



Elematec Corporation

26F Sumitomo Fudosan Tokyo Mita Garden Tower,
3-5-19 Mita, Minato-ku, Tokyo 108-0073 Japan
TEL: 81-3-3454-3526 FAX: 81-3-3454-3634
<http://www.elematec.com/en/>

Elematec
INTEGRATED REPORT
2023

Management Principles



Ten Provisions of Code of Ethical Conduct: CODE 10

The Group has established the Ten Provisions of Behavioral Ethics "CODE 10" as a specific code grounded in our management principles. We make efforts to instill awareness and understanding of the code among all executives and employees.

1. We are wholeheartedly engaged in health and safety activities to construct healthy and safe work environments.
2. We observe all applicable laws and regulations, including those related to anti-corruption, antimonopoly, and international trades.
3. We disclose correct financial information.
4. We take responsibility for observing all internal regulations.
5. We perform corporate activities with integrity, honesty, fairness, and rightfulness, and maintain and develop mutual trust with all stakeholders.
6. We contribute to development of sustainable society.
7. We pursue and promote corporate activities that take environmental issues into proper consideration.
8. We provide added values through our creative and incessant improvement activities.
9. We respect human rights.
10. We respect and accept diversities in the Company and society, and are actively engaged in D&I initiatives where differences can be effectively utilized.

Origin of the company name



The company name "Elematec" is derived from the words, electronics, materials, and technology. The name encompasses our wish to develop as a trading company that creates new value by crossing advanced electronic materials and electronic parts with technology.

Editorial Policy

Beginning this fiscal year, the Group issues an Integrated Report as an important tool for communication with stakeholders.

Through the report, we will also actively disclose non-financial information including the Group's value creation story and sustainability efforts to give stakeholders an understanding of our measures to improve our medium- to long-term corporate value and to create new opportunities for dialogue.

Published: November 2023

Period covered: FY2022
(April 2022 to March 2023)

Guidelines used as reference

- IFRS Foundation
"International Integrated Reporting Framework"
- Ministry of Economy, Trade and Industry
"Guidance for Integrated Corporate Disclosure and Company-Investor Dialogues for Collaborative Value Creation"
- Global Reporting Initiative
"GRI Sustainability Reporting Standards"

Scope of reporting

The Group (Elematec Corporation and consolidated subsidiaries)

Corporate website

Please visit our corporate website for more information about the Group.
<http://www.elematec.com/en/>

Note regarding forward-looking statements

Information on future prospects contained in this report is based on the judgment of the Group at the time of preparation of this report and include risks and uncertain factors. Actual results may differ substantially from prospects due to numerous reasons.

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The History of Elematec

Responding to the needs of customers and to changes in the market for 76 years

Born from the union of TAKACHIHO ELECTRIC CO., LTD. and OHNISHI DENKI CO., LTD., our company has evolved as a manufacturing partner for customers ever since the establishment of TAKACHIHO ELECTRIC CO., LTD. in 1947. In addition to our on-site capabilities built up through 76 years of history and achievements, we are still evolving as an integrated service

company that meets the needs of customers through high value-added business proposals. We do so under collaboration among sales, engineering, development, quality, and processing plants, based on a wide-spread sales foundation (approximately 6,000 customer companies and 7,200 supplier companies) and a network of 73 sites in Japan and overseas.

Our ability to accurately provide the goods, information, and services sought by customers is the reason why those customers choose us. Looking ahead, we will continue to swiftly discern and respond to changes and areas of growth in the world and will take action to connect this to further growth.

Period of overseas expansion and stock exchange listing

Period of value chain expansion

Major events

1947~

- 1947 TAKACHIHO ELECTRIC CO., LTD. established in Minato-ku, Tokyo
- 1979 Site established in Singapore
- 1994 Site established in Hong Kong

2000~

- 2000 Site established in Shanghai
- 2002 Listed on the JASDAQ market
- 2003 Listed on the Second Section of the Tokyo Stock Exchange
- 2005 Designated a stock on the First Section of the Tokyo Stock Exchange
- 2006 Sites established in San Diego and Prague
- 2009 Merged with OHNISHI DENKI CO., LTD. an electrical insulation materials trading company established in Kyoto city; changed trade name to Elematec Corporation

2010~

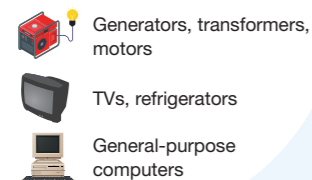
- 2011 Concluded a capital and business alliance agreement with TOYOTA TSUSHO CORPORATION
- 2014 Acquired TOMUKI CORPORATION in absorption-style merger
- 2015 Took over business of selling safety equipment to truck industry

2020~

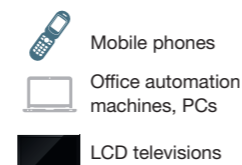
- 2022 Transitioned to the Prime Market of the Tokyo Stock Exchange

Changes in our core markets

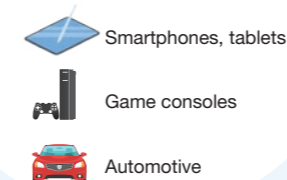
At the time of our establishment, we sold electrical insulation materials for the heavy electric machinery industry against the backdrop of post-war reconstruction demand. During the period of high economic growth in Japan, we expanded into products for consumer goods such as home appliances and general-purpose computers.



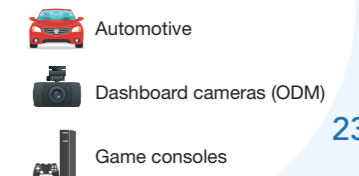
Strengthened sales of customized products along with parts and materials and focused on expanding sales of mobile phone-, PC-, and LCD-related products, with the result of net sales in excess of 50,000 million yen in FY2000 and 100,000 million yen in FY2007.



In addition to expanding sales of smartphone- and game-console-related products, we expanded the breadth of our business by concluding a capital and business alliance agreement with Toyota Tsusho Corporation for the purpose of strengthening our automobile-related business, which exceeded 200,000 million yen in net sales in FY2015.



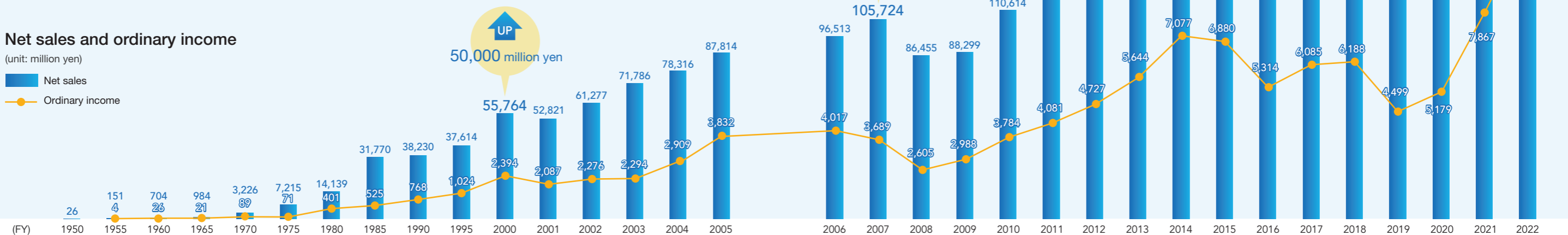
In addition to expanding sales of Automotive and game-console-related products, we achieved record high net sales and ordinary income in FY2022 due to factors including expansion of the ODM business.



Net sales and ordinary income

(unit: million yen)

■ Net sales
● Ordinary income



Our Business

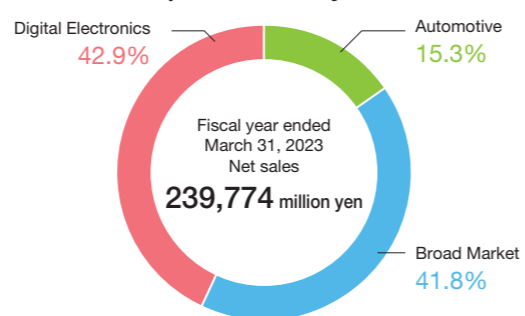
The Main Businesses of the Group

The Group's main businesses include sales, processing, and assembly of electronic materials, electronic parts, equipment, and other items in Japan and overseas, as well as contract design and manufacturing.

In recent years, we have also focused effort on the ODM business in which we perform processes from design to manufacturing for other companies' brand products (with manufacturing subcontracted out by the Group). Doing so, we are able to leverage the extensive knowledge of electronic materials that we have built up over the years to create added value.

Automotive | Broad Market | Digital Electronics

Net sales composition ratio by market



Overview of the Market

The products and services handled by the Group find adoption in wide-ranging fields.

We have identified 22 markets as fields of focus, and manage these in three categories: Automotive, Broad Market, and Digital Electronics.

By engaging in business activities in a wide range of markets, we practice risk diversification management that is not dependent on specific customers as we work to incorporate ever-changing growth markets.

22 markets

Automotive (1)

Automotive

Broad Market (13)

Motorbikes, Bicycles

Aftermarket

Farm machinery, construction equipment

Home appliances (White goods)

Medical equipment

Housing equipment

Surveillance cameras, Security

Infrastructure, Energy, Batteries

Home appliances (Beauty/Health)

Office automation machines

Power system, Train control, Ship, Airplane

Industrial machinery, Portable power tool

Motors

Digital Electronics (8)

LCD, Touch panels, Backlights

TVs, Monitors, AV, etc

Electrical parts, Semiconductors

Mobile devices, PC

Cameras, Camera modules

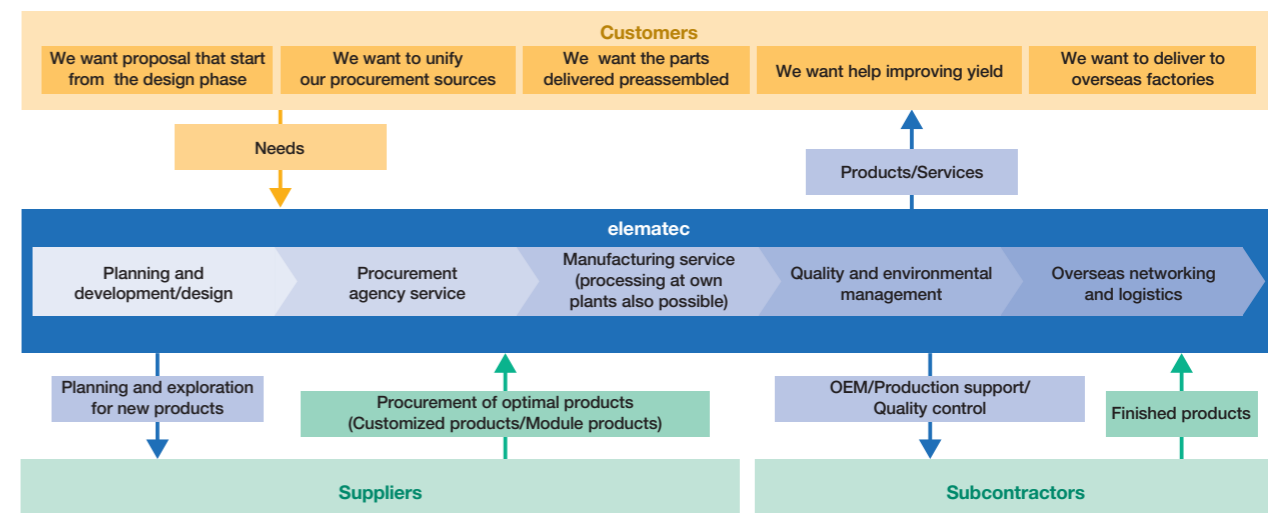
Supercomputers, Servers

Toys, Hobby

Amusement

Business Model

The Group offers one-stop solutions that make use of the “five functions” of planning and development/design, procurement agency services, manufacturing services, quality and environmental management, and logistics leveraging our network of domestic and overseas sites.



Five Functions

Planning and development/design | **From design to proposal** | Design that makes use of our diverse resources, expertise, and advanced knowledge

We unearth customers' true needs to engage in planning and development/design of new parts and units matched to those needs, through the integrated collaboration of our Sales Department, Marketing & Development Division, and Design Department. Our Design Department boasts experts in mechanism and circuit design as well as prototyping equipment including 3D CAD, 3D printers, and NC machine tools.

Procurement agency service | **Consolidation of procurement sources** | Selecting the best suppliers from manufacturers around the globe

Leveraging know-how and expertise built up over many years, we select and propose optimal suppliers based on a solid understanding of the areas of expertise of suppliers around the globe. We perform thorough delivery date management and call on our global network to respond promptly to any quality problems that may arise.

Manufacturing service | **Assembly and delivery** | Capabilities for providing everything from customized products to module products and finished products (ODM)

Utilizing our one processing plant location in Japan and two overseas, we manufacture customized products and module products planned, developed, and designed for specific customers. Working with domestic and overseas contract manufacturers, we provide customized products, module products, and finished products (ODM).

Quality and environmental management | **Support for improvement of yield** | Inspecting products and checking feasibility of stable mass production

We inspect whether products and environmental measures such as component analysis meet standards, and further confirm the feasibility of stable mass production. We meet customers' demands for high quality through support in every aspect, including measures to prevent defective products, primarily through our Environment Preservation & Quality Assurance Department.

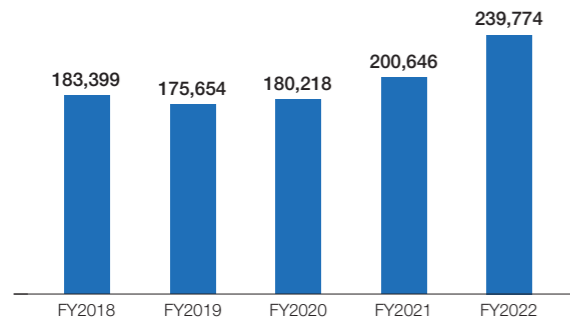
Overseas networking and logistics | **Delivery to overseas factories** | Delivery via optimal route and at optimal cost to any country or region

We are building a worldwide network through close collaboration among our extensive number of sites. Bridging differences of time zone and language, we achieve delivery to countries and regions specified by customers via fast routes and optimal cost.

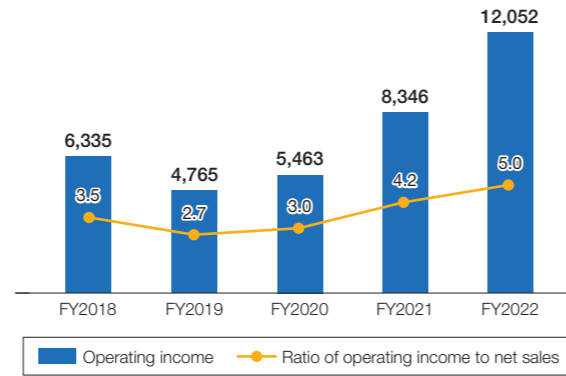
At a Glance

Financial Indicators (consolidated)

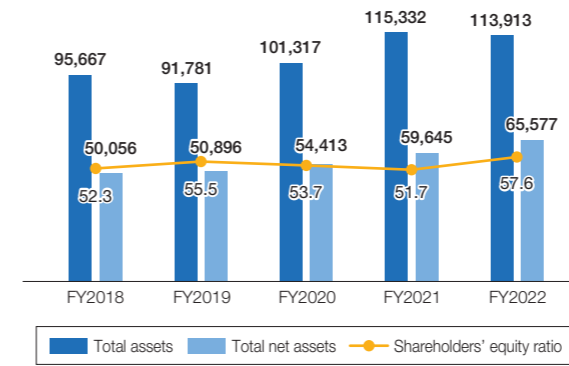
Net sales (million yen)



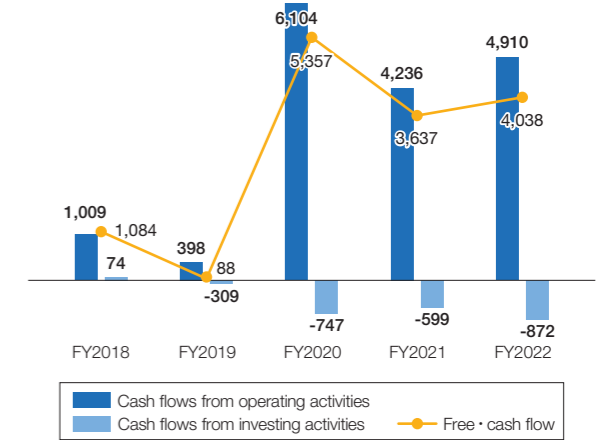
Operating income (million yen) /
Ratio of operating income to net sales (%)



