



SWCC Group Q2 FY2022

Initiatives for the Second Half and Future Growth Strategies

Nov 4,2022

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

**1. Initiatives for the Second Half of FY2022**

**2. Growth Strategies by Segment to Achieve the Medium-term Management Plan**

**3. Sustainability Strategy**

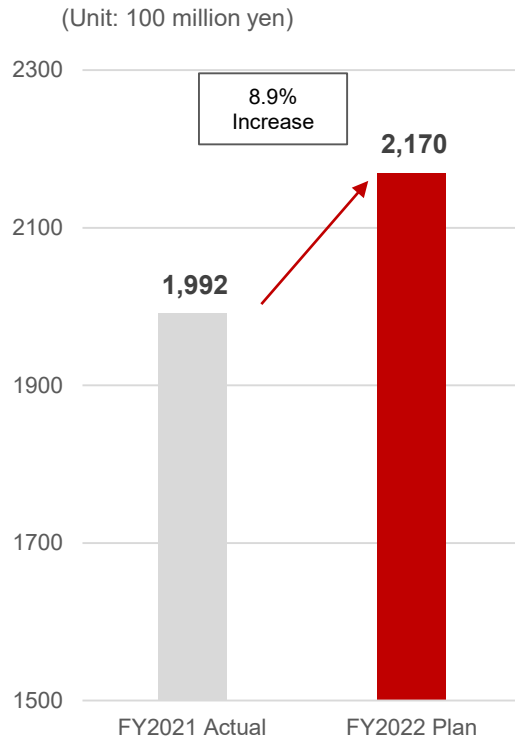
**4. Shareholder Return Policy**

**5. Appendix**

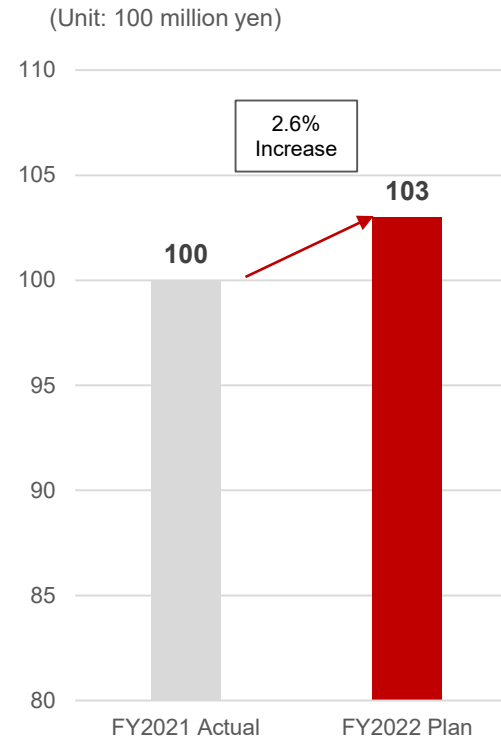
# 1. Initiatives for the Second Half of FY2022

# FY2022: Full-year Forecasts

## Net sales



## Operating income



## Ordinary income

**10.3 billion yen**  
(YoY : 4.2% increase)

**Net income attributable to owners of parent**

**9.0 billion yen**  
(YoY : 3.8% decrease)

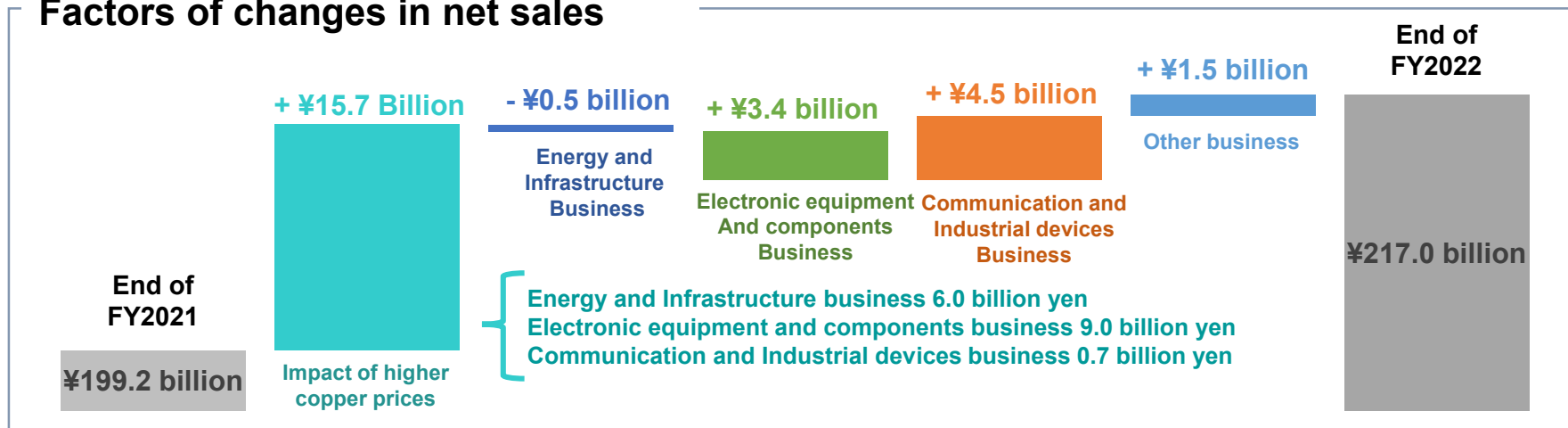
**Dividend/  
Payout ratio**

**60 yen / 20%**  
(YoY : 10 yen increase)

Despite the impact of further price hikes in raw materials and disruptions in the supply chain, we plan to increase profit due to the effects of various measures and structural reforms.

# FY2022 Factors of Changes in Full-year Plan

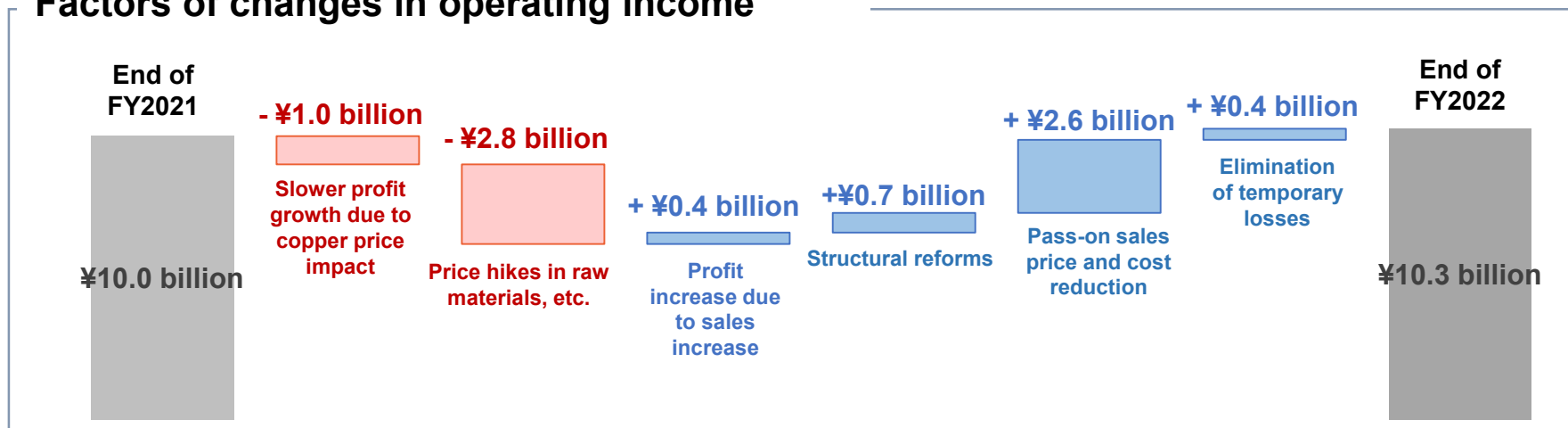
## Factors of changes in net sales



[Initiatives for the current fiscal year]

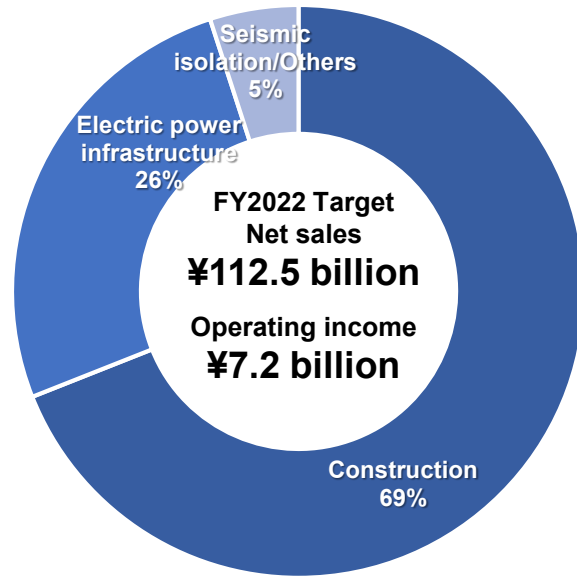
We plan to recover from the slower profit growth due to the impact of copper price hikes and the downward pressure on profit due to soaring raw material prices by implementing structural reforms, passing on selling prices, and cost reductions.

