

SWCC Group Report

Integrated Report

2020



All for the Trust



Management Philosophy

“The SWCC Group strives to be trusted”

- The SWCC Group will strive to earn the “trust” of our customers through high technology and high quality products and services.
- The SWCC Group will, through healthy business activities, create corporate values that will earn the “trust” of the employees, customers, shareholders and the local community.
- The SWCC Group will, by complying with all applicable rules and regulations and through the prioritization of safety and the regional environment, conduct “trustworthy” activities.

Mission Statement

“Creating for the Future”

The SWCC Group will create new value for a better future.

- We will create products and services that will earn the trust of our customers.
- We will create earth environmentally friendly products.
- We will create corporate values that will earn trust through healthy business activities.

SWCC Group Management Policy

The SWCC Group has established and worked on the following management policies to achieve our management philosophy, “The SWCC Group strives to be trusted.”

1. The SWCC Group shall give top priority to its customers and develop and provide them with products, technology, and services that are beneficial for society, environmentally friendly, good quality, and safety conscious, and contribute to the development of society.
2. The SWCC Group shall comply with all applicable domestic and foreign laws and regulations and act in accordance with social norms based on ethics.
3. The SWCC Group shall create a bright and pleasant working environment and enhance the autonomy and willingness of employees based on respect for human dignity.
4. The SWCC Group shall conduct corporate activities based on fair, transparent, and free competition, and secure appropriate profits.
5. The SWCC Group shall maintain sound and normal relations with politics, government, and the local community.
6. The SWCC Group shall disclose corporate information in a timely and appropriate manner to conduct public relations activities for its shareholders as well as for the public at large, while strictly managing the acquisition, use, and disclosure of information.
7. The SWCC Group shall recognize that working on environmental issues is an essential requirement for corporate activities, and strive to create an affluent and healthy environment.
8. The SWCC Group shall conduct corporate activities in a sensible manner and respond to anti-social forces and organizations with a resolute attitude.
9. The SWCC Group shall, as a member of the international community, strive to conduct corporate activities and contribute to society, while respecting local cultures and practices.



Takayo Hasegawa

President and Group CEO
SWCC Showa Holdings Co., Ltd.

Greetings

We will carry on corporate activities grounded on trust and take on the challenge of further value creation.

Amid constant and drastic changes in the business environment, we at the SWCC Group have been steadily implementing our growth strategy based on the mid-term management plan. Our ideas and current business status, as well as future outlook, are explained in this interview.

<<Acting on the management philosophy and mission statement>>

Focus on trust as a condition for the company to live on

I assumed the position of President in June 2018, and this is my third year in the office. Ever since taking office, I have made it a rule to visit all production sites and offices across the country every year after the Shareholders' Meeting, discuss management policy and business plans with frontline employees, and send them messages. While our business is expected to face difficulties due to the COVID-19 pandemic, my message this year was to return to the management philosophy at difficult times.

Our management philosophy states, "The SWCC Group strives to be trusted," and we have adopted "All for the Trust" as our slogan. In both phrases, the keyword is "trust," which shows our focus on the concept as a condition for the Group to live on.

Electric wires and cables are the main products the SWCC Group manufactures and offers to society. Electric wires and cables are the key parts that support electric power, which is the most important infrastructure essential for people's lives and all industries. The Group serves everyone who uses electric wires and cables, the whole of society. Our responsibility is to be a company that can always be trusted by engaging in healthy business activities and, not to

mention striving to maintain the quality of our products to meet the trust of society.

Not only electric power infrastructure but also seismic isolation products that protect buildings from earthquakes and cable products that support advanced technology in the automobile and medical care fields involve human lives. We are always aware of the great responsibility associated with the production and supply of such products. At the same time, I would like our employees to be proud of the significance of the existence of our business to society.

While maintaining a trusted relationship with society, we need to create new value toward a better future and keep moving forward, instead of staying in the same place. The idea is embodied in our mission statement, "Creating for the Future."

By creating new value through products that contribute to further development of client companies and conservation of the global environment, we intend to enhance our corporate value and share a prosperous future. The statement reflects such a stance of the company, and indicates our willingness to keep evolving to gain further trust in response to the change of times.

As the late Peter Drucker, known as a management guru, said, “Change or die,” we would be following a path to deterioration and not be able to carry on our business if we become complacent and fail to carry out constant reform.

<<Current business environment and overview of fiscal 2019>>

Group management based on business segments

The three pillars of the SWCC Group’s core businesses are construction, communication, and electric power. To take an overview of the current business environment, the construction field is returning to its usual state after the expansion of demand toward the Tokyo Olympic and Paralympic Games, which had been scheduled for 2020. While we continue to expect a certain level of demand for the Group’s electric wires for buildings and seismic isolation products, the challenge lies in how we should reform the business to improve profitability as the demand peaks out.

The electric power field continues to expand, supported by the robust demand for electric power infrastructure associated with promoting national resilience. The Group aims to satisfy the needs for various types of electric wire relevant to the initiatives and strengthen its business model with an eye on the renewable energy interconnection business for decarbonization.

Despite high expectations for the launch of 5G services, demand in the communication field is likely to take time to expand, with the rivalry between the U.S. and China casting a shadow on the market. Meanwhile, society needs to adopt the new normal to prevent the spread of COVID-19, as companies allow employees to work from home, the schedule for implementation of the GIGA School Concept driven forward by the Ministry of Education, Culture, Sports, Science and Technology is moved up, and medical institutions offer telemedicine services. This is where growing needs for the improvement of the communication environment exist. Communication cables and LAN cables manufactured by the Group are expected to serve the purpose in response to the increasing capital investment.

Without being bound by past achievements, we will tap into potential opportunities by broadening our horizon and aiming for products and solutions with greater added value.

Amid the accelerating changes in the business environment, the Group has been working on a variety of internal reforms in recent years to enhance adaptability to changes. The largest of such reforms was the reform of our organizational structure, where the company reorganized vertical reporting lines which had been based on product lines. Since fiscal 2019, they have been based on the business segments of energy and infrastructure, communication and industrial devices, electrical equipment and components, and new business operations. At the same time, new organizational structures based on business segments were introduced in 20 subsidiaries as well. Establishing vertical reporting lines in all companies and shifting from a group management structure centered around each company to that based on business segments have enabled us to create a highly flexible organization and realize more efficient and unified business operation. Head office departments were also strengthened to horizontally manage the business segments. As a result, our consolidated operating results for fiscal 2019 saw a substantially greater increase in profit than planned at the beginning of the term, despite a decrease in net sales due to the fall in copper prices. Robust performance of the energy and infrastructure operations and improved profitability of the communication and industrial devices operations contributed to the increase.

In addition to the improvement in operational efficiency achieved through the internal reforms described above, each and every working-level employee’s understanding of the challenges that lay ahead to achieve profit growth and the fact that they carried out their work from the management’s perspective with an eye on operating income margin and ROIC (return on invested capital) can be considered a driving force for the favorable results.

As part of business portfolio restructuring in fiscal 2019, we acquired 100% ownership of Unimac Ltd. (renamed as SWCC Showa Unimac Ltd. as of October 1, 2019), a joint venture with Fujikura Ltd., through stock acquisition to upgrade the organizational structure in the Group for

Overview of Business Reform in 2019

Energy and Infrastructure Business

- Established a new distributor of general-purpose electric wires for construction through joint investment with Furukawa Electric
- Decided to sell the rubber wire business

Communication and Industrial Device Business

- Transformed the structure of the wire harness business (decision to liquidate Daiji and expansion of business in China)
- Reorganized the sites for precision devices (enhancement of domestic development functions and relocation of production to overseas sites)

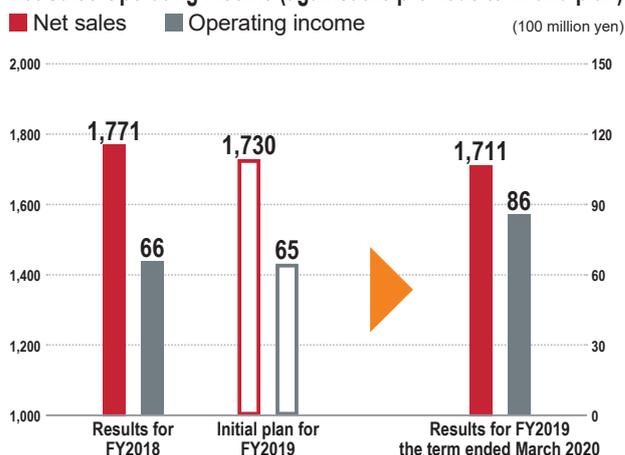
Electric Equipment and Component Business

- Reestablished the organizational structure of the company that deals with magnet wires in response to the shift to environmentally friendly vehicles
- Drove forward improvement of production efficiency in response to increased demand for MiDIP®

New and Other Businesses

- Changed the organizational structure of development departments
- Started building a smart factory utilizing IT
- Enhanced new product development in the healthcare field, where more IT has been introduced

Net Sales/Operating Income (against the previous term and plan)



enhanced profitability of the electrical equipment and components operations. In addition, we established Showa Furukawa Cable Co., Ltd. (began operations on April 1, 2020), a joint venture with Furukawa Electric Co., Ltd., and

<<Progress of the mid-term management plan and future outlook>>

Overcoming the COVID-19 pandemic with the aim of achieving the targets

We achieved the initial profit target set in the current “Change SWCC2022” mid-term management plan ahead of schedule in fiscal 2018, the first year of the plan. Taking into account the transition to a new organizational structure based on business segments, we then formulated a rolling plan starting from fiscal 2019. The basic policy of the plan states, “strengthen profitability of core businesses,” “create new businesses,” and “new development of overseas business.” By implementing the policy, we aim to achieve net sales of 200 billion yen, operating income of 10 billion yen, operating income margin of 5% or over, and ROE of 10% or over in consolidated operating results for fiscal 2022.