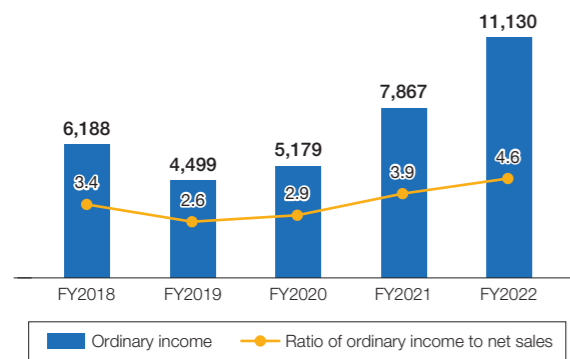
Total assets (million yen) / Total net assets (million yen) /
Shareholders' equity ratio (%)



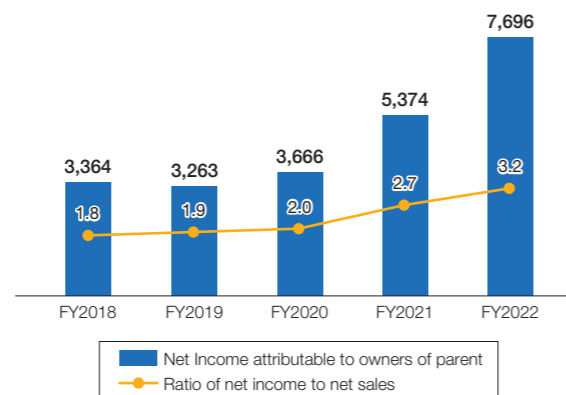
Cash flow from operating activities (million yen) /
Cash flow from investing activities (million yen) / Free cash flow (million yen)



Ordinary income (million yen) /
Ratio of ordinary income to net sales (%)

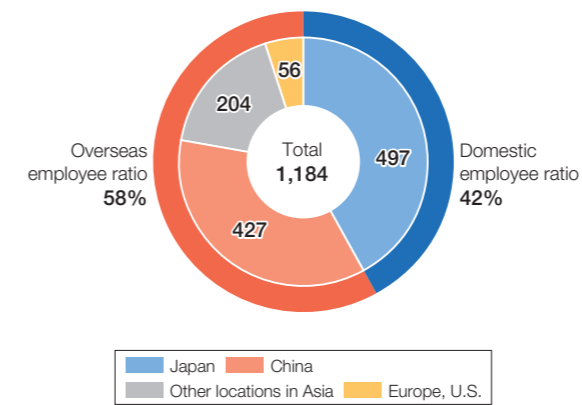


Net income attributable to owners of parent (million yen) /
Ratio of net income to net sales (%)

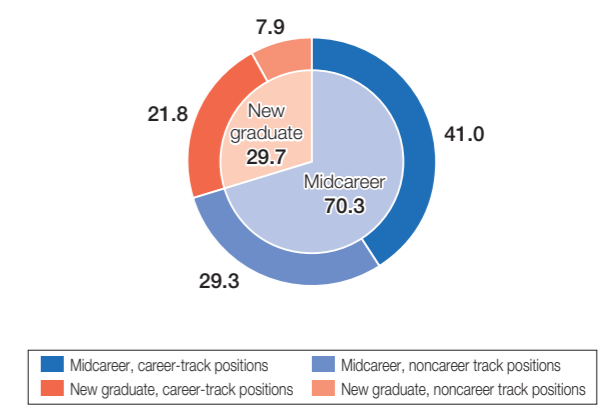


Non-financial indicators

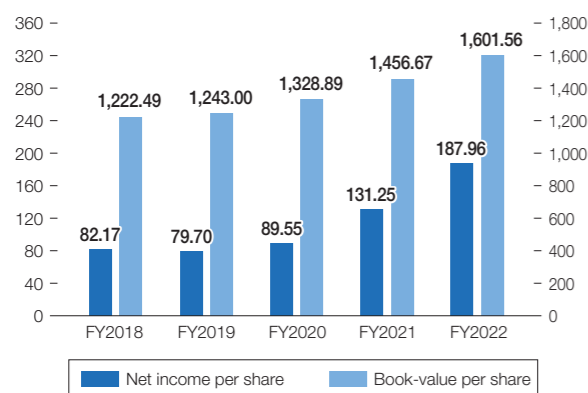
Number of employees by area (consolidated)



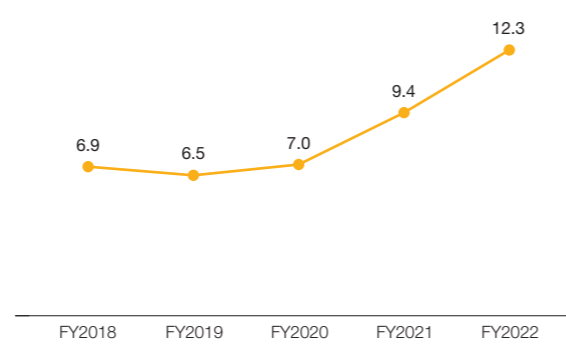
Ratio of midcareer hires (%) (non-consolidated)



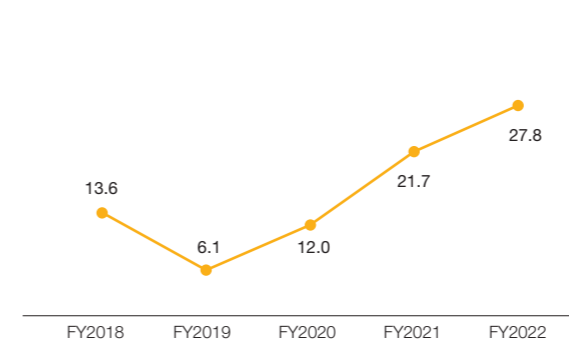
Net income per share (yen) (left axis) /
Book-value per share (yen) (right axis)



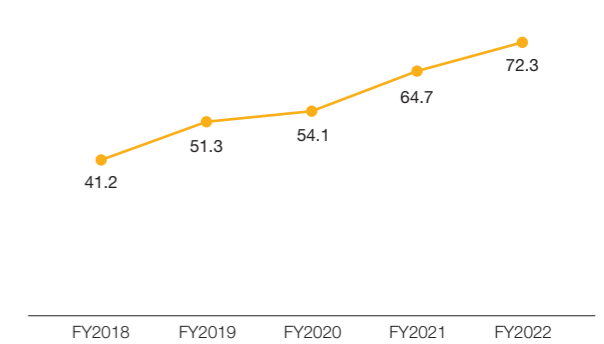
Return on equity (ROE) (%)



Ratio of female employees in career-track positions (%) (non-consolidated)



Rate of taking paid leave (%) (non-consolidated)



Message from the CEO

We will continue to evolve as an integrated service company that supports manufacturing with electronics.



**Akira
Yokode**

Chief Executive Officer and
Chairman of the Board

An integrated service company in the electronics industry

Elematec Corporation is an electronics trading company created in 2009 through the integration of TAKACHIHO ELECTRIC CO., LTD. and OHNISHI DENKI CO., LTD. Through 76 years of growth since the establishment of TAKACHIHO ELECTRIC CO., LTD. in 1947, we have wielded flexibility and speed to earn the trust of customers.

Many people may envision our work as a trading company to be the purchase of goods for sale to customers, but the Group is more than a trader. Complementing our basic functions as a trading company that sources components from suppliers worldwide for use by our customers in building products, we have groups of experts with knowledge of design and manufacturing as well as the technical capabilities to take part in the creation of module products and finished products, from the planning and development/design stages of manufacturing. The Group has steadily solidified its footing as a manufacturing partner that aligns itself with customers to share in their work from the starting point of product development onward.

As the electronics field evolves at unprecedented speed, many of the companies that have led manufacturing in Japan are undertaking “selection and concentration” to enhance the efficiency of management and business, including the outsourcing of planning and design work. While fulfilling the basic functions of a trading company that provides components and materials, the Group also meets the expectations of its many customers by aligning itself with diversifying needs and leveraging its unique strengths to deliver proposals closely aligned with diversifying needs. We work alongside customers from the planning and development stages to the production of module products that combine components and to the supply of finished products.

The Group boasts about 7,200 supplier companies and about 6,000 customer companies, numbers that are reflected in the vast range of products we are able to propose to numerous customers. Through our industry-leading network of over 70 sites in Japan and overseas, we have accumulated a track record of achievements as a trading company and embrace limitless potential to meet customers’ requests. As an integrated service company in the electronics industry, we aim to create added value unique to the group and to accelerate our growth.

Looking back on the fiscal year ended March 31, 2023

In the fiscal year ended March 31, 2023, the world gradually regained composure as the COVID-19 pandemic subsided, and the business environment took a positive turn as restrictions on behavior were relaxed in countries worldwide. Under the combination of exchange rate impacts and numerous positive factors, namely stronger recovery in customers’ production activities amid higher demand, we achieved record high net sales and income.

The automotive field led this performance. Although shortages of semiconductors shackled automobile production, our business grew sales through the input of resources and synergies with the Toyota Tsusho Group. We also grew sales of high-performance products for game consoles, such as plastic substitute materials, which significantly increased our sales results. In addition, the finished product business that we have worked toward for the past three years achieved a full-scale start, entering a phase that promises future development. With these successes, we have achieved the quantitative goals set out in Elematec NEXT, our Third Medium-term Corporate Strategy.

Message from the CEO

At the same time, there remain challenges that we have yet to meet. One is new development of global customers. Our overseas sites' business has stood upon providing support for overseas expansion by Japanese companies. However, as the presence of Japanese companies in global markets undergoes a relative decline, it is increasingly vital that each of our bases creates new business. While we achieved certain results that include capturing new projects and opening new accounts for global customers, these remain limited in number and scale. We also recognize the failure to implement sizable investment and loans as another remaining issue.

The gross interest rate from such transactions is the

source of the ROE and the ratio of ordinary income to net sales that the Group values as management indicators. Conducting business for less than a fair consideration for services provided eventually leads to deterioration of the services and to lower customer satisfaction. As survival in the marketplace is not possible under such conditions, we will continue to expand our handling of module products and finished products and to otherwise provide high value-added services commensurate with the ratio of income sought by the Group, as we continue to forge ahead with stable management in the fiscal year ending March 31, 2024.

Our new Medium-Term Corporate Strategy: elematec Pro+

The basic policy of our elematec Pro+ Fourth Medium-Term Corporate Strategy is to carry forward and evolve the achievements of our previous Elematec NEXT Medium-Term Corporate Strategy and execute remaining measures.

The first priority measure, "Cultivate Potential Areas on a Full Scale Basis," aims to expand our business outside of Japan and China to achieve growth and risk diversification. Japan currently accounts for about 51% of the total net sales of the Group and China for about 23%. Both countries will remain key markets on which the Group will continue focusing efforts. Considering recent geopolitical risks and fluctuations in internal and external markets, however, we face a need to expand our business in Europe and North America, where our sales composition ratio is slow, and in the ASEAN market, which is attracting attention under "China Plus One" strategies. In Europe and North America, where our customers' development sites are concentrated, we will reinforce activities to have our products included in customers' product specifications and will concretely study the expansion of sales sites and the establishment of manufacturing sites. In the ASEAN market, we will horizontally apply our successful cases of partner development in the finished product business in China, while also adapting to customers' shift to ASEAN countries and working to withdraw from the procurement agency business.

Our second priority measure is "Strengthen the func-

tions of the Marketing & Development Division." We will work to do in terms of business creation while also strengthening cooperation with the Toyota Tsusho Group and with strategic regions and sites. The role of the Marketing & Development Division is for marketers specializing in our 22 market subdivisions to develop products matched to customer needs. We will further create a new team that will shoulder the role of promoting company-wide strategy together with strategic sites and with the Corporate Planning & Human Resources Development Department. With the Marketing & Development Division taking on the role of watching global trends and studying future business needs, we will agilely adapt to changes in the ever more sophisticated and diversified needs of customers and will accelerate the promotion of company-wide strategies.

Our third priority measure, "Expand Customer Base and Business Domains through M&A and Alliance," is an item remaining from our previous Medium-Term Corporate Strategy. Although we examined multiple investment and loan projects in the previous Medium-Term Corporate Strategy, this unfortunately did not result in sizable M&A or alliance agreements. We will continue to position the Expand Customer Base and Business Domains through M&A and Alliance as priority issues in management as we cycle through processes to deliver results. I have high expectations that members of the Marketing & Development Division will take part in these investment and loan projects from the initial study stage and will drive growth for the company overall.



Message from the CEO

Engage in Initiatives for Sustainability and Human Capital

We have set “Sustainability and human capital initiatives” as our fourth priority measure.

To halt climate change, the world has begun a concerted move toward carbon neutrality. The Japanese government also declared a goal of achieving carbon neutrality by 2050. Amid this, the Group’s business environment is poised to undergo great change. A familiar example is the shift from gasoline-powered automobiles to electric vehicles (EVs). The disappearance of the engine will mean changes in required components, such as the need for drive motors and new sources of heating. Changes in the social environment, centered on climate change, are similarly affecting all industries. In light of these changes in the social environment, the Group will contribute to the realization of a recycling-oriented society by providing environmentally-considerate vehicle-related components and materials, clean energy-related components and materials, and other products and services aimed at solving the societal issues of achieving CO₂ reduction and a decarbonized society. To solve the societal issue of reducing environmental impacts, we will also provide packaging materials and other products that are environmentally considerate and services such as liquid crystal reworking.

In the area of human capital, based on respect for diversity, we will design flexible systems allowing employees of differing backgrounds to work together in an open atmosphere, and will further enhance our training

programs. All of the Group’s branches in Japan have dealings with overseas parties. We plan to place further focus on training global human resources, including enhancement of English skills, as well as on individual training in areas such as investment and loans and business strategy planning.

We are also examining diversity efforts from a variety of perspectives, and view the appointment of women to management positions as an urgent issue. Increasing the currently limited number of women in management positions is vital to the future of the Group. We began hiring women for career-track positions about 10 years ago. Several such hires are now active on the front lines of business in overseas posts, and are expected to become candidates for management positions in the near future. I am pleased to see the growth of human resources who can serve as role models, and look forward to the further expansion of opportunities for active roles for women under the lead of these pioneers.

The start of a new quarter century heading into our 100th anniversary

As I noted at the outset, the Group is an integrated service company in the electronics industry. While software tends to attract attention these days, it can only run on hardware. As a partner of the companies that build this hardware, we will accurately capture changes in needs and make use of the functions of the Group to provide customers with whatever they need, in the form needed. I hope to continue such activities with integrity.

The Group has taken part in a new initiative as one of four companies that launched “the Future Station” flat-rate EV charger usage service in May 2023. This new challenge for the group aims to solve the societal issue of wider EV proliferation through the expansion of charging infrastructure. By supporting the shift from gasoline automobiles to EVs, an effective means of realizing carbon neutrality, we will contribute to an EV-based society.

The fiscal year ending March 31, 2024, the 76th year since our establishment, is also an important year that

marks the start of a new quarter century. As a “partners with comprehensive capabilities to meet changing needs” for our business partners, “a company in which individuals can realize their potential in a rewarding way” for our employees, and “a company that contributes to the realization of a sustainable society and enriches people’s lives” to the public, the Earth, and the world, we will work with sincerity to pioneer a prosperous future with the power of electronics. I ask for your continued understanding and support.



Value Creation Process

To contribute to the realization of a prosperous future through our business activities, we will strive for sustainable growth through our efforts under the new elematec Pro+ Medium-Term Corporate Strategy, drawing on our six forms of capital and the unique solutions capabilities that we have cultivated.