## Factors of changes in operating income



In particular, we expect to see benefits from the integration of **SFCC production and sales** and the **reorganization of telecommunication cable production bases** as part of structural reforms during the period under review.

# Energy and Infrastructure Business Initiatives for the Second Half to Achieve the Full-year Targets



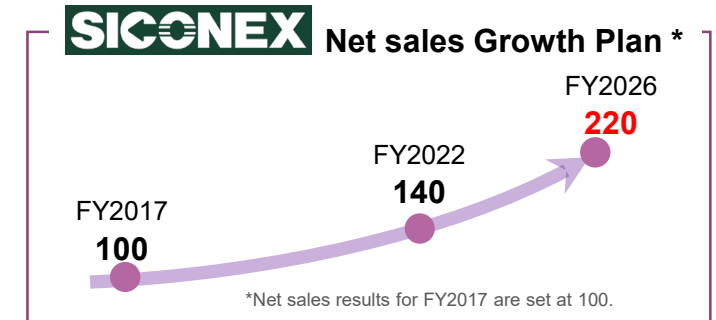
**Market**

- Promotion of renewable energy
- Demand for semiconductor factory construction

**Risks**

- Further rise in raw material prices, etc.
- Postponement of construction projects

- ◆ **SICONEX® production increase project**  
 Increase production capacity by 2 billion in FY2023: 1.5 times  
 Increase production in stages from H2, contributing to sales expansion



- ◆ **Coated Wire Business: Launch of "IV (Vinyl Insulated Wire) production at the Ibaraki Plant**

In IV production, we consolidated production at the Ibaraki Plant and began full-scale production in October. Aim to reduce fixed costs and improve production efficiency (15% increase in copper production).

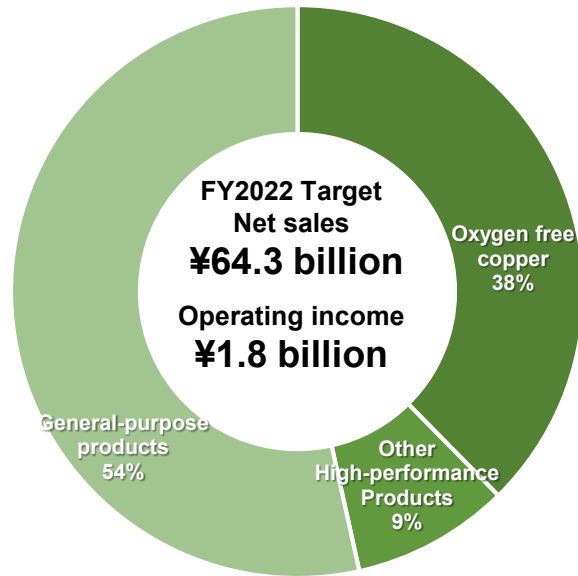


- ◆ **Coated Wire Business: Secure strategic inventories in anticipation of construction demand (large-scale projects) for semiconductor factories, etc.**

**Response to higher raw material prices**  
 (Transportation, fuel, other secondary materials)

**Construction-related Business:** Further pass on price increases from October  
**Electric Power Infrastructure Business:** Steadily pass on price increases to electric power companies and private-sector equipment manufacturers  
**Seismic/Anti-seismic Business:** Establish a scheme for supplying materials from clients and negotiated prices with major clients.

# Electronic Equipment and Components Business Initiatives for the Second Half to Achieve the Full-year Targets



- Market**
- xEV shifting stagnated until Q4
  - Increase in domestic procurement demand in the heavy electric field
- 
- Risks**
- Further price increases in raw materials
  - Prolonged automobile production cuts

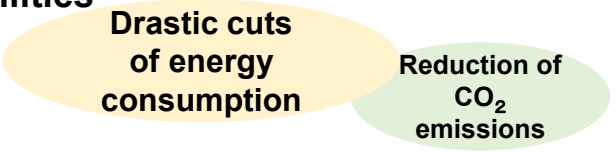
◆ Introduce a highly transparent system for passing on price increases, including a fuel surcharge system and market-linked pricing for varnish.

<Structure of market-linked varnish pricing>



◆ Transfer part of production of general-purpose magnet wires to partner companies to concentrate resources on automotive products

◆ Prepare for recovering xEV Market demand by reviewing the manufacturing system and introducing new facilities



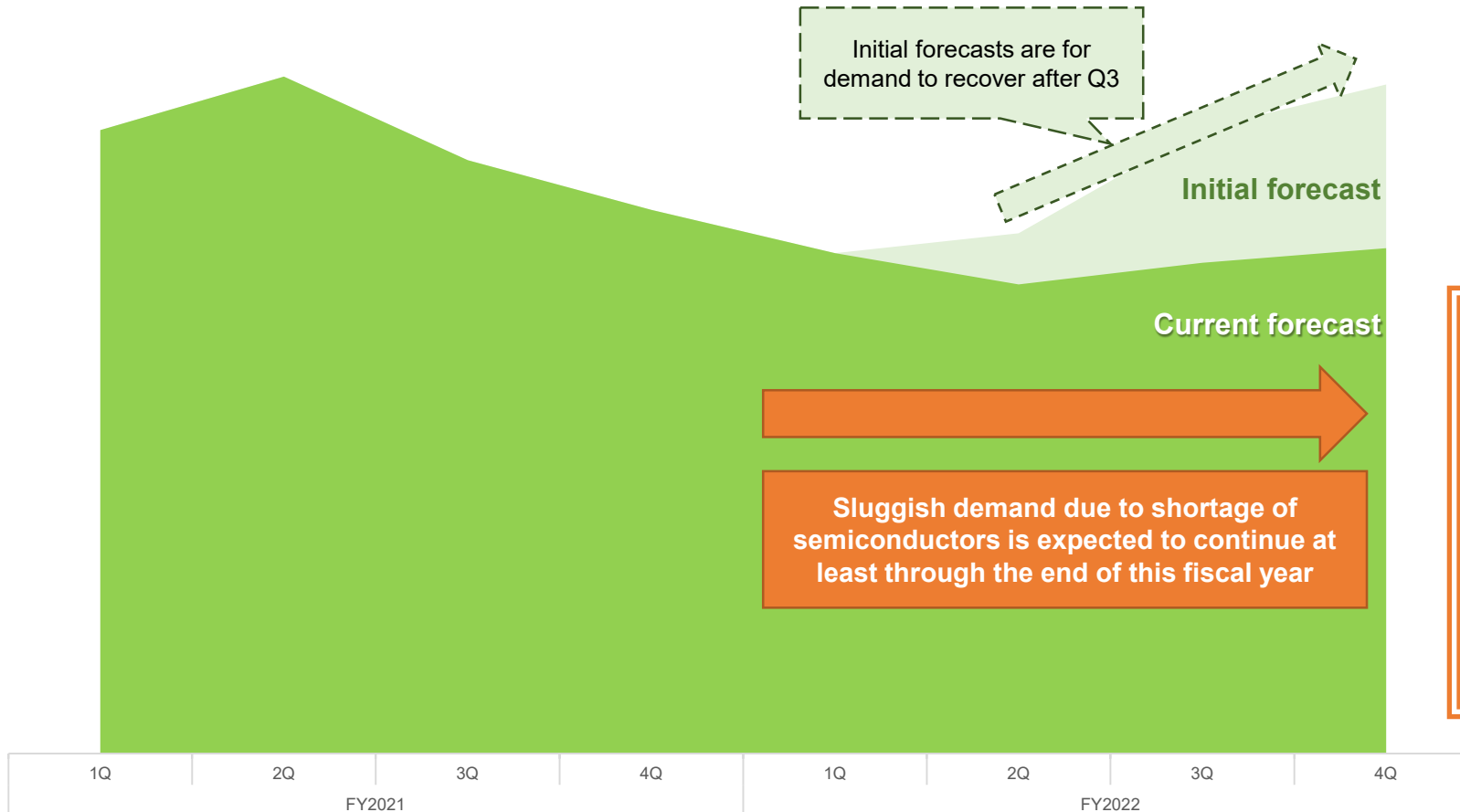
Introduction of energy-saving facilities at Mie Office magnet wires manufacturing lines

**Response to higher raw material prices (Fuel and varnish)**

**All products:** As a countermeasure against soaring energy costs for production, introduced an industry-leading surcharge system to pass on selling prices. Established a transparent pricing system for customers.  
**Enameled wire:** Introduction of market-linked pricing for varnish.

