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## Anticipating change, we will seek growth and contributions to a sustainable society in swift and flexible ways.

This fiscal year, we have changed the title of this report from the CSR Report to the Sustainability Report. In the respect that it refers to the roles and responsibilities that companies should fulfill toward society, CSR could be described as the very essence of corporate activity. Today, as the term “SDGs” suggests, companies and the general public share the view that the world’s aim should be to achieve a society that will develop in a sustainable manner.

In other words, CSR must be something that will achieve a sustainable society. We wanted to convey clearly to stakeholders our desire to contribute to the sustainable development of society and to aim for sustainable growth together with society and our customers.

### Viewing the point of no return as a new business opportunity

The global and Japanese economies have been in turmoil since last year due to the impact of COVID-19. While the situation remains unpredictable, we can expect economic activity to recover in stages as progress is gradually made in the roll-out of vaccines.

On the other hand, just as work styles and lifestyles have changed, such as the rapid shift to remote work with the advocacy of digital transformation (DX) as a countermeasure to the pandemic, some moves are apparent from which there is no going back. The movement toward a carbon-free society by achieving carbon neutrality (CN) and green transformation (GX) has become a major trend, evidenced by the United States’ return to the Paris Agreement and the Japanese government’s decision to aim for net zero. Such moves will generate major new business opportunities. In the area of power generation, for example, as well as renewable energies such as solar power and wind power, the promotion of hydrogen and ammonia will also create new markets, bringing with them new demands for quality. It is essential for companies to firmly identify such changes and turn them into opportunities for business growth. At the same time, these kinds of responses to the current times are likely to progress naturally toward contributions to society.

The COVID-19 pandemic has also compelled a review of global supply chains, with the shortage of face masks being a typical example. Moves to re-examine and fortify supply chains will make progress from security perspectives, focusing on the United States-China relationship, and this will increase the importance of responding proactively to different changes. Fortunately, TATSUTA has not yet faced problems in its supply chain, but we will continue to monitor it so we may be ready for any unexpected

event that may accompany changes in the global situation.

### Linking the reform opportunities we have been given to the next opportunity

TATSUTA Group also had a small number of COVID-19 cases but no clusters, thanks to the efforts made to prevent transmission in the company. This has allowed us to fulfill our supply responsibilities to our customers, and I would like to reiterate my thanks to our employees and their families for their cooperation.

Net sales in the electric wire and cable business for the fiscal year ended March 31, 2021 fell by about 10% from the previous year, impacted by the slowdown in the construction sector, but semiconductor-related products are already on the way to recovery. While the electronic materials division saw a temporary decline, overall demand is higher than last year thanks to the heightening of demand for smartphones and tablets from people spending more time at home during the pandemic.

Internally, rapid progress has been made toward DX, with the establishment of remote working systems in the administrative divisions in particular and web-meetings both within the company and with outside parties becoming commonplace. Although the DX Promotion Department was established at the same time as the COVID-19 pandemic, we had, in fact, already started promoting remote work as a part of our work style reforms before then, which allowed for a smooth transition to the new structure. Talk about DX tends to focus on improvements in work efficiency, but DX is simply a tool, and our real focus should be on how to change our business model. The ultimate goal of TATSUTA’s all businesses is to make use of this new tool to propose new added value to customers and obtain their acceptance.

## Top Commitment

The COVID-19 pandemic seems to have strengthened our relationships with local communities. In addition to donations for COVID-19 countermeasures that we made to local governments where our plants are located, in February 2021, we concluded a comprehensive partnership agreement with Higashiosaka City, where TATSUTA's Head Office and Osaka Works are located, at the City's request. Going forward, while keeping our eyes on social circumstances, we plan to propose a variety of collaborations under this agreement. In circumstances that are difficult for everybody, I have a sense that an awareness of "We're all in this together!" is starting to blossom in each individual TATSUTA employee. I imagine that other companies feel the same. I believe that this kind of willingness to be actively involved in local communities will lead to a mindset of serious engagement in contributions to society, including the SDGs.

### Aiming to get back on track at full power to achieve the Long-Term Vision

We established the 2025 Long-Term Vision, which sets out TATSUTA's long-term vision for the nine-year period from 2017, a milestone year marking the 70th anniversary of the company's foundation, to 2025, alongside strategies and targets. With the aim of growing into a company that is on the next level of 100 billion yen in net sales and 10 billion yen in operating income, we divided our businesses into three categories, namely "for-profit businesses," "for-growth businesses," and "mid-to long-term development businesses," to promote further development. The Vision's nine-year period has been divided into three three-year periods, and we are currently in the second period.

Under present circumstances, we will not reach the 2022 milestone income target (operating income of 7 billion yen), the target that was originally set for the second period, which means an inevitable delay in the long-term vision. For-growth businesses, in particular, have been significantly affected by COVID-19, due to the difficulties in pursuing the kind of in-person development activities that are essential to promote these businesses. Customers' circumstances have been similarly stagnant. Nevertheless, individual projects have still been continuing steadily and, fortunately, moves are emerging to resume development activities as the vaccination roll-out makes progress in individual countries. Therefore, we plan to catch up quickly and place even more efforts into bringing products from these for-growth businesses to market.

The mid-to long-term development businesses, which are establishing the business foundations for future expansion of scale and profit, had also fallen behind schedule, but they are finally back on track and their ultimate targets are now in sight. They will take firm hold of opportunities for recovery in their respective business environments and get back on track to achieve the long-term vision.

### Fulfilling our social responsibilities through our products in the pursuit of sustainable growth

In a society that gives primary consideration to sustainability, we continue to ask ourselves what we

need to do and what contributions we can make. In addition to our existing resolve to meet the needs of our customers, going forward, we must also make the products that society is asking for. Naturally, the specifications and quality required will change, and swiftly capturing that market and responding to it, and flexibly changing ourselves will be key.