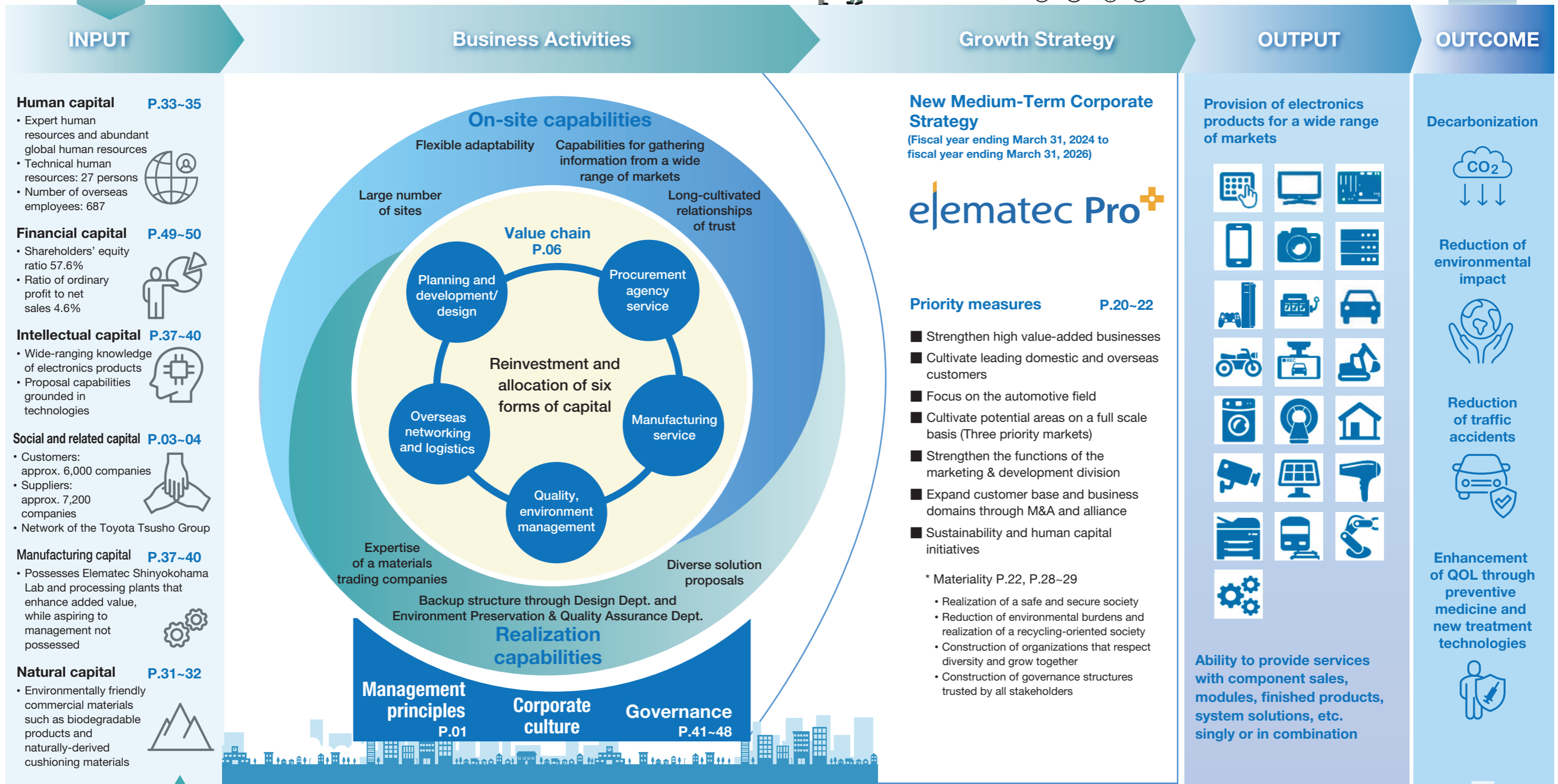


Realization of a Prosperous Future

A sustainable and comfortable society that realizes individuals' desired lifestyles

External environment P.18

- Geopolitical risks and fluctuations in domestic and external markets
- Increasingly sophisticated and diversified customer needs
- Growing interest in sustainability issues
- Changes in work styles and expansion of diversity

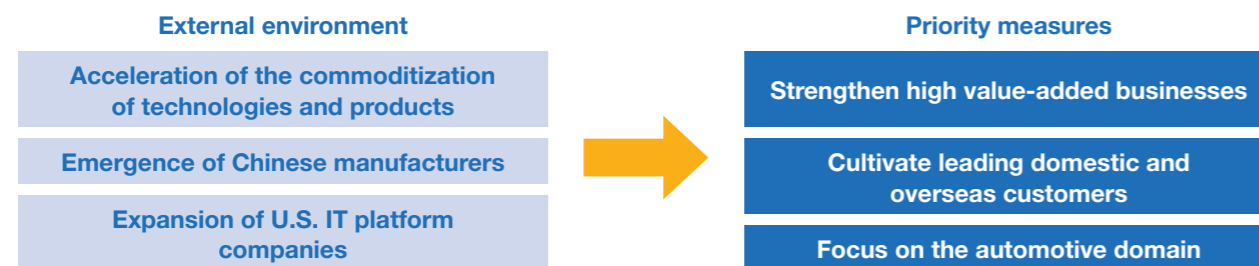


Previous Medium-Term Corporate Strategy

Looking Back on Elematec NEXT

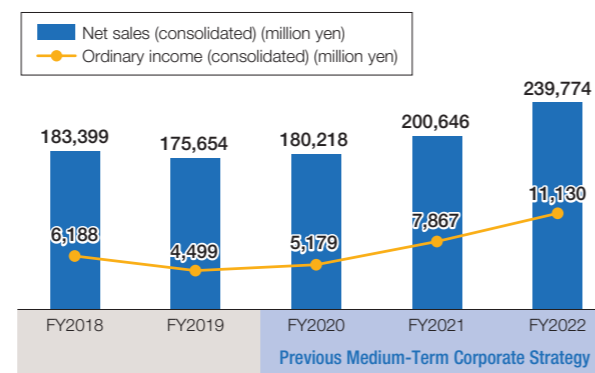
In our previous Elematec NEXT Medium-Term Corporate Strategy, we set three priority measures aimed at accelerating the commoditization of technologies and products, overcoming the external environment factor of major changes in industrial structure, and maintaining our growth trajectory.

Priority Measures Under Elematec NEXT



Net Sales and Ordinary Income

During the period of the previous Medium-Term Corporate Strategy, we adapted quickly to changes in demand amid an external environment that was drastically transformed by the COVID-19 pandemic. Sales growth in game-console-related materials strongly drove business results. Net sales of automotive-related products, a focus of ours since entering into a capital and business alliance with TOYOTA TSUSHO CORPORATION, also grew steadily. With currency markets also providing a tailwind, net sales and ordinary income both reached record highs in the fiscal year ended March 2023, the last year of the Medium-Term Corporate Strategy.



Achievements and Challenges

Medium-term strategy	Achievements	Challenges
Strengthen high-value-added businesses	<ul style="list-style-type: none"> Sold highly functional commercial materials for game consoles Established Shin-Yokohama Lab Built a structure for the finished product business 	<ul style="list-style-type: none"> Develop and provide competitive commercial materials Provide added-value services
Cultivate leading domestic and overseas customers	<ul style="list-style-type: none"> Acquired accounts from U.S.- and China-based major companies Began mass production of orders for U.S.-based IT platform companies 	<ul style="list-style-type: none"> Full-scale development of leading overseas customers (Europe, U.S. and China) Develop leading customers
Focus on the automotive field	<ul style="list-style-type: none"> Received orders for mass production in cockpit module business Acquired accounts from major European Tier 1* Expanded EV-related materials (Heaters, fireproof sheet ASSY, etc.) 	<ul style="list-style-type: none"> Develop new customers Capture overseas Tier 1* Strengthen our own factories including functions
Strategic investment	<ul style="list-style-type: none"> Considered multiple investment and loan projects 	<ul style="list-style-type: none"> Acquire new material/business areas through alliances/M&As, and recruit top talent

* Manufacturers that deliver parts directly to manufacturers of completed vehicles

External Environment

The electronics industry surrounding the Group is changing rapidly on a daily basis. It is becoming more important for the Group to respond agilely to changes in demand and deliver added value given fluctuations in growth areas and the growing sophistication and diversification of customer needs associated with improved product performance. This is in addition to the growing need to diversify risks triggered by the COVID-19 pandemic and the conflict in Ukraine. Furthermore, companies are required to conduct sustainability management that aims to enhance corporate value through business development that takes into consideration environmental and social issues, such as addressing environmental problems that are becoming more serious worldwide, reforming work styles, and promoting D&I.

Based on these changes in the external environment, the Group has identified the risks and challenges that we face and has accordingly formulated a new Medium-Term Corporate Strategy.

External environment	Risks	Challenges in light of the external environment
1 Geopolitical risks and fluctuations in domestic and foreign markets	<ul style="list-style-type: none"> Geopolitical risks (supply chain disruption due to the situation in Ukraine, etc.) Risk of exchange rate fluctuations 	Expand operations outside Japan and China from the perspective of growth and risk diversification <ul style="list-style-type: none"> Invest resources in North America and Europe Move away from procurement agency in ASEAN
2 Advancement/diversification of customer needs	Customer attrition when unable to procure or develop products that meet needs	Strengthen the functions of the Marketing & Development Division, strengthen cooperation with each department, and acquire external resources <ul style="list-style-type: none"> Strengthen efforts based on business partners and products Continue to follow medium- to long-term trends and expand investments and loans
3 Growing interest in sustainability challenges	<ul style="list-style-type: none"> Decline in reputation, exclusion from targets for investment, etc. Defection by customers demanding strengthening of ESG throughout the supply chain 	Strengthen efforts to protect the global environment and resolve social issues <ul style="list-style-type: none"> Contribute to solving sustainability issues through our core business Support for suppliers based on customer's emphasis on environmental considerations
4 Changing ways of working and increasing diversity	Outflow of talented human resources, decline in productivity, etc. when diversity and inclusion do not progress	Establish a system in which each individual can be fulfilled and self-actualized <ul style="list-style-type: none"> Promote diversity and inclusion Create a structure for education, training and assignment to enhance employee engagement

New Medium-Term Corporate Strategy



The external environment of the Group is undergoing significant changes, including disruption of supply chains under increased geopolitical risks, changes in lifestyles, and dramatic fluctuations in exchange rates. Amid such major changes in the business environment, we formulated the new elematec Pro+ Medium-Term Corporate Strategy (fiscal year ending March 2024 to fiscal year ending March 2026), which is grounded in tackling fields with potential while further expanding and strengthening our management foundation.

Basic Policy

The basic policy of our new Medium-Term Corporate Strategy is “Tackle potential fields while continuing to evolve existing measures and expanding and strengthening our management base under the new Medium-Term Corporate Strategy.” Specifically, it augments the priority measures of the previous Medium-Term Corporate Strategy with four new priority measures.

Basic policy in the new Medium-Term Corporate Strategy

Key measures in the previous medium-term plan

Strengthen high-value-added businesses

Cultivate leading domestic and overseas customers

Focus on the automotive field



Key measures in the new medium-term plan

Cultivate and deepen potential fields

1 Cultivate potential areas on a full-scale basis

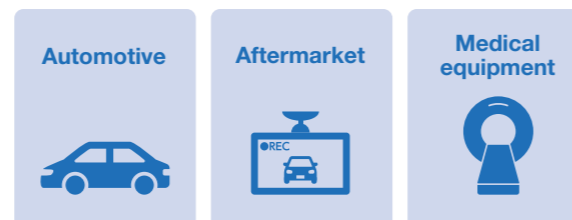
2 Strengthen the functions of the Marketing & Development Division

Expand and strengthen management base

3 Expand customer base and business domains through M&A and Alliance

4 Sustainability and human capital efforts

Key markets in the new Medium-Term Corporate Strategy



Three key markets in the strategy are “Automotive”, “Aftermarket” and “Medical equipment.” The Group does not seek easy choices and concentration, but as these markets are expected to expand in scale in the medium to long term and are aligned with the Group’s strategy of contributing to the realization of a sustainable society through business activities, we expect them to play roles in leading our business overall.

Behind the name of our new Medium-Term Corporate Strategy

Pro+(Plus) includes the term “pro” in many meanings. For example, Proficient, Productive, Proactive, and Professional. These words represent Elematec’s value chain and include our desire to provide high value-added services.

The prefix “pro” comes from Latin, with the meaning “before, forward,” and represents how we, as a company, “move forward” toward achieving our goals.

Priority Measures

Cultivate Potential Areas on a Full Scale Basis

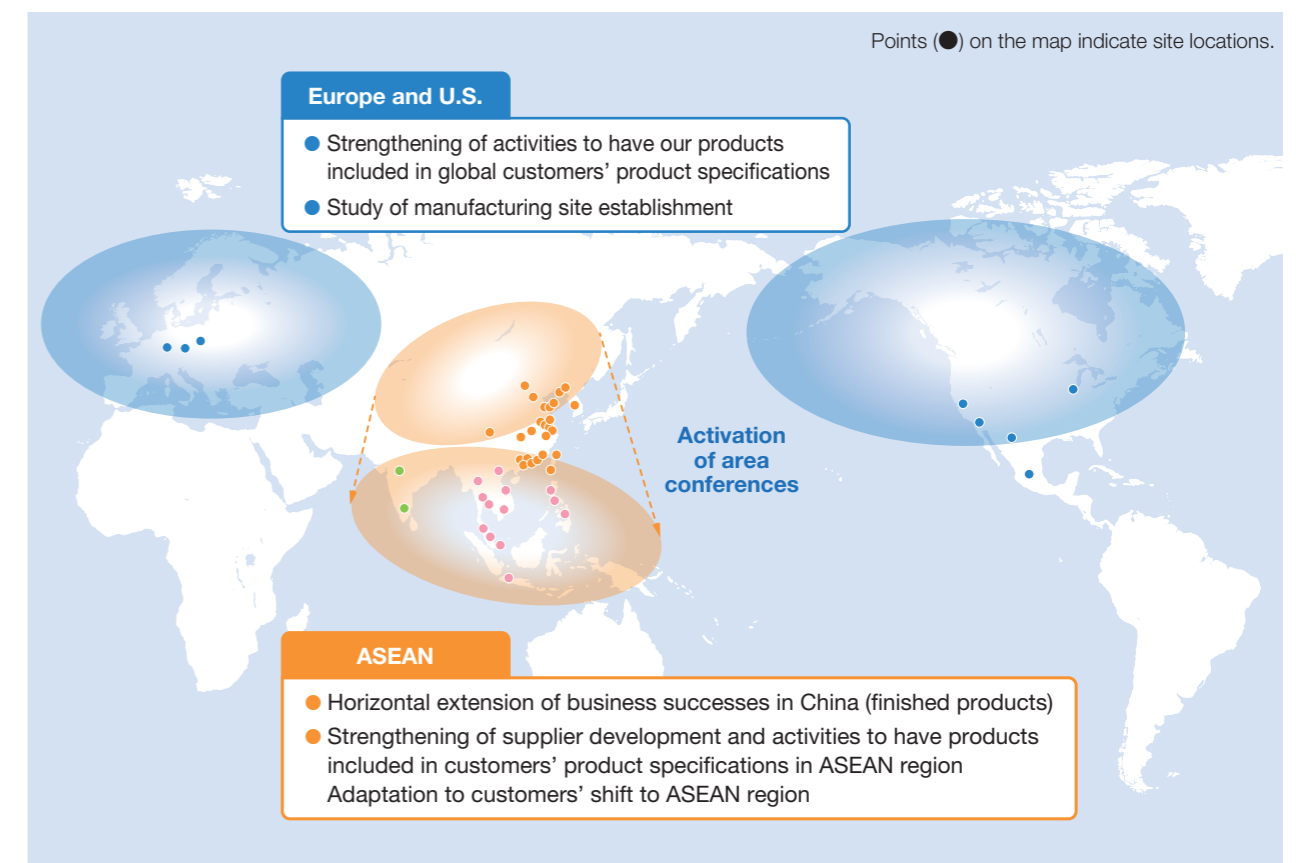
Many of the Group’s customers are concentrated in Japan and China, accounting for three-quarters of our total Net Sales. To maintain sustainable growth under these circumstances, we must expand our business in areas that hold great potential for development and must diversify management risk.

The new Medium-Term Corporate Strategy sets Europe and the U.S., where customer development sites are concentrated, and the ASEAN region, toward which production sites exiting China are shifting, as areas of priority. In Europe and the U.S., we will strengthen activities to have our products included in global customers’ product specifications and will study the establishment of manufacturing sites. In the ASEAN region, we will re-

spond quickly to changes in the trade flows business of customers shifting to the region and steadily capture business opportunities, while horizontally extending successful cases of partner development in China in the finished product business.

In Cultivate Potential Areas on a Full Scale Basis, we will establish a structure for consensual selection of target customers and for mutual support among sites in Japan and overseas. The Group’s domestic Sales Department, Development Department, Design Department, and overseas subsidiaries perform introductions to outstanding suppliers and surveys of problems and human networks with respect to the domestic and overseas sites of target customers. The Group’s departments also coordinate to capture customers through activities to have products included in target customer development sites’ product specifications.