# Electronic Equipment and Components Business Automotive Production Reduction Expected

## Trends in sales volume of high-performance wire rods for automobiles (our forecast)



### Our response

Focus on increasing production of high-performance wire rods to prepare for demand recovery in next fiscal year and beyond.

### Investment to strengthen MiDIP®

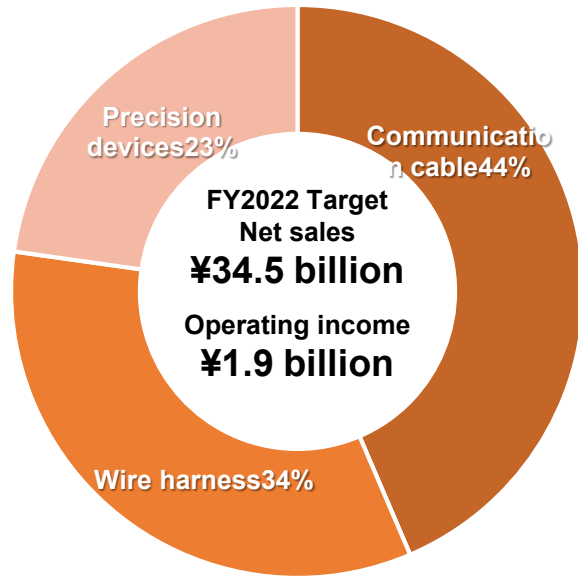
Production: Increase by 50% compared to FY2020

### Investment to strengthen heater wire line

Production capacity: Increase by 35% from FY2020



# Communication and Industrial Devices Business Initiatives for the Second Half to Achieve the Full-year Targets



**Market**

- Recovering demand in the Chinese consumer electronics market
- Increased investment in telecommunication infrastructure

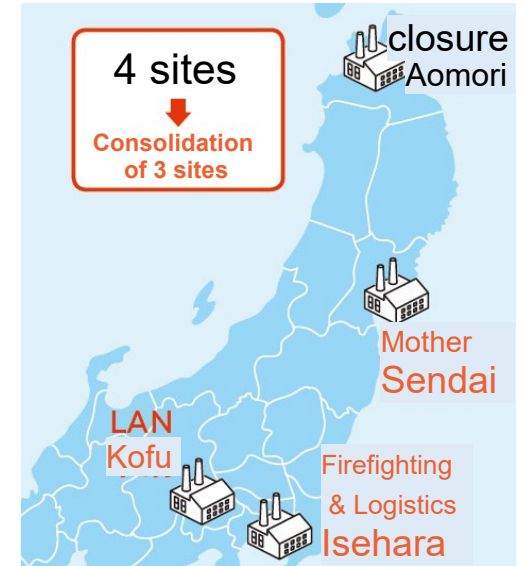
**Risks**

- Soaring material costs
- Resumption of lockdown

## ◆ Reorganization of domestic bases in communication cables business

- Clarify concepts at 3 bases and improve productivity by reducing materials and product transportation costs

Clarify the function of each of the following bases to improve productivity by reducing material and product transportation costs, etc.  
**Isehara Plant:** Production and shipping of fire-fighting cables  
**Sendai Plant:** Mother plant for optical cables and metal communication cables  
**Kofu Plant:** LAN cable business with a view to increasing production of new product Cat.6A



## ◆ Out of supply chain disruption in wire harnesses business

- Proposal of alternative terminals and securing domestic terminals
- Reduction of expenses due to out of the disruption (reduction of outsourced processing costs)

## ◆ Expand sales by capturing recovering demand in precision devices business

- Build a production system for vertical start-up

**Response to higher raw material prices**  
 (Copper, production costs, other secondary materials)

**Communication Cables Business:** Price revisions due to soaring sub-material prices by expanding the range of products covered

**Wire Harnesses Business:** Price slides for both copper and foreign exchange

**Precision Device Business:** Price slides for both material and production costs

## 2. Growth Strategies by Segment to Achieve the Medium-term Management Plan

# Energy and Infrastructure Business: Growth Strategies①

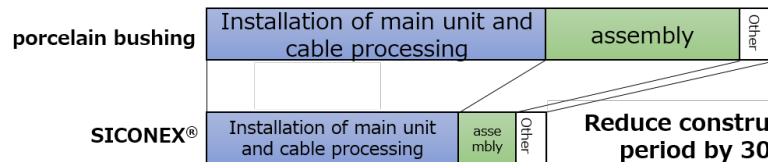
## Outline of SICOPLUS® Strategy

**SICOPLUS®: Cable/construction/maintenance solutions centered on strategic product SICONEX® (components)**

### Products

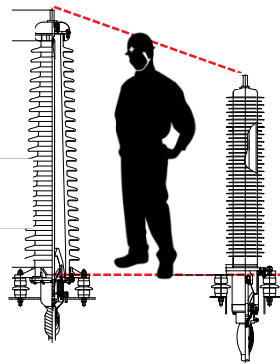
#### De facto standardization strategy for SICONEX®

[ Comparison of Work Process ]



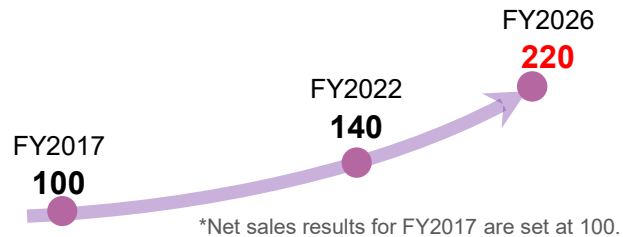
Reduce construction period by 30%

[Size comparison]



- Lightweight/compact
- Shortening of construction time
- Aim to expand market share by leveraging product advantages such as simplified joint design.

#### SICONEX Net Sales Growth Plan\*



Production capacity to increase by 2 billion in FY2023: 1.5 times

### People

#### Local production for local consumption type Cloud-based human resources strategy



Register the construction personnel learned at this center nationwide in the human resources bank to secure the personnel of cooperating companies and local construction companies nationwide.

# Energy and Infrastructure Business: Growth Strategies②

## SICOPLUS® Strategy Business Roadmap

### Skillless connection method



Realizing labor-saving and skill-less connection work  
From 2020

### Construction using robots

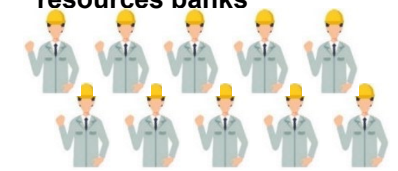


Our unique new construction method reduces construction time to 1/7 and construction cost to half.  
From 2022

Local production for local consumption type  
Cloud-based human resources strategy

Sharing the personnel trained at the Construction Personnel Development Center and conducting construction nationwide

### SICOPLUS® human resources banks



From 2023

### Promote de facto standards



Expand market share by leveraging product advantages

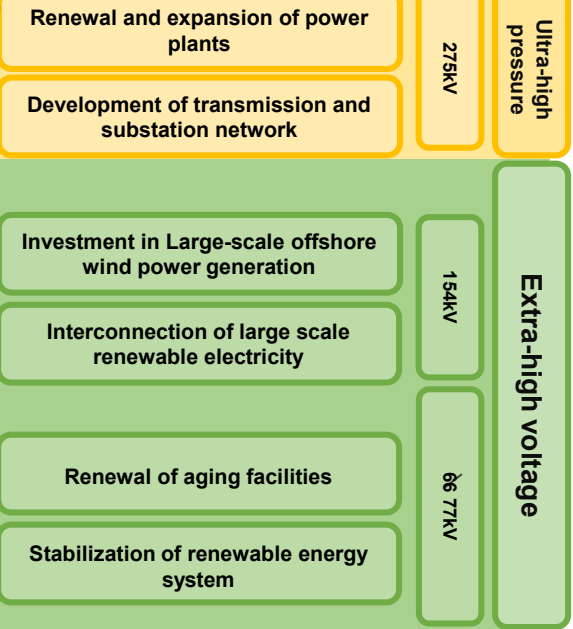
### Establishment of Construction Personnel Development Center