As stated above, the results for fiscal 2019 saw a substantially greater increase in profit than planned at the beginning of the term, and our operating income margin has already reached 5%. Despite the successful start toward the achievement of the final year targets, we expect to see a decrease in profits in fiscal 2020, the second year of the rolling plan, in light of the impact of the COVID-19 pandemic. It was extremely difficult to predict how the pandemic would impact the Group’s business. While it has a large impact on the construction field with delays in construction works on the frontline and cutting back and review of investment plans, the

laid the foundation for future business expansion by merging and expanding sales departments in charge of general-purpose electric wires for the construction and electrical appliances markets.

impact on the communication field is relatively small. Nevertheless, some products, such as those for copiers, are likely to be affected due to temporary disruption of overseas customers’ supply chains. In fiscal 2020, we expect to see an approximately 30% decrease in operating income year on year, based on the assumption that the business will bottom out in the first quarter and gradually recover from the second quarter, but the impact will remain until the fourth quarter.

The Group’s core businesses, however, are highly stable, with the three pillars of construction, communication, and electric power. We believe we can further strengthen profitability by transforming our operations. In addition, temporary decrease in construction demand in fiscal 2020 and subsequent recovery have been incorporated in the plan since the start. While the COVID-19 pandemic has had a negative impact on the current results as opposed to the achievement in fiscal 2019 that was better than expected, we plan to achieve the targets for the final year of the plan by getting back on the recovery track from fiscal 2021 as initially intended.

Meanwhile, cumulative investment from fiscal 2020 to 2022 of 16 billion yen or more, laid out in the plan, will be made as we take the impact of COVID-19 pandemic into consideration. The Group will continue to steadily grow operating cash flow; improve its financial structure by reducing interest-bearing debt, optimizing the DE ratio, and increasing the equity ratio; and make necessary investment for growth to achieve results.

During the remaining three years of the mid-term management plan, we are determined not only to strengthen

Change SWCC2022 Measures

1 Strengthen profitability of core businesses

- **Business structural reform**
 - ➔ Improve profitability and stabilize production by strengthening domestic production systems
- **Business profitability assessment**
 - ➔ Improve return on invested capital by introducing ROIC management
 - ➔ Deal with low-margin businesses and withdraw from unprofitable businesses
- **Promote centralized purchasing and development purchasing through group procurement**
- **Build Smart Factories utilizing AI and IoT**

2 Create new businesses

- **Create 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

- **Expand the wire harness and electronic wire business and the copper and magnet wire business**
- **Strengthen the Overseas Governance System**

*DX stands for Digital Transformation/Digital Innovation.

Contribute to sustainable development of society through supporting public infrastructures

Mid-Term Management Plan “Change SWCC2022” FY2022 Target

Net sales	Operating income	Operating income margin	ROE
200 billion yen	10 billion yen	5% or over	10% or over

Mid-Term Management Plan Numerical Target (KPI) (100 million yen)

	FY2019 Results	FY2020 Plan	FY2022 Mid-Term Management Plan	VISION 2026
Net sales	1,711	1,620	2,000	2,100
Operating income	86	60	100	150
Ordinary income	78	55	95	150
Net income attributable to owners of parent	54	40	66	100
Operating income margin	5.0%	3.7%	5% or over	7% or over
Dividend/Payout ratio	15 yen (8.2%)	15 yen (11.2%)	50 yen or over (Approx. 20%)	120 yen or over (Approx. 35%)
Interest-bearing debt	423	385	380 or under	300 or under
DE ratio*	107%	90%	70% or under	40% or under
Net assets	400	435	550 or over	800 or over
Equity ratio	32.3%	35.0%	38% or over	50% or over
ROE	14.7%	9.7%	10% or over	10% or over
ROIC	7.3%	5.1%	7% or over	9% or over

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

profitability of core businesses as mentioned above but also to steadily advance initiatives for the next step forward, including overseas relocation of production facilities for wire harnesses and copier parts; enhancement of the

organizational structure of development functions for new businesses, such as those related to mobility; and making the Ibaraki Factory a smart factory initiated and led by young employees.

<<Long-term growth strategy toward FY2026>>

Optimize sales composition to improve income margin

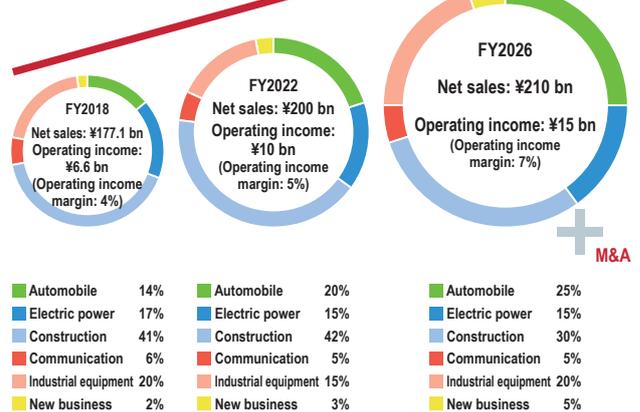
In the mid-term management plan, we set out “SWCC VISION 2026,” a longer term growth strategy toward our 90th anniversary in fiscal 2026. This long-term vision defines the ideal state the Group should achieve by 2026 as “a company that can adapt to the environment and maximize corporate value” and clarifies directions toward the achievement, consisting of MISSION, VISION, and VALUE.

In SWCC VISION 2026, the current mid-term management plan is positioned as the second step for growth through structural reform. The next mid-term management plan for the four years from fiscal 2023 will be the third step toward the realization of stable growth. Under this long-term growth process, we are determined to both fulfill our social mission and achieve stable growth toward fiscal 2026.

Strengthening profitability of core businesses and ensuring a healthy financial structure, which we are currently working on through the mid-term management plan, will be the foundation for stable growth that the long-term vision aims at and will enable us to invest in the expansion into new business fields. Specifically, we focus on the automobile and industrial equipment fields and new businesses. SWCC VISION 2026 aims to achieve net sales of 210 billion yen and operating income of 15 billion yen (operating income margin of 7%) in consolidated operating results for fiscal 2026. In the portfolio of sales composition, we intend to increase the automobile field to 25%, the industrial equipment field to 20%, and new business to 5%.

In the industrial equipment field, our main focus will be on the medical related market, which is expected to expand. There are a lot of medical related businesses the Group would be able to engage in, such as medical robot and disposable

Targeted sales composition by market

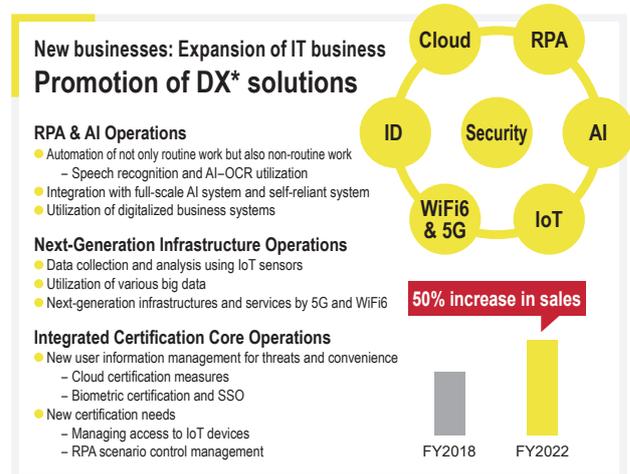
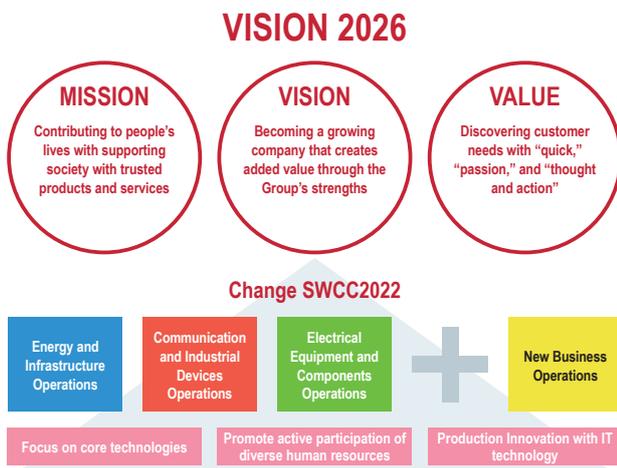


product businesses and introduction of advanced IT and DX to healthcare facilities.

We aim to expand business in the automobile field by taking advantage of processing technologies for oxygen free copper and copper alloy wire, where our strength lies; meeting the demand for in-vehicle products for EVs and hybrid cars; and expanding into downstream areas.

Expansion in the IT field will be the prime focus in new business operations. In cooperation with AXIO Corporation, which offers DX solutions in the Group, we will offer products and services that support a wide range of industries, such as RPA & AI, next-generation infrastructure, and integrated certification core operations.

By increasing the proportion of these fields in sales composition, we aim to reduce relative dependency on the three pillars of our core businesses (electric power, construction, and communication fields), optimize portfolio balance, and improve income margin to achieve operating income of 15 billion yen (operating income margin of 7%).



*DX stands for Digital Transformation/Digital Innovation.

<<Toward the realization of a sustainable society>>

Toward the promotion and strengthening of ESG/CSR management

The SWCC Group established the CSR Promotion Department in 2019 to reinforce the implementation of ESG/CSR management and responses to the SDGs theme, while developing a system to ensure that they are promoted throughout the company.

As for environmental measures, we have promoted environmental management based on the international standard ISO 14001, as our duty as a manufacturer, to implement measures to reduce CO₂ emissions and waste, and save energy and resources. We have newly established our environmental plan “Green Plan 2050” to set medium- to long-term goals. We will manage our environmental indicators toward the achievement of zero environmental impact ultimately in 2050 while taking measures to prevent global warming and making effective use of resources and water resources. Going forward, in the “procurement reform” which is being promoted mainly by the Procurement Division, we plan to go beyond just reducing energy costs and carry out procurement that takes into account our suppliers’ environmental responses.

