Showa Denki supports motorcycle sports as part of its program of community service activities. This cover is designed to evoke the sensation of speed while striving to reach the goal line as quickly as possible.
We chose the following two priorities as our Management Policy for the 2016 fiscal year:

**Increasing added value**

**Transforming outside pressure into personal motivation**

“Increasing added value” has served as the guiding principle behind the Showa Denki Group’s activities in 2016, the year of the monkey. We outlined our intention to increase added value by transforming outside pressure into personal motivation. In Japanese, “pressure” is a frequently-used foreign loan word that has without question taken on a negative connotation. It is even defined in Japanese dictionaries as “a feeling of psychological or emotional oppression.” We can assume that each of us has experienced a strong feeling of one’s behavior or thinking coming under the pressure of various outside influences, creating an oppressive and limiting feeling that causes one’s thinking to take on a negative cast. When one’s awareness of such pressure strengthens, it becomes impossible to behave in a free and unconstrained manner. We chose the theme of “transforming outside pressure into personal motivation” to signal an awareness and stance that embraces the challenge of harnessing such outside pressure as a forward-looking motivation for each of us.

We experience such outside compulsion as pressure because it prompts a small revolution in our own brains by stimulating what had atrophied and transforming it into a new source of energy. In response, an even greater internal pressure emerges, becoming a driving force that motivates us (pressure directed towards the external environment). This motivating, driving force prompts awareness of our own capabilities in the form of a rediscovery of our human nature and inspires us to move forward. Showa Denki is dedicated to transforming outside pressure into energy so that we can reject 78% of past methods, techniques, thinking, and action and instead create new selves that will grow in the future as we pursue customer convenience.

Management Philosophy:

**“Leap for Innovation”**

We regard “human development” as the top priority in management. By pursuing and applying “technologies for airflow” and “technologies for rotators”, we fulfill our social responsibilities and missions through various activities in the industry.

Company Creed:

**“Learning, Improving and Contributing”**

Learning from others, improving ourselves, and contributing to others. We believe that we must learn from various stakeholders to take in what we lack, and improve ourselves and our social abilities. In this way, we should contribute to society, by utilizing what we have learned for the public and for others.

Company Slogans

1. **Cater to customers: Sincerity**
   Always think from customer’s perspective and cater to customers through hands-on activities

2. **Be proactive at work: Virtue**
   Improve sensitivity to promptly respond to changes in the time, and be motivated and creative at work

3. **Be cheerful and friendly to others: Beauty**
   Maintain favorable relationship with internal and external stakeholders through active communication

Environmental policy

**Environmental philosophy**

We are committed to providing hospitality to the environment through harmony with nature by reducing the environmental impact of our operations around our core competence of technologies for airflow and technologies for rotators, and through our business activities of developing, designing, manufacturing, selling, and servicing electric blowers and environmental improvement equipment (dust collectors, etc.).

**Environmental action policy**

We will improve our environmental management system in a sustained manner, prevent pollution, and reduce the environmental impact of our operations by adopting the following policies based on our environmental philosophy and in a manner that involves all employees in their implementation:

1. Complying with the requirements of environmental laws, agreements, and other regulations
2. Designing and manufacturing products that are environmentally friendly throughout their entire life cycle
3. Working to “greenify” the market through green proposals
4. Practicing the 3Rs of “Reduce, Reuse, Recycle”
5. Raising employees’ environmental awareness, deepening their understanding of environmental issues, and broadening our environmental conservation initiatives, both inside and outside the company

Quality policy

1. We will strive to share good relationships at all times by concentrating our efforts on initial response and service through the products and services we provide to customers.
2. We will act in good faith so as to earn customers’ trust and satisfaction by understanding customer needs, satisfying their requirements, and meeting deadlines.
3. We will treat as a top management priority the process of building, planning, and implementing a quality management system that can accommodate the speed of market change; of regularly reviewing that system to ensure it functions effectively; and of carrying out activities to improve it and maintain its freshness.

This quality policy expresses the dedication of the management of Showa Denki Co., Ltd., to improving the effectiveness of the quality management system on an ongoing basis and to satisfying each and every customer, and as such, it embodies the company’s customer-oriented approach to management.
To Customers
Our mission is to enhance customers’ convenience and cater to customers’ true needs, through short lead-time and on-time delivery of high-quality products based on our “technologies for airflow” and “technologies for rotators”.
We aim at establishing sustainable partnership with each customer.

To Sales Partners
We provide opportunities for sales partners to satisfy their customers, and to obtain appropriate profits, through sales of, and services for, products of Showa Denki.

To Manufacturing Partners
We pursue win-win partnership with manufacturing partners always through equal and fair transactions, and establish relationships that achieve stable management on both sides.

To Employees
Contribute to favorable working atmosphere by tidying up work areas and your clothes.
Foster a company culture that encourages innovation with a challenging spirit that embraces new undertakings.
Showa Denki respects each employee as an individual, treats all employees fairly, encourages open discussions, maintains a clean and safe working environment, and helps employees fulfill their responsibilities to their families.

To the Next Generation
Showa Denki never forgets that business activities themselves affect the environment, and take efforts to reduce environmental impact and protect resources in all its activities.
Showa Denki contributes to public environmental conservation by providing environment-improving products and services.

To Local Communities
Showa Denki ensures legal compliance as a corporate citizen, and establishes workplaces where each employee can proactively participate in local social activities, disaster assistance, and volunteering.

What is an integrated report?

Showa Denki’s basic principles of integrated reporting
An integrated report is one that clearly and concisely describes how a company creates and maintains corporate value by clarifying the key issues being strategically addressed by the company as it pursues its business activities and reflecting its business environment.

Strategic focus and future orientation
An integrated report describes the company’s strategy and how it will affect its ability to create profit and its management resources over the short, medium, and long term. In this report, that information is provided in “Business Opportunities and Risks” (page 7) and “Future Business Development” (page 8).

Connected information
We address the interrelatedness and interdependence of key activities related to the company’s ability to create profit over the long term in “Processes for Value Creation” (page 5).

Accommodation of stakeholders
An integrated report describes how the company understands, takes into account, and responds to various needs in order to satisfy the expectations of key stakeholders. In this report, that information is provided in “Know Customers and Establish Sustainable Partnerships” and “Disclosure of Information to Partner Companies” (page 15), “Disclosure of Information to Customers” (page 15), “Sales Structures Designed to Bring the Company Closer to Customers” (page 17), “Human Resource Development” (page 20), “Win-Win Partnership” (page 18), and “Social Contributions” and “Processes for Value Creation” (page 5).

Importance and brevity
An integrated report provides a concise account of information that is important when analyzing the company’s ability to create profit over the short, medium, and long term. In this report, that information is provided in “Management Capital for Achieving Business Objectives” and “Future Business Development” (page 8).

Reliability and completeness
An integrated report provides coverage of all important information without bias or error and from both positive and negative perspectives. In this report, that information is provided in “Business Opportunities and Risks” (page 7), “Future Business Development” (page 8), and “Management Capital for Achieving Business Objectives.”

