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SWCC keeps changing with keyword 'new challenges'

Unraveling Japanese companies

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One year before their company changed its name to SWCC Corp. in 2023, one of the younger executives came to the CEO and said they needed to define a company purpose. There was a sense of crisis among some because the old name, containing "Wire and Cable," showed exactly what the company did.

"I was told the new name, SWCC, doesn't say what we do, and it made them worry about which direction they should go in," CEO Takayo Hasegawa said in a recent interview, part of a monthly series by Naonori Kimura, a partner for the consulting firm Industrial Growth Platform Inc. After she gave the green light to the idea, the executive gathered together workers in their 30s and 40s at the parent company as well as its group companies and discussed it. After six months, they drafted a statement defining why the company exists.

What surprised Hasegawa was that it said what she had told her workers over and over again. The purpose started with "We're here to face the challenges

resiliently in this changing world" and summed up with: "Innovating new ideas today. Becoming the norms of tomorrow."

This was the moment she learned her beliefs had permeated their thoughts. "Since I became the CEO, I have told them whenever I have a chance that the company needs to change and that not moving forward is going backward," said Hasegawa, the first female CEO in Japan's wire and cable industry.

She has told them there is no need to stick to the cable and wire business — the company's cash cow for decades — and encouraged them to do what they can. Even though just maintaining the old business may be easier, because aging power lines will eventually need to be replaced by new ones, such conservatism limits the company's future potential. "I have always hoped they think about the company's future and have a strong image of moving forward to the next stage," she said.

SWCC was founded in 1936 as Showa Electric Wire and Cable Co., spun off from Tokyo Electric Co., which is now the electronics giant Toshiba Corp. Since then, it has produced and sold electric wires and cables.

But its weak financial health became clear in the 2010s, and reforming its conventionalism became urgent. Inde-



SWCC CEO Takayo Hasegawa is the first female CEO in Japan's wire and cable industry.
HIROMICHI MATONO

pendent directors who recognized the warning signs urged Hasegawa, who then was the managing director and is a Ph.D.-holding researcher with expertise in superconductors, to take the CEO post. She accepted it in 2018.

What Hasegawa did first was gather the company's financial data since 2000, which made her realize its poor profitability, she said. During that period, the earnings results dipped into the red several times. Even in the years when it made net profits, they were very slim.

What she thought was the root cause of this financial feebleness was some sections that showed a low return on invested capital (ROIC), which measures how efficiently investments are utilized. In 2019, she introduced ROIC to gauge the profitability of each business area. Based on this, she launched reforms and streamlined the business by selling off some areas and withdrawing from others. Then

the company reviewed its seniority system. It also reorganized into three major segments: energy and infrastructure; communications and industrial devices; and electrical equipment and components.

As a result, the company's average ROIC for the following four years was 7.1%, far above the 0.7% for the business year that ended in March 2016, when the company marked a net loss of ¥9.15 billion (\$60 million). Its return on equity (ROE), a widely used measurement of a company's profitability, improved significantly to 14.7% over the four years, from minus 29.5%. The introduction of the restructuring more than doubled the company's stock price within one year. In the last business year, it logged a record profit of ¥12.21 billion.

"About five years have passed since I started the reform, and the company has transformed itself significantly — the way the workers think, their motivation and

their energy to take on new challenges," Hasegawa said. But naturally, there are some people who oppose such reforms because they are used to the old culture nurtured across the company's 88-year-old history. "It takes time, for sure. But I believe the company will continue to change over time," she said.

SWCC currently aims to provide solution-oriented services based on its technologies and the trust it has built with corporate customers over a long time. This means the company will take a step further from merely selling products toward creating new products and services to address its customers' needs.

Hasegawa said she always tells her employees to set a "110%" target — "By doing so, they can continue to make efforts to reach the goal, and if they get close to it, that makes them confident and gain experience," she said.

She also said there is a strong connection between what kind of business management the company looks at and how it wants to nurture its human capital. "I believe that if the CEO decides on a direction for the corporate strategy, the CEO also has to decide on a direction and content for workforce development," she said. Based on this philosophy, she has developed training menus for the top managers, the next-generation leaders and the younger workers. It is important to create a pool of human resources who have training in strategic management plus the mindset to change the company for the better, she said.

"I'm responsible for developing human resources who are ready and capable of running the company in the next generation, because business as well as top management continues to change," Hasegawa said. "That's how to create a company that stays strong, resilient and sustainable for a long time."

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"Not moving forward is going backward": CEO Takayo Hasegawa stresses the importance of creating a corporate culture

that supports challenging employees. With its long history and stable business foundation, it must have been hard for SWCC to reform its corporate culture. But the outcome is apparent in terms of financial results and workers' mindsets because of Hasegawa's steady efforts since she became the CEO in 2018.

For a company's longer-term growth, it is essential to realize not only business strategies but corporate transformation by updating the values themselves. In SWCC's case, the company has formulated its strategies led by a leader who clearly shows the way forward and commits to developing human resources across the company, from young workers to next-generation managers.

Also, it is worth paying attention to its perfect numerical targets, which encourage workers to believe they can do it if they try, while still responding to expectations from the market. Its unique corporate purpose, written like a story, was created by its employees themselves, showing how widely reforms have spread throughout the company.

SWCC, which became a sustainable company after conducting a transformation with the top management and the employees working together, brings hope and provides a model to traditional Japanese companies that are struggling to change themselves.