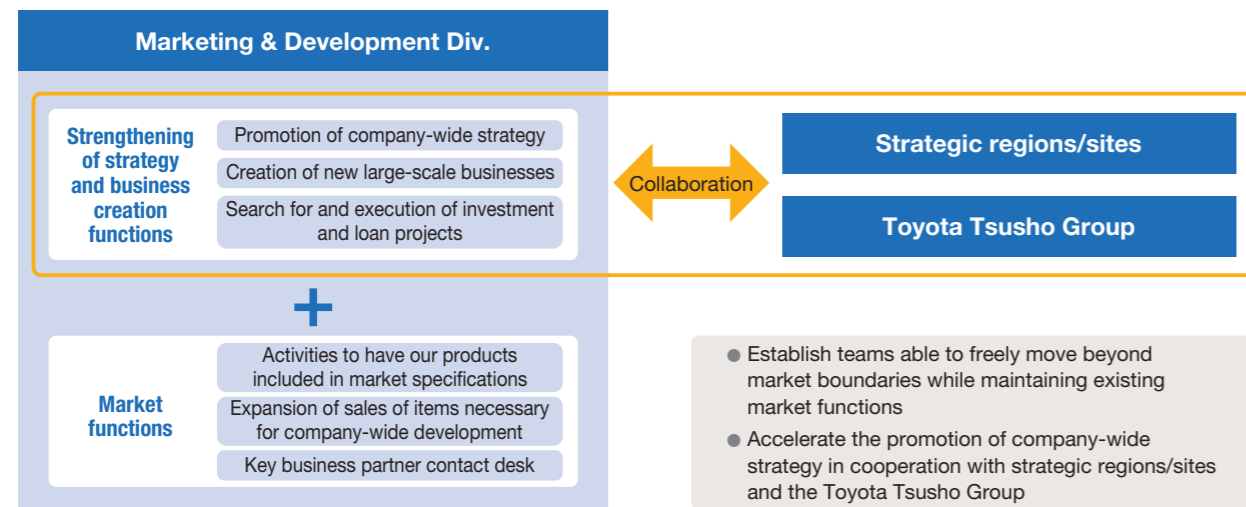
Potential areas to be developed



Strengthen the Functions of the Marketing & Development Division

The Group's Marketing & Development Division is responsible for market strategy, with marketers specializing in our 22 markets subdivisions developing products that meet customer needs. We will further create a new team that will promote company-wide strategy together with strategic sites to address customers' increasingly sophisticated and diversifying needs for the purpose of

Promotion of company-wide strategy by Strengthen the functions of the Marketing & Development Division



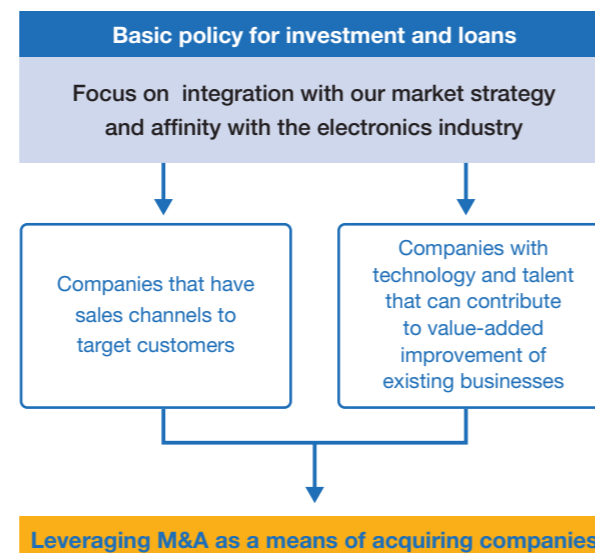
Expand Customer Base and Business Domains through M&A and Alliance

Our basic policy for investment and loans emphasizes integration with our market strategy and affinity with the electronics industry. We will build a foundation for growth by leveraging M&A as a means of acquiring companies that have sales channels to target customers and companies with technology and talent that can contribute to value-added improvement of existing businesses. By doing so, we will supplement autonomous growth and will aim to achieve the targets of our Medium-Term Corporate Strategy.

business creation. This new team will also accelerate the promotion of company-wide strategy by strengthening cooperation with the Toyota Tsusho Group and by shouldering the role of exploring and executing investment and loan projects.

Development of human resources will be vital in achieving these measures. In addition to active recruitment of the needed human resources, we will engage in further strengthening of functions through steady investments in human resource development, including education and training.

Expand customer base and business domains through M&A and alliance



Sustainability and Human Capital

Initiatives for sustainability

With the accumulation of social issues such as global climate change and expansion of economic disparities, companies face demands to go beyond pursuit of profit and to also solve social issues through their corporate activities.

The Group has formulated four priority issues (materialities) on the path to realizing our management principle of "Provide new value by expanding good relationships."

• Realization of a safe and secure society

Attempts are now underway to create a safe and secure society through the use of new technologies, including the realization of a society without traffic accidents and of a high quality of life (QOL) that offers appropriate medical care access to all. As an electronics trading company, we will provide advanced components and materials for autonomous driving, driving support, sensing technologies, AI technologies, medical diagnosis and testing equipment, and other fields, thereby contributing to the realization of a comfortable future society.

• Reduction of environmental burdens and realization of a recycling-oriented society

To achieve CO₂ reduction and a decarbonized society, we will provide environmentally friendly automotive-related and green energy-related components and materials to contribute to the creation of a recycling-oriented society. To reduce the burden of our business activities on the environment, we provide components and materials such as environmentally considerate products and packaging materials as well as services such as liquid crystal reworking.

• Construction of organizations that respect diversity and grow together

We will promote diversity and inclusion, including active participation by women, together with respect for the human rights of all stakeholders. We will boost awareness of these through enhancement of our training programs and will work to enhance work-life balance through work style reform.

• Construction of governance structures trusted by all stakeholders

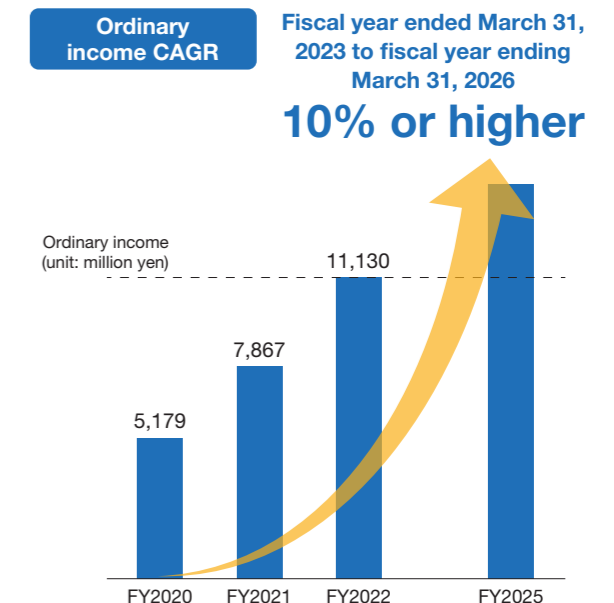
We set the enrichment of corporate governance as a top priority for management, and prevent the occurrence of legal and regulatory violations, misconduct, and other incidents that would damage our corporate value.

Initiatives for human capital

The Group's corporate value is created by our individual employees, the enhancement of whose capabilities relates directly to the enhancement of our corporate value. Through the further expansion and enrichment of the content of training, we will support sustainable growth and career development for employees and promote the advancement of our human resources. At the same time, we will promote initiatives to entrench diversity through measures aimed at increasing the ratio of women in career-track positions and the usage of childcare leave by male employees.

Quantitative Targets

Under these measures, we will aim for an ordinary income CAGR of 10% or higher in the fiscal year ending March 31, 2026, based on the fiscal year ended March 31, 2023.

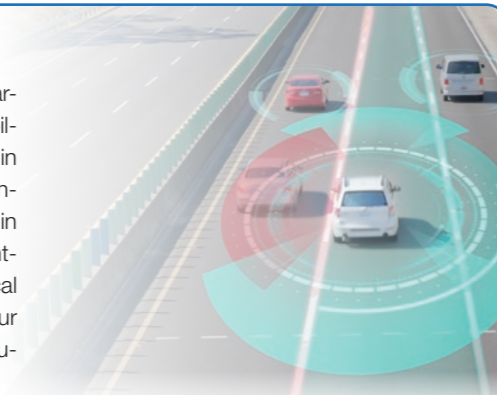


Growth Strategy by Market

Automotive

Market environment

Electric vehicles (EVs) are growing rapidly, particularly in the Chinese market, and automobiles are transforming transportation by combining mobility, information tools, and entertainment as in-vehicle displays increase in size and number. Against the backdrop of advances in connected, autonomous, shared, and electric (CASE) vehicles, we expect further growth in demand for integrated proposals for electronic boards, design, and mounting as Tier 1* players expand into yet-untouched areas (exteriors, electrical equipment, etc.). Based on these circumstances, the Group will extend our experience gained through smartphone component procurement to the automotive market.



* Manufacturers that deliver parts directly to manufacturers of completed vehicles

Strengths of the Group

Timely information gathering and proposal capabilities through close community ties

Through real-time collection of information from sites set up near Tier 1 players in Japan and overseas, and through cooperation among our environmental, development, and technology departments, we will quickly capture customers' needs and put forth timely and apt proposals.

Making use of existing knowledge in provision of modules

Many components in EVs differ from those in gasoline-powered vehicles. Drawing on our extensive knowledge of electronics products and our proposal capabilities rooted in over 6,000 customer and supplier companies, we are able to address any needs related to EV-specific components and deliver those as stand-alone components or as modules.

Action plan

The Group aims to further expand our automotive business by expanding sales of EV-related components and materials and by capturing overseas Tier 1 companies, as stated in our action plan.

Expansion of EV-related component and material sales

- Expansion of sales of sensors, heaters, components and materials for eAxle, etc.

Capture of overseas Tier 1 customers

- Strengthening proposals of Japanese high-performance products for HMI
- Integrated proposals for electronic circuit boards, design, and mounting leveraging our Design Department's capabilities for electrical and mechanical design
- Expansion of sites in Europe and the U.S. (Opening of Poland Branch opened in May, with other expansions to follow)

Issues for the Group

Development of overseas Tier 1 customers

The development of overseas Tier 1 customers will be crucial to expanding our automotive business. We will expand our sites in Europe and the U.S. and will continue to capture overseas Tier 1 customers by horizontally extending high-performance products that have demonstrated a track record among Tier 1 companies in Japan.

Development of human resources

We must build up human resources who possess the knowledge and proposal capabilities for adapting to a growing market scale. To raise the level of every individual, the Group will take advantage of opportunities such as sites' sales conferences and regional conferences. We will reinforce structures at overseas sites in particular through transfer of successful cases and knowledge from Japan.

Aftermarket

Market environment

"Aftermarket" refers to the market in which the Group provides retrofit peripherals and products (dashboard cameras, smartphone glass films, etc.) and provides products and services for customers' new businesses.

In this market, there has been growth in the share of private brands (PBs) planned and sold at low price exclusively by retail stores as their own brands. Overseas and domestic consumer electronics retailers are advancing the development and sale of PB products, a practice that is expected to further expand.

To address this growing PB market, the Group will strengthen the finished products (ODM) business for major domestic mass retailers and will extend this horizontally to companies in the ASEAN region.



Strengths of the Group

Knowledge of manufacturing

Leveraging knowledge accumulated in planning and development/design, procurement agency work, processing at our processing service bases, subcontractors, manufacturing services using quality control, and other activities, we propose optimal products for our customers.

Business-building capabilities

We are constructing a structure capable of providing solutions that extend beyond manufacturing and into research on specific markets, statutory compliance, delivery, after-sales service, and recycling. We will exert our coordination capabilities that optimally connect suppliers and customers from among the vast number of business partners that we have built up over the years.

Issues for the Group

Building of ongoing relationships

Customers' needs change day by day according to type of product, country of production, the sales market, and so on. It is important that we continue to build up know-how and grow together with our customers and supplier. By providing not only products but also varied services for our customers, we will build long-term positive relationships.

Development of human resources

We must deepen our relationships with existing customers as well as expand the human resources needed to capture new customers. We share information at conferences bringing together sites, enhance the knowledge and skills of our Aftermarket staff, and undertake active recruitment of new human resources.

Action plan

The Group aims to expand its Aftermarket business by strengthening the finished products (ODM) business for major domestic mass retailers and by horizontally extending our domestic achievements to PBs for companies in the ASEAN region.

Strengthening of the finished products (ODM) business for major domestic mass retailers

- Strengthening the development of suppliers in the ASEAN region (horizontal extension of success stories in China)
- Expansion of products handled (finished products)

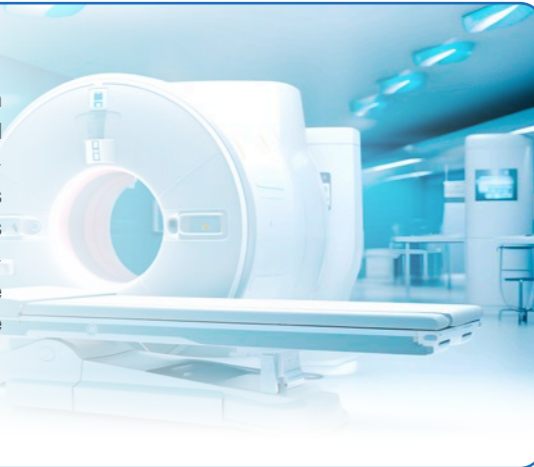
Horizontal extension of our achievements in Japan to the PBs of companies in the ASEAN region

- Utilize knowledge accumulated through achievements with major mass retailers in Japan
- With ASEAN markets as a foothold, advance development of European and U.S. markets

Medical Equipment

Market environment

Increased demand for medical care is expected worldwide in line with aging of populations worldwide, especially in developed countries, and with economic development, improvement of incomes, and population growth in emerging countries. As medical equipment becomes increasingly electronic, the creation of mechanisms by which data is collected by wearable devices and evaluated by AI, with remote diagnoses by physicians as necessary, is also expected. In response, the Group will strengthen its business in line with diversifying medical care needs and will address the medical equipment connectivity market.



Strengths of the Group

Knowledge and adaptability regarding medical equipment manufacturing

While the Group does not have medical equipment-related manufacturing functions, we have been involved in procurement of materials, design, and manufacturing for many years together with proven suppliers under our quality control structure. Accordingly, we are able to realize form of delivery and quality that meets the needs of customers. Moreover, when undertaking projects outside a customer's current core business domains, we can offer strong support through the Group's knowledge and adaptability.

Experience gained in electronics

The application of medical technologies and electronics technologies accumulated by the Group is essential in home-based treatment and examination conducted through IT. The Group will quickly catch up on new technologies we have acquired in the rapidly changing electronics industry and will extend those to the medical equipment market.

Issues for the Group

Addressing the evolving medical equipment market

Medical equipment undergoes model changes less frequently than the smartphone- and automobile-related products that are strengths of the Group, requiring relatively long periods of time to receive orders. New entrants from other industries are expected in the medical equipment connectivity market in the future, which requires that we meet increasingly diversifying needs to secure a competitive advantage. Leveraging information from the wide-ranging markets in which the Group engages, we will draft strategies from a long-term perspective while expanding the breadth of products we handle and addressing diverse needs.

Development of human resources

The Group faces a need to expand human resources who are capable of meeting the expert knowledge demanded in the medical equipment business. Through the acquisition of medical equipment-related licenses, we will work to accumulate knowledge and raise the level of associated staff, and will actively undertake hiring of human resources who possess industry knowledge.

Action plan

The Group will quickly and aptly capture diversifying medical needs and strengthen the medical equipment business.

Strengthening of business that captures diversifying medical needs

- Expansion of business for home-based medical care (blood pressure monitors, body composition analyzers, etc.)
- Strengthening of the finished products (OEM) business
- Strengthening of efforts in the dental equipment domain

Financial Capital Strategy

Basic Policy

The Group conducts management with a focus on return on equity (ROE) and on ratio of ordinary income to net sales. In general, trading companies engage in business that adds value to purchased parts for resale, a business that requires a degree of working capital. By securing high liquidity on hand, we have been able to operate essentially free of loans.

When making investments to enhance shareholder value in the medium to long term, we carefully select companies with high return on investment, prioritizing affinity with our existing businesses.

Investment Policy in the New Medium-Term Corporate Strategy

Our new elematec Pro+ Medium-Term Corporate Strategy sets "Expand customer base and business domains through M&A and alliances" as a priority measure. We aim to expand and strengthen our management foundation through more active use of M&A. Specifically, we will supplement autonomous growth by leveraging M&A as a means of acquiring companies that have our target companies within their sales channels and companies that possess technologies and human resources that would contribute to enhancing the added value of our existing businesses.

Our Concept to Shareholder Returns

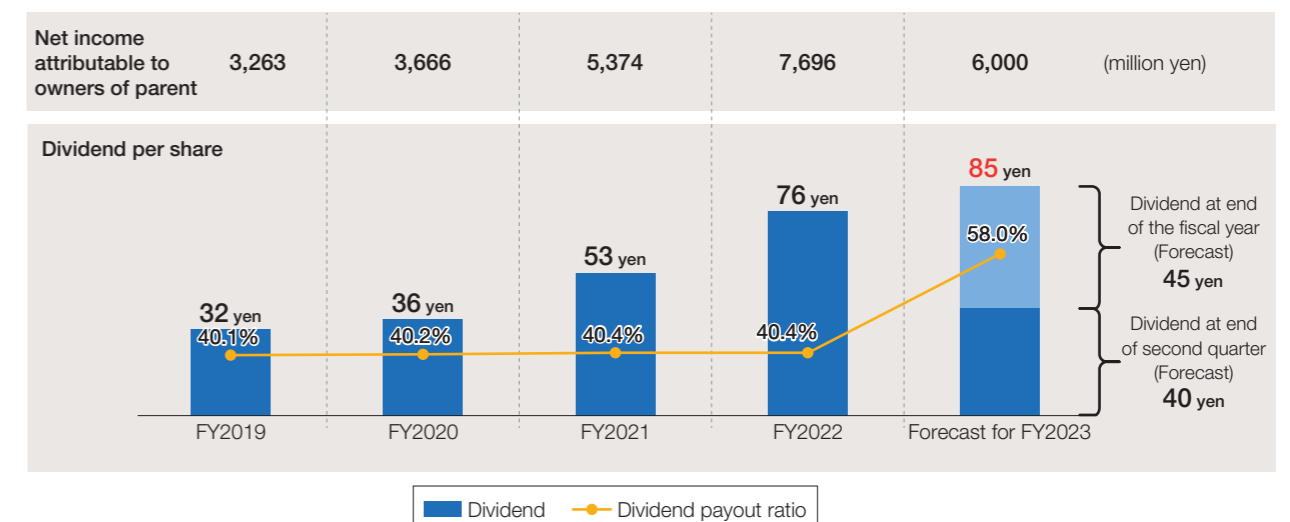
The Group positions the redistribution of profits to shareholders as a key issue in management.