Consistency and facilitation of comparisons
An integrated report uses consistent indicators (known as key performance indicators) so that important aspects of the company’s operations—as described in “Processes for Value Creation” (page 5)—can be compared to those of other organizations. In this report, that information is provided in “Nonfinancial Indicators in Brief” (page 21) and “Sales, Ordinary Profit, and Capital Investment” (page 21).
Business Overview and Development

Business overview

Showa Denki is a privately held manufacturer characterized by a strong commitment to excellence and a dedication to helping reduce the environmental footprint of its operations and products, which are underpinned by advanced technologies for airflow and rotators.

- Founded in 1950, we operate a Head Office and factory in the city of Daito in Osaka Prefecture, factories in the cities of Iga in Mie Prefecture and Katsuragi in Nara Prefecture, a subsidiary in Thailand, and 17 sales offices in Japan and around the world.
- Gross sales: ¥6.58 billion (FY2015)
- Products: Environment improvement equipment (electric blowers [51.5%], fans and blowers [20.3%], environmental equipment [17.7%], and others)

Business development

Showa Denki manufactures electric blowers, mist collectors, and other environmental improvement equipment at its Daito Factory, while Showa Denki Iga Co., Ltd., manufactures environmental improvement equipment such as turbo fans, other fans and blowers, and dust collectors. Showa Denki Sapporo Co., Ltd., sells and markets environmental improvement equipment in and around Hokkaido.

Overseas, we have established Showa Denki (Thailand) Co., Ltd., in Bangkok to sell products and offer timely engineering services in order to better ensure our products play a useful role for customers. We also operate 17 sales offices in Japan and around the world so that we can more quickly and reliably propose environmental improvements with blowers and environmental equipment that meet customer needs.

Countries to which products are exported

| Asia           | Israel | India | Indonesia | Oman | South Korea | Cambodia | Singapore | Sri Lanka | Thailand | Taiwan | Turkey | China | Pakistan | Bangladesh | Philippines | Vietnam | Hong Kong |
|---------------|-------|-------|-----------|------|-------------|----------|-----------|----------|----------|---------|--------|--------|--------|----------|------------|------------|---------|-----------|
| North America | U.S.A. (mainland) | Canada | Mexico |
| South America | Argentina | Chile | Brazil |
| Europe        | UK | Italy | Austria | Netherlands | Greece | Switzerland | Sweden | Spain | Slovenia | Czech Republic | Germany | Norway | Hungary | France | Bulgaria | Belgium | Poland | Portugal | Romania | Russian Federation |
| Africa        | Egypt | South Africa |
| Oceania       | Australia |
Showa Denki develops various products, ranging from environmental-improvement equipment such as blowers and environmental equipment to new offerings such as monitoring equipment and health/rehabilitation equipment, based on our technologies for airflow and rotators. These products are made possible by an effective fusion of Showa Denki’s intellectual assets, including in-house motor development capability, trust-based relationships with partner companies, verification of safety and design suitability at our WINdo verification lab, and production innovation through our “Bee Dash” project.

**Electric blowers**
We offer about 40,000 models of electric blowers featuring direct-drive motors and accept orders in lots as small as one. We’ve standardized our product line of 0.4 kW and larger blowers on high-efficiency motors that we manufacture in-house.
(Motor output: 0.025 kW to 7.5 kW)

**Denchoku Direct-connected electric blowers**
Our Denchoku line takes up less space and uses fewer consumables and accessories than blowers that use a V-belt drive and delivers a superior level of safety since there are no exposed rotating parts.
(Motor output: 0.75 kW to 45 kW)

**Fans and blowers**
Fans and blowers have welded construction, and are mainly used for large-sized industrial machines and plant equipment. Many of these products have high corrosion resistance and heat resistance qualities.
(Motor output: 0.4 kW to 300 kW)

**Mistrésa mist collectors**
Our Mistresa mist collectors, which are available in 19 models for different applications, improve the work environment by collecting oil mist, primarily from machine tools.
(Motor output: 0.1 kW to 2.2 kW)

**Dustrésa dust collectors**
By leveraging our blower technology to develop a dedicated blower specifically for use in dust collectors, we were able to deliver high-performance, low-noise operation in a compact design.
(Motor output: 0.2 kW to 22 kW)

**Windracer**
Our Windracer products boost air-conditioning and heating efficiency in plants by supplying heated, induced, and local air.
(Motor output: 0.1 kW to 0.2 kW)

**Windbag**
This portable fan is ideal for use in a wide variety of applications, including cooling, drying, and air circulation.
(Motor output: 0.2 kW)

**Troubleresà II PLUS**
This system provides simple, 24-hour monitoring of operating blowers, pumps, rotators, and other equipment. Continuous monitoring of rotator status makes it possible to prevent stoppages due to sudden malfunctions.

**TERASU Erugo II**
TERASU Erugo II is the only domestically produced ergometer with a variable load setting. It is used in medical facilities that offer dialysis and a variety of rehabilitation services.

**TERASU Walker and Dream Hunter**
This rehabilitation-training machine uses wind power to reduce users’ body weight by up to 50% so that they can undergo walking or running training with a reduced weight load on their feet.
The value that Showa Denki provides to customers takes the form of customer convenience with products that increase expediency, play a useful role, or make a task easier. The specific mechanisms by means of which we implement that value include a willingness to enter into ongoing partnerships with customers; the ability to respond quickly to inquiries; fast delivery and small-lot, multiple-model production capability; and products with a high level of safety and optimal design. We have created a value creation narrative that puts these mechanisms into practice. We also believe that it is important to be knowledgeable about customers in order to more effectively pursue our goal of convenience.
Core technologies and expertise

Technologies for airflow (blowers)
Technologies for rotators (proprietary motors)

Six types of capital upon which Showa Denki relies

**Human capital**
- Employees responsible for design
- Employees responsible for manufacturing
- Employees responsible for development
- Employees responsible for sales
- Employees responsible for general affairs and human resources
- Technical Service Center

**Intellectual capital**
- Human resource development
- “Bee dash”
- 7-step approach to sales
- Sales support system
- Design system
- Process management system
- Website
- Patents
- Trademarks
- Designs

**Manufacturing capital**
- Daito Factory
- Iga Factory
- Katsuragi Factory
- WINdo
- Equipment
- Sales facilities
- IT infrastructure

**Social capital**
- Partner companies
- Agencies
- Universities
- Public entities

**Natural capital**
- 3Rs for materials that can be reused
- High-efficiency motors
- Rooftop garden
- Solar power system

**Financial capital**
- Sales
- Cash flows and other assets listed in financial statements

- 7-step approach of sales
- Site
- Sales support system
All management resources of Showa Denki are aimed at supporting value creation for customers. We work to address the strategic issues listed in the table below based on business opportunities and risks in order to achieve sustained growth. Key priorities include increasing our competitive position in the industry, developing businesses based on new products, building sales networks by developing new groups of customers, developing our businesses overseas, recruiting and retaining human resources, and enriching our human resource development program. We work to achieve these goals by exhibiting technological and functional superiority as well as leadership in customer-oriented management and by building an even more robust management foundation. Consequently, we are laying the groundwork for future success by maintaining close partnerships with customers and partner companies and showing consideration for the environment while establishing strategic objectives and deepening our understanding of individual customer needs.