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Suntory nurtures water, forests and future generations

Sustainable Japan Network

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Just like Suntory Holdings says in its corporate philosophy, "To inspire the brilliance of life, by creating rich experiences for people, in harmony with nature," the company contributes to the enrichment of people's lives beyond merely selling food and beverages globally. Although responsive to changing needs since its establishment in 1899, the company also has always been faithful to what it calls its responsibility "to give back to nature, and to society."

"In the field of environmental protection, we started bird conservation activities 51 years ago, which was long before the concept of 'sustainability' began to attract people's attention," said Masaaki Fujiwara, Suntory's chief sustainability officer.

Along with the recycling of plastic bottles and reducing of greenhouse gas emissions, the company focuses on the sustainability of water, the most critical element for its business — and the entire human race.

Harumichi Seta, senior general manager of the Sustainability Management Division, said the number of people with inadequate access to water is predicted to pass

5 billion by 2050, a significant increase from the 3.6 billion in 2018, according to the 2021 State of Climate Services report from the World Meteorological Organization.

"Proper use and preservation of water resources is a matter of vital importance to everyone who uses the same water source. We cannot let someone monopolize water or use it up. As a company, we are being watched, tested and judged if we are acting fairly," Fujiwara said.

In addition to conserving water at its plants, Suntory is also working to help people learn how soft, fluffy soil is important for regenerative agriculture and water absorption and to manage healthy forests with enough sunlight to foster diverse species, creating rich soil that helps nurture abundant groundwater. "That is what we call the Natural Water Sanctuary, which was launched in 2003 in Aso in Kumamoto Prefecture, where one of our plants is located," Fujiwara said.

This initiative has been expanded to various places across Japan, and there are now 26 sites in 16 prefectures that are being taken care of by the company with the help of more than 40 forest experts and local stakeholders. Their area totals 12,000 hectares, recharging twice the volume of water that Suntory pumps from underground at the plants it owns in Japan.

"Activities to protect forests and water resources require regional cooperation



Teaching children about the importance of a healthy water cycle at the Mizuiku Water Hero Camp in Thailand's Rayong province.
SUNTORY



A nature experience program at the Global Mizuiku Summit in Vietnam. SUNTORY

and efforts to engage future generations," Seta said. That is why Suntory launched Mizuiku — an educational initiative on nature and water, whose name comes from "mizu" (water) and "iku" (nurture), that teaches children about the water cycle and how to protect it. In 2004, the first Outdoor School of Forest and Water opened in Aso, where camping and other events helped children experience and understand the importance of forests and water.

Today, there are three more outdoor schools across the country as well as an online version that started during the coronavirus pandemic. Their environmental education program has been

enhanced and systematized over the years, helping not only children but also their parents gain insights about nature.

"We have also been providing teaching programs at elementary schools since 2006. We collaborate with teachers, have them lead their classes to think about the water cycle as the first part of the lesson, and for the second part, we think about what each student can do to protect it with a focus on our Natural Water Sanctuary Initiative," Seta said.

The programs can also be delivered online with interactive communication, with Mizuiku instructors walking into a forest in real time or using a drone to get a bird's-eye view of the forest.

More than 250,000 people — children, parents and teachers from all 47 prefectures — have participated in Mizuiku programs to date. Suntory has also been expanding Mizuiku worldwide, starting with countries where its factories are located. The company collaborates with local players such as nonprofit organizations to tackle region-specific issues while placing importance on healthy water cycle, the core of Mizuiku.

"Finding the right partner is the most time-consuming part, but once we know who to work with and that we get along well, we can sail smoothly. The employees at our plants participate in Mizuiku actively, too. They share the same sense of crisis that the beverage business will not survive without awareness about water issues," Fujiwara said.

Vietnam was the first country where Mizuiku activities took place outside Japan, in 2015. Sanitation was one of the major issues germane to water, and so the project included the installation of filter systems and the renovation of toilets at elementary schools in addition to the core content focusing on the water cycle and sustainability. "We have also been collaborating with the government of Vietnam to create a teachers' guide so that they can provide Mizuiku on their own," Fujiwara said.

In April, the second Mizuiku Global Summit was held in Vietnam. "Mizuiku leaders from all the countries where Mizuiku is taking place gathered and shared their best practices. The participants were listening intently to the presentations of other countries, sympathizing and learning," Fujiwara said.

So far, Mizuiku has expanded to Thailand, France, China, Spain, the U.K. and New Zealand. "In New Zealand, we collaborated with a local nonprofit organization to conduct a program for elementary school students last year that involved picking up trash in areas near the school, classifying it according to type, to raise awareness of the importance not to litter to keep nature and



Masaaki Fujiwara, Suntory's chief sustainability officer. SUNTORY

rivers clean. The data gathered as a result of the project is beneficial for the future activities of the organization," Seta explained.

In June, a camp event, the largest of its kind that the company has organized, was held in Thailand's Rayong province. "About 450 children and 60 teachers from 30 schools participated in the event to learn about climate change and the water cycle through hands-on experience in nature, including walking in a mangrove forest, testing the water quality of a pond in the area and collecting plastic waste on the beach," Seta said.

The company is committed to continuing its combined effort of forest conservation and environmental education. Fujiwara stressed that corporate sustainability efforts should be made for nature and society, not to meet requirements for environmental disclosures.

"We will continue to make humane efforts to achieve sustainability, which is what we have always been doing for decades, produce good results and expand our activities across the world," Fujiwara said.

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