Securing excellent human resources and building a program for early training of construction engineers

2021 Year ~

Compared to FY2020  
Approx. 3 times



(Period of the Medium-Term Management Plan)  
CAGR of Electric Power Market :5-10%  
Aiming for our net sales CAGR of 12%

Net sales  
Construction personnel

2020 2021 2022 2023 2024 2025 2026 ~2030



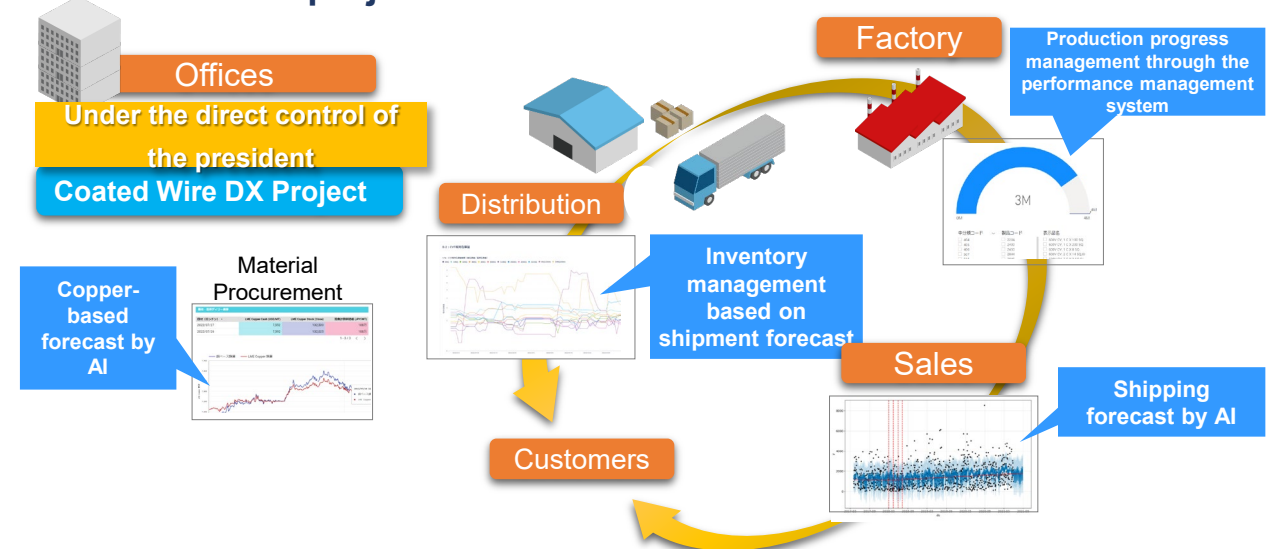
# Energy and Infrastructure Business: Growth Strategies③

## Improve Profitability by Restructuring with New SFCC ROIC

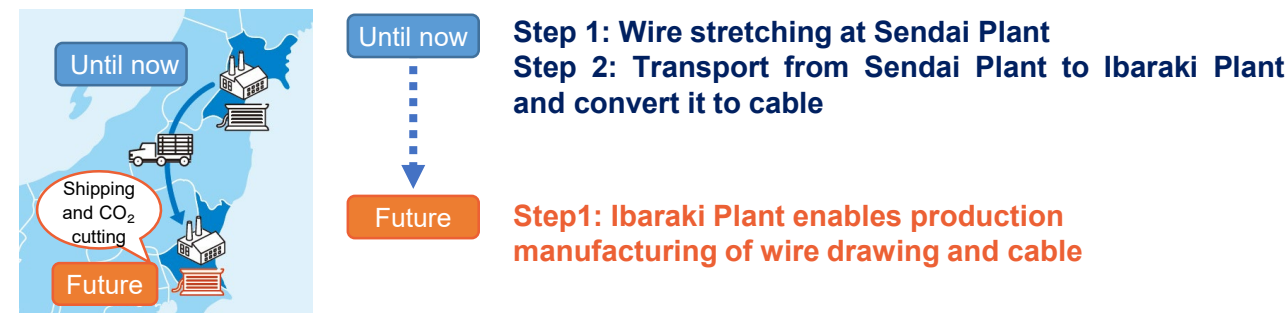
### 3 Measures for the New SFCC

1. Improve gross profit by improving customer convenience and service
2. Build a demand-linked production and supply system
3. Improve business processing by utilizing AI and data

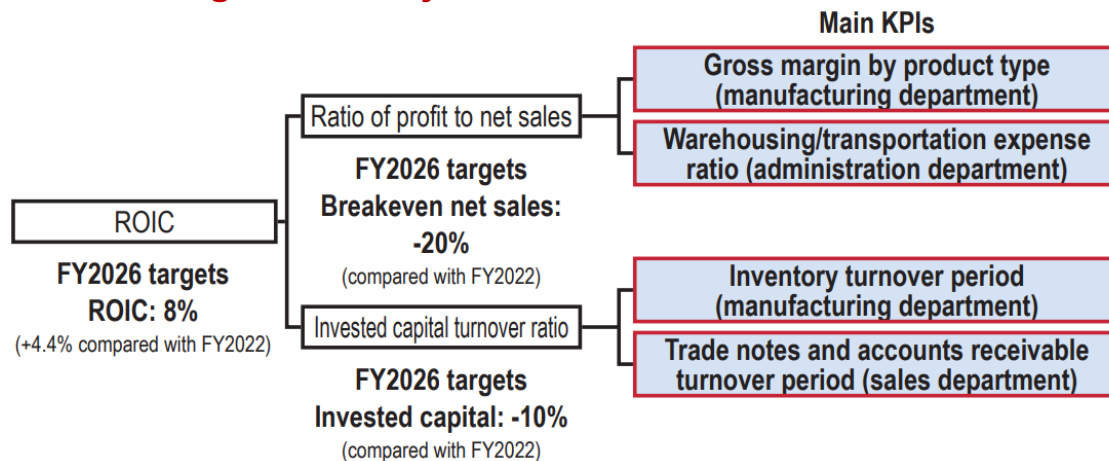
◆ Construct a demand-linked production/supply system through a coated wire DX project.



◆ Reduce costs (transportation costs, etc.) by improving production capacity at the Ibaraki Plant



### <ROIC Targets and Major KPI>





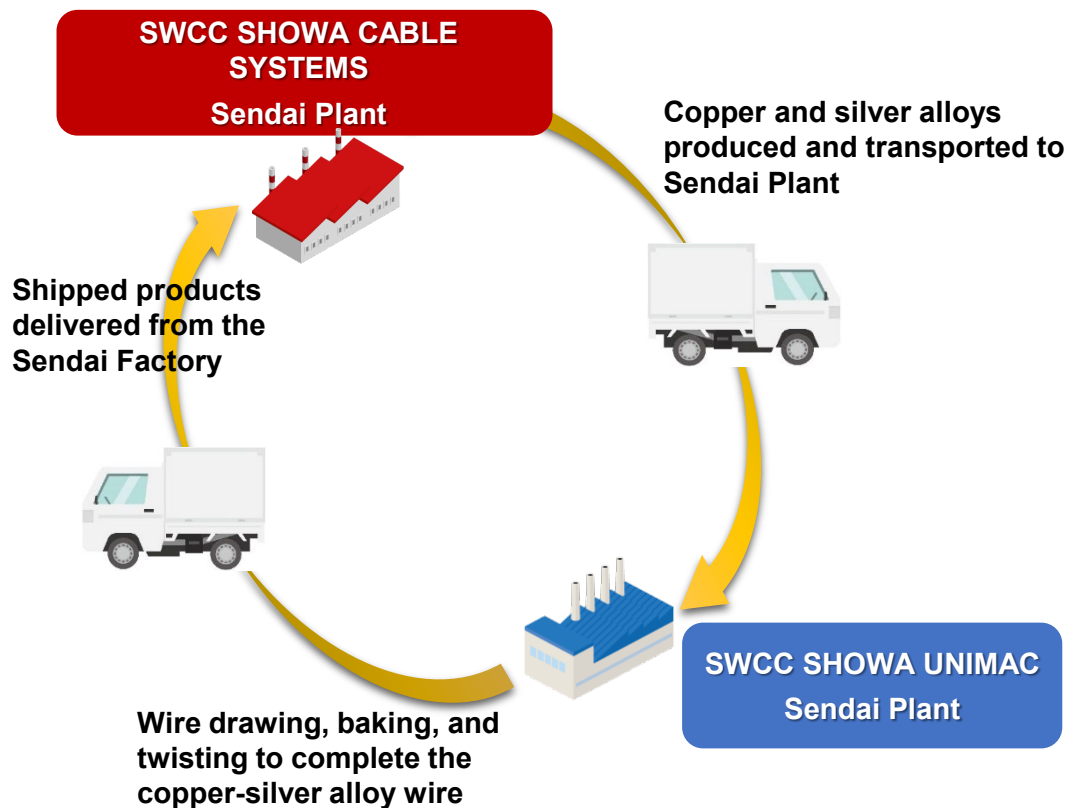
# Electronic Equipment and Components Business: Growth Strategies①

## Establishment of Integrated Heater Wire Production System at Sendai Plant

Improve production efficiency of high-value-added products to achieve targets in the final year of the medium-term management plan through structural reforms.