Electric wire and cables are used in electric power and other energy segments, telecommunications, control signal cables, and other sectors that are essential to society. By meeting the various needs that will emerge with the advancement of CN and GX, including new products and quality requirements related to the expanded use of renewable energies and the use of hydrogen and ammonia, we will be able to contribute to the transformation of society. Robots and factory automation, which are the main applications of control cables, are essential responses to changes like shrinking workforces and DX in factories. Another of our core products, electronic materials, will expand the possibilities in the ever-advancing communications and IT sectors, while the medical and environmental analysis businesses could be described as the epitome of solutions to social issues.

In addition to contributions with our own products, there are also steps we can take in our manufacturing processes. Electric wire is made with copper and organic materials derived from petroleum, and electronic materials are made with similar raw materials, albeit in much smaller quantities. We need to evolve the technologies we have cultivated to date to achieve the recycling of these raw materials and CN in the energy used in their production. While fulfilling our responsibilities to society through proactive business development, we will achieve solutions to social problems and the sustainable growth of the TATSUTA Group.

### Setting materiality items and KPIs to clarify our moves toward solutions

This fiscal year, we set materiality items and key performance indicators (KPIs) for the first time, fortifying our approaches to solutions to various social issues in concrete ways. TATSUTA has already made clear in its Corporate Principles and Code of Conduct that it will conduct its business activities for the sake of society's sustainability, and we have always incorporated ESG approaches into our corporate operations. Some of those activities have been pursued with conscious intent, while others we have engaged in unconsciously, but they have been difficult for our stakeholders to see and understand. By establishing materiality items and setting them as targets in the form of KPIs, we hope to gain the better understanding of our stakeholders.

In terms of products that will help to solve environmental problems, we will set and pursue development themes as a priority. For some time, we have been developing electric wires and electronic materials that satisfy environmental regulations, such as non-halogen products and eco-friendly electric wire and cable that utilizes highly-recyclable coatings, and we possess distinctive technologies for the provision of environmentally friendly products. Our products also benefit society in terms of resource savings, longer product life, and labor savings. For example, our conductive copper

paste is used for the wiring on electronic substrates and the like. In the past, the process used for electronic substrate wiring was to apply copper foil to the substrate before etching it with acid to form the wiring. This process required disposal of the acid used and large volumes of water for cleaning. In contrast, our paste uses printing technology to form the wiring directly on the substrate, greatly reducing the burden on the environment.

In terms of response to climate change, we will, of course, reinforce our various existing energy-saving measures to reach our goal of carbon neutrality by 2040, but in addition, we will swiftly proceed with new and different initiatives to meet all our power needs with renewable energies, such as actively purchasing green energy.

### Viewing work styles, the active participation of women, and the pursuit of DX as interconnected reforms

Our ongoing promotion of women's active participation in the workforce, as well as the COVID-19 pandemic, have brought opportunities to step up the promotion of DX. We are now striving to make active use of that DX to achieve our goals of work style reform and the achievement of rewarding workplaces.

Until now, many manufacturing sites have traditionally been dominated by men. At TATSUTA as well, it was thought that assigning women to those sites would be difficult because some processes would be too burdensome for them. In this regard, we have been considering the utilization of DX at manufacturing sites that would have labor-saving benefits, and it has already been introduced to some equipment at our factories. We also hope to expand the duties open to female opportunities at our manufacturing sites. On the recruitment front, we have mostly achieved our target of female employees accounting for 25% of our total workforce in our five-year plan from 2016. Going forward, while providing the necessary career support for our female employees, we will devote our efforts to increasing the rate of female managers.

In the promotion of active participation by women in the workforce, in addition to these kinds of visible initiatives, we also believe in the importance of changing the mindset of the manager class, who will be their superiors. The main issues include communication and fairness, but this is not confined to female employees alone. They are important approaches and values in the promotion of diversity and inclusion, and as such, we will pursue training and other initiatives for manager-class employees.

We are considering a review of our personnel systems that will respond to new challenges in the pursuit of DX at individual locations, with the aim of completing that review by March 2022. For example, remote work presents difficulties in gauging how well people are working, and communication is also insufficient, all of which make it harder for managers to evaluate their subordinates. We hope to build personnel systems that will accommodate changes in business styles, through such means as reorganizing the criteria for the evaluation of subordinates and conducting training for managers. Also, regarding the security aspects that are a concern with DX, we had already strengthened our cyber-security and information security responses and built structures



last fiscal year as part of our corporate governance frameworks, but we will continue to refine and improve those responses and frameworks.

With the growing emphasis on human rights of recent times, we will place even further efforts into our initiatives both in Japan and overseas. Respect for character and individuality has long been part of our Corporate Code of Conduct, but we will further enhance our efforts in this regard through initiatives such as human rights awareness training.

### We want to show stakeholders our willingness to walk alongside them

As customers' and society's values are constantly changing, there are many different ways to engage in dialogue with different stakeholders. The common factor, however, is the importance of engaging in that dialogue with sincerity and showing them our willingness to walk alongside them. Also, to convey our approaches in ways that are easy to understand, we will consider further expanding the perspectives of our economic activities, such as joining frameworks such as the Task Force on Climate-Related Financial Disclosures (TCFD).

As the social and economic turmoil caused by COVID-19 gradually subsides, various changes aimed at the realization of a sustainable society will emerge. Viewing this time of change as an opportunity, we will manage our businesses with a strong awareness of the need to change ourselves and thus bring about further change, with the conviction that this is imperative to our own sustainable growth. We look forward to the continuous support of all our stakeholders as we strive to respond to their expectations.