<table>
<thead>
<tr>
<th>Business opportunity or risk</th>
<th>Description</th>
<th>Response to opportunity or risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aging society with a declining birthrate</td>
<td>Domestic production is slowing due to a shrinking market.</td>
<td>Develop overseas businesses.</td>
</tr>
<tr>
<td>Social environment</td>
<td>Efforts to acquire certification of major overseas safety standards are in progress</td>
<td></td>
</tr>
<tr>
<td>Domestic production is being moved overseas due to the shrinking domestic market.</td>
<td>Efforts to acquire certification of overseas high-efficiency ratings are in progress</td>
<td></td>
</tr>
<tr>
<td>Laws concerning the environment, production, and other areas are undergoing change.</td>
<td>Growth in overseas transactions</td>
<td></td>
</tr>
<tr>
<td>Legal changes</td>
<td>Development of products that comply with efficiency-oriented regulations in Japan and overseas (revision of the Act on the Rational Use of Energy) (already complete)</td>
<td></td>
</tr>
<tr>
<td>Markets</td>
<td>Information disclosure and associated responses and structures</td>
<td></td>
</tr>
<tr>
<td>Increasing demand for custom designs and short lead-times</td>
<td>Diversification of end-user needs is driving production toward custom designs, short lead-times, and small lots.</td>
<td>Reform manufacturing capabilities.</td>
</tr>
<tr>
<td>Diversification of market needs</td>
<td>Leveraging of strengths in integrated production from order receipt to design and production</td>
<td></td>
</tr>
<tr>
<td>Increasing number of new market needs</td>
<td>Increasing sensitivity in the gathering of information</td>
<td></td>
</tr>
<tr>
<td>Ill-balanced sales channels</td>
<td>Development of applied products that use motors and blowers</td>
<td></td>
</tr>
<tr>
<td>Difficult to adapt to environmental changes due to ill-balanced sales channels</td>
<td>Develop new sales channels</td>
<td>Increase Showa Denki's industry market share to greater than 51%.</td>
</tr>
<tr>
<td>Competition</td>
<td>Development of new products and applications, streamlined development, improved productivity, ability to accommodate custom orders and short lead-times, intelligent proposals, smooth customer service</td>
<td></td>
</tr>
<tr>
<td>Initiatives by other companies</td>
<td>Build sales networks by developing new groups of customers.</td>
<td></td>
</tr>
<tr>
<td>Lack of middle managers</td>
<td>Increasing workload on management executives due to lack of middle managers</td>
<td></td>
</tr>
<tr>
<td>Showa Denki</td>
<td>Develop middle managers</td>
<td></td>
</tr>
<tr>
<td>Passing down of skills</td>
<td>Recruiting and retaining human resources and enrich our human resource development program.</td>
<td></td>
</tr>
<tr>
<td>Recruiting and retaining a pool of employees to whom veterans' skills can be passed down</td>
<td>Sustained recruitment and retention</td>
<td></td>
</tr>
</tbody>
</table>
Future Business Development

Future management policies and strategies

Striving to achieve sales of at least ¥10.0 billion and an operating margin of at least 10%

**Management issues and strategies**

It will be essential to take the following actions in order to achieve sales of ¥10.0 billion and help lower the environmental footprint of our operations and products while simultaneously achieving sustained growth by striving to become the industry’s leading customer-oriented company with technological and functional superiority and to build an even more robust management foundation:

- Achieving an industry market share of greater than 51%
- Developing businesses based on new products
- Building sales networks by developing new groups of customers
- Developing our businesses overseas
- Reforming our manufacturing capabilities
- Recruiting and retaining human resources and enriching our human resource development program

Consequently, we are laying the groundwork for future success by maintaining close partnerships with customers and partner companies and showing consideration for the environment while establishing strategic objectives and deepening our understanding of individual customer needs.

**Medium- and long-term strategic objectives**

We are striving to achieve sales of at least ¥10.0 billion and an operating margin of at least 10%.

- Achieving an industry market share of greater than 51%: Developing new groups of customers around sales persons and building sales structures designed to bring the company closer to customers
- Developing our businesses overseas: Pioneering and expanding overseas sales channels and building and commercializing service structures (including knock-down production)
- Expanding businesses based on new products: Developing products to become a leader in the medical, clothing, food, and housing markets
- Reforming manufacturing capability: Optimizing manufacturing plants for production of custom-order products (short lead-times, lower costs)
- Enriching employee programs: Creating jobs and workplaces that motivate and excite employees

In addition to the above, we will solidify our status as a good corporate citizen through daily operating activities that accord with the CSR Pocket Book by working to lower CO2 emissions and expand and enrich our contributions to society from the standpoint of corporate social responsibility (CSR).
Daito Factory

We manufacture motors for environmental improvement equipment at our Daito Factory in a way that allows us to accommodate special orders with fast turnaround.
In addition, we continue to improve production mechanisms and equipment that enable us to fulfill small-lot, multiple-model orders.

- 4,320 standard and semi-standard products (manufacturing lead-time: 4 days)
  Semi-standard products: Products with different discharge directions, different supply voltages, outdoor specifications

Picking system
Thanks to a simple picking system that requires workers to pick the specified quantity of parts from the shelf whose lamp lights up, all employees can simply, quickly, and accurately perform work tasks.

Automatic product testing system
When a worker plugs in a product and turns it on, this system automatically measures the product’s resistance, current, and other parameters. Measurement results can be retained as electronic data, simplifying management.

- Implementing automatic delivery time response functionality with the IT system
We have implemented functionality that allows us to inform customers of the delivery time when receiving orders for about 27,000 models, including standard products and semi-standard products. This capability was made possible by adding functionality that reports the expected shipping date when sales coordinators enter orders as part of production IT system and production reform activities. The production IT system stores data needed to produce about 40,000 product models.

Product assembly bench
A “one employee, one product” approach to manufacturing enables us to flexibly accommodate special-order products while simultaneously making it less likely for differences in individual workers’ abilities to compromise balanced operation of production lines.

Message card
Each product is assembled by a single employee, all the way from the first process to the final process. The employee responsible for assembly packages each product with a message card expressing gratitude to the customer.

We improve the production process on an ongoing basis by using systems such as this automatic product testing system and picking system in order to reduce the number of manufacturing errors. We also use message cards to increase employees’ motivation and encourage them to take responsibility as the builder of each product they manufacture. Machines and people work together to improve productivity and boost efficiency.