**Until now**

Production at 2 bases, the Sendai Plant and the Sendai Plant



**Future**

Improve production efficiency by reducing transportation costs and inventories through integrated production at the Sendai Plant



Transfer of twisting facilities to Sendai Office from August of this year

In the future, we expect a **30% reduction in work-in-process and product inventories** from the integrated production of heater lines at the Sendai Plant only.



[As of May 2022]

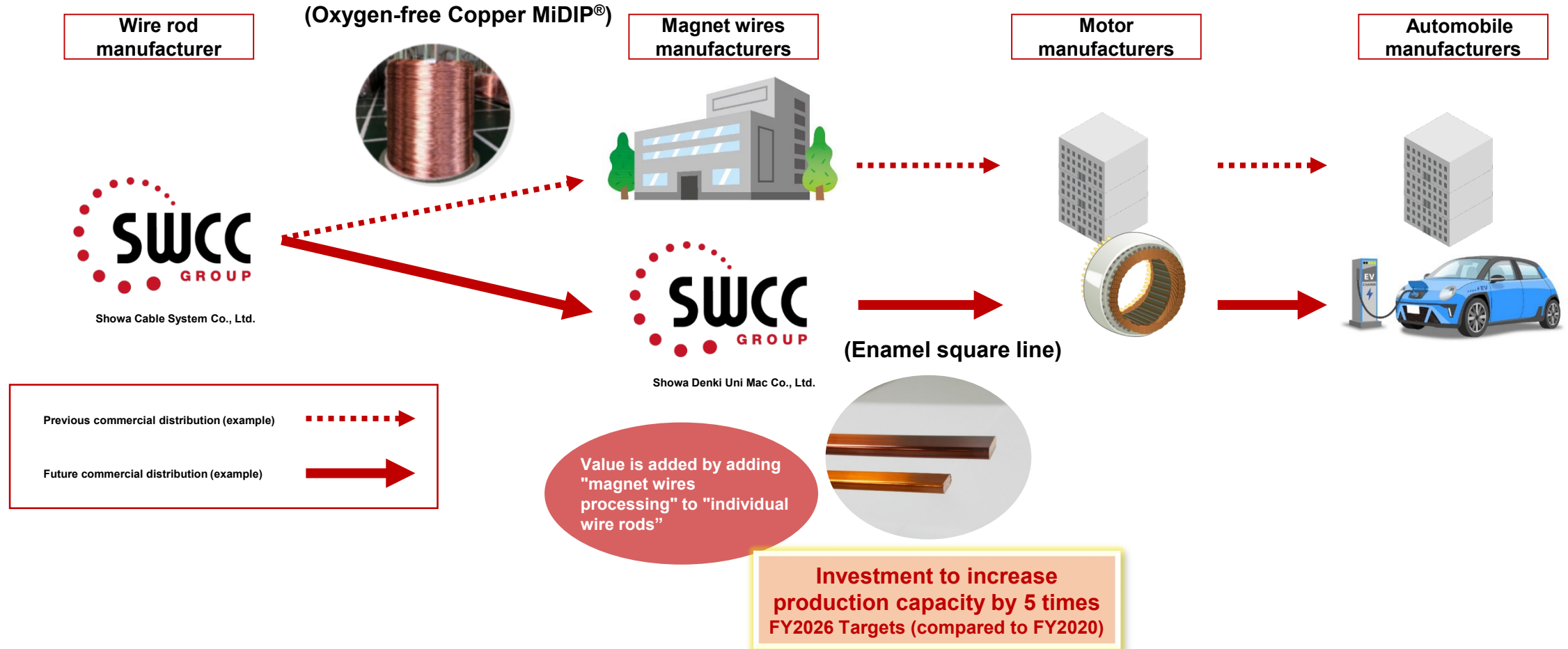


[As of September 2022]

# Electronic Equipment and Components Business: Growth Strategies②

## Commercial Distribution Reforms to Improve Profit Margins

Take a step shift from the delivery of wire materials to a commercial distribution system that delivers products with a high degree of processing. Reform the commercial distribution to improve profit margins.

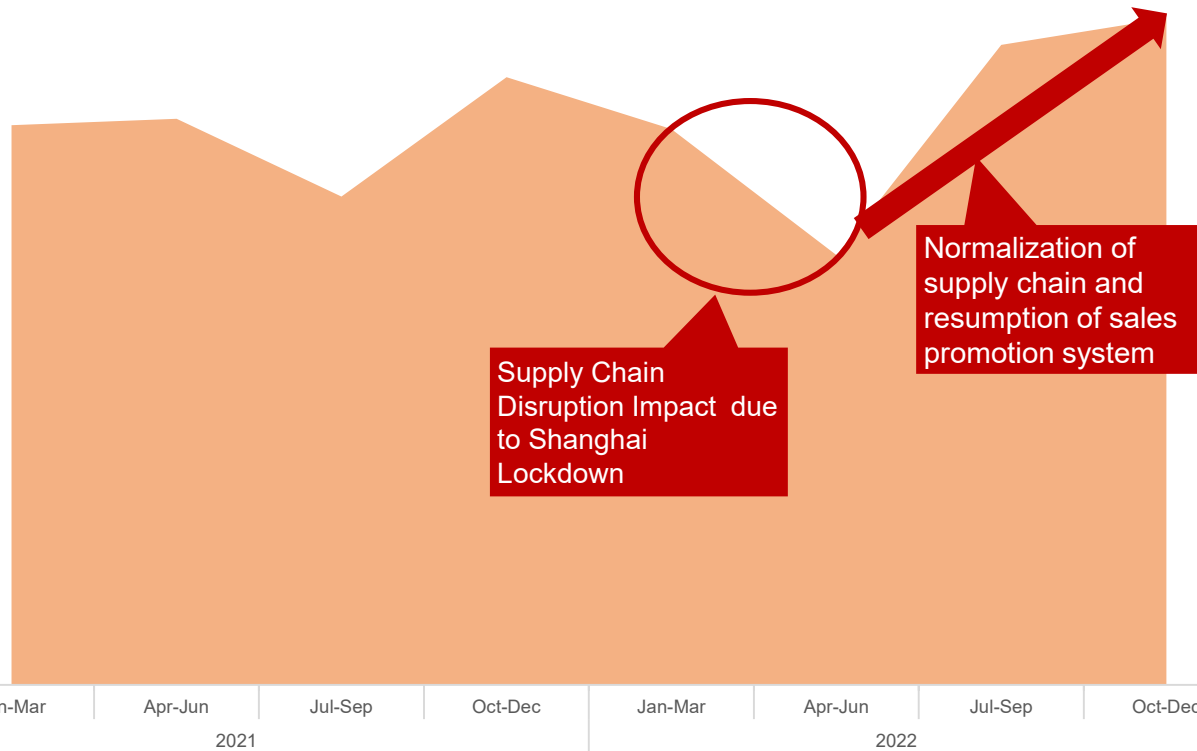


# Communication and Industrial Devices Business: Growth Strategies①

## Capture Recovering Demand in the China Consumer Electronics Market by Operating Jiaxing Plant at Full Capacity

Despite being affected by the Shanghai Lockdown, the plant's operating rate recovered from June onward. Strengthen production systems to capture demand.

### Jiaxing Plant Operations and 2H Forecast



Wire harnesses China Jiaxing Plant



Building area  
Approx. 35 thousandm<sup>2</sup>

**Sales forecast for the entire wire harnesses**  
Approx. 10.5 billion yen in FY2020 ⇒  
Approx. 18 billion yen in FY2023

#### Installation of photovoltaic power generation with PPA model

Solar panels were introduced on the rooftop in October this year.  
It is expected to cover about 40% of the annual electricity consumption.  
In addition to reducing annual CO2 emissions by 728 tons, a significant reduction in electricity bills and a reduction in the impact of restrictions on electricity use can be expected.