As for solving social issues and contributing to society, the Group’s business supports electric power infrastructure and thus benefits society greatly. We recognize that fulfilling our responsibilities as a company through the supply of products such as electric wires and cables is the basis of our relationships with society. Our Group’s products also realize various types of social value, directly and indirectly, in the form of supporting our customer companies’ businesses. We will continue to focus our efforts on creating new value, including superconductivity technology currently under research and development, to contribute to affluent living and industrial development.

Within the Group, we try to create a working environment where each employee can make the most of their ability to play an active role and grow together with the company, through the introduction of human resources development programs and new personnel systems, work style reform, and promotion of diversity. These efforts of our Group have won high external acclaim, including acquisition of the “Kurumin certification,” which targets companies that support child-raising, and certification as a “Health & Productivity Management Outstanding Organization 2020 (large enterprise category).”

With regard to strengthening corporate governance, we transitioned to a company with an audit and supervisory committee in 2019 to enhance our governance system. In addition, we are implementing reforms to improve the transparency and soundness of management and the effectiveness of governance, and to contribute to increasing corporate value, including increasing the number of outside directors and establishing the Nominating Committee and the Compensation Committee.

Going forward, we will further develop our ESG/CSR management to contribute to the realization of a sustainable society by linking our business activities to the SDGs themes, identifying materiality (key issues), and other initiatives.



<<Building relationships with stakeholders>>

Taking on the challenge of creating totally new value

The SWCC Group is engaged in corporate activities rooted in “trust” as we provide the world with wires and cables that support electric power infrastructure and seismic isolation products that protect buildings from earthquakes, in line with the management philosophy and mission statement described earlier. Our attitude of living up to that “trust” and contributing to society through our business activities will never change in the future.

However, our efforts go beyond just providing safety and security. We will keep on challenging to create totally new value by transforming ourselves for the future and executing a number of initiatives. And we will continue to exist as a company that can grow, develop, and share future prosperity together with all of our stakeholders. As a manager, I would like to proactively communicate our thinking on such changes both inside and outside the company to convey widely what the SWCC Group is thinking about and what directions we are aiming at.

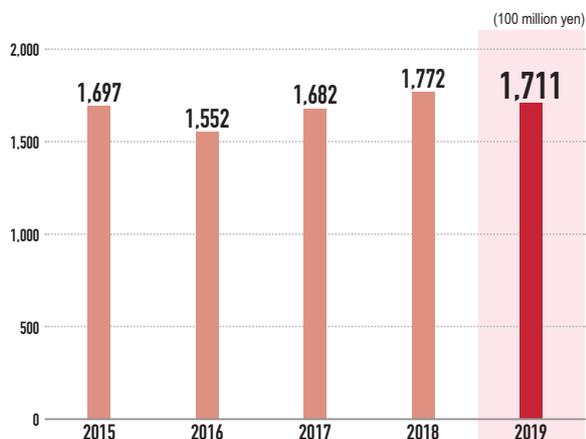
In the past, there were times when our business performance was sluggish and we could not adequately return profits to our shareholders. In our long-term vision “SWCC VISION 2026” and our mid-term management plan “Change SWCC2022,” we have set numerical targets for the amount of annual dividends and dividend payout ratio, and we are committed to increasing the return of profits to our shareholders. We are determined to provide greater social returns through the creation of shared value that simultaneously realize corporate and social values.

I hope that all of our stakeholders will look forward to the future growth of the SWCC Group and will continue to support us for many years to come.

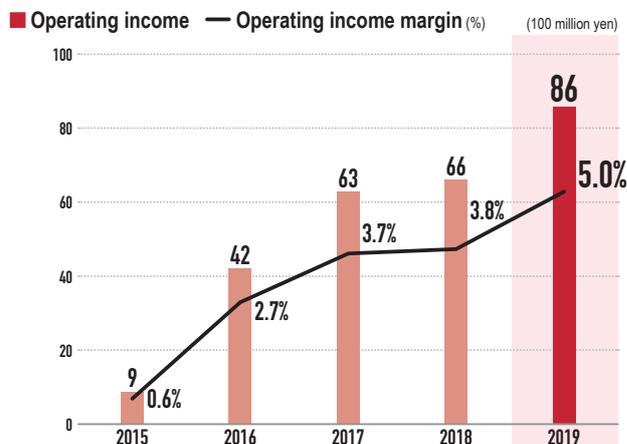
Financial Highlights

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

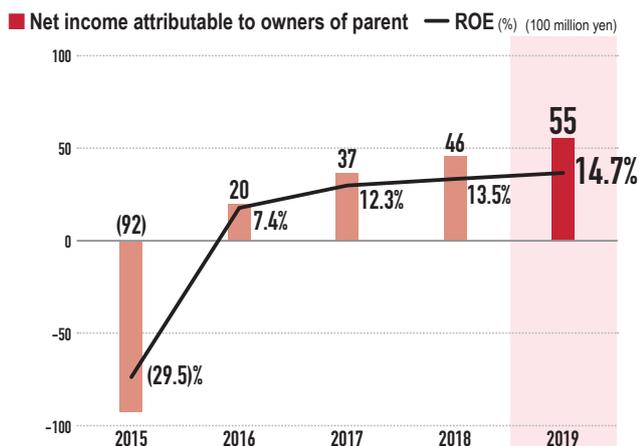
Net sales



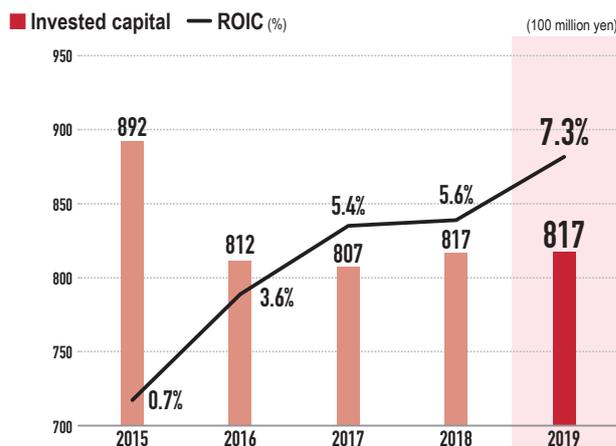
Operating income/Operating income margin



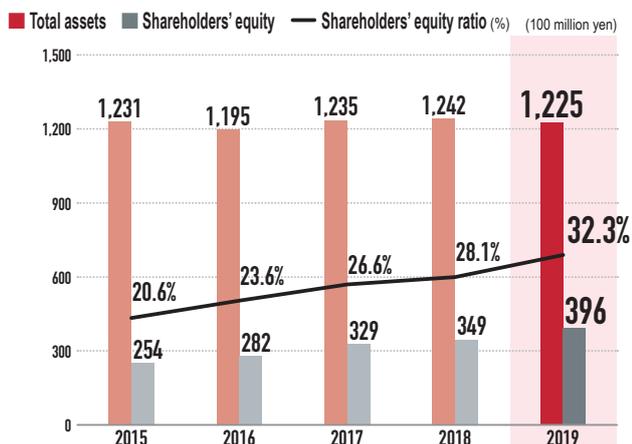
Net income attributable to owners of parent/ROE



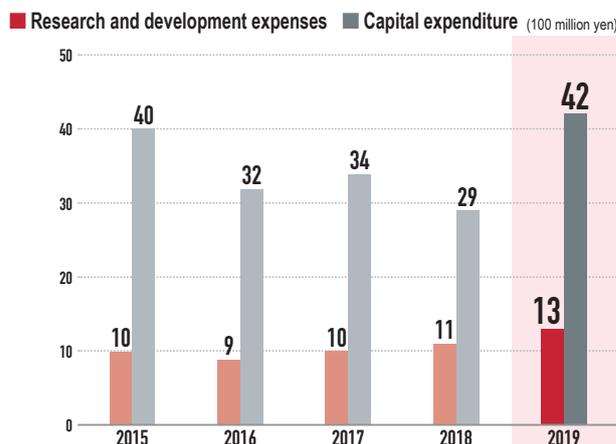
Invested capital/ROIC



Total assets/Shareholders' equity/ Shareholders' equity ratio

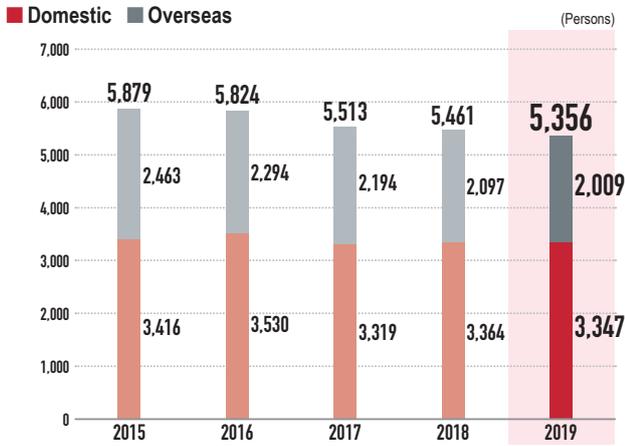


Research and development expenses/ Capital expenditure



Non-financial Highlights

Number of employees



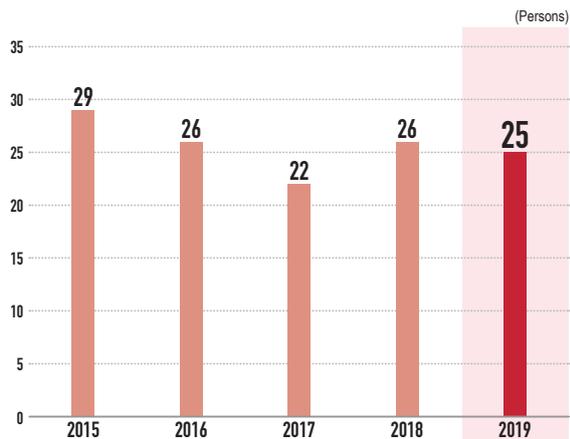
Scope of data: SWCC Showa Holdings Co., Ltd. and its consolidated subsidiaries

Number of female executives



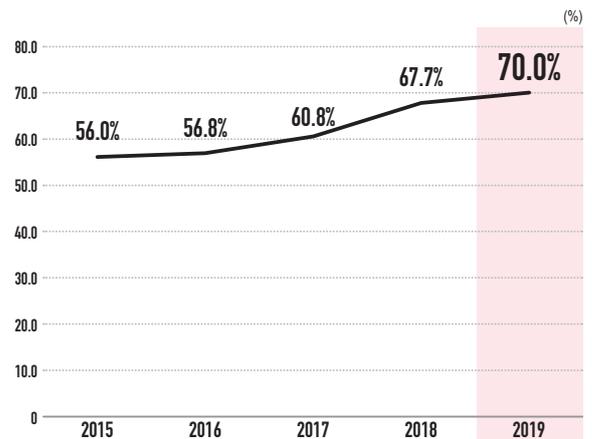
Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

Number of non-Japanese employees (domestic)



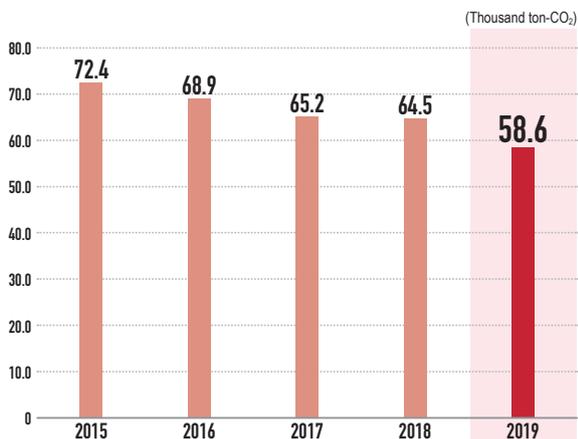
Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

Percentage of annual paid leave taken



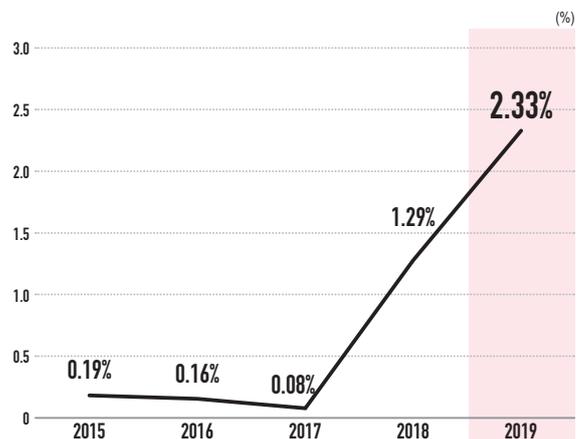
Scope of data: SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd.

Greenhouse gas emissions



Scope of data: Production sites of domestic Group companies

Industrial waste landfill rate



Scope of data: Production sites of domestic Group companies

SWCC Group's Growth Strategy

Energy and Infrastructure Business Segment



Business Overview

Electric power infrastructure field

We provide total solutions for electric power infrastructure system networks, from generation to transmission and distribution of electricity, including power cables and equipment, as well as their installation and maintenance. In particular, in the area of power equipment products, we propose downsizing, reduction of environmental impact, shortening of construction period, and labor saving by capitalizing on the features of SICONEX®, our unique brand, to differentiate ourselves from our competitors and contribute to the stable supply of energy.

Construction wires field

We offer a wide variety of wires and electrical products for construction, from low-voltage general-purpose wires that are essential for electrical wiring inside buildings to fire-resistant cables that supply power to fire prevention equipment in the event of a fire. We provide these products and services in response to our customers' requests by making full use of our nationwide distribution network. In the future, we will continue to meet our customers' needs while promoting business efficiency to respond to the expected decrease in construction demand in the medium- to long term.

Seismic isolation and vibration control field

We offer seismic isolation devices and vibration control products that are necessary to ensure people's safety and minimize damage to buildings and infrastructure networks at large sites in Japan, including skyscrapers, hospitals, and distribution warehouses, in the event of an earthquake. We will continue to contribute to improving urban resilience by leveraging our technologies for vibration control and rubber molding that we have cultivated over the years.

Basic Strategies

Strengthen Profitability of Core Businesses

- In the electric power infrastructure field, we will expand our business by capturing demand for initiatives for building national resilience and widespread use of renewable energy, as well as enhancing our construction capabilities and new technology, with our focus on SICONEX®.
- In the construction wires field, we will strengthen our profitability by increasing our market share and efficiency through the establishment of Showa Furukawa Cable Co., Ltd., a joint venture sales company with Furukawa Electric Co., Ltd.
- We will improve our competitive strength by integrating the fields of seismic isolation and vibration control as well as strengthening partnerships.
- We will shift our management resources to higher-margin businesses through selection and concentration of businesses.

Main Products and Services

- Low-voltage wires and cables
- High-voltage power cables
- Electric power equipment and cable accessories
- Power cable insulation works
- Overhead transmission and distribution lines
- Bus ducts
- Fire-resistant cables
- Seismic isolation devices

Featured Product 1

Direct molded type outdoor termination



Featured Product 2

Seismic isolation devices



Featured Product 3

Fire-proof cables





Communication and Industrial Devices Business Segment

Business Overview

Communication infrastructure field

We provide communication cables and other manufactured products that are indispensable in the information and communication field, where technological innovation is rapidly advancing toward higher speeds and greater capacity. We support the information society that evolves day by day by offering a wide range of products for information and communication networks, from optical cables for long-distance communication between cities to LAN cables for short-distance communication within offices.

Wire harnesses and wires for equipment field

We provide wire harnesses and electronic wires used in the internal wiring for home appliances and other products. These products are important components that are likened to human nerves and blood vessels, and we are expanding our business in the home appliances and electronic equipment markets in China and Southeast Asia, where demand is expected to grow in the future, through joint creation with our customers.

Precision devices field

We mainly offer roller products that are installed in the image fixation unit of office equipment including copiers and printers. Roller products are key parts of the image fixation section. We are expanding our business globally together with our partners at domestic and overseas manufacturing sites by utilizing our new product development capabilities that make full use of the precise processing technology and rubber technology we have cultivated over the years.

Basic Strategies

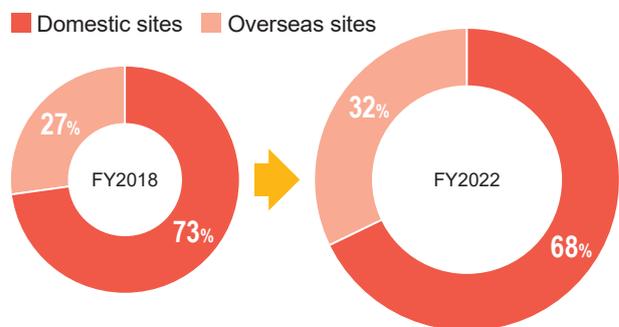
Strengthen Profitability of Core Businesses

- Optimizing our domestic telecommunication cable manufacturing sites and developing and expanding sales of high value-added products
- Improving the efficiency of sites in the wire harnesses field within the Group

New Developments of Overseas Business

- Expanding manufacturing sites for wire harnesses and precision devices (China and Vietnam)
- Establishing a development site in the wire harnesses field
- Strengthening cooperation with partner companies in the precision devices field

Communication and industrial devices net sales ratio by site



Main Products and Services

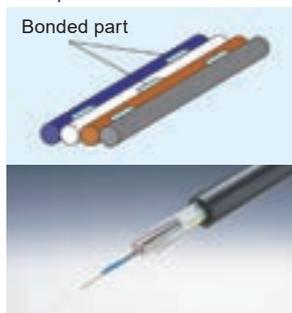
- Optical fiber cables
- Optical connector devices
- Metal communication cables
- Electronic wires and Factory Automation cables
- LAN cables
- Wire harnesses
- Copier rollers and belts

Featured Product 1

Slotless optical fiber cables

Example of 4 fiber rollable-ribbon

Bonded part



Featured Product 2

Bending- and oil-resistant Cat.6A industrial LAN cables



Featured Product 3

Ink supply tubes for inkjet printers

Single core shape



4-core shape



Electrical Equipment and Components Business Segment



Business Overview

Bare wires field

We manufacture conductors used for wires and cables for the infrastructure market and core wires for magnet wires used in automotive parts and electronic devices. We also have the technology to process and manufacture copper-silver alloy wires into ultra-fine sized wires. Copper-silver alloy wires combine the advantages of both silver and copper in terms of high electrical and thermal conductivity. These wires have high strength, high electrical conductivity, and high flexibility, and we are expanding our business in the markets of the automotive and medical care fields with these wires.

Magnet wires field

SWCC Showa Unimac Ltd., a wholly owned subsidiary of SWCC, is expanding its business as the only comprehensive manufacturer of magnet wires in Japan that offers fine to thick sized wires, and supplies products to a wide range of markets including the heavy electrical market, in-vehicle market, and electronic devices market.

The automotive market is expected to experience a rapid shift to environmentally friendly vehicles (hybrids and electric vehicles). Given this backdrop, there is a growing demand for electrification and electronification. In this field, we are working to develop materials that improve heat resistance and to improve quality stabilization manufacturing technology to meet the demand for high-efficiency and high-reliability magnetic wires in the on-vehicle market.