List of manufacturing equipment

<table>
<thead>
<tr>
<th>Equipment name</th>
<th>Quantity</th>
<th>Equipment name</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Machining center</td>
<td>4</td>
<td>Tap drill press</td>
<td>6</td>
</tr>
<tr>
<td>NC lathe</td>
<td>12</td>
<td>Drill press (including multi-axis)</td>
<td>11</td>
</tr>
<tr>
<td>Standard lathe</td>
<td>2</td>
<td>Dynamic balancing tester</td>
<td>5</td>
</tr>
<tr>
<td>CNC horizontal turret center</td>
<td>2</td>
<td>Blast machine</td>
<td>1</td>
</tr>
<tr>
<td>NC cylindrical grinder</td>
<td>2</td>
<td>Mistresa</td>
<td>16</td>
</tr>
<tr>
<td>Cylindrical grinder</td>
<td>1</td>
<td>Constant-temperature device</td>
<td>3</td>
</tr>
<tr>
<td>Horizontal milling machine</td>
<td>1</td>
<td>Picking system</td>
<td>2</td>
</tr>
<tr>
<td>Vertical milling machine</td>
<td>1</td>
<td>Automatic product testing system</td>
<td>4</td>
</tr>
</tbody>
</table>
Katsuragi Factory

We’ve manufactured motor windings for environmental improvement equipment at our Katsuragi Factory since November 2, 2015. Currently, the plant is producing about 700 units per month. By bringing motor winding production in house, we’re working to lower costs while creating high-quality products.

Winding technology

We use proprietary technological capabilities to carry out manufacturing processes from winding to impregnation, allowing us to quickly fulfill orders starting in lots of one. We’re proud of the plant’s world-class level of technological innovation. Katsuragi Factory has been manufacturing 1.5 kW, 2.2 kW, and 3.7 kW windings since November 2015, and the facility will begin manufacturing 5.5 kW and 7.5 kW windings in July 2016.

List of manufacturing equipment

<table>
<thead>
<tr>
<th>Equipment name</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coil inserter</td>
<td>1</td>
</tr>
<tr>
<td>Racing machine</td>
<td>1</td>
</tr>
<tr>
<td>Coil extension machine</td>
<td>2</td>
</tr>
<tr>
<td>Coil former</td>
<td>1</td>
</tr>
<tr>
<td>Coil finishing shaper</td>
<td>1</td>
</tr>
<tr>
<td>Slot inserter</td>
<td>1</td>
</tr>
<tr>
<td>Drying oven</td>
<td>1</td>
</tr>
</tbody>
</table>

Manufacturing process

Coil winding

The plant can accommodate bobbins with an outer diameter of up to 400 mm, and up to eight bobbins can be simultaneously wound.

Insertion of slot insulating paper

The plant can form, cut, and insert insulating cuffs for one winding in 23 seconds, and it can accommodate a maximum hoop width of 140 mm.

Coil insertion (inserter method)

The coil and wedge are simultaneously inserted into the stator core, saving a dramatic amount of time and increasing quality compared to manual insertion.

Coil binding (racing method)

A tension device is used to bind coils with a uniform amount of tension. This method saves a dramatic amount of time compared to manual binding.

Varnish impregnation

The benefits of varnish impregnation include improving insulation and strength, limiting vibration, improving thermal conductivity, and reducing noise.

Visual inspection and electrical testing after varnish treatment

This step provides a final check for layer shorts between coils, coil/core dielectric voltage testing, and verification of interphase resistance.

Finished product

Insertion of interphase paper

Paper is carefully inserted between the coils for each phase to prevent layer shorts between coils.
Iga Factory (Showa Denki Iga Co., Ltd.)

In 2016, our Iga Factory embarked on a new era in its history as Showa Denki Iga Co., Ltd. The Iga Factory is pursuing customer convenience through product value that makes tasks easier, plays a useful role, or increases expedience.

The Iga Factory maintains the necessary equipment and technicians so that it can perform all processes in-house, allowing it to deliver high-quality products to customers quickly. Most products the Iga Factory manufactures are one-off, made-to-order items that require case-by-case design work. Technicians use low-carbon steel, stainless steel, aluminum, titanium, and other materials to manufacture blowers, starting in lots of one.

A team of free-thinking engineers
Younger and older employees of the factory’s Engineering Group hold a monthly meeting to share information in an effort to boost their technical skills. In addition, the facility carries out an extensive program of technical exchanges with the Daito Factory through such means as development projects, study sessions, and videoconferences.

Fiber laser cutter
This machine is used primarily to cut housing side-sheets and main sheets for blades. Compared to conventional CO₂ lasers, this state-of-the-art machine, which uses optical fiber, delivers less distortion for more precisely cut surfaces and faster cutting of thin pieces. It also provides no-maintenance reliability and improved environmental friendliness thanks to power consumption that is about one-third that of a CO₂ laser.

NC lathes
The plant uses two CNC lathes to quickly fabricate shafts for various models in a variety of sizes and materials. In addition, the machines can taper the ends of the shafts, facilitating easier blade replacement. The lathes can fabricate shafts up to 110 mm in diameter and 1,350 mm in length.

Welding robot
In an environment in which most of the factory’s products are one-off, build-to-order items, this welding robot can also accommodate mass production. It is used to manufacture axial-flow housings, blades for turbo models, and other parts. The plant uses the machine to improve productivity and quality while reducing man-hour requirements.

Automatic sheet-working machine
This machine forms both ends of the sheet that makes up the back of the housing into a U-shape. Then the side sheets are inserted and pressure-bonded by rotating them as they are depressed by a hydraulic cylinder. This approach, the goal of which is to reduce the amount of time spent welding, is at least twice as fast as using a welded structure.
**Dynamic balance testers**
The plant uses two testers that can measure the amount and angle of blade imbalance to balance blades with diameters of up to 1,550 mm.

**Acid cleaning area**
The plant has an acid cleaning area for stainless steel parts of up to 45 m² in area. It uses the area primarily for beautification of the surface finish of stainless steel products, improvement of corrosion resistance, removal of burn marks from welding, and formation of an oxide film on part surfaces. By bringing this work in-house, the plant is working to shorten lead times and improve quality.

**Multipurpose Hall ~ KAZE ~**
The plant has completed the Kaze Multipurpose Hall, where employees gather to work, eat, and relax. The facility, which has a capacity of 80 people, includes conference rooms, a cafeteria, a library, and a recreation room.

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### List of manufacturing equipment

<table>
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<tr>
<th>Equipment name</th>
<th>Quantity</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Fiber laser cutter</td>
<td>1</td>
<td>Spinning machine</td>
<td>2</td>
</tr>
<tr>
<td>NC turret punching press</td>
<td>1</td>
<td>Drilling press</td>
<td>9</td>
</tr>
<tr>
<td>Automatic dye grinding machine</td>
<td>1</td>
<td>Face lathe</td>
<td>1</td>
</tr>
<tr>
<td>Automatic sheet-working machine</td>
<td>2</td>
<td>Boring and turning mill</td>
<td>1</td>
</tr>
<tr>
<td>Iron worker</td>
<td>1</td>
<td>Cylindrical grinder</td>
<td>1</td>
</tr>
<tr>
<td>Band saw</td>
<td>1</td>
<td>Band saw</td>
<td>1</td>
</tr>
<tr>
<td>Brake press</td>
<td>1</td>
<td>NC lathe</td>
<td>4</td>
</tr>
<tr>
<td>Welding robot</td>
<td>1</td>
<td>Parallel lathe</td>
<td>4</td>
</tr>
<tr>
<td>CO₂ welding machine</td>
<td>20</td>
<td>End face finishing machine</td>
<td>1</td>
</tr>
<tr>
<td>TIG welding machine</td>
<td>6</td>
<td>Dynamic balance tester</td>
<td>2</td>
</tr>
<tr>
<td>MIG welding machine</td>
<td>1</td>
<td>Hydraulic press</td>
<td>1</td>
</tr>
<tr>
<td>Bending roll</td>
<td>7</td>
<td>Generator</td>
<td>1</td>
</tr>
</tbody>
</table>
**Development Center**

Our Development Center is responsible for developing new products (by incorporating new technologies) and improving existing products (by rationalizing designs and developing successor models).