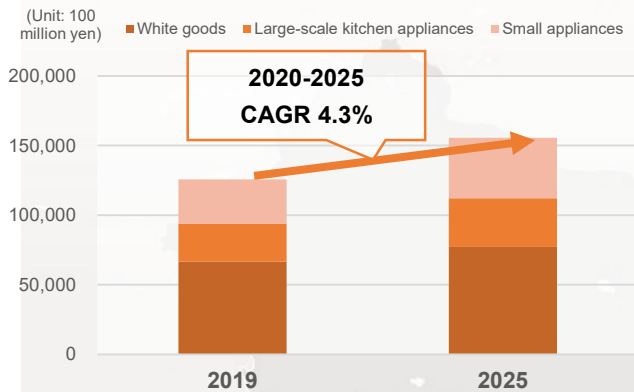


# Communication and Industrial Devices Business: Growth Strategies②

## Measures for Overseas Strategies and Geopolitical Risks

Implement measures to respond to geopolitical Risks by developing overseas strategies tailored to the nature of our business.

Chinese Market: CAGR for consumer electronics



Source: Prepared by company from various Market reports

Increase replacement demand due to population and income increase

SWCC SHOWA (VIETNAM) CO., LTD  
(Roller Plant)

Hanoi

Dongguan Showa Interconnect products Co., Ltd.  
(Wire Harnesses Plant)

Hunyen

SWCC SHOWA VIETNAM INTERCONNECT PRODUCTS CO., LTD.  
(Wire Harnesses Plant)

Tsunaki Corporation

Dongguan

Fukukiyo

Kako Corporation

Fuqing Showa Precision Electronics Co., Ltd.  
(Roller Plant)

Shanghai

Jiaying

Jiaying Showa Interconnect products (Wire Harnesses Plant)

SWCC Showa (Shanghai) Co., Ltd.  
(Trading companies, Overseas management)

### ◆ Basic Strategy

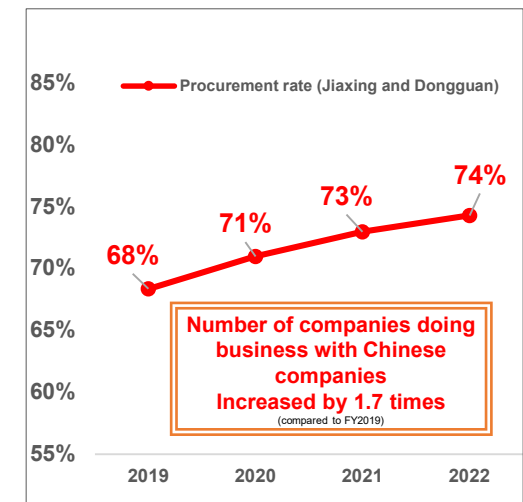
- Wire harnesses and precision devices (Rolla) will promote local production for local consumption at overseas bases to capture the expanding demand for white goods Market and office equipment
- Enhance local control functions and build a system that can respond swiftly to geopolitical Risks

### ◆ Major Geopolitical Risks

- Logistics disruptions, exchange rate fluctuations, and soaring material costs due to the corona disaster and the situation in Russia and Ukraine
- Possibility of regional lockdown by China "Zero-COVID Policy"

### ◆ Measures










- Promote diversification of manufacturing bases (Major 2 bases in China and Vietnam)
- Improve local procurement rates and reducing the impact of supply chain disruptions by strengthening multiple purchasing
- Reinforce the Vietnam base in wire harnesses
- Pass through prices
- Just-in-case inventory



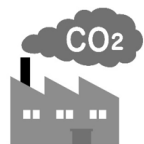
## 3.Sustainability Strategy

# Materiality

Identify priorities that have a major impact on both us and our stakeholders, and formulate specific action policies, indicators, and KPI for each theme.  
Important issues will be reviewed regularly, and progress will be disclosed regarding targets.

[Category] Theme	Course of action	Indicator and KPI	Target <year achieved>	
[Technology] Creating Our future	  <p>pread sustainable clean energy through superior technology and innovation</p>	Sales ratio of products related to xEV (electric vehicles)	20% or more <FY2026>	
		In-house introduction rate of renewable energy	30% or more <FY2025>	
	<p>reate resilient infrastructure for the future society</p>	CAGR (compound annual growth rate) of SICONEX® products	12% <FY2022 to FY2026>	
		Number of patent applications related to SDGs goals 7 and 11	100 or more <FY2026>	
[Environment] Being friendly to Our earth	  <p>educe greenhouse gases through relentless efforts and responses</p>	Greenhouse gas (CO <sub>2</sub> ) emissions (Scope 1 + Scope 2)	45% reduction compared to FY2013 <FY2025>	
		romote the recycling of all resources with the collective strength of the Group	Final disposal rate of waste	50% reduction compared to FY2018 <FY2025>
	se limited water resources effectively	Water usage	20% reduction compared to FY2018 <FY2025>	
[Community] Our partnership to work together	  <p>alue connections and develop alongside local communities</p>	Number of fund/material aids for non-profit organizations, etc. and community contribution activities (other than volunteering)	5% increase from the previous year <every year>	
		ooperate with the value chain in the spirit of empathy, coexistence and co-prosperity	Sustainability Procurement Guidelines questionnaire score	4.5 or higher <FY2026>
[People] Helping Our people shine	  <p>romote the utilization of diverse human resources (Diversity &amp; Inclusion)</p>	Ratio of female executives (section leader positions)	8% (10%) <FY2026>	
		uman resources development for the future	Average hours of training per year per employee	4 times longer than FY2021 <FY2026>
	<p>nprove engagement (create rewarding work and workplaces)</p>	Engagement score	55 or higher <FY2026>	
		Lost time injury frequency rate	0.23 or less every year <every year>	
[Governance] Our Governance for better company	 <p>onitor corporate management</p>	Attendance rate of independent outside directors at Board of Directors meetings and committee meetings	75% or more <every year>	
		rovide 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>	

# Review of CO<sub>2</sub> emission reduction targets



Based on the results so far, we have set an ambitious target for further reducing CO<sub>2</sub> emissions.

CO<sub>2</sub> emission reduction target (Japan: Scope 1 + Scope 2)

Before revision FY2025 target

After review New target for FY2025

CO<sub>2</sub> emission **25% reduction**  
(Base year 2013)

CO<sub>2</sub> emission **45% reduction**  
(Base year 2013)  
Re-energy introduction rate **30%**

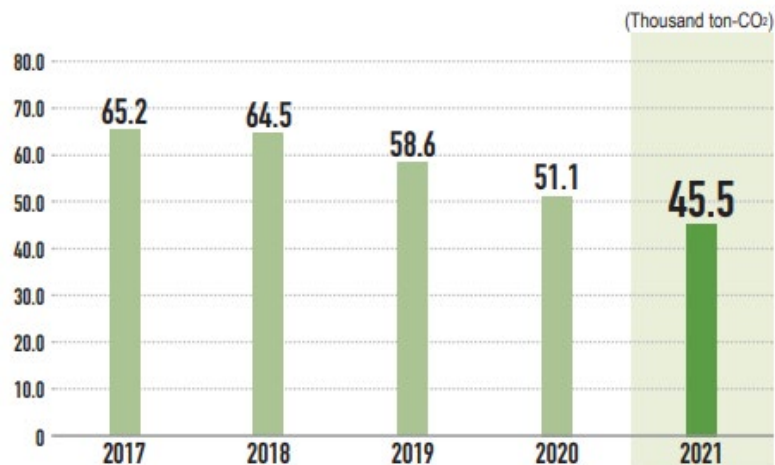
Before revision FY2030 target

After review New target for FY2030

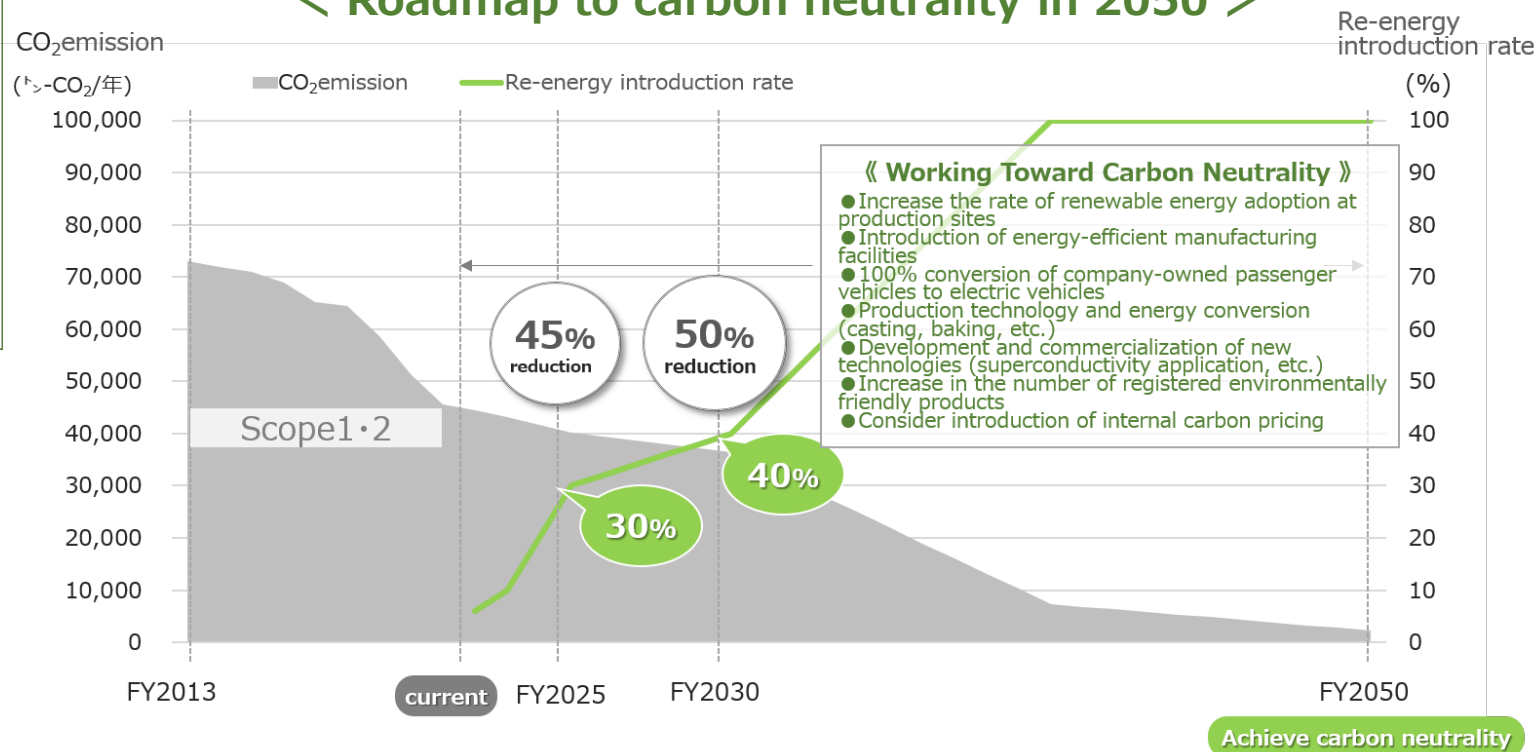
CO<sub>2</sub> emission **35% reduction**  
(Base year 2013)

CO<sub>2</sub> emission **50% reduction**  
(Base year 2013)  
Re-energy introduction rate **40%**

## Greenhouse gas emissions



## < Roadmap to carbon neutrality in 2050 >



# Human Capital Management Initiatives for Sustainable Corporate Value Enhancement

Various types of human capital management based on personnel evaluations according to the abilities and achievements of employees, taking advantage of their diverse personalities.

## Introduction of New Personnel System

Expansion of the ability-based personnel system to all career-track employees. We have also introduced a system to provide opportunities for senior employees who wish to continue working after retirement.

### Transformation into skill and role-based personnel system

Managers

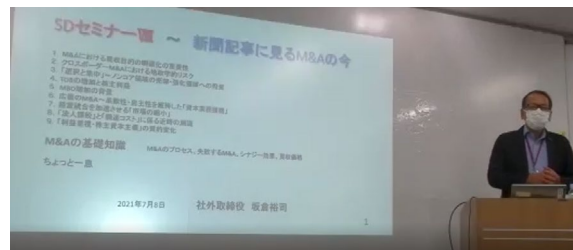
Regular employees  
(Career-track employees)

Senior staff  
(Career-track employees)

## Human Resource Development Initiatives

Operate education and training programs by level based on the idea that the power of the employee is the power of the company.

- Next generation manager education/training
- Next leader training
- Communication exchanges between different industries
- SHOWA DIRECTOR'S seminars
- Education for managers (line managers and field managers)
- Level-based education



SHOWA DIRECTOR'S seminars

## Promotion of Female Employees Activities

In April 2021, a project to promote female employees' activities under the direct control of the president was launched. Accelerate system and educational reforms based on internal surveys.

### Targets for FY2026

8% of managers  
(FY2021 result 4.8%)

10% of managers and above  
(FY2021 result 1.4%)



# HereWeGo203030

### Project Name

It is determined to be "SWCCCarat (carats)" in an internal recruitment. It is filled with the hope that all employees, not just women, will give off their own sparkle.

## Promotion of Health Management

Use the Health and Productivity Management Strategy Map to increase employee engagement and steadily solve our health issues.

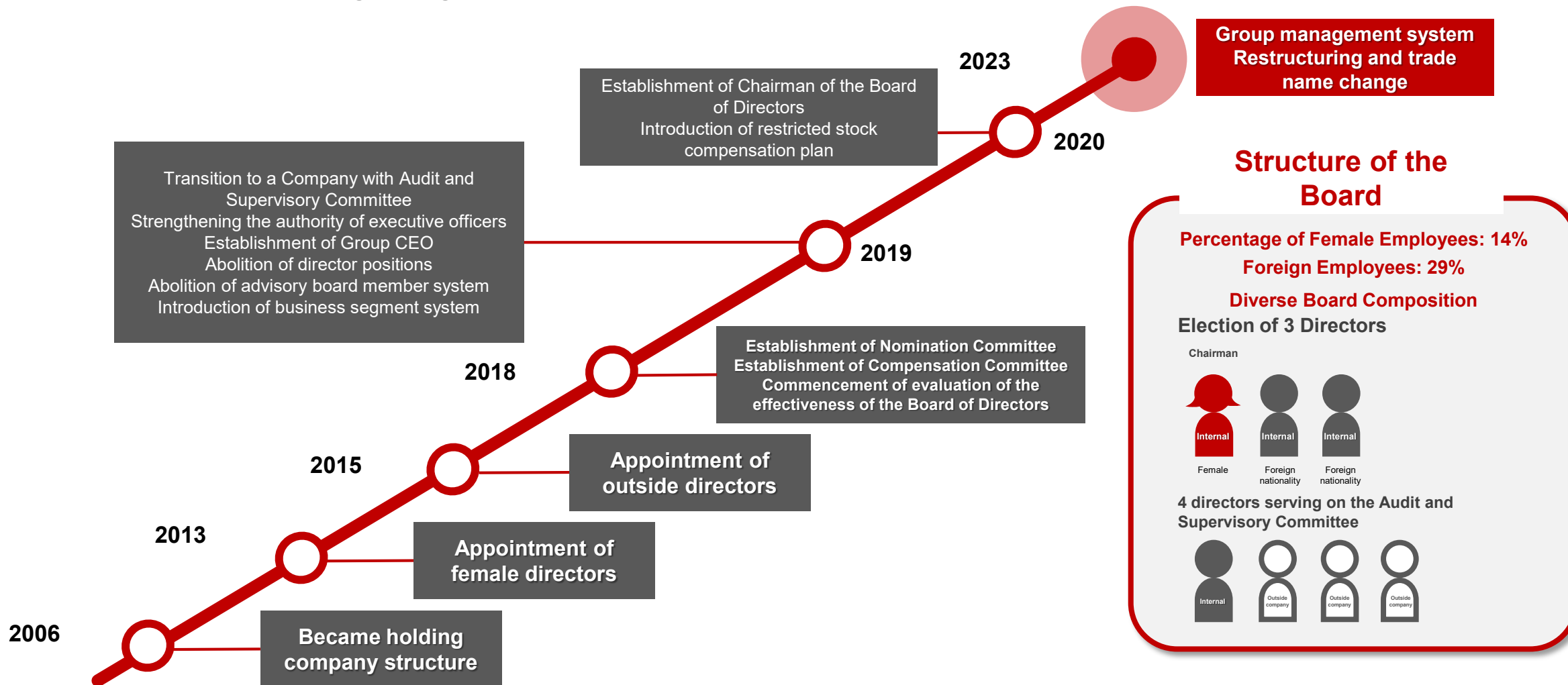
Health investment

Health investment effect

Improve labor productivity and creativity

# Initiatives to Strengthen Governance

Continue efforts to strengthen governance to ensure the effectiveness of reforms.