From FY2023, we are reviewing our dividend policy to further strengthen shareholder returns and have increased our dividend payout ratio from 40% to 50%.

In the past, we have used dividend payout ratio as only one indicator. However, we will also adopt dividend on equity ratio (DOE) as an indicator, as we will conduct stable payment of dividends even in situations of temporary deterioration in business performance.

Dividend policy

Before change	Dividend payout ratio (consolidated) 40% or higher
After change	The guidelines for pay out dividends is based on the amount calculated using the dividend payout ratio (consolidated) of 50% or Dividend on equity ratio (DOE) 3% whichever is higher



Sustainability Management

Fundamental Concepts

Basic Policy on Sustainability

The Group aims to enhance corporate value by contributing to creating a sustainable society through business activities under its management principles to provide new value by expanding our good relationships as a global manufacturing partner. As with addressing risks, we consider efforts to expand business and tackle social issues with environmental considerations important business opportunities.

CSR activity policy

The Group conducts CSR activities for promoting “good relationships with society” stated in our management principles.



To promote the above CSR activity policy, the Group has established the “CODE 10” Ten Provisions of the Code of Ethical Conduct to be followed by all officers and employees pursuant to the “Action Guidelines” and the “Code of Business Practice,” and distributed the booklets of those codes to ensure that they can be thoroughly communicated to, and spread understanding by, all officers and employees.

Sustainability Promotion Structure

Governance structure

The Sustainability Committee examines and drafts company-wide measures for specific initiatives related to climate change and other aspects of sustainability, and manages progress toward these.

The committee is composed of the Business Executive Director, the Director of the Corporate Division, Executive Officers (Development), and other members, with the Chief Executive Officer and Chairman of the Board as the Committee Chair. It regularly reports the status of its activities to the Board of Directors.

Working groups covering climate change and each of our materialities are placed directly under the Sustainability Committee. Each working group monitors the status of studies and initiatives aimed at solving its respective issues, and regularly reports its results to the Sustainability Committee. (See “Sustainability Governance Structure Chart” at right)

Sustainability-related risk management

The Sustainability Committee conducts evaluations and reviews of measures against sustainability risks, including climate change, that are thought to have major impact on the business activities and profit of the Group. Working groups under the committee enact specific measures and monitor indicators of the outcomes of initiatives and measures.

The status of responses to risks by the Sustainability Committee and the working groups are reported to the Board of Directors.

Sustainability Governance Structure Chart



Roles

- Board of Directors
Receives reports from the Sustainability Committee and supervises its initiatives
- Chief Executive Officer and Chairman of the Board
Reports to the Board of Directors and instructs the Sustainability Committee
- Sustainability Committee
Performs examination, planning, and progress management for specific initiatives and measures related to sustainability, and reports to the Chief Executive Officer and Chairman of the Board
- Working groups
Execution of initiatives and measures decided by the Sustainability Committee

Materiality

Based on the Basic Policy on Sustainability, the Group has identified key issues (materialities) to be addressed as priorities through our business activities in response to issues facing us and society.












The materiality identification process

In identifying materialities, we conducted examination primarily through the Sustainability Promotion Preparation Office (managed by the Chief Executive Officer and Chairman of the Board), the predecessor of the current Sustainability Committee. We first identified and organized targets of the SDGs, associating these with social issues that should be addressed by the Group’s businesses. We next evaluated and classified the importance of each identified issue, created materiality suggestions based on the results, and held discussions within the Sustainability Promotion Preparation Office to identify the materialities.

Since then, the Sustainability Committee, reorganized from the Sustainability Promotion Preparation Office, has led examination, planning, and progress management for measures aimed at solving issues.



Elematec Group materiality

Materiality	Relevant SDGs	Our initiatives
Realization of a safe and secure society		<ul style="list-style-type: none"> Realization of a society without traffic accidents Development of an appropriate medical environment
Reduction of environmental burdens and the realization of a recycling-oriented society	     	<ul style="list-style-type: none"> Distribution of eco-friendly electronic and other materials Operation of quality and environmental management systems Promotion of rework and recycling businesses Distribution of electronic and other materials related to clean energy
Construction of organizations that respect diversity and grow together	  	<ul style="list-style-type: none"> Respect for human rights Expansion of training systems Promotion of D&I (diversity & inclusion) Workstyle reform
Construction of governance structures trusted by all stakeholders		<ul style="list-style-type: none"> Establishment and strengthening of governance structures and compliance systems

Medium to long-term sustainability goals

Materiality	Medium- to Long-Term Goal
Realization of a safe and secure society	Expand sales of high value-added products that respond to the evolution of mobility FY2021: 31,000 million yen → FY2025: 32,500 million yen
	Expand sales of products for medical diagnostic and testing equipment, etc. FY2021: 8,400 million yen → FY2025: 12,200 million yen
Reduction of environmental burdens and the realization of a recycling-oriented society	Expand sales of commercial products for environmentally friendly vehicles and clean energy (solar power, offshore wind power, etc.) facilities FY2021: 3,700 million yen → FY2025: 8,800 million yen
	Expand sales of environmentally friendly products FY2021: 2,700 million yen → FY2025: 5,500 million yen
Construction of organizations that respect diversity and grow together	Provision of opportunities for all employees to demonstrate their abilities Review of employment systems, promotion of health and productivity management, full renewal of personnel systems, etc.
Construction of governance structures trusted by all stakeholders	Strengthening of the functions of the Board of Directors and enforcement of compliance <ul style="list-style-type: none"> Review of evaluations of effectiveness of the Board of Directors, enhancement of the ratio of External Member of the Board, appointment of female officers, etc. Establishment of a specialized department in charge of compliance promotion

Environment

Response to Climate Change

Risk management and structures related to addressing climate change

The Group recognizes the problem of climate change as a key social issue. We believe that it poses a risk to the Group, while also presenting new business opportunities.

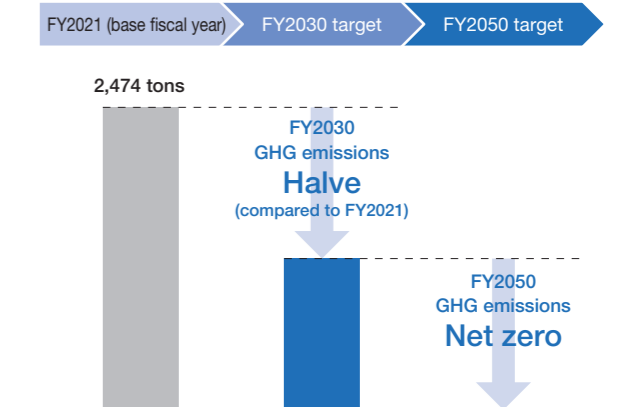
Issues related to climate change are incorporated into our overall sustainability-related governance. The Sustainability Committee and the Working Group on Climate Change identify risks and opportunities related to the impacts of climate change on our business activities and profit, conduct scenario analyses, and study countermeasures. The contents of these deliberations are presented and reported to the Board of Directors. We have built a structure by which responses to climate change are properly carried out under supervising and representative Directors on the Board.

Climate change-related risk management is incorporated into overall sustainability-related risk management. The Sustainability Committee and the Working Group on Climate Change will evaluate and improve relevant initiatives and measures.

Greenhouse gas (GHG) reduction target

As part of its policy toward achieving a decarbonized society, the Group has set targets of achieving a 50% reduction by FY2030 from the level of the Group's Scope 1 + Scope 2 GHG emissions in FY2021, and achieving carbon neutrality by FY2050. To achieve these targets, we will work to reduce GHG emissions from our business activities.

GHG emission reduction target (Scope 1 + Scope 2)



ISO management

The Group contributes to the creation of a better society through its environmental conservation and quality assurance activities.

In order for all of our employees to recognize issues facing the global environment and the quality of the products we supply and to work toward reducing harmful substances in the products we handle, we have adopted management systems based on ISO14001 and ISO9001 and will provide products and services that contribute to the environment and society.

Our environmental philosophy (ISO policy)

1. We make use of the ISO system to promote net sales and profits and to make a return to society.
2. We make effective use of the ISO system in order to deliver high-quality products and services.
3. We work for continuous improvement of operations and legal compliance in order to fulfill our social responsibilities.
4. We devote efforts to reducing environmental burden and controlling chemical substances as part of our action on the environment.
5. We work for a deeper understanding of the conservation of biological diversity and study of conflict minerals.
6. We try the reduction of the risk by risk management.

Contribution to the Environment Through Our Business Activities

In addition to the on-site capabilities we have built up over many years of meeting customers' needs, the Group has leveraged our unique functions in planning and development/design, manufacturing services, and more to develop business in wide-ranging fields including automobiles,

medical equipment, infrastructure, and energy.

These businesses contain many examples of business activities that contribute to global environmental conservation. As an integrated service company that provides support for manufacturing, we will continue to provide environmentally considerate and high-value-added products aimed at the realization of a sustainable society.

Handling of environmentally considerate products

Environmentally friendly vehicle-related components and materials

Through the delivery of high-environmental-performance components and materials for plug-in hybrid electric vehicles (PHEVs), electric vehicles (EVs), and other vehicles, the Group contributes to enhanced energy efficiency in automotive-related materials.

We also promote the efficient utilization of electric power through the delivery of components and materials for secondary batteries installed in automobiles, buses, railways, and industrial machinery such as elevators.

Clean energy-related components and materials

While contributing to the proliferation of components and materials required for the utilization of renewable energy, we contribute to the reduction of CO₂ in society overall by offering products for solar power, wind power, geothermal power, and other clean energy facilities and equipment.

Environmentally friendly commercial materials

Through the delivery of packaging materials made with plant-derived raw materials that are easily recycled and that contribute to reduction of CO₂, we contribute to the reduction of environmental burdens and to the realization of a sustainable society. Through the delivery of biodegradable components and materials, we contribute to the reduction of environmental burdens and to the efficient use of natural resources, as we strive to reduce burdens on the marine environment and to conserve water resources.

Reworked and recycled products

We are focusing efforts on proposals for easily reworked components and materials (reworking tape, adhesives), development of reworking with a track record of use in glass, circuit boards, and other items, and discovery of new reworking technologies. We are also developing reworking and recycling businesses, including the creation of recycling schemes for packaging materials and sales of easily recycled components and materials, and are undertaking the 3Rs of Reduce, Reuse, and Recycle.

Expansion of environmentally friendly commercial materials

Bioplastics		Plastic substitutes
Biomass (Use of plants and other renewable organic resources as raw materials)	Biodegradation (Decomposition into carbon dioxide and water through the action of microorganisms, etc.)	Pulp molds (Packaging materials made from bamboo or bagasse)
Resin pellets (PP blended with paper, etc.)	Film (Can be broken down by soil or compost)	Cardboard (Styrofoam substitute)
Additives (Mixed with PP, PE, or other resins to enhance biomass level or confer biodegradability)		

Proposing legally compliant products to contribute to reducing and shifting away from plastics



Cardboard (medical kit storage sample shown)

Pulp mold (tablet storage mold sample shown)

Biomass film

Biodegradable resin

Future Station one-stop service for adoption of EV chargers

As an effort aimed at realizing carbon neutrality, the Group offers the Future Station flat-rate service for the use of EV chargers.

Aimed at customers using or considering the adoption of EVs, Future Station is a total support program that enables the use of EV chargers without initial cost. It handles notifications and administrative applications required for adoption, installation work, and maintenance and repair over an eight-year contract period, for a monthly fixed service fee.

By promoting the expansion of charging infrastructure through Future Station, we will contribute to solving social issues involving the proliferation of EVs.



Quick charger



Ordinary charger

Society

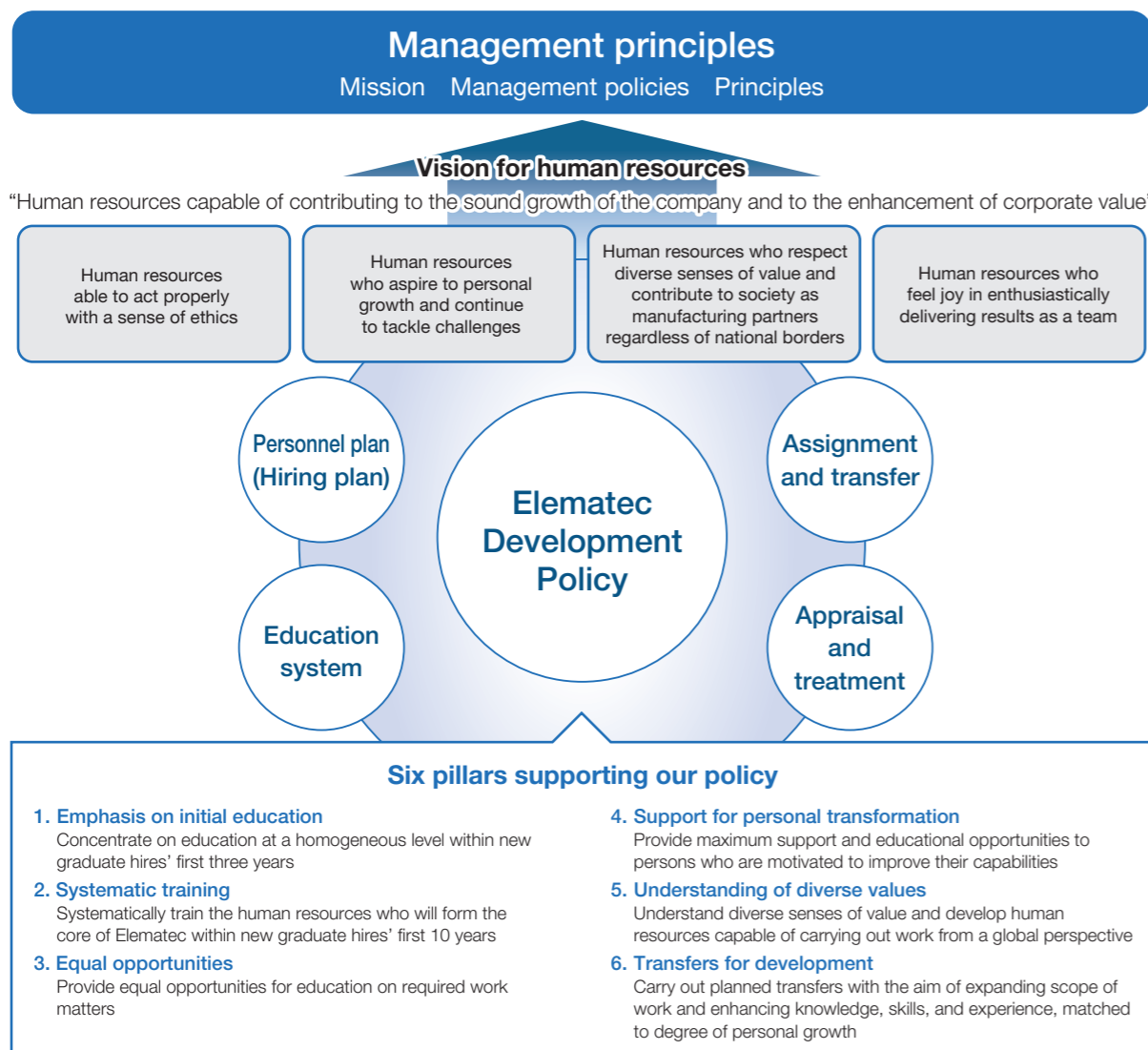
Fundamental Concepts for Human Resource Development

Viewing human resources as vital assets, the Group has set forth our vision for the human resources we seek along with a Human Resources Development Policy based on our management principles and Medium-Term Corporate Strategy. We actively welcome diversity in human resources, and strive to energize our organizations and create opportunities for utilization of human resources.

Based on these concepts, we recognize that developing human resources who respect diverse senses of value and who are able to adapt quickly to a rapidly changing market environment is the wellspring of business creation and growth.

Human Resources Development Policy

We make “Develop human resources who make contributions inside and outside the company by creating new value, developing customers, and continually pursuing improvements to work, enhancement of quality, and perfect execution of work” our policy for human resources development. Taking a medium- to long-term view of human resource development, we engage in efforts under six pillars that support our Human Resources Development Policy.