Our Daito Factory and Iga Factory also have development departments, and the development and improvement process proceeds through the sharing of technology and expertise.

We also have a development and verification lab (WINdo) with an area of about 700 m² at our Daito Factory. The lab, which can conduct about 60 different types of evaluation testing, enables us to provide high-quality products to our customers.

Testing equipment has become increasingly automated in recent years, and we’re working to accelerate product development by reducing the number of man-hours required by testing during the development stage.

**WINdo**

Because wind power is not visible to human eyes, it is difficult for customers to determine whether or not they are using optimal wind power machines. At Showa Denki, customers can see abilities and qualities of wind power through various measurement devices to measure airflow.

These testing instruments are indispensable to demonstrate that our machines satisfy customer needs, and they help make it possible for customers to select optimal, environmentally friendly wind power machines that are neither too large nor too small for their needs.

---

<table>
<thead>
<tr>
<th>No.</th>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Anechoic chamber</td>
<td>Used to measure product performance in general. Acoustic materials are installed on the ceiling and walls. In this chamber with noise level of 25 dB, precise measurement of noise is possible.</td>
</tr>
<tr>
<td>2</td>
<td>Measurement chamber</td>
<td>Used for noise analysis of a product that is being tested in the anechoic chamber.</td>
</tr>
<tr>
<td>3</td>
<td>Generators chamber</td>
<td>Generators of 15 kVA and 20 kVA are installed to provide stable power supplies to other chambers.</td>
</tr>
<tr>
<td>4</td>
<td>Cold resistance testing chamber</td>
<td>Used to identify how a product starts up in a cold temperature, and cold resistance of its parts.</td>
</tr>
<tr>
<td>5</td>
<td>Motor testing chamber 1</td>
<td>Used to test motors from 0.2 to 3.7 kW.</td>
</tr>
<tr>
<td>6</td>
<td>Collection efficiency testing chamber</td>
<td>Used for measurement of collection efficiency of a mist collector.</td>
</tr>
<tr>
<td>7</td>
<td>Thermostatic testing chamber</td>
<td>Identify influence of heat on a product and its components.</td>
</tr>
<tr>
<td>8</td>
<td>Motor testing chamber 2</td>
<td>Used to test motors from 5.5 to 7.5 kW.</td>
</tr>
<tr>
<td>9</td>
<td>Continuous spray testing chamber</td>
<td>Used to identify lifetime of a mist collector filter.</td>
</tr>
<tr>
<td>10</td>
<td>Vibration testing chamber</td>
<td>Used to measure vibration values, direction, volume, frequency, etc. of a product.</td>
</tr>
<tr>
<td>11</td>
<td>Heat resistance testing chamber</td>
<td>Used to identify influence of causing a blower to inhale hot-temperature gas. Up to 800°C of heat can be generated and inhaled into a blower.</td>
</tr>
<tr>
<td>12</td>
<td>Electromagnetic shield chamber</td>
<td>Used to measure electromagnetic waves emitted by electronic devices.</td>
</tr>
</tbody>
</table>
Technical Service Center

Our Technical Service Center was established in June 2015 in order to improve customer convenience by offering (1) maintenance and repair services, (2) product diagnostic services, and (3) environmental engineering services.

(1) Through maintenance and repair services, the center offers accelerated response by integrating maintenance and repair services that previously were performed separately by individual factories.

(2) Through product diagnostic services, the center diagnoses issues with Showa Denki products as well as products from other manufacturers to ensure that they are not hindering customer operations and that they are being used in an optimal manner.

(3) Through environmental engineering services, the center conducts quantitative simulations of the distribution of indoor air currents and of the concentration distribution of dust and proposes environmental improvement services using advanced equipment and installation and design technologies as only Showa Denki can.

The Technical Service Center also has a network of subcontractors in every region so that it can move quickly to respond to inquiries.

The Technical Service Center is bolstered by the Showa Total Engineering Project (STEP), which was launched in 2012 to handle maintenance service overseas, allowing customers to use Showa Denki products with confidence and peace of mind over the long term, whether in Japan or abroad.

Operations (2016)
Processing of external complaints
Product repairs; processing of internal repair and investigation requests at factories
On-site repair service (maintenance operations)
Engineering operations (construction)
Diagnostic and measurement services

Installation work (dust collector)

Maintenance and repair work (blade replacement)

Product diagnostics (vibration measurement)

Product diagnostics (measurement of mist concentration)

Air current analysis and simulation
Management Capital for Achieving Business Objectives

Disclosure of information to partner companies (EDI)

On April 1, 2009, we launched Itohan Net, an EDI network, with six partner companies. (The network’s name means “connection” in Japanese.) This system allows us to disclose Showa Denki’s stock levels of components and the status of received orders to partner companies on the web in an effort to minimize inventory and shorten procurement lead-times for all parties. Participation by partner companies has been increasing since the system’s introduction. Since 2010, we’ve made production drawings available on the web so that components can be delivered without errors based on the latest drawings.

Benefits of EDI
A total of 28 partner companies participate in EDI (Itohan Net).

- Partner companies have also succeeded in lowering inventory value, inventory area, inventory quantity, and work time by improving operational processes and participating in the EDI partnership.
- The 28 companies participating in Itohan Net together account for about 70% of Showa Denki’s total procurement outlays.

Benefits of improvements at Showa Denki
We have achieved the following by improving operational processes and adopting the EDI system:

- We lowered work time by 48%.
  
  (600 min. per day → 315 min. per day)
- We reduced the value of part inventory by 25%.
- We reduced drawing output time by 45 min. per day.
- We reduced the number of drawing-related inquiries by 66%.
  
  (15 inquiries per week → 3 inquiries per week)
  
  (The actual benefit is twice as large since time spent by both partner companies and Showa Denki is reduced.)

Disclosure of information to customers

http://www.showadenki.info

Our global website provides company information in English, Thai, Chinese, and Korean along with dedicated phone numbers in eight countries.

http://www.showadenki.co.jp

Our website allows customers to search about 2,000 models from all product groups 24 hours a day by entering specifications such as airflow and static pressure. In this way, customers can find the environmental improvement equipment that best suits their applications. Customers can also download technical information such as dimensional drawings and performance curves.