Basic Strategies

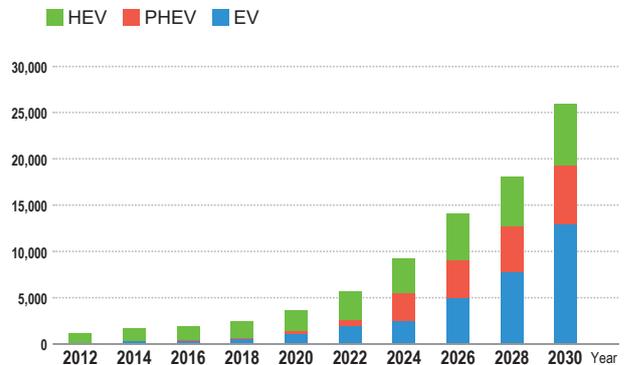
Strengthen Profitability of Core Businesses

- Improve efficiency by restructuring the domestic magnet wire business
- Increase earnings by increasing production of high-grade wire rods and developing high-performance magnet wires to meet the growing in-vehicle demand
- Proactive use of open innovation to develop the downstream strategy of adding processing technology to the high-performance oxygen-free copper MiDIP® and copper alloy wires

New Developments of Overseas Business

- Global development through cooperation with overseas partners
- Commercialization of fine magnet wires using high-grade wire rods (oxygen-free copper and copper alloy wires)

Forecast for annual sales of environmentally friendly vehicles (1,000 cars)



Sources: Created based on our own forecasts using various data

Main Products and Services

- High-performance oxygen-free copper (MiDIP®)
- Fine flat enamelled wires
- Copper-silver alloy wires
- Super heat resistant magnet wires
- Litz wires

Featured Product 1

High-performance oxygen-free copper MiDIP®



Featured Product 2

Fine flat enamelled wires



Featured Product 3

Copper-silver alloy wires

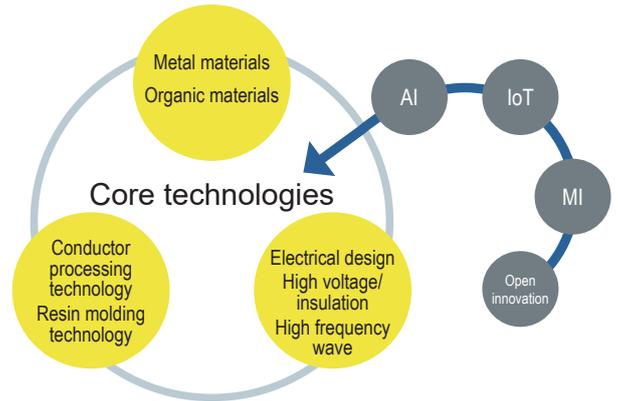




New Business Segment

Business Overview

Since its establishment, the SWCC Group has cultivated core technologies, focusing on the electric wire and cable business, including the materials technologies and metal and resin processing technologies required for electric power and telecommunications infrastructure. We have consistently engaged in the research and development of superconductivity technology which is already in practical use in medical MRIs and other applications. At the moment, with the practical application of 5G communications and the widespread use of compact and high-performance sensors, the mobility field, including automobiles, the smart industry field with a focus on factory automation, and the smart infrastructure field are entering a period of major change. We will capture the needs for these technological innovations and speedily propose solutions to support a more comfortable, safe, and secure lifestyle by utilizing recently developed AI and IoT technologies. At the same time, we aim to develop the core competencies of the SWCC Group through these activities.



Basic Strategies

Mobility field

With the advancement of automated and connected driving, the amount of in-vehicle sensors is increasing, and the amount of wire harnesses used is also on the rise. We develop and propose thin and high-strength alloy wires and high-speed communication cables for processing sensor signals at high speed and without delay to meet the needs for lighter and thinner wire harnesses and high-speed communication.

Smart industry field

We are considering providing wiring materials that support high-speed and large-capacity networks that are indispensable for telemedicine and medical information systems, and for high-definition medical imaging systems used in operating rooms that are becoming more sophisticated with 4K/8K resolution. In addition, we are developing technologies for products required for robotic medical care, robotic nursing care, and advanced medical equipment to realize next-generation healthcare.

Mobility



Automobiles (EV), railway vehicles, bicycles, drones, unmanned transport

Smart infrastructure



5G, data centers, energy systems, superconductivity

Smart industry



Industrial, medical, office equipment

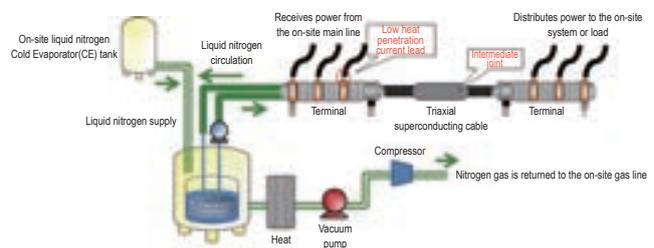
Automotive high-speed communication cables



Superconducting application systems



Triaxial superconducting cables



11 kV class triaxial superconducting cable system applicable to in-plant power distribution

SWCC Group's CSR Efforts

CSR Basic Policy

On the axis of “trust” stated in our management philosophy, we aim to realize a sustainable society and improve corporate value based on our accumulated technologies and experience in the business.

Solutions for Social Problems

We at the SWCC Group state as the first item of the management policy, “The SWCC Group shall give top priority to its customers and provide them with products that are beneficial for society, environmentally friendly, good quality and safety conscious, and contribute to the development of society.” Accordingly, we are contributing to solving social challenges through our business activities to boldly achieve our social mission.

The SWCC Group links the CSR policy to the 17 SDGs and rolls out a variety of initiatives to contribute to sustainable development of the environment and society through business activities.

ESG	7 Core Subjects of ISO 26000	CSR Basic Policy (Priorities)	CSR Policy in the Mid-Term Management Plan	
E (Environment)	Environment	Contribution to environmental protection and sustainable social development through business activities	Achievement of targets based on the Group's voluntary environmental action plan	
		Reduction of CO ₂ and VOC emissions		
		Effective utilization of resources		
		Promotion of environmentally friendly product development and commercialization		Expansion of environmentally friendly products and contribution to society through products
		Action for biodiversity		Expansion of action for biodiversity
S (Social)	Human rights		Promoting diversity to incorporate various perspectives	
	Labor practices	Promotion of employee work-life balance and creation of a comfortable working environment	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	
			Continuously improve productivity by automating operations and saving labor	
	Consumer issues	Continuous improvement of the effectiveness of the quality management system	Promotion of safety and hygiene activities	Promotion of proactive safety measures and elimination of occupational accidents
				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	
G (Governance)	Community involvement and development	Contribution to environmental protection and sustainable social development through business activities	Continuation and expansion of activities to actively engage with local communities and become a reliable manufacturer	
	Fair operating practices	Maintenance of and emphasis on good communication with stakeholders	Communication with clients through CSR Procurement Guidelines	
			Appropriate disclosure of financial information and enhancement of disclosure of non-financial information	
	Organizational governance	Thorough compliance		Thorough legal compliance and strengthening of monitoring functions
		Strengthening of cyber security measures		Establishment and operation of a cyber security system
		Management and reduction of critical risks in business activities		Risk reduction activities and improving effectiveness through business continuity management (BCM)
Improvement in transparency through information disclosure			Continued compliance with the Corporate Governance Code and improvement of its effectiveness	
			Establishment of Information Disclosure Guidelines and information disclosure	

Identification of Priority Issues

The SWCC Group sets annual targets based on the CSR policy and evaluates the level of achievement for each fiscal year.

In fiscal 2020, we will engage in CSR activities by identifying priority issues from among the items with higher priority in societal demand and our own targets.

The SWCC Group is a registered Kanagawa SDGs Partner.



Numbers in the table indicate 169 targets of the SDGs. <<Level of achievement>> ○: Achieved △: Partially achieved

Relevance to SDGs																	Level of achievement in FY2019
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	
										11.6							○
											12.4	13.2					○
					6.4						12.2						△
						7.2		9.4			12.5						○
											12.5		14.1	15.3	15.4		○
																	○
				4.7	5.4			8.5	10.3								○
																	○
																	○
				3.8				8.5									△
									9.4		12.8						○
																	○
						7.1		9.1	9.5	11.3							○
												12.4					○
																	○
															16.6	17.17	○
															16.4		○
															16.5		○
															16.4		○
													13.1		16.6		○
															16.7		○
															16.6		○
															16.7		○

Efforts to Conserve the Environment

Environmental Management

Basic Idea

Based on its management philosophy to comply with laws and regulations, prioritize consideration for safety and the global environment, and expand its activities to earn trust, the SWCC Group establishes its environmental philosophy, as well as annual environmental policy and priority topics, and makes a group-wide effort to engage in environmental conservation activities.

Environmental Philosophy

The SWCC Group recognizes that it is a mission for the Group as a corporate citizen to pass on our precious Earth to the next generation in a healthy state, strives to conserve the environment through all business activities, and contributes to building a society capable of achieving sustainable development.

FY2019 Environmental Policy

- 1. Compliance with laws, regulations and other requirements**
We not only comply with laws, regulations, ordinances, and other requirements but also strive to conserve the environment by setting stricter voluntary management standards.
- 2. Continuous improvement of the environmental management system**
We objectively assess the impact of business activities, products, and services on the environment and continuously improve the environmental management system.
- 3. Improvement of environmental performance**
We set priority topics and strive to improve the environmental performance of the entire SWCC Group.
- 4. Enhanced education and awareness building**
We enhance education and awareness building to raise the environmental awareness of each employee.

FY2019 Priority Topics for Environmental Conservation

- 1. Promotion of activities for global warming prevention**
- 2. Promotion of effective use of resources**
- 3. Enhanced management of chemical substances**
- 4. Expansion of environmental contribution products**
- 5. Conservation of biodiversity**

Organizational Structure for Promotion of Environmental Management

Environmental management of the SWCC Group is promoted under the Group management council, and our CSR Promotion Department, which serves as the environmental supervision departments, rolls out to each Group company through the Environmental Management Working Group. The Group's environmental policy is developed by the CSR Promotion Department, deliberated by the Environmental Management Working Group, and decided by the Group management council. The CSR Promotion Department periodically reviews the Group's environmental management activities, sustains and improves the entire Group's environmental management, and drives forward environmental management activities in accordance with business areas of each Group company and regional characteristics of each site.



ISO 14001 certification

		Group company name	Year and month of certification
Domestic	SWCC SHOWA CABLE SYSTEMS CO., LTD.	Head Office, Sagamihara Plant, Ibaraki Factory, Ebina Factory	Nov. 1997
		Sendai Office	Sep. 1998
		Mie Office	Nov. 1998
		Aichi Factory	Sep. 1999
	FUJI ELECTRIC CABLE CO., LTD.	Dec. 1999	
	SWCC SHOWA UNIMAC LTD. SENDAI FACTORY	Mar. 2001	
Overseas	SWCC SHOWA (VIETNAM) CO., LTD. (SVC)	Mar. 2008	
	JIAXING SHOWA INTERCONNECT PRODUCTS CO., LTD. (JSIP)	Oct. 2004	
	DONGGUAN SHOWA INTERCONNECT PRODUCTS CO., LTD. (DSIP)	Jan. 2009	
	FUQING SHOWA PRECISION ELECTRONICS CO., LTD. (SSD)	May 2008	
	FUTONG SHOWA WIRE & CABLE (HANGZHOU) CO., LTD. (FSH)	May 2013	

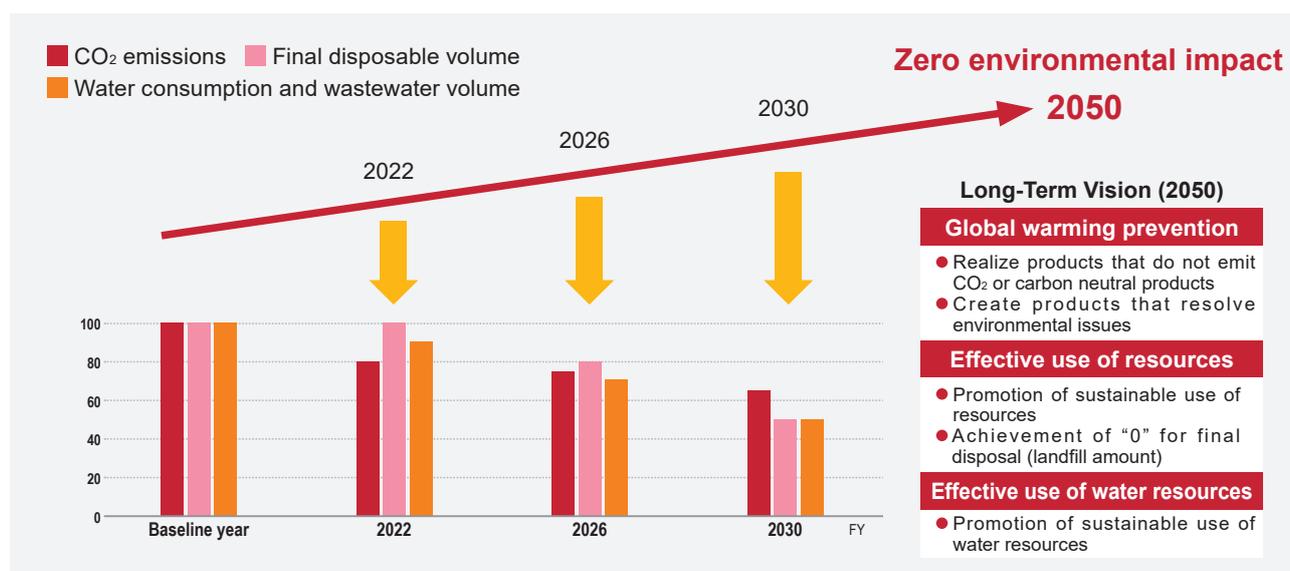
Eco Action 21 certification

		Group company name	Year and month of certification
	AOMORI SHOWA ELECTRIC CABLE CO., LTD.	Oct. 2006	
	STEC (SHOWA TECHNICAL CORPORATION)	May 2005	
	SHOWA RECYCLE CO., LTD.	Apr. 2005	

Medium- and Long-Term Environmental Targets

Environmental Plan “Green Plan 2050”

The SWCC Group has embarked on a medium- and long-term environmental plan to create a sustainable society, which includes commitment to the Paris Agreement and contribution to the SDGs. The keyword is zero environmental impact in 2050, and effective use of water resources has been added to global warming prevention and effective use of resources included in the past voluntary action plan. In addition, specific targets for 2030 have been set for each item to realize the long-term vision for 2050.



Topics

DBJ Environmentally Rated Loan Program

The SWCC Group obtained the highest rating in the DBJ Environmentally Rated Loan Program offered by Development Bank of Japan Inc. (DBJ) as a company “with exceptionally advanced environmental initiatives.” The Group obtained financing as of January 31, 2020, based on the program.

In the rating, DBJ highly regarded our initiatives in the core business to realize a society with low environmental impact, efforts to establish sustainable supply chains, establishment of the new business segment to facilitate the development of technologies and businesses that contribute to medium- and long-term solutions for social problems, and efforts to develop relevant human resources.



At the environmental rating awarding ceremony

- Efforts highly regarded by DBJ

Promotion of steady environmental management

- Promotion of environmental management as the entire Group through the Environmental Management Committee
- Constant activities to promote environmental awareness by utilizing opportunities at the biannual Showa Improvement Activity Presentation
- Establishment of good relationships with local communities at each site and constant and active environmental conservation activities
- Efforts for thorough legal compliance and permeation of such efforts
- Real-time environmental monitoring at each major facility and efforts to improve energy use efficiency by visualizing environmental impact

Efforts for expansion of environmentally friendly products

- Identification of environmental contribution products, clarification of numerical targets for registration, and promotion of efforts for expansion
- Review of the segment structure to reestablish business foundations and expand growing and new businesses, including meeting more detailed customer needs

Relations with Society

Supplier Relations (Procurement Guidelines)

■ Basic Idea

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

— SWCC Group Procurement Policy

The SWCC Group shall:

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.

■ Development of CSR Guidelines for Supply Chain

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

We request our suppliers to understand the intended meaning of the guidelines and actively promote CSR. In fiscal 2020, we will conduct surveys on the status of efforts made by suppliers to familiarize Group members with the Guidelines, and proceed with efforts to establish sustainable supply chains. We are also requesting our suppliers to carry out activities defined in the guidelines when engaging in product/service procurement and transaction.

■ Training on Subcontracting Transactions

As part of establishing a good cooperative relationship with suppliers, we conduct a training session on the Subcontract Act for our Group companies' personnel in charge of purchasing. This session has been conducted on a continuing basis. The session in fiscal 2019 was entitled "Thinking about aspects of the Subcontract Act and examples of transactions in a question-and-answer format". It took place 15 times in total at companies and sites. In this way, we can promote sound and equitable procurement activities as well as ensure thorough dissemination of corporate obligations and prohibitions.



Training on subcontracting transactions

Shareholder and Investor Relations

■ Information Disclosure Policy

To be a company correctly understood, evaluated, trusted, and sympathized with by all stakeholders, including shareholders and investors, the SWCC Group has developed the Disclosure Policy to actively 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. In addition, information that affects investment decisions by shareholders and investors 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. We strive for fair and timely information disclosure by avoiding selective disclosure of unpublished important information to a specific institution or individual.

■ Organizational Structure for IR

In the SWCC Group, the executive officer responsible for the corporate planning department also serves as the executive officer in charge of IR.

Led by the executive officer in charge of IR, dedicated IR staff in the corporate planning department serve as the contact personnel and exchange information and routinely cooperate with finance and accounting, legal, and CSR departments as necessary. The Group thus strives to enhance dialogue with shareholders and investors.

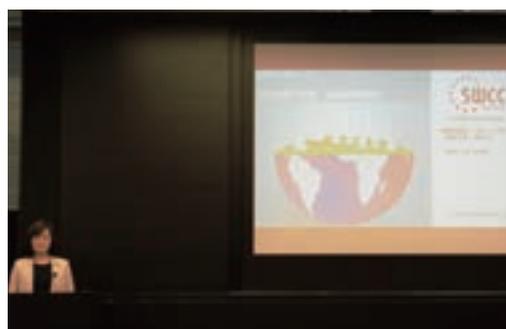
■ Dialogue with Shareholders and Investors

The SWCC Group convenes the Ordinary General Meeting of Shareholders in June and hears shareholders’ opinions. The Group also strives to distribute financial information and press releases through newsletters for shareholders and the website.

For investors, briefing sessions for analysts are held and videos are distributed twice a year (at the end of the second quarter and fiscal year). In addition, the Group strives to facilitate communication between a larger number of investors and our management by holding small meetings four times a year (every quarter).



The 124th Ordinary General Meeting of Shareholders



Briefing session for analysts

Employee Relations (Human Rights, Employment)

■ Efforts to Support the Development of the Next Generation

In light of Japan's rapidly declining birthrate, and in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, which was enacted to develop an environment where children who will lead the next generation of society are born and raised in good health, the SWCC Group has created an environment that supports employees in raising children who will lead the next generation, and has established a variety of systems to help them balance work and child-rearing.

Among the companies that formulated an action plan for business owners in accordance with the Act on Advancement of Measures to Support Raising Next-Generation Children, those that have achieved the targets in the plan and fulfilled certain standards will obtain the "Kurumin" mark, a certification from the Minister of Health, Labour and Welfare, as a company that supports the raising of children. Following the acquisition of the "Kurumin" mark by our Group company AXIO Corporation in 2018, SWCC Showa Cable Systems Co., Ltd., one of the main business companies of the SWCC Group, also obtained the mark in 2020.

The company's action plan for business owners is as follows.



● The 7th Action Plan for Business Owners (for FY2019, FY2020)

- * We promote male employees' participation in childcare (remind everyone that male employees can take childcare leave)
- * We expand the requirements for the use of accumulated leave (extension of the applicable period of leave to care for a child)
- * We expand the requirements for the use of accumulated leave (approval of the use of accumulated leave to see a doctor for patients with cancer or designated incurable diseases)

■ Efforts for Health and Productivity Management

Health and productivity management is a new management initiative that aims to improve corporate value and business performance by giving consideration to the health of employees. The concept of the initiative is to consider health management from a management perspective and strategically put it into practice.

Managing and improving the health of employees can lead to the enhancement of the company's competitive strength through improvement in labor productivity and in employees' creativity by securing a healthy and stable workforce. Thus, the SWCC Group is proactively working on health and productivity management.

Specifically, we have formulated the Group's health management declaration and announced it on our website. We have established a group-wide health management organization system, including strengthening cooperation with the SWCC health insurance association, to identify issues. Based on that, we are working on various initiatives including provision of health guidance, measures against passive smoking, infection prevention measures, measures against excessively heavy labor, and measures to address mental health issues. In recognition of these efforts, SWCC Showa Holdings Co., Ltd. and SWCC Showa Cable Systems Co., Ltd. have been certified as a Health & Productivity Management Outstanding Organization 2020 (large enterprise category) jointly selected by the Ministry of Economy, Trade and Industry and the Nippon Kenko Kaigi.

This certification is to honor corporations that are practicing particularly good health management by "visualizing" good corporations engaging in health and productivity management, with the purpose of creating an environment where corporations are recognized socially by employees, job applicants, related companies, financial institutions, and others as a corporation that is strategically engaging in health and productivity management initiatives for maintaining its employees' health from a management perspective.

The SWCC Group's FY2019 initiatives are as follows.



[Promoting provision of health guidance]

We have tried to improve our employees' health through measures including provision of health guidance, based on the results of reexaminations and close examinations after regular health checks.

[Efforts on work style reforms]

We have promoted measures including building an environment that is comfortable to work in and supporting the balance between home and work to improve work life balance.

[Change in awareness to improve health]

We will encourage self-care for each individual and line care for executives to create a healthy and safe working environment where they are sound in mind and body and can work with peace of mind.

Education and Training Systems

The SWCC Group operates an education and training system based on the idea that employees' power is the company's power, with the aim of developing human resources who can solve all sorts of problems with a wide range of knowledge and abilities to act, who can flexibly adapt to a rapidly changing social environment, and above all, who are trusted by our stakeholders. The training program common to all departments of the SWCC Group is divided into the following three areas.

● Rank-based training

The rank-based training is provided for new employees, mid-level employees, chiefs, and supervisors. For new employees, mid-level employees, and chiefs, a wide range of matters including knowledge, attitudes, and skills required for them to move to the next level are incorporated into the educational menu.

For those in the rank of supervisors, training is provided for them to enhance their knowledge and skills related to organizational and human resources management.

● Selective training

In order to achieve future growth of our Group, we have expanded our selective training programs in recent years, especially to develop human resources who will take charge of future management.

We provide candidates who will lead the next and subsequent generations with the Next-Generation Development Training, Management Game (MG) Training, and Business English Improvement Program using resources outside the SWCC Group. In addition, we position the "SD Seminar" (S: Showa, D: Departure, Director), which has been operated since fiscal 2017 as a place for reforming the Group's corporate culture, fostering a sense of belonging to the Group, and strengthening individual capabilities, as a place for the development of young employees (in the rank of chiefs).



SD Seminar

● Liberal arts training

It is also important to raise the level of the Group as a whole through the training of individual employees, and we attach importance to training for the betterment of each individual as well.

Specifically, we provide employees with opportunities to participate in externally held sales training courses mainly for young sales representatives and offer specialized knowledge acquisition courses in which former employees of the SWCC Group give lectures on electricity, production technology, and materials.

Diversity Management

The SWCC Group aims to be an organization that flexibly accepts and capitalizes on diverse personalities of employees such as different attributes and working conditions. We recruit diverse human resources with different backgrounds.

As the labor shortage is expected to worsen due to the decline in the workforce, we will further work on measures to strengthen our organizational capabilities while taking advantage of our diversity.

● Senior employment program

While Japan's birthrate is declining and its population aging, we operate our senior employment program to provide workplaces for those who are willing to keep working after retirement. This program offers post-retirement employees a variety of work styles, such as full-time work allowing them to work for the same length of time as regular employees and short-time work including working fewer hours and days.

People aged from 60 to 65 cannot receive a pension under the amended Employees' Pension Scheme. We have raised this group's salaries for the period since fiscal 2018 as a way to maintain and improve their motivation, ensure stable manpower, and ensure that our technology gets passed down to a new generation.

● Reemployment program for former employees who retired for childbirth, childcare, and nursing care

We operate a program to rehire former employees at their request who had no choice but to leave the company due to an event in their lives such as childbirth, childcare, and nursing care. We are very hopeful that they can make use of the experience and skills they have acquired prior to their retirement.

Efforts to Build a Business Foundation

Corporate Governance

Basic Idea

Based on our 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.

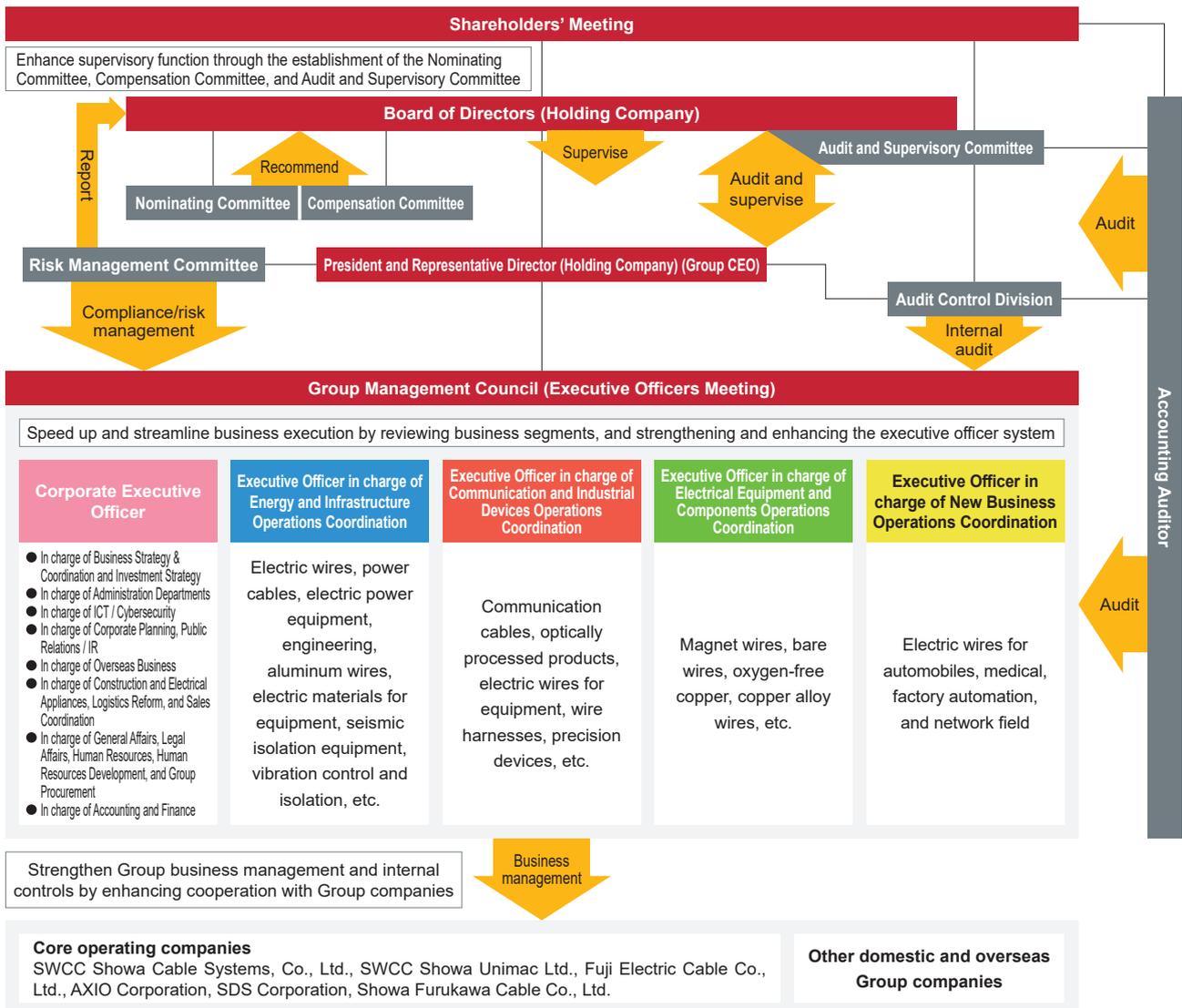
The SWCC Group is committed to actively developing a system required to ensure appropriate operations of the Group while fulfilling its corporate social responsibility (CSR).

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.

- ① By delegating substantial decision-making authority for the execution of business operations to the executive directors, we aim to increase the efficiency and speed of business execution.
- ② Based on the above ①, at the meetings of the Board of Directors, we will further enhance the deliberations on important themes such as management strategy.
- ③ The Audit and Supervisory Committee will play a central role in strengthening the auditing and supervisory functions.

Corporate Governance System Diagram



Board of Directors FY2019 Held 19 times

 President Inside Outside

Purpose and authority	Composition
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.	4 directors  3 directors who are Audit and Supervisory Committee members 

Audit and Supervisory Committee FY2019 Held 12 times

Purpose and authority	Composition
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.	3 directors 

Nominating Committee FY2019 Held 12 times

Purpose and authority	Composition
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.	3 directors 

Compensation Committee FY2019 Held 10 times

Purpose and authority	Composition
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.	4 directors 

Risk Management Committee

Purpose and authority	Composition
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.	1 chairperson  10 committee members

Evaluation of the Effectiveness of the Board of Directors

We conduct an 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 future of the Board.

To summarize the results of evaluation for this fiscal year, more and more respondents answered that many of the questionnaire items that had been raised as challenges were improved compared to the previous survey, including lack of deliberation or discussion on agendas related to major directions of the management strategies, etc., mid-term management plan (including follow-up), risks, etc. We can thus conclude that the results of the various efforts made to improve on those issues are being felt.

On the other hand, we recognize that we need to continue to verify the effects of transition to a company with an audit and supervisory committee, establishment of the Nominating Committee and Compensation Committee, introduction of performance-linked remuneration, and review of the executive officer system. We are committed to making further improvement in the future.

Risk Management

Risk Management

The SWCC Group defines a risk as a potential factor that impedes the achievement of our management objectives. Based on the recognition that proper management of risks is an extremely important management issue, we have established a risk management system in which the Risk Management Committee plays a central role. Whether or not any risk is considered to be 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, the Committee analyzes risks listed by the Group companies by quantifying the risks based on quantitative analysis. On the basis of the analysis, the SWCC Group evaluates and assesses any risk that could have significant impact as a major risk.

With regard to major risks, we make it clear who is in charge of risk management at each Group company. Furthermore, departments in charge establish rules and guidelines and provide training and education under the instruction of the Risk Management Committee, and we have also established a system necessary to improve the level of risk management to ensure that our business continues to develop.



Information Security

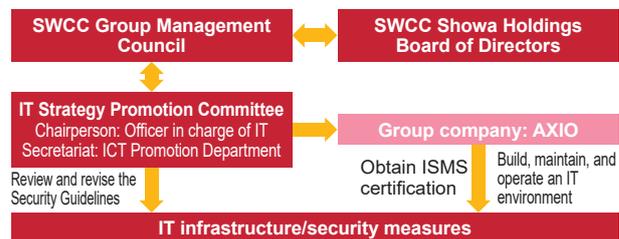
The SWCC Group established its Information Security Policy in 2006. Since then, we have taken measures against information leakage and cyber-attacks as well as provided relevant training for employees. The SWCC Group recognizes the investment in security as a key management issue and is making proactive efforts on security.

● Information Security Policy

We recognize that information handled within the company includes important information on business activities, such as customer information, management information, technical and production information, and employees' personal information. Thus, we strive to comply with laws and regulations and to improve the system and IT environment that enable appropriate management. In addition, we have formulated Information Security Guidelines and prepared an IT environment with greater reliability so that confidentiality, integrity, and availability are ensured to help customers and employees use information assets securely. We will continue to maintain these guidelines and this environment at all Group companies.

● Information Security System

The IT Strategy Committee is a committee organization consisting of IT administrators of operating companies under the Group's direct supervision, and develops IT security measures, plans and implements training on security, and proposes investments in security measures. AXIO Corporation, an operating company under the Group's direct supervision, operates the Committee, assuming responsibility for the building, maintenance, and operation of IT infrastructure.



[Major initiatives]

We provide training on information security every year to all employees in the Group, including officers. We review our training programs every year, constantly taking into account the latest trends including countermeasures against cyber-attacks such as advanced persistent threat emails which have become more sophisticated in recent years. We constantly review the way we respond to incidents taking into account the latest trends including cyber-attacks, examine our IT infrastructure and security environment for any deficiencies or problems, revise the Information Security Guidelines, and plan and examine investments in IT infrastructure.

■ 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.

We launched the BCM Development Promotion Committee in fiscal 2016 to review the disaster prevention system at each site of the SWCC Group, select priority business operations within the Group in time of emergency, and examine strategies and measures to continue business and restore it quickly.

In fiscal 2019, based on the BCM system established in the previous fiscal year at each of our sites in Japan, we conducted facility inspections based on the plan, took precautionary measures, and reviewed the BCP manual to ensure that it was appropriate for the current situation.

In fiscal 2020, we will expand our consideration of natural disasters including earthquakes, tsunamis, damages from wind, flood, and snow in addition to countermeasures against COVID-19 so that each site can operate in a more independent manner.

■ Compliance

The SWCC Group considers compliance to be one of its most important management issues and takes various measures internally to comply with laws and regulations. Specific measures are planned and formulated mainly at the Risk Management Committee, and then implemented by the Corporate Legal Services Division.

Compliance with antitrust laws is an especially critical and high-priority issue for the SWCC Group. We conduct internal audits focused on antitrust laws as well as hold sessions for personnel in charge of sales on a regular basis each year. In addition, we implement compliance training programs during the sessions and rank-based programs (e.g. training programs for new employees and executives) on laws and regulations related to the SWCC Group's business, such as subcontracting and construction industry laws, to promote compliance widely.

Furthermore, we are conducting internal sessions and enhancing quality compliance audits in response to quality fraud issues that have frequently occurred at many companies in recent years.

The SWCC Group operates 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.

■ Export Control

The SWCC Group's basic policy on export control is to comply with export control laws and regulations enacted in Japan and other relevant countries, and not to illegally export or provide regulated goods and technology, in the interest of maintaining international peace and security.

The Export Control Office provides all employees with advice and guidance on export control operations and technology transfer to overseas locations at Group companies, so that they can properly perform their duties in accordance with laws and regulations.

In order to comply with export-related laws and regulations, we systematically audit the operation and provide training for our employees to ensure that they are operating under a unified standard for export controls. We have submitted the Internal Compliance Program (CP) and Check List (CL) to the Ministry of Economy, Trade and Industry (METI), which have been accepted by METI, and we have been certified as a company that has maintained a self-management system for security export control.



Export control training

Results of Operations and Financial Analysis

Key Financial Data for the Past 10 Years

	Fiscal year	FY2010	FY2011	FY2012
Consolidated Results of Operations (millions of yen)				
Net sales		165,512	171,780	169,798
Gross profit		19,519	19,261	18,503
Selling, general and administrative expenses		(16,985)	(17,315)	(17,376)
Operating income		2,533	1,945	1,126
Interest expense		(1,120)	(1,103)	(1,042)
Equity in earnings (loss) on equity-method		(86)	(63)	(184)
Foreign exchange gain (loss)		(614)	(219)	44
Ordinary income		749	693	(847)
Net income attributable to owners of parent		281	162	(6,365)
Comprehensive income		(637)	(201)	(5,866)
Depreciation		4,215	3,279	3,169
Capital expenditure		2,206	2,883	3,812
Research and development expenses		979	1,248	1,247
Information on Consolidated Cash Flows (millions of yen)				
Cash flows from operating activities		1,206	111	5,385
Cash flows from investing activities		(2,324)	(4,299)	(3,913)
Cash flows from financing activities		2,903	557	(718)
Cash and cash equivalents at end of year		10,874	7,205	8,223
Consolidated Financial Position (millions of yen)				
Total assets		142,370	143,498	136,890
Net assets		35,517	41,778	35,349
Interest-bearing debt		64,311	58,454	57,177
Shareholders' equity		34,588	40,692	35,057
Per Share Information (consolidated basis) (yen)				
Net income		11.23	5.73	(206.55)
Net assets		1,377.87	1,320.48	1,137.62
Dividend		0.00	1.00	0.00
Dividend payout ratio (consolidated basis)		—	15.5%	—
Key Financial Indicators (consolidated basis)				
Operating income margin		1.5%	1.1%	0.7%
ROA (Return on assets)		0.5%	0.5%	-0.6%
ROE (Return on equity)		0.8%	0.4%	-16.8%
Shareholders' equity ratio		24.3%	28.4%	25.6%
DE ratio		186%	144%	163%
Overseas sales ratio		13.2%	11.2%	12.2%

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 or net assets per share is calculated assuming that the share consolidation was carried out at the beginning of fiscal 2010.

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 fiscal 2018. Figures for fiscal 2017 are ones after this accounting standard has been applied retrospectively.

FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019
183,289	181,693	169,712	155,232	168,186	177,174	171,142
19,561	18,161	17,728	20,099	21,646	21,718	23,733
(17,009)	(16,925)	(16,778)	(15,865)	(15,370)	(15,077)	(15,123)
2,552	1,236	949	4,234	6,276	6,640	8,609
(1,090)	(1,060)	(965)	(852)	(841)	(805)	(669)
(271)	(208)	(644)	(83)	(415)	(476)	(2)
11	260	(304)	(202)	36	(75)	(36)
1,236	384	(1,461)	2,446	4,892	5,603	7,864
195	228	(9,151)	1,976	3,737	4,569	5,465
1,600	3,213	(11,195)	2,938	5,722	2,314	4,584
2,947	3,489	3,699	2,928	2,877	3,011	3,099
4,460	4,998	3,983	3,244	3,391	2,944	4,186
1,097	1,238	1,045	927	1,046	1,119	1,255
(1,208)	5,624	4,545	7,842	6,804	6,901	8,696
(4,567)	(2,027)	(3,846)	(2,218)	(4,051)	(3,552)	(4,144)
4,734	(3,493)	(2,289)	(6,506)	(3,295)	(2,970)	(4,879)
7,604	7,968	6,282	5,192	4,603	4,721	4,225
140,371	138,023	123,069	119,528	123,518	124,165	122,521
33,578	36,921	25,724	28,655	33,477	35,628	39,981
62,105	58,963	57,482	51,419	48,994	46,657	42,303
33,281	36,616	25,371	28,150	32,857	34,943	39,576
6.33	7.43	(296.98)	64.14	123.93	153.22	183.27
1,080.04	1,188.29	823.37	913.60	1,101.71	1,171.66	1,327.04
0.00	0.00	0.00	0.00	5.00	7.00	15.00
—	—	—	—	4.0%	4.6%	8.2%
1.4%	0.7%	0.6%	2.7%	3.7%	3.8%	5.0%
0.9%	0.3%	-1.1%	2.0%	4.0%	4.5%	6.4%
0.6%	0.7%	-29.5%	7.4%	12.3%	13.5%	14.7%
23.7%	26.5%	20.6%	23.6%	26.6%	28.1%	32.3%
187%	161%	227%	183%	149%	134%	107%
13.2%	13.4%	11.2%	11.5%	11.8%	9.7%	8.2%

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SUSTAINABLE DEVELOPMENT GOALS



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



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