Education and Training (Hierarchy-Specific Training)

Education system

		Overall basic education	Hierarchy-specific training	Provision of learning opportunities	Selective training	Global human resource development		
Career-track positions	Director							
	General Manager							
	Assistant General Manager							
	Manager		<ul style="list-style-type: none"> Human resource development for management Organization policy setting 	Measures to improve English skills	Next-generation leader development training			
	Senior Supervisor		<ul style="list-style-type: none"> Problem-solving training for accounting Target setting-oriented solutions training 					
	Supervisor		<ul style="list-style-type: none"> Consensus-building skills training Generative solutions training Solutions training for marketing 					
Employee		<ul style="list-style-type: none"> Third-year training Second-year follow-up training New employee training (business manners, business coefficients) 				Overseas OJT dispatch program		
Non-career track positions			<ul style="list-style-type: none"> Necessary skills for leaders Work improvement capabilities, Leadership/Followership Professional mindset QCDSM Fundamental business skills 			TOEIC support	Business skills training (e-learning)	
Leader								
Senior Supervisor								
Supervisor								
Employee								

To support the growth of every employee, we have developed long term-oriented training that includes hierarchy-specific training and learning support programs. We offer equal opportunities for all executives and employees and at all levels of the organization.

Combining programs by in-house and external instructors, our training aims to create varied opportunities to draw out creativity and innovation.

Distinctive training

1. Overseas OJT dispatch program

This program develops global human resources by letting young employees learn practical work as trainees at overseas local subsidiaries for a year. Through practical work and daily living, they acquire knowledge, skills, and an international perspective for global business. We operate practical work training programs for learning about local market trends, operations, and more, beginning with an understanding of overseas business practices.

2. Next-generation leader development selective training

This selective training for management positions aims to develop the next generation of leaders. In the training, 25 selected management positions systematically learn about management through 12 lectures over the course of about eight months. In the second half of the lectures, we conduct meaningful training, including preparation of presentation materials by managers on issues facing their companies and solutions to those, followed by presentations to the President.

3. HCP (Hybrid Communication Program) training

In this training, officers and management positions learn about coaching to further strengthen organizational collaboration. The training aims to create more engaged organizations through dialogue with subordinates, not only teaching but also coaching.

It is conducted for 76 officers and management positions over the course of about six months.

Work Style Reform (Creation of Comfortable Working Environments)

We believe that the creation of environments that allow all employees to maximize their capabilities will not only enhance motivation and desire to contribute but will also aid in securing outstanding human resources. As such, we engage in the following initiatives.

Specific measures

Promotion of work-life balance and diverse work styles	<ul style="list-style-type: none"> Work-at-home system Promotion of use of paid leave Hourly-based paid leave Staggered working hours
Support for balancing childcare with nursing care	<ul style="list-style-type: none"> Adoption of employee benefits and welfare services Adoption of Cabinet Office vouchers for babysitter fees

Diversity & Inclusion

The Group aims to ensure diversity by which people of differing races, nationalities, genders, and ages work together actively, and to promote equal opportunities and open communication among all executives and employees and at all levels of the organization. We energetically work toward human resources development and improvement of work environments. With regard to the latter, we aim to promote diverse and open work environments and to develop support programs that contribute to medium- to long-term career development, including our existing support program for balancing childcare with nursing care.

We promote diversity in human resources under targets for the promotion of female executives and employees, foreign human resources, and midcareer hires.

Promotion of female officers and employees

We will continue to work on pipeline formation, career awareness building, and environmental improvement for each generation from a medium- to long-term perspective, and aim to achieve the following in FY2030 in order to increase the number of female officers and employees involved in management decision-making in the future.

- The ratio of female employees hired for career-track positions will be 30% (as of March 31, 2023: 27.8%).
- The ratio of female employees in career-track positions will be 15% (as of March 31, 2023: 6.8%).
- The ratio of female employees in management positions will be 5% (as of March 31, 2023: 1.9%).

Promotion of foreign nationals

To advance the strengthening of human resources development and improve personnel systems and to achieve competitive advantages on a global scale, we aim to achieve the following numbers by the 2030s.

- Foreign human resources in senior management positions at overseas subsidiaries: about 50 (as of March 31, 2023: 35)

Promotion of midcareer hires

We hire with various backgrounds and specialties in midcareer. The ratio of midcareer hires in management positions is more than 60%, while the ratio of midcareer hires on executive positions is more than 70%. The Company will keep to secure human resources for management and professionals, as well as to secure diverse human resources with different human races, nationalities, genders, and ages, and so on, with the following as our targets.

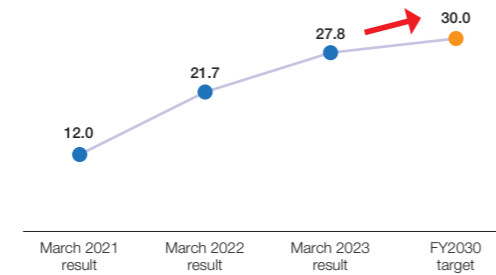
- Ratio of midcareer hires in career-track positions: Maintain level of about 50%

Efforts to employ persons with disabilities

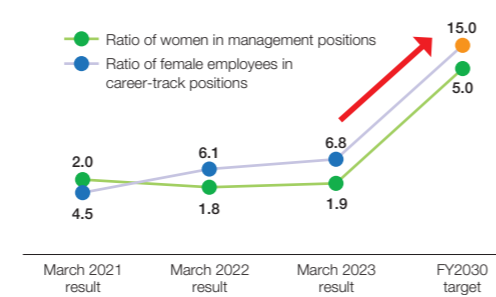
We are working to create mechanisms that allow persons with disabilities to work according to their aptitudes, with the aim of realizing workplaces where all employees can play active roles.

We are making efforts to enable these employees' career advancement by offering employees with and without disabilities equal opportunities for education and for carrying out work matched to individual skills.

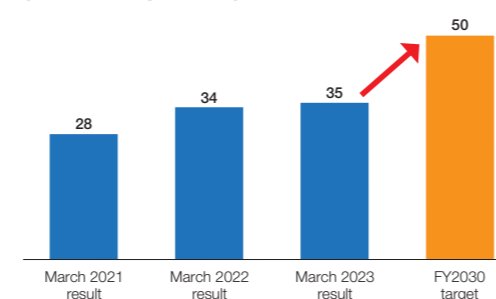
Ratio of hiring of female employees in career-track positions (%)



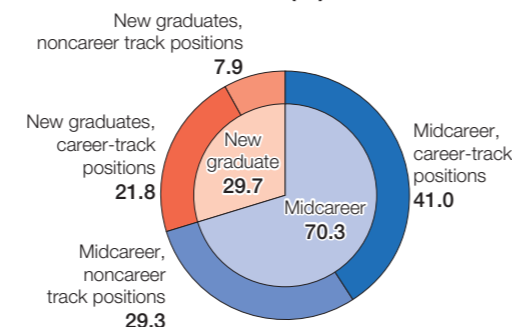
Ratio of female employees in career-track positions/Ratio of women in management positions (%)



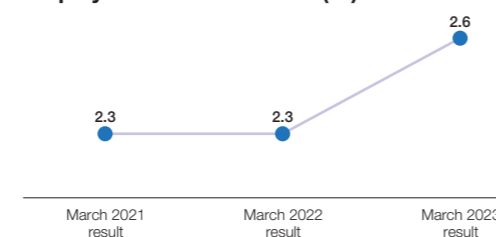
Promotion of foreign nationals (number of persons)



Ratio of midcareer hires (%)



Employees with disabilities (%)



* Current statutory employment rate (2.3%)

Respect for Human Rights

The Group aims to enrich people's lives by contributing to creating a sustainable society through business activities under its mission to provide new value by expanding our good relationships as a global manufacturing partner. As a company that engages in business activities globally, we recognize that respect for human rights is a vital element. We have set forth "Construction of organizations that respect diversity and grow together" as one measure aimed at priority issues (materialities) to be addressed, and have also undertaken initiatives under respect for human rights as clearly specified in our "CODE10" Ten Provisions of the Code of Ethical Conduct to be followed by all executives and employees.

Companies' efforts aimed at respect for human rights have grown in importance in recent years. To advance efforts under our clarified approach, we established the Group Human Rights Policy in September 2023.

Acting under this policy, the Group will strive to respect human rights throughout all of our business activities.

Elematec Group Human Rights Policy (overview)

1. Compliance with international norms and laws
2. Scope of application
3. Respect for human rights through business activities
4. Human rights due diligence
5. Correction and remedy
6. Complaint-handling mechanism
7. Education
8. Information disclosure
9. Dialogue and consultation with stakeholders

See our website for details of the Group Human Rights Policy.
http://www.elematec.com/en/sustainability/human_rights.html

Ten Provisions of Code of Ethical Conduct: CODE 10 (9) Respect for human rights

Respecting people is rooted deeply in our management principles. We have no tolerance for any human rights abuses.

Especially:

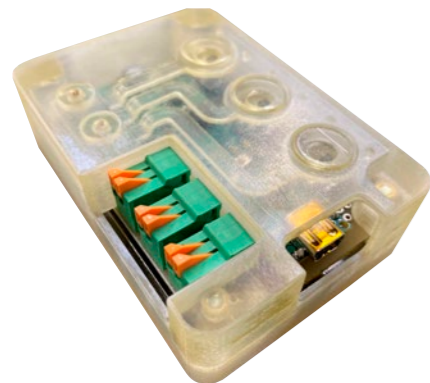
- We must not engage or be involved in any business that is against human dignity.
- We do not tolerate any discrimination based on race, color, gender, faith, nationality, disability, employment status, etc.
- We do not tolerate child labor, human trafficking, or any other form of forced labor.
- We do not tolerate any form of harassment that unfairly damages any personal dignity.
- We must not deal with any person that engages in or is involved with any human rights abuses.

Strong Technical Capabilities That Meet Customer Needs

Proposal of one-stop solutions

The Group has established the Design Department to propose construction methods and processes when customers develop new products and to provide solutions for matters including the selection of suitable suppliers for development. As a major feature, we have built a structure that allows us to be involved in customers' new products from the planning and development stage onward, and subsequently offer one-stop proposals for trade flow, design, manufacturing, and quality assurance. Even when multiple companies participate in product development, consultation with the Group enables simple and trouble-free progress. (See "Product Development Flow" below)

Another major feature of ours is the ability to propose construction methods, yield improvements, and more, leveraging new technologies based on product development and technical information collected through the Group's global network.



Sample actuator controller with mechanical structure, circuit board, and system design by the Group

Proposal of efficient manufacturing processes

The Group has one processing plant in Japan and two overseas. Manufacturing takes place at Group companies' processing service bases in some cases, or manufacturing may be outsourced to suppliers. To advance efficient product development, from the roughly 7,200 suppliers that are a strength of the Group we select those with outstanding technologies and cost competitiveness matched to customers' needs.

Powerful support for customers' product development

A strength of the Group's technical departments is the ability to draw out customers' true needs and meet those through powerful support, addressing problems and concerns that customers cannot solve on their own. We do so through repeated reviews and by leveraging know-how and expert knowledge built up over many years, with our technical, quality control, and sales departments working as one.

In our technical departments, human resources with knowledge of mechanical structures, electrical circuit design, and other fields promptly respond to customers' needs. In terms of hardware, we are equipped with 3D CAD, 3D printers, NC machining tools, and other equipment, and have built a structure by which we can perform sample production and reliability testing during design. Using these resources and leveraging our vast sales base through know-how and cutting-edge expertise built up over the years, we provide products that meet the needs of customers.

Extensive human resources that meet the needs of customers

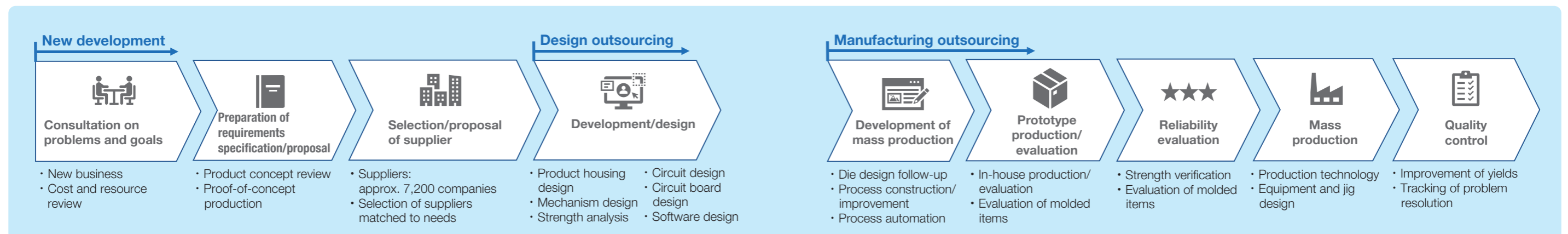
To meet the needs of our customers, we are able to field human resources who are well versed in the fields of machinery and systems. We have organizations and human

resources capable of responding to a broad range of customer needs as a true partner in manufacturing.

The wide-ranging fields that we are equipped to address are outlined in the table below.

Field	Skills possessed	Details
Mechanical structure	Product housing design	Design surface production/Structural design/Waterproofing/Strength analysis
	Mechanical design	Slides/Gears/Motors/Springs
	LED lighting	LED layout/surface emission
	Resin molding	Injection molding/Flow analysis/Improvement of moldability
	Production technology	Jig design and fabrication
System design	Electrical circuit design overall	Microcomputer and peripheral circuit design/Sensor design/Communication circuit design/High density design/Analog design
	Automotive	LIN/CAN communication
	Circuit board design	High-density design/Low-noise design
	Circuit board optimization/Component selection	Stable supply/Functional improvement
	Software design	Object-oriented/Design pattern
	Programming	C/C#/Ruby
	Software quality assurance	Static and dynamic analytical tools, CI/CD, etc.

Product Development Flow



Quality Control

Attentive support for suppliers' stable mass production

To meet customers' demands for high quality, the Group has established the Environment Preservation & Quality Assurance Department and has built a structure capable of supporting audits and stable mass production related to the manufacturing process. (See "The Group's quality control structure" below)

This department provides services including audits and improvements to ensure that adopted construction methods, manufacturing processes, and selected suppliers are capable of stable and safe mass production with no quality problems. The department is characterized by this ability to provide attentive support for suppliers' stable mass production, performing work primarily along the following four lines.

(1) Support for products launches

The department provides comprehensive support that spans trial production to mass production, to enable stable and safe transition to mass production of products.

(2) Quality audits

The department performs audits to check for deficiencies in suppliers' manufacturing processes and for factory-wide implementation of the 5Ss ("sort," "set in order," "shine," "standardize," and "sustain"), and makes improvements as necessary.

(3) Handling of customer defects

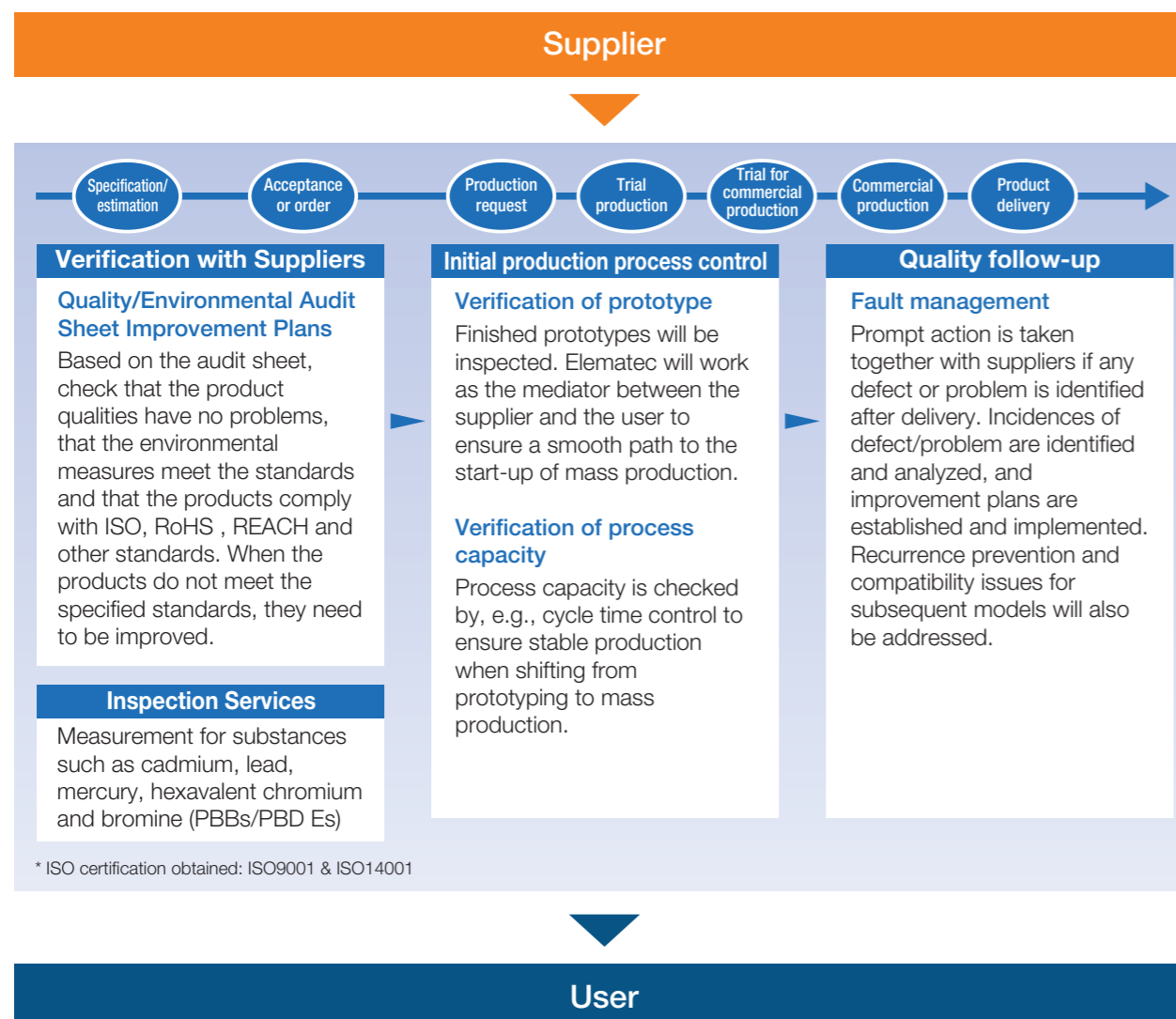
In the event of product defects, we cooperate with suppliers through the stages of initial response, cause investigation, countermeasures, and confirmation of effectiveness.