It also features three official blogs updated by employees in an effort to communicate locally relevant information: the Showa Denki Blog, the Showa Denki Thai Blog, and the Showa Denki Sapporo Blog.
Little bit Engineering of Showa Denki (Chokotto Engineering)

Showa Denki is focused on creating wind power by taking advantage of its airflow and rotator technologies.
Blowers are simply machines that take in and then expel air.
Our customers’ needs involve resolving the issues they are currently facing in their need to take in and then expel air.
To resolve those issues requires not only choosing the right blowers, but also installing nozzles, hoods, and ducts that suit the site in question, as well as appropriate air treatment devices.

Showa Denki is a blower manufacturer, but we do more than just sell blowers. Through a service known as Chokotto Engineering, we design and install optimal wind power equipment based on our assessment of customers’ true needs and our own accumulated expertise.
Through this service, we propose optimal, environmentally friendly environmental improvement equipment in response to customers’ issues.

Technical database

We’ve registered information for about 40,000 Showa Denki Group products in a database so that we can deliver the technical information customers require within as little as 10 minutes. The database includes technical information such as drawings, CAD data, performance curves, and operating instructions.

Lead-time for providing technical information

<table>
<thead>
<tr>
<th>Technical information</th>
<th>Lead-time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drawings</td>
<td>Delivery specifications diagrams: 5 min., Performance curves: 5 min., Product lead-time: 10 min.</td>
</tr>
<tr>
<td>Standard products</td>
<td>10 min., 10 min., 20 min.</td>
</tr>
<tr>
<td>Semi-standard products</td>
<td>10 min., 10 min., 20 min.</td>
</tr>
<tr>
<td>Special-order products (with drawings)</td>
<td>20 min., 10 min., 30 min.</td>
</tr>
<tr>
<td>CAD data</td>
<td>10 min., 10 min.</td>
</tr>
<tr>
<td>Operating instructions</td>
<td>10 min.</td>
</tr>
</tbody>
</table>

Above lead-times vary with product specifications.

Information for about 40,000 products is registered in our technical information management system, and associated drawings and other documents have been registered in our technical information database. By browsing this database, personnel can provide registered drawings and documents within 30 minutes.
Management Capital for Achieving Business Objectives

Sales structures designed to bring the company closer to customers

Domestic and overseas sales network

We make optimal suggestions to resolve customers’ problems through more than 80 sales representatives at 17 sales offices in Japan and overseas. (Tokyo, Sendai, Kitakanto, Nagano, Atsugi, Nagoya, Hamamatsu, Shizuoka, Kanazawa, Osaka, Kyoto, Okayama, Fukuoka, Kitakyushu, Sapporo, various overseas cities, and Thailand) We’ve also been focusing on developing our network overseas since creating the Overseas Sales Dept. in 2015. In addition to hiring employees with global skills, we’ve created dedicated desks in various countries, and we deal with customer inquiries via dedicated overseas phone numbers in eight countries. Consumers can also purchase Showa Denki products from machinery trading companies with which we have done business since our founding. In due course, we will continue to pursue convenience for customers, by making work of customers easier, becoming more useful to customers, and becoming more convenient for customers.

Showa Denki Sapporo Co., Ltd.
1st floor, No. 2 Tomari Building, 4-2-5, Kita 36-jo Nishi, Kita-ku, Sapporo-shi, Hokkaido 001-0036
Phone: +81-11-792-8175  Fax: +81-11-792-8176

East Japan Sales Dept. (Kanto, Tohoku, and Shin’etsu regions)
- Tokyo Branch Office 1-11-2 Iwamoto-cho, Chiyoda-ku, Tokyo 101-0032
  Phone: +81-3-5833-3201  Fax: +81-3-3863-3130
- Atsugi Sales Office 1st floor, Eikou Building, 1-6-57 Onna, Atsugi-shi, Kanagawa Prefecture 243-0032
  Phone: +81-46-221-6501  Fax: +81-46-221-6507
- Kita Kanto Sales Office 2380-2 Obara-cho, Ota-shi, Gunma Prefecture 379-2304
  Phone: +81-277-78-6431  Fax: +81-277-78-6430
- Nagano Office Phone: +81-26-225-8623
- Sendai Sales Office No. 211, 2nd floor, Oroshimachi Saiki Building, 5-2-10 Oroshi-machi,
  Wakabayashi-ku, Sendai-shi, Miyagi Prefecture 984-0015
  Phone: +81-22-782-9901  Fax: +81-22-782-9902

Central Japan Sales Dept. (Chubu, Tokai, and Hokuriku regions)
- Nagoya Branch Office 2-21-13 Hirako, Minami-ku, Nagoya-shi, Aichi Prefecture 457-0001
  Phone: +81-52-821-1211  Fax: +81-52-821-3573
- Hamamatsu Office Phone: +81-52-821-1211
- Shizuoka Office Phone: +81-54-237-2441
- Kanazawa Sales Office 1-143 Shimonomakacho-machi, Kanazawa-shi, Ishikawa Prefecture 920-0058
  Phone: +81-76-223-1122  Fax: +81-76-223-1114

West Japan Sales Dept. (Kinki, Chugoku, and Shikoku regions)
- Osaka Branch Office 2-12-14 Chuo, Joto-ku, Osaka-shi, Osaka Prefecture 536-0005
  Phone: +81-6-6932-1221  Fax: +81-6-6939-3711
- Okayama Sales Office 1st floor, Noda Center Building, 3-13-39 Noda, Kita-ku, Okayama-shi, Okayama Prefecture 700-0971
  Phone: +81-86-242-3351  Fax: +81-86-242-3361
- Kyoto Sales Office 1st floor, Ikeda Building, 78 Takedajobodaiin-cho, Fushimi-ku, Kyoto-shi, Kyoto Prefecture 612-8445
  Phone: +81-75-603-2323  Fax: +81-75-603-2335

Kyushu Sales Dept. (Kyushu)
- Fukuoka Sales Office 1st floor, Sunview Kuko No. 1 Building, 2-7-14 Enokida, Hakata-ku, Fukuoka-shi, Fukuoka Prefecture 812-0004
  Phone: +81-92-472-6631  Fax: +81-92-474-1850
- Kitakyushu Office Phone: +81-93-952-4230

Overseas Sales Dept.
- Overseas Group 1-25 Shindenkita-machi, Daito-shi, Osaka Prefecture 574-0052
  Phone: +81-72-871-1511  Fax: +81-72-870-7243

Showa Denki Iga Co., Ltd.
- Iga Factory 5030 Shimotsuge, Iga-shi, Mie Prefecture 519-1412
  Phone: +81-595-45-2721  Fax: +81-595-45-5025

Showa Denki (Thailand): Established November 1, 2012
SHOWA DENKI (THAILAND) Co., Ltd.
No1/46 Soi2 Grand De Ville, Soi Supapong 1 (Soi SriNakarin 42), SriNakarin Road Nongbon,
Pravet Bangkok, Thailand 10250
From inside Thailand Phone: 02-330-8798  Fax: 02-330-8799
From outside Thailand Phone: +66-2330-8798  Fax: +66-2330-8799
Win-Win Partnership

“Win-win partnership”
A company can never achieve any goal by itself. It must take a basic attitude to maintain favorable collaboration with all its stakeholders, just as traditional “Ohmi merchants” emphasized benefits for the company, benefits for the customer, and benefits for the public.