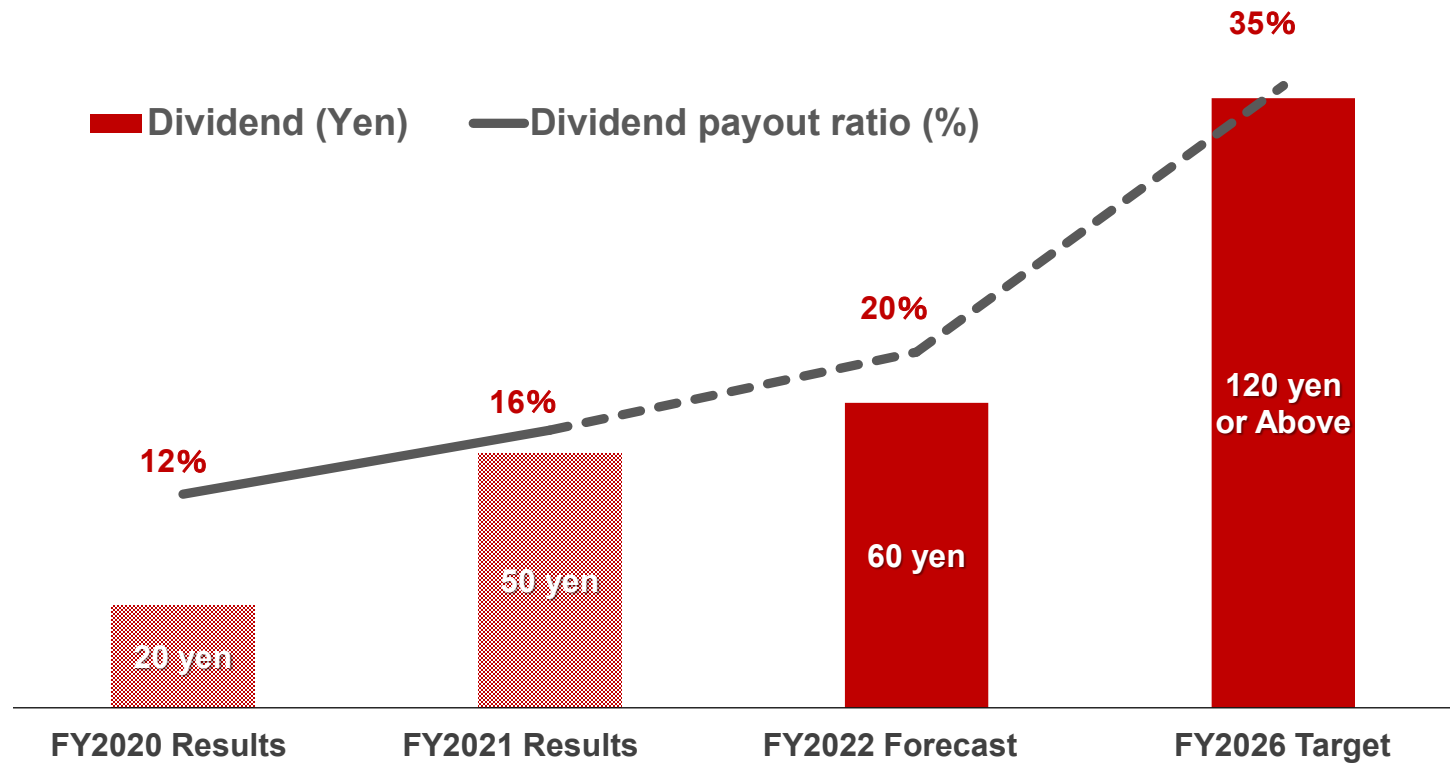


## 4. Shareholder Return Policy

# Shareholder Return Policy

Our policy is to return profits to shareholders while maintaining profitability and financial soundness through the core KPIs outlined in the medium-term management plan "Change & Growth SWCC 2026". At the same time, we will strike a balance with growth-oriented investments.

[Trends in Dividends and Dividend Payout Ratio]



### Core KPIs (FY2026 Targets)

1. Dividend payout ratio: Approx. 35%

2. ROE: 10% or above

3. ROIC: 10% or above



# Appendix

# FY2022 Major Media Informations ①

## ■Energy and Infrastructure business

August 25, 2022 : "SWCC SHOWA CABLE SYSTEMS: Construction of 3 shielded rooms with enhanced inspection capabilities for electric power equipment" (Japan Metal Daily)  
October 10, 2022: "Top Interview: SFCC, President Yukio Kawase: Promotion of New SFCC3 Measures Aiming for ROIC8% by FY2026" (Densen Shimbun)

## ■Communication and Energy and Infrastructure business

April 2022, 2022: SWCC SHOWA HOLDINGS: Employees of subsidiaries/affiliates commended by the Minister of Education, Culture, Sports, Science and Technology (Kanagawa Shimbun)  
September 16, 2022: "SWCC SHOWA HOLDINGS: Rationalization Copper Wire Business, Consolidating Manufacturing into Shin-Etsu Electric Wire" (Denki Shimbun)  
September 29, 2022: "Develop high-performance copper alloys using AI techniques. SWCC CS-AIST" (The Chemical Daily)

## ■Electronic equipment and components business

April 7, 2022: "The Sendai Plant of the Fuji Electric Line was launched as a result of the reorganization of the SWCC GROUP" (Denpa Shinbunsha)  
On July 4, 2022: "Interview with the expansion into Asia: Review of the system for training locally hired managers; Executive Officer Kiyoshi Ohtake at SWCC SHOWA HOLDINGS" (Jiji Press)  
October 31, 2022: "SWCC SHOWA HOLDINGS: Solar PPA installed at Chinese subsidiary. CO2 annual savings: 728t"(Environmental Business Online)

## ■New businesses

April 21, 2022: "SWCC SHOWA CABLE SYSTEMS: Promoting the Development of Contactless Power Supply Technologies for Medical Use with Tokyo Women's Medical College" (Japan Metal Daily)  
May 23, 2022: "Electronic Materials and Materials Companies: Data-Utilization in a Wide Range of Fields, from Development-to-Business Divisions to Promote DX" (Denpa Shimbun)  
July 4, 2022: "Superconducting transmission : Showa, aiming for commercialization in FY2026, suppression of wire and cable costs" (Nikkei Sangyo Shimbun)  
September 1, 2022: "EC Website Sales: 300 million yen. SWCC SHOWA CABLE SYSTEMS Expand Products and Payments for FY2026" (Nikkan Kogyo Shimbun)

## ■Top managements

August 31, 2022: "My time as Section Manager: Takayo Hasegawa, President and CEO of SWCC SHOWA HOLDINGS: Results are everything. Stay up all night writing papers" (Nikkei)  
On September 7, 2022 "My time as Section Manager: Takayo Hasegawa, President and CEO of SWCC SHOWA HOLDINGS: Crisis of withdrawal from research. Finding a Way Out" (Nikkei)  
September 13, 2022: "Market Beat A 100-year company forged by Market Beat Market. We will break the bonds and improve ROE." (Nikkei)  
September 27, 2022: "Interview with President Hasegawa: Introduction of President Hasegawa's thoughts on women's activities, etc." (Nikkei xwoman)

# FY2022 Major Media Informations ②

◆October 13, 2022

On TV Tokyo's World Business Satellite

The article featured "wireless power transfer while driving," which we are jointly developing with the University of Tokyo and several private companies.

In order to realize a carbon-free society, we will contribute to extending the mileage of EV and improving the convenience of charging.



◆October 21, 2022

DENSEN TV: Renge Ishiyama's Exploration of Electric Cables! Supporting a Sustainable Society" reports on the SDGs initiatives of the Aichi Plant by Ms. Renge Ishiyama, an ambassador of electric wires."

Please take a look at them.



◆Scheduled for renewal around the end of November 2022

Company Research and Analysis Report

We ask Shared Research to prepare a report covering all the information required for investment with the aim of deepening the understanding of our investors.

Please refer to the report, which covers our business activities as well as our most recent trends.

・ Here is the latest report →





Creating for the Future

Forward-looking statements in this document are based on information available at the time of publication and contain potential risks and uncertainties.

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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