(4) Reliability testing and defect analysis functions

We opened Elematec Shinyokohama Lab. within our subsidiary Elematec Logi Serve Corporation, introducing reliability testing and analytical equipment vital to

product development. This in-house evaluation and analytical equipment allows us to go beyond conventional frameworks in providing quick and low-cost handling of consultation requests from customers and suppliers regarding technology and quality.

The Group's quality control structure



01 Environmental tester

- Temperature testing



02 Cold shock equipment

- Thermal shock testing (Heat shock)



03 Vibration tester

- Product vibration testing
- Packaging vibration testing



04 Digital microscopes

- Magnified observation
- Measurement and quantification



05 Fluoroscope

- Non-destructive analysis (Mount board, BGA, etc.)



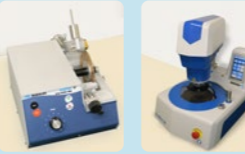
06 Scanning electron microscope (SEM)

- High-magnification observation, surface observation
- EDX (elemental analysis)



07 Cross-section grinding

- For analytical sample processing



Construction of a structure for global environmental action and quality assurance

The Group fields quality assurance personnel in Japan as well as in Shanghai, Shenzhen, and Thailand. We work to improve our overall level of quality assurance through regular sharing of know-how and information.

The Group has also obtained quality and environmental management system (ISO14001/9001) certification at all of our sites in Japan. We are working to achieve staged certification at overseas sites as well, while training ISO internal auditors and increasing their number. We will further advance environmental activities with an eye toward chemical substance management and reduction of environmental burdens.

Through such efforts, we are building a structure that allows us to act speedily and on a global scale in response to environmental and quality matters.

Human resources capable of supporting a wide range of fields

Our human resources are able to respond to wide-ranging needs through extensive experience and knowledge. An overview is as shown in the table below.

Field
Semiconductor quality assurance
Semiconductor assembly process
Semiconductor equipment quality assurance
Automotive panel manufacturing
Automotive electronic instrument design quality assurance
Metalworking, anodizing, painting, exterior products overall
Connector and automotive panel manufacturing
Backlights, LCDs, exterior products overall
Electronic circuits, software development, image inspection

Governance

Fundamental Concepts

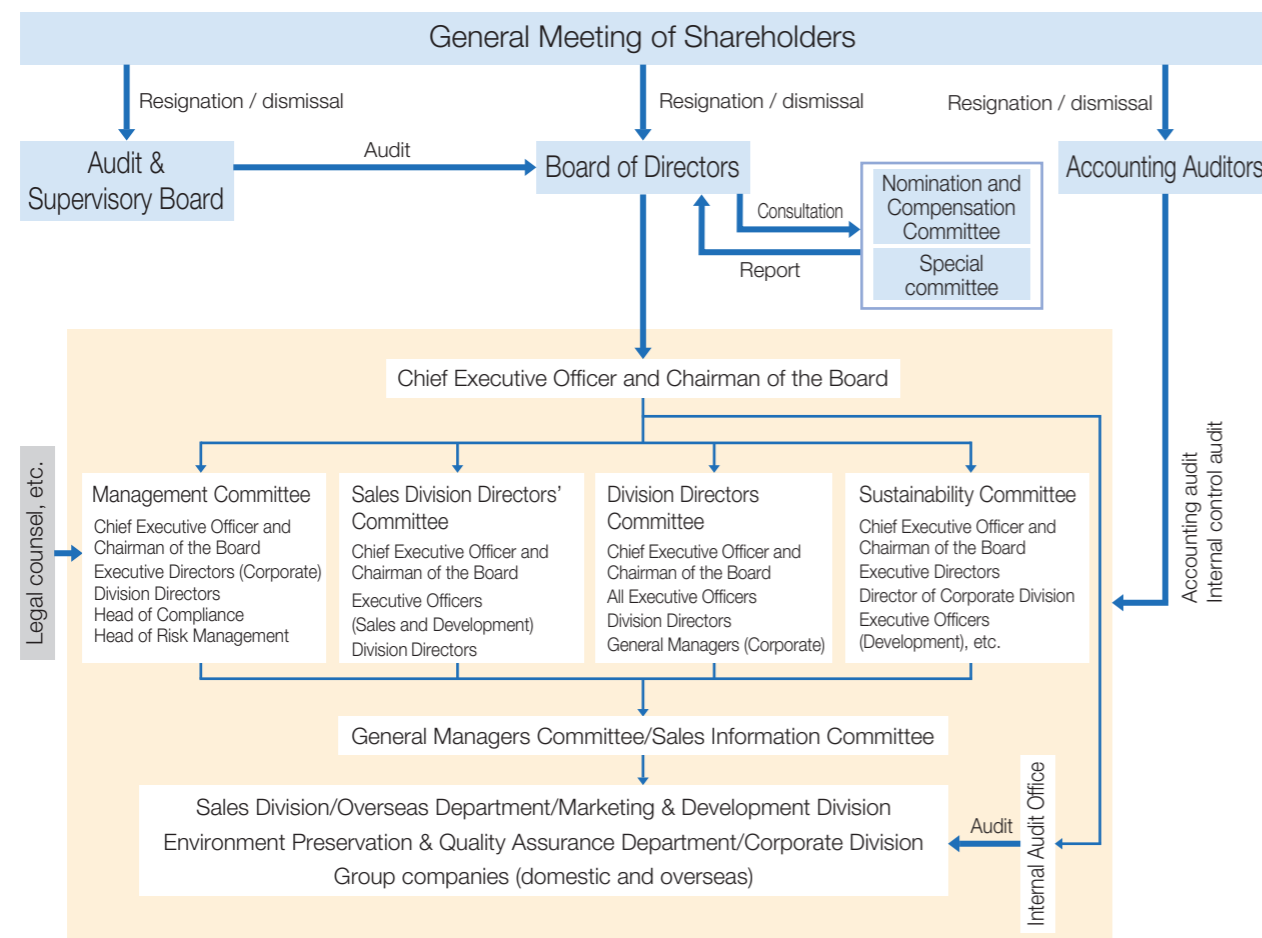
As prerequisites for corporate activities, we establish smooth relationships with stakeholders, including shareholders, customer/clients, employees, and local communities. In that establishment process, we ensure soundness, transparency, and efficiency.

Based on these activities, we endeavor to improve our profitability and realize continuous increases of enterprise values, and will discharge our responsibilities for

stakeholders, including protection of their rights, and for our related accountability.

To this end, we will continuously improve and systematically organize the framework of internal control to regulate our corporate activities, including the management structure, the management organizations, and the management system, which can support transparent, fair, expeditious, and decisive decision making and operational execution.

Corporate Governance Structure Chart Image



Overview of Our Corporate Governance Structure

The Company has adopted an executive officer system to separate the roles of management oversight and business execution functions. We further work to clarify the roles of Directors and Executive Officers in top management and business execution, speed up decision-making and business execution, and carry out group management through interaction between top management and business execution.

Board of Directors

Our Board of Directors is composed of Directors who concurrently serve as Executive Officers, External Directors, and non-executing Directors who concurrently serve as executives and employees of the parent company, for a total of nine members. The President serves as Chairman of the Board. External Directors account for one third or more of the Board of Directors. This number of members has been narrowed down to an appropriate scale, with a term of office of one year for all Directors. Under this structure, the Board of Directors deliberates and makes decisions on important management matters and supervises the execution of duties by each Director in accordance with laws and regulations, the Articles of Incorporation and the Board of Directors Regulations, etc. The Board of Directors meets once a month in principle and as needed.

Specific matters for consideration by the Board of Directors during the fiscal year under review are shown in the table below.

Main agenda items

- Matters related to the Group's Medium-Term Corporate Strategy and budget proposals
- Matters related to Director personnel issues and compensation
- Matters related to risk management and internal control
- Matters related to enhancement of corporate governance
- Matters related to sustainability
- Matters related to key personnel changes, organizational revision, etc.

We have also established and operate the following committees as an advisory board to the Board of Directors.

Nomination and Compensation Committee

Objectives	To maintain the fairness, transparency and objectivity in procedures related to the nomination and compensation of Directors, Audit & Supervisory Board Members and Executive Officers, and to strengthen corporate governance.
Composition	The Nomination and Compensation Committee is comprised of three or more Directors selected by resolution of the Board of Directors. * The majority shall be selected from External Officers, who, in principle, shall be selected from independent External Directors.

Special Committee

Objectives	To protect minority shareholders in transactions or actions that may result in a conflict of interest between controlling shareholders or major shareholders.
Composition	The Special Committee is comprised solely of three or more External Officers selected by resolution of the Board of Directors. * In principle, they shall be selected from independent External Directors.

Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of four Audit & Supervisory Board Members (Full-Time), External Audit & Supervisory Board Members, and Audit & Supervisory Board Members dispatched from the parent company. Under this structure, the Audit & Supervisory Board supervises the execution of duties by the Directors from a standpoint independent of the Board of Directors. The Company also ensure a system whereby each Audit & Supervisory Board Member can understand the deliberation process of resolutions and reports by the Board of Directors. Each Audit & Supervisory Board Member makes necessary statements as needed to provide advice and recommendations to ensure the reasonableness and appropriateness of the Directors' decision making and execution of their duties.

Other bodies related to corporate governance

Name	Objectives	Chair	Meeting frequency
Management Committee	Planning and coordination of management work; sharing of reports, improvements, and issues	Chief Executive Officer and Chairman of the Board	Once a month
Sales Division Directors' Committee	Sharing of status of sales and development	Chief Executive Officer and Chairman of the Board	Once a month
Division Directors Committee	Monitoring of status of business execution by Directors and of Group-wide activities; assessment and sharing of problem areas	Chief Executive Officer and Chairman of the Board	Once a month
Sustainability Committee	Further strengthening of sustainability promotion activities	Chief Executive Officer and Chairman of the Board	Once every 4 months

List of Officers (as of the end of June 2023)

Directors

Executive Directors



Akira Yokode
Chief Executive Officer and Chairman of the Board



Sei Kawafuji
Executive Managing Director, Corporate & Administration



Naohito Tsuji
Executive Managing Director, Sales



Hiroyuki Rikuna
Executive Managing Director, Marketing & Development

Non-Executive Directors



Akio Hamada
Member of the Board



Yosuke Komatsu
Member of the Board



Sosuke Seki
External Member of the Board
Independent Officers



Tatsumi Maeda
External Member of the Board
Independent Officers



Yoshiaki Yatsu
External Member of the Board
Independent Officers

Audit & Supervisory Board Members



Yoshihito Noguchi
Audit & Supervisory Board Member (Full-Time)



Hiroshi Mizukami
External Audit & Supervisory Board Member
Independent Officers



Hiroshi Ito
Audit & Supervisory Board Members



Toshio Ohshima
External Audit & Supervisory Board Member
Independent Officers

Managing Directors

Title	Name	Position
Senior Managing Director	Tsutomu Kishishita	Sales Division Director
Managing Directors	Masahiro Fukami	Director of Corporate Division
Managing Directors	Koichi Ishibashi	Sales Division Director

Title	Name	Position
Managing Directors	Takefumi Mizukoshi	Sales Division Director, General Manager of the Overseas Dept., Head of ASEAN operations
Managing Directors	Hitoshi Arai	Sales Division Director
Managing Directors	Takanori Obata	Sales Division Director, Deputy Head of ASEAN operations

Skill Matrix and Attendance at Meetings

Skill Matrix

Title	Name	Skill area					
		Corporate management	Experience in sales and marketing in the business operations of the Company and in the industry	Global	Sustainability (Environment, society, governance)	Finance/accounting	Legal affairs/risk management
Directors	Executive Directors	Akira Yokode	○	○	○	○	
		Sei Kawafuji	○			○	○
		Naohito Tsuji	○	○	○		
		Hiroyuki Rikuna		○		○	
	Non-Executive Directors	Akio Hamada	○	○	○		
		Yosuke Komatsu		○	○		
		Sosuke Seki				○	○
		Tatsumi Maeda	○	○		○	
Audit & Supervisory Board Members	Yoshiaki Yatsu				○	○	
	Yoshihito Noguchi				○	○	
	Hiroshi Mizukami				○	○	
	Hiroshi Ito			○	○	○	
	Toshio Ohshima	○	○	○	○		

Meeting Attendance by Directors

Title	Name	Board of Directors Attendance status	Responsibility for and attendance at advisory committee meetings		
			Nomination and Compensation Committee	Special committee	
Directors	Executive Directors	Akira Yokode	13/13 (100.0%)	Committee Member (2/2)	—
		Sei Kawafuji	13/13 (100.0%)	—	—
		Naohito Tsuji	11/11 (100.0%) * Since appointment on June 21, 2022	—	—
		Hiroyuki Rikuna	* No record in fiscal year ended March 31, 2023 due to appointment on June 28, 2023	—	—
	Non-Executive Directors	Akio Hamada	11/13 (84.6%)	—	—
		Yosuke Komatsu	13/13 (100.0%)	Committee Member (2/2)	—
		Sosuke Seki	13/13 (100.0%)	Chairperson (2/2)	Chairperson (1/1)
		Tatsumi Maeda	13/13 (100.0%)	Committee Member (2/2)	Committee Member (1/1)
	Yoshiaki Yatsu	13/13 (100.0%)	Committee Member (2/2)	Committee Member (1/1)	

Attendance at Board of Directors meetings and advisory committee meetings is for the fiscal year ended March 31, 2023

Meeting Attendance by Audit & Supervisory Board Members

Title	Name	Board of Directors Attendance status	Audit & Supervisory Board Attendance status
Audit & Supervisory Board Members	Yoshihito Noguchi	11/11 (100.0%) * Since appointment on June 21, 2022	11/11 (100.0%) * Since appointment on June 21, 2022
	Hiroshi Mizukami	13/13 (100.0%)	13/13 (100.0%)
	Hiroshi Ito	9/11 (81.8%) * Since appointment on June 21, 2022	9/11 (81.8%) * Since appointment on June 21, 2022
	Toshio Ohshima	11/11 (100.0%) * Since appointment on June 21, 2022	11/11 (100.0%) * Since appointment on June 21, 2022

Attendance at Board of Directors meetings and Audit & Supervisory Board meetings is for the fiscal year ended March 31, 2023

Policies and Procedures Concerning the Election and Dismissal of Directors and Audit & Supervisory Board Members

Chief Executive Officer and Chairman of the Board formulates a draft of candidates for senior management, Directors and Audit & Supervisory Board Members, and the Board of Directors deliberates and comprehensively selects and nominates candidates based on the criteria that candidates must possess a certain level of experience and expertise in business management, corporate administration, or a specific field of expertise, and the ability to make accurate and timely decisions based on that experience and expertise, in addition to having outstanding character as an individual and insight to ensure compliance with laws and regulations and corporate ethics, taking into consideration the balance of knowledge, experience and ability of the management team and the Board of Directors as a whole.

In addition, in order to further ensure the fairness and transparency of appointment and nomination procedures, advisory and report procedures of the Nomination and Compensation Committee must be completed before the final selection/nomination of candidates following deliberation by the Board of Directors.