Win-win partnership with employees

- **Shoyukai Club**
The Shoyukai Club encourages mutual friendships among employees while promoting employee health by putting time away from work to good use. The club hosts events such as welcome parties for new employees and mochi-making contests as well as a variety of club activities such as softball and fishing.

Win-win partnership with customers

- **Agencies**
Reflecting our belief that sustained growth can come only from an effort to both deepen and broaden the company’s customer base, we’re working to increase the number of companies that offer Showa Denki products by taking advantage of agencies’ national sales networks.

Win-win partnership with partner companies

- **Shoeikai**
Showa Denki does business with its partner companies on a long-term basis, so that we can prosper together. We have been doing business with Shoeikai members for more than 20 years on the average.
Providing Hospitality to the Environment

Biodiversity management

Simply put, biodiversity refers to the existence of a diverse range of living organisms. Today, failure to adequately take into account biodiversity can lead to significant business risk for companies. Failure to take into account biodiversity is equivalent to bringing difficulty to your own operations.

Nature may have seemed free for the taking when we were children, but today, those times are past.

Today, we must remain aware of the importance of biodiversity and incorporate it into our activities in order to use the natural capital mentioned in this integrated report in a sustainable manner.

Photovoltaic Power Generation

In February 2007, photovoltaic power generation panels with generation capacity of 100 kW were installed on the rooftop of the Daito Factory, Showa Denki. We believe that Showa Denki should not only provide environmental improvement equipment such as blowers and dust collectors, but also help reduce the environmental impact of the manufacturing process in keeping with its key concept of Providing Hospitality to the Environment.

In FY2015, performance of our photovoltaic power generation system for Providing Hospitality to the Environment was as follows.

Photovoltaic Power Generation System with Generation Capacity of 100 kW

<table>
<thead>
<tr>
<th>Generated power</th>
<th>72,084 kWh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reduced CO₂ emissions</td>
<td>37.7 tons</td>
</tr>
<tr>
<td></td>
<td>72,084 kWh × 0.523 kg/kWh</td>
</tr>
<tr>
<td>Equivalent to</td>
<td>2,693 cedar trees per year*</td>
</tr>
<tr>
<td></td>
<td>(Estimation assuming one 50-year-old cedar tree with a height of approx. 20 ~ 30 m absorbs approx. 14 kg of CO₂ per year on the average. (based on &quot;Forests as CO₂ Sinks for Prevention of Global Warming&quot;, Forestry Agency, Ministry of the Environment))</td>
</tr>
<tr>
<td>Equivalent to annual power requirements at:</td>
<td>19.4 households</td>
</tr>
<tr>
<td></td>
<td>72,084 kWh / 3,720 kWh per household</td>
</tr>
</tbody>
</table>

(Coefficients based on data provided by FY2015 Kansai Electric Power)

Rooftop garden

On the rooftop of the two-story building of the Daito Factory is a garden with an area of 1,919.2 m² (equivalent to seven tennis courts). This rooftop garden has an effect to maintain temperatures in the first-floor work area (3,108.2 m²) throughout the year, thereby saving excessive utility charges.

The graph below indicates temperature changes on the rooftop and in the first-floor work area. It is clear from the graph that temperature changes in the first-floor work area are far more subtle than those on the rooftop. We believe that this is another form of concept Providing Hospitality to the Environment.

This garden also pleases us with seasonal flowers, and with strawberries, figs, kiwi and other kinds of fruit.
Management Capital for Achieving Business Objectives

Human Resource Development

Although it is common that managers train their staff in a company/organization, staff members are slow to grow unless they feel growth and enthusiasm of their instructors.

In the Showa Denki Group, we believe that both instructors and staff should grow, and learn from each other, through training.

In order to identify potential needs that customers are not aware of, sales representatives must have listening skills.

It is also necessary for engineers to accumulate specialized skills so that we can give shape to customers’ needs.

In this way, the growth of individual employees leads to the creation of customer value in keeping with our philosophy of giving top priority to personal growth.

We’re working to enhance a range of measures that facilitate employee self-study through support for online and correspondence learning, attendance of outside seminars, and purchase of books. The Sales Dept. helps employees earn qualifications in local languages to help develop the company’s business overseas, while the Manufacturing Dept. helps employees earn official certifications (such as technician, electric engineer, etc.), and the Engineering Dept. supports education related to products that are under development.

Departments responsible for human resource development:
General Affairs Group, Management Administration Dept.
Sales Promotion Dept.

Human resource development plan

<table>
<thead>
<tr>
<th>Type of training</th>
<th>Program</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group training</td>
<td>New employee training</td>
</tr>
<tr>
<td></td>
<td>Management fundamentals</td>
</tr>
<tr>
<td></td>
<td>ISO training</td>
</tr>
<tr>
<td></td>
<td>Safety and health training</td>
</tr>
<tr>
<td></td>
<td>Training for employee evaluators and those undergoing evaluations</td>
</tr>
<tr>
<td></td>
<td>Function-specific training</td>
</tr>
<tr>
<td></td>
<td>Specialized occupational training</td>
</tr>
<tr>
<td>Incentives for employees to earn qualifications</td>
<td>Qualifications training</td>
</tr>
<tr>
<td>Individual development plans</td>
<td>Implementation of educational programs based on individual employee charts</td>
</tr>
</tbody>
</table>

Knowledge Is Rodin (library)

We created the “Knowledge Is Rodin” library to increase employees’ value as members of society.

As of January 2016, the library held about 10,000 books, including not only works related to the company’s various areas of operations, but also novels and a wide range of books about hobbies and other subjects.

Employees can request books in which they are interested, and the library will purchase them so that they can read them. The library purchases about 40 new books every month in order to add to the information and knowledge it holds, and we’re working to encourage more employees to make use of it.
Management Capital for Achieving Business Objectives

As shown in the above figure, Showa Denki is working to improve, expand, and develop its intellectual property on a daily basis.

---

Nonfinancial Indicators in Brief

<table>
<thead>
<tr>
<th>Category</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>On-time delivery, smallest lot production of main products</td>
<td>1.88</td>
<td>2.03</td>
<td>1.97</td>
<td>1.97</td>
<td>2.33</td>
</tr>
<tr>
<td>Newly designed units</td>
<td>2,333</td>
<td>3,900</td>
<td>3,299</td>
<td>3,039</td>
<td>3,259</td>
</tr>
<tr>
<td>Publicly available drawings</td>
<td>16,500</td>
<td>19,829</td>
<td>22,665</td>
<td>24,813</td>
<td>36,119</td>
</tr>
<tr>
<td>Product inventory</td>
<td>21,167</td>
<td>25,405</td>
<td>17,380</td>
<td>24,816</td>
<td>34,909</td>
</tr>
<tr>
<td>Inventory turnover period (days)</td>
<td>1.30</td>
<td>1.58</td>
<td>0.88</td>
<td>1.25</td>
<td>1.32</td>
</tr>
<tr>
<td>Sales offices</td>
<td>10</td>
<td>13</td>
<td>15</td>
<td>14</td>
<td>17</td>
</tr>
<tr>
<td>Sales representatives</td>
<td>73</td>
<td>79</td>
<td>83</td>
<td>82</td>
<td>86</td>
</tr>
<tr>
<td>Share of sales representatives in the entire workforce</td>
<td>41.5%</td>
<td>43.16%</td>
<td>45.36%</td>
<td>44.3%</td>
<td>41.55%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Relationship with partner companies</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>The No. of companies in &quot;Showia&quot;</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
<td>17</td>
</tr>
<tr>
<td>Share of components purchased through &quot;Showia&quot;</td>
<td>68.2%</td>
<td>62.2%</td>
<td>58.7%</td>
<td>57.4%</td>
<td>63.7%</td>
</tr>
<tr>
<td>R&amp;D development (thousand yen)</td>
<td>168,129</td>
<td>128,086</td>
<td>160,772</td>
<td>160,243</td>
<td>155,798</td>
</tr>
<tr>
<td>Training investment (thousand yen)</td>
<td>12,851</td>
<td>12,518</td>
<td>9,009</td>
<td>19,605</td>
<td>18,838</td>
</tr>
<tr>
<td>Training investment per employee (thousand yen)</td>
<td>74</td>
<td>68</td>
<td>49</td>
<td>105</td>
<td>93</td>
</tr>
<tr>
<td>Employees who left the company (excluding mandatory retirement)</td>
<td>3</td>
<td>3</td>
<td>6</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Employee turnover</td>
<td>1.7%</td>
<td>1.6%</td>
<td>3.2%</td>
<td>5.9%</td>
<td>5.9%</td>
</tr>
</tbody>
</table>

Sales, ordinary profit, and capital investment

(Hundreds of millions of yen)

As shown in the above figure, Showa Denki is working to improve, expand, and develop its intellectual property on a daily basis.


1. Management vision

We believe that management and business structures that are capable of preventing and sometimes overcoming threats from all directions while eliminating obstructions and obstacles in order to achieve sustained growth by working to maximize management opportunities are most effective in quadruplicate.

This four-fold approach is resistant to threats from all directions, and it can reduce the risk of the company being overburdened by distributing demand on its organization.

Compared to a four-business structure, a three-business structure is at least 30% less durable when exposed to the threats of change in the business environment and other changes over time.

By seeking to establish independence of 78% and interconnectedness of at least 5.5%, each business is able to ensure reliable and sustained growth.

1. Pursuing intellectual property management

The Showa Denki Group's approach to intellectual property management, which adds workplace skills to financial information and non-financial information, prioritizes the visualization of each group company’s activities, particularly manufacturing activities, and the use of that information to facilitate measures to strengthen companies’ knowledge and skills.

In addition, intellectual property management is responsible for increasing stakeholder trust by presenting a virtual image that closely approximates reality while working together to address the three core management issues and solve associated problems.

Furthermore, because achieving sustained, uninterrupted growth serves to foster the development of markets and the company’s ability to compete successfully, it is essential to achieve growth through thoroughly realized through deep visualization. This truth is captured by Sun Tzu in *The Art of War* when he writes, “If you know the enemy and know yourself, you need not fear the result of a hundred battles.”

1. Environmental philosophy and strategy

The Showa Denki Group has classified the dust collectors, mist collectors, and blowers it manufactures and sells as environmental improvement equipment.

Accordingly, the Showa Denki Group has adopted the philosophy of providing hospitality to the environment, a unique approach that incorporates initiatives that take into account the need to preserve biodiversity while recognizing expanded producer responsibility in the Group’s business domain so that we can reduce the environmental footprint of our products and operations and facilitate harmony with nature.

Even as we respond to the applications of our times with electric blowers and fan blowers equipped with technologies for airflow, which are our flagship products, we will create and improve workplace environments in which people can function comfortably and energetically with new applications including products for people and workplaces as well as equipment, lighting equipment, and control equipment.

We will offer functionality to support dramatic improvements in the productivity of worksite production activities through the social role of environmental improvement equipment as well as the role of creating attractive workplaces and work environments that prevent problems with production equipment, associated systems, control equipment, and other infrastructure.

Furthermore, we will provide environmentally friendly products to help achieve an energy-saving, low-carbon society by drawing on technologies for rotators, which provide the ability to achieve a premium level of efficiency (in the form of leading motors) across our entire product line thanks to research and development geared to boosting efficiency and saving energy.
Awards and Corporate Profile

Major Awards

2016 May: Recognized by the Daito Fire Prevention Association
2015 April: Recognized for contributing to the technological advancement of the electrical manufacturing industry
2013 February: IT Management Award Screening Committee Incentive Award, development of a high-efficiency induction motor and a high-efficiency electric blower
2012 November: Recognized for outstanding tax compliance
2010 February: Certification of IT Management Practice, IT Management Abilities Award
2008 February: Certification of IT Management Practice, IT Management Abilities Award
2007 January: Most Excellent Prize, 100 Best IT User Companies in Kansai
June: 300 Vigorous Manufacturing SMEs, Minister’s Prize, the Ministry of Economy, Trade and Industry
November: Recognized for outstanding tax compliance
2006 May: IT Promotion Section, Second IPA Award
October: Most Excellent Prize, 100 Good IT Management Companies
October: IT Management Promotion Section, Minister’s Prize, the Ministry of Economy, Trade and Industry
November: Prize for Promoting Digitization in the Kansai Region
2005 January: Prize for Great Contributors to Local Communities
May: Most Excellent Prize, 100 Good IT Management Companies
September: Production Management Prize
2004 March: Most Excellent Prize, 100 Best IT User Companies in Kansai

Corporate Profile

SHOWA DENKI CO., LTD.
1-25 Shinden Kitamachi, Daito City, Osaka JAPAN 574-0052
Tel: +81-72-871-1061
Founded: June 29, 1950
Capital: 88.5 million yen (as of 2016)
Employees: 210 (as of April 1, 2016)
(289 employees including the Showa Denki Group)

Certifications and qualifications
Acquired ISO 9001 certification (1999)
Approved by the explosion-proof structured electric machinery and apparatus tests
Licensed for construction business by the governor
Medical device manufacturing permit

Group affiliations
The Japan Electrical Manufacturers’ Association (JEMA)
Japan Machine Accessory Association (JMAA)
Japan External Trade Organization (JETRO)

Social Contribution (Factory Tours)

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<tr>
<th>Year</th>
<th>Number of visiting groups</th>
<th>Number of visiting individuals</th>
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<tr>
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<td>408</td>
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<td>45</td>
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<td>2015</td>
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Editorial review
I have both supported and supervised the compilation of this Integrated Report in accordance with the Integrated Report Framework in order to maintain and improve its objectivity and reviewed its contents for issues.
Tsutomu Morishita
Small and Medium Enterprise Management Consultant and IT Coordinator

Providing Hospitality to the Environment

SHOWA DENKI CO., LTD.

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