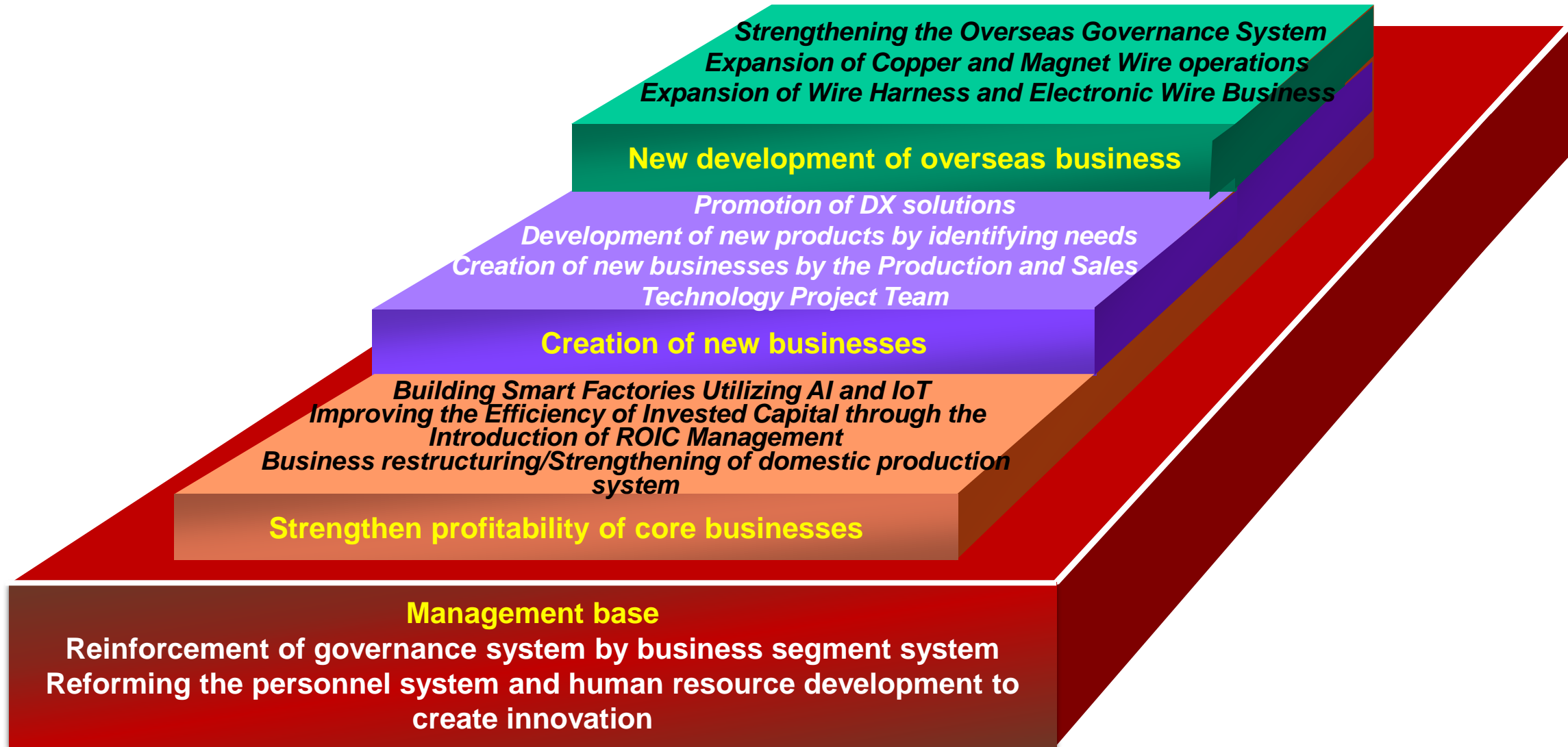
The SWCC Group is engaged in activities to support the Sustainable Development Goals (SDGs).

Item	Long-term Vision (2050) [Vision]
Global Warming Prevention	Realize products that do not emit CO2 or carbon neutral products/Create products that resolve environmental issues
Effective use of resources	Promotion of sustainable use of resources and achievement of "0" for final disposal (landfill amount)
Effective use of water resources	Promoting the sustainable use of water resources

ESG Mid-Term Management Plan

Core Subjects		Policy
E	Environment	<ul style="list-style-type: none"> Achieve targets based on the Group's voluntary environmental action plan Expansion of environmentally conscious products and contribution to society through Products Actions for biodiversity conservation 
S	Human rights and Labour practices	<ul style="list-style-type: none"> Promotion of proactive safety measures and elimination of occupational accidents Continuously improve productivity by automating operations and saving labor Promoting diversity to incorporate various perspectives Enhancing the mental and physical health of employees and promoting a work-life balance Creating a comfortable working environment by offering a wide range of working styles 
	Relationships with business partners	<ul style="list-style-type: none"> Communication with clients through CSR Procurement Guidelines 
	Relationship with Customers	<ul style="list-style-type: none"> Continuous customer satisfaction surveys and feedback on our response Continuous efforts to improve quality and achievement of quality cost targets To strengthen monitoring of the quality status of each group company 
	Relationship with Stakeholders	<ul style="list-style-type: none"> Appropriate disclosure of financial information and enhancement of disclosure of non-financial information
	Community Communication	<ul style="list-style-type: none"> Continue and expand activities to actively engage with local communities and become a reliable manufacturer.
G	Governance	<ul style="list-style-type: none"> Thorough legal compliance and strengthening of monitoring functions Continue to comply with the Corporate Governance Code and improve its effectiveness Establishment and operation of a cyber security system Establishment of Information Disclosure Guidelines and appropriate information disclosure Risk reduction activities and improving effectiveness through business continuity management (BCM) 

Toward achieving the Mid-Term Management Plan





Creating for the Future

**SWCC SHOWA HOLDINGS CO., LTD.
(TSE 1: 5805)**

Contact

SWCC SHOWA HOLDINGS CO., LTD.
Corporate Planning Department,
Business Strategy Division
TEL:044-223-0520
E-mail:kouho@hd.swcc.co.jp

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

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

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