On the other hand, dismissal of senior management, Directors, and Audit & Supervisory Board Members in the event of suspicion of illegal or improper acts, or in the event that they are unable to continue their duties due to health reasons, shall be decided as a proposal to be submitted to the General Meeting of Shareholders following deliberation by the Board of Directors.

Compensation System

Basic policy

- (1) Compensation for Directors shall be determined by the Board of Directors after deliberation annually within the scope of the total annual amount of compensation for officers approved by resolution at a General Meeting of Shareholders. The level of compensation shall be set for each position using objective benchmarks, such as by referring to survey data from outside expert organizations, in order to contribute to securing and promoting excellent human resources and raising awareness of contribution to raising corporate value.
- (2) Compensation for Audit & Supervisory Board Members shall be limited to fixed compensation that is not dependent on changes in business performance and shall be determined through discussions between Audit & Supervisory Board Members within the scope of the total annual amount of compensation for officers approved by resolution at a General Meeting of Shareholders.
- (3) The compensation system shall take into account the

following points, as well as incentives for execution of the Company's management policy and improvement of business performance.

- Compensation structure that raises awareness of contribution to medium- to long-term business performance and improvement of corporate value.
- The calculation of performance-linked compensation shall use indicators that ensure transparency, objectivity and continuity.

The compensation system shall be reviewed as necessary to provide an incentive to enhance corporate value over the medium- to long-term.

Total annual executive compensation

Directors: 800 million yen or less (resolved at the 63rd Ordinary General Meeting of Shareholders held on June 19, 2009, and the number of Directors at the conclusion of the General Meeting of Shareholders was seven.)
Audit & Supervisory Board Members: 100 million yen or less (resolved at the 54th Ordinary General Meeting of Shareholders held on June 30, 2000, and the number of Audit & Supervisory Board Members at the conclusion of the General Meeting of Shareholders was two.)

Authority to determine compensation for Directors

The Board of Directors has the authority to make decisions on policies concerning the determination of the amount of compensation for Directors or the calculation method thereof. An overview of the relevant procedures is as follows.

- The President shall confirm proposals on policies related to decisions made concerning the calculation method for compensation for Directors and shall, in accordance with the details of said policy, draft a tentative proposal for individual compensation amounts to be paid to each Director within the range of the total annual amount determined by resolution of the General Meeting of Shareholders for each term and propose this to the Board of Directors.
- Upon receiving an explanation of said tentative draft, the Board of Directors agrees to consult with the relevant committee.
- The relevant committee will deliberate on the proposal from the Board of Directors before providing an answer to the Board of Directors.
- The President shall follow the prescribed procedures in accordance with the capital and business alliance agreement concluded with Toyota Tsusho Corporation.
- Upon the completion of said procedures, the President shall present a final report to the relevant committee and the proposal shall be presented to the Board of Directors as a resolution to be passed by the Board. Upon the completion of the above, the Board of Directors shall deliberate on the presented proposal to determine the compensation to be paid to senior management and Directors.

Structure and calculation method of compensation for Directors

Compensation items shall be determined according to the attributes of officers, and the breakdown and calculation method shall be determined as follows.

(1) Executive Directors

Monthly compensation shall be fixed based on "Basic compensation for directors" and "Additional compensation by position." Bonuses are performance-linked based on the consolidated net income, with a standard bonus amount set for each position and the full amount quantitatively evaluated.

The policy for determining the amount of payment is that the percentage of monthly fixed compensation decreases gradually with a higher position, while the percentage of bonuses linked to performance increases gradually.

As for bonuses, which are performance-linked compensation, 70% of the bonus amount is linked to short-

term performance and is calculated as the percentage of year-on-year change in consolidated net income, while 30% of the bonus amount is linked to medium-term performance and is calculated as the three-year average change in consolidated net income multiplied by the actual bonus amount in the previous year.

(2) Independent External Directors

From the viewpoint of appropriately exercising a supervisory role from an independent standpoint without executing operations, independent outside directors shall receive only base director compensation as a fixed salary, which shall be within the range of the model base director compensation.

(3) Non executive officers dispatched from the parent company

Non executive officers dispatched from the parent company shall be unpaid.

Model percentage

Compensation structure	Monthly fixed compensation	Performance-linked compensation (Bonus)			Total
		Consolidated net income			
Structure items	Basic compensation for directors + additional compensation by position	70% of bonus (short-term performance-link)	30% of bonus (medium-term performance-link)	Subtotal	100%
		Percentage of the amount based on the standard bonus amount	74-78%	16-18%	
Increase/decrease in percentage by position	Gradual decrease	Gradual increase			—

Performance Evaluation of the Board of Directors

Evaluation framework and method

- (1) Target
All current Directors and Audit & Supervisory Board Members as of January annual.
- (2) Implementation method
Questionnaire (answer is anonymous)
- (3) Evaluation item
The questionnaire consists of the following four chapters. In addition, an opinion/request section is provided for each question and a free entry section is provided for each chapter.
 1. Composition of the Board of Directors
 2. Operation of the Board of Directors
 3. Agenda of the Board of Directors
 4. System to support the Board of Directors
- (4) Evaluation Process
[Details]
January: Distribute and disseminate questionnaire
February: Collect questionnaire
March: Report the results of the questionnaire and the columns for comments, requests and free entries to the Board of Directors. Challenges and improvement measures discussed by the Board of Directors

April: The chairman of the Board of Directors assesses the effectiveness of the Board of Directors and reports the results to the Board of Directors

Summary of the evaluation results

As a result of the analysis and assessment, although there were some comments that ensuring diversity of the Board of Directors members and efforts related to succession planning are issues, the Board of Directors is generally assessed as being operated appropriately, with constructive discussions from diverse perspectives to fulfill its supervisory function.

We also confirmed that the Nomination and Compensation Committee and the Special Committee, which were established under the umbrella of the Board of Directors as of April 1, 2022, have contributed to strengthening corporate governance by sharing information on their activities with the Board of Directors in line with their operations, thereby ensuring objectivity and transparency.

Going forward, we will strive to further enhance the effectiveness of our Board of Directors by invigorating discussions at the Board meetings and making further efforts to meet the requirements of recent corporate governance reforms.

Compliance

To accomplish the management principal of “To Expand Good Relations and Create New Values for Society,” the Group has established the “Code of Business Practice” and the “CODE 10” based primarily on legal/regulatory compliance, and performs various activities to ensure that these Codes are thoroughly communicated to, and spread understanding by, all officers and employees.

Code of Business Practice for officers and employees

Each officer/employee needs to be fully aware of the Code of Business Practice and to regulate his/her conduct conscientiously.

- Act in full compliance with public laws and regulations, etc. under any circumstances.
- Promote fair, transparent, and free competition.
- Maintain sound and just relationships with political/administrative authorities.
- Act sternly against any anti-social forces.
- In overseas markets, respect local culture and customs, and manage business so that it can contribute to development of local communities.
- Actively contribute to society as a good corporate citizen.

Compliance promotion structure

The Management Committee that oversees compliance builds and operates a compliance promotion system. The Human Resources & General Affairs Department, serving as Secretariat, carries out in-house awareness-raising and education on compliance overall, and issues alerts, notices, and notifications to all Group employees and related parties as required. Within the compli-

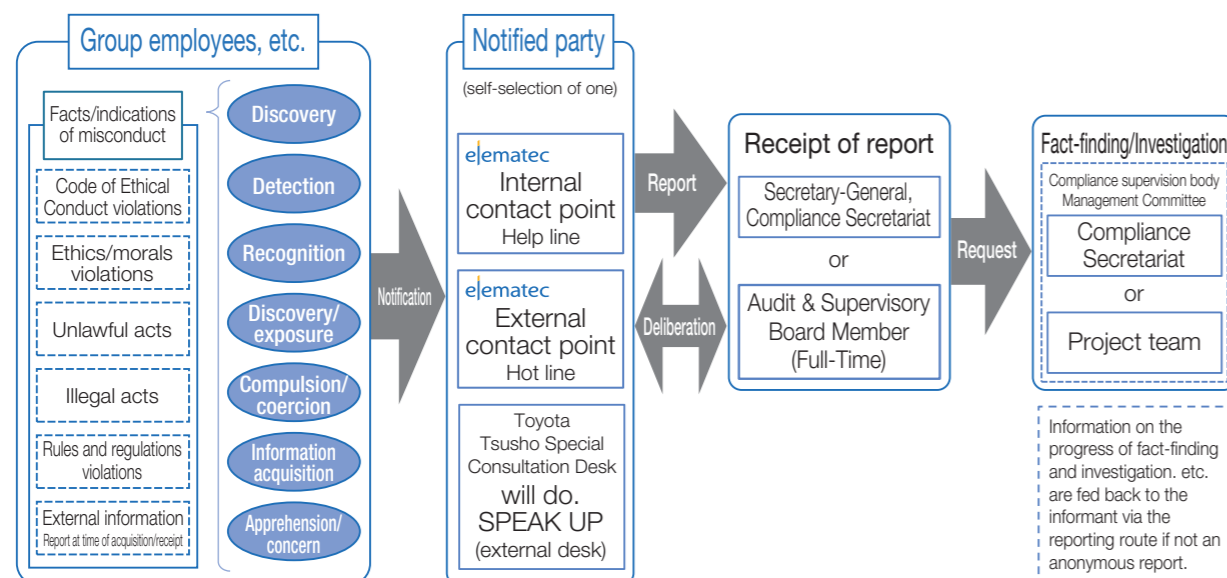
ance regulations set by the company, we also include the blocking of relationships with antisocial forces as an item in the Code of Conduct, making this widely known through in-house education by the Human Resources & General Affairs Department. We operate an internal whistleblowing system as outlined below.

Overview of the Whistle-blowing System

The Group has set out details regarding our whistleblowing system in our compliance regulations, and has established the following reporting desks inside and outside the company.

- (1) Internal contact point (Helpline)
 - General Manager, Human Resources & General Affairs Department or Branch Manager, Business Support Department
- (2) External contact point (Hotline)
 - Law office contracted by the company
- (3) Special consultation desk at Toyota Tsusho Corporation
 - will do.
 - SPEAK UP

The Internal contact point responds to cases of whistleblowing after promptly holding discussions with the Compliance Secretary General on whether the case constitutes misconduct. It then reports to Audit & Supervisory Board Members (Full-Time), as appropriate to the content of the case. When the external contact point receives a whistleblowing report, it screens and examines the details to break down the case, delegates response to Audit & Supervisory Board Members (Full-Time) or the Internal contact point as appropriate to the content of the case, and undertakes subsequent action.



Any disadvantageous treatment of a person making a whistleblowing report to a contact point is prohibited by compliance regulations.

We have also built a system for reporting cases to the Management Conference through the Compliance Secretariat or Audit & Supervisory Board Members (Full-Time).

Risk Management

The Group is committed to risk avoidance through enhancement of awareness about compliance with not only public laws/regulations but also internal regulations and rules, etc., and to implementation of measures for minimizing business risks through protection of corporate assets and reputation, as well as stakeholders' rights, through application of risk management based on regular analyses of, and proper actions against, risks in various fields.

Risk management structure

We have established and enforce risk management regulations, hold a risk analysis conference every year, analyze risk events occurring around the Group, verify the degree of each item's impact on management, and make reports to the Management Conference as well as to the Accounting Auditor.

We assume risks such as those shown in the table below to be among the risks that could significantly impact the judgment of shareholders and investors.

Risks	Main factors
Risks related to business conditions in the electronics industry	Deterioration of business conditions in the electronics industry overall
Risks related to technological innovation	Inability to sufficiently keep up with technological innovation
Risks related to the business conditions of customers	Loss of market advantage and sluggish demand for a customer's product, or an accompanying significant adjustment in production
Risks related to the business conditions of suppliers	Changes in business policy, business restructuring, reworking of sales policy, etc. in a supplier
Risks related to quality defects, recalls, environmental standards, and quality assurance	Quality defects in products handled by the Group, forcing us to bear compensation for damages
Risks related to overseas business	Restrictions on the Group's sales and business activities due to changes in the political situation, economic environment, laws, or policies in overseas countries, or inability to sufficiently respond to such
Risks related to credit	Inability to recover debts, etc. due to changes in countries' economic environments or business conditions or due to specific circumstances of business partners
Risks related to exchange rate fluctuations	Significant and sudden fluctuations in exchange rates
Risks related to natural disasters, contagious diseases, etc.	Occurrence of natural disasters such as earthquakes, heavy rains, floods, or other abnormal weather, or contagious disease epidemic, war, terrorism, riots, or other events exceeding expectations
Risks related to information systems	Occurrence of system stoppage, data loss, etc. due to large-scale power outage, disaster, computer virus infection, unauthorized access, etc.
Risks related to the substantiality of sales transactions with new business partners	Occurrence of situation such as the Group becoming party to fictitious or circular transactions due to unidentifiable circumstances

Consolidated Financial Data

	Fiscal year ended March 31, 2013	Fiscal year ended March 31, 2014	Fiscal year ended March 31, 2015	Fiscal year ended March 31, 2016	Fiscal year ended March 31, 2017	Fiscal year ended March 31, 2018	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	
Management indicators												
Ratio of ordinary income to net sales (%)	3.7	3.9	3.9	3.2	2.6	3.1	3.4	2.6	2.9	3.9	4.6	
Ratio of net income to net sales (%)	2.3	2.7	2.8	2.3	0.7	2.2	1.8	1.9	2.0	2.7	3.2	
Return on assets (ROA) (%)	7.4	8.1	9.0	8.4	6.1	6.6	6.6	4.8	5.3	7.3	9.7	
Return on equity (ROE) (%)	9.7	11.2	12.8	11.6	3.0	9.5	6.9	6.5	7.0	9.4	12.3	
Shareholders' equity ratio (%)	48.8	50.0	51.0	55.2	47.8	52.3	52.3	55.5	53.7	51.7	57.6	
Management performance												
Net sales (million yen)	129,405	143,442	181,876	216,824	203,004	196,238	183,399	175,654	180,218	200,646	239,774	
Ordinary income (million yen)	4,727	5,644	7,077	6,880	5,314	6,085	6,188	4,499	5,179	7,867	11,130	
Net Income attributable to owners of parent (million yen)	2,997	3,863	5,105	5,048	1,342	4,376	3,364	3,263	3,666	5,374	7,696	
Financial Status												
Total assets (million yen)	66,579	73,425	84,191	80,572	93,284	91,835	95,667	91,781	101,317	115,332	113,913	
Interest-bearing debt (million yen)	0	0	1,598	466	2,884	53	83	349	507	890	1,576	
Net assets (million yen)	32,683	36,943	42,910	44,442	44,545	48,046	50,056	50,896	54,413	59,645	65,577	
Cash flow												
Cash flows from operating activities (million yen)	152	2,132	(5,942)	7,573	(3,309)	19,257	1,009	398	6,104	4,236	4,910	
Cash flows from investing activities (million yen)	277	21	(290)	(1,387)	(85)	(51)	74	(309)	(747)	(599)	(872)	
Free cash flow (million yen)	430	2,154	(6,232)	6,186	(3,394)	19,205	1,084	88	5,357	3,637	4,038	
Cash flows from financing activities (million yen)	(982)	(1,145)	318	(2,837)	1,504	(3,547)	(1,401)	(1,747)	(1,264)	(1,710)	(2,299)	
Per-share information												
Book-value per share (yen)	793.65	896.27	1,047.98	1,085.38	1,087.90	1,173.40	1,222.49	1,243.00	1,328.89	1,456.67	1,601.56	
Net income per share (yen)	73.21	94.35	124.69	123.29	32.79	106.88	82.17	79.70	89.55	131.25	187.96	
Dividend per share (yen)	22.00	28.50	37.50	37.50	10.00	32.50	33.00	32.00	36.00	53.00	76.00	
Ratio												
Dividend payout ratio (%)	30.1	30.2	30.1	30.4	30.5	30.4	40.2	40.1	40.2	40.4	40.4	
Number of employees												
	1,138	1,154	1,142	1,174	1,172	1,179	1,149	1,180	1,157	1,165	1,184	
Exchange rate (fiscal year average)												
U.S. dollar (yen)	82.91	100.17	109.76	120.15	108.34	110.85	110.92	108.70	106.10	112.39	135.50	

Note: In accordance with the Board of Directors resolution of April 25, 2019, we conducted a stock split at a ratio of two shares per share of common stock effective June 1, 2019. Net assets per share, net income per share, and dividend per share have been calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ending March 31, 2013.

Consolidated Financial Statements

Consolidated Balance Sheet

(unit: million yen)

	Previous consolidated fiscal year (March 31, 2022)	Current consolidated fiscal year (March 31, 2023)
Assets		
Current assets		
Cash and deposits	30,753	32,966
Notes and accounts receivable-trade	61,224	57,906
Inventories	15,767	15,354
Other	1,267	1,080
Allowance for doubtful accounts	(16)	(1)
Total current assets	108,996	107,306
Total non-current assets		
Property, plant and equipment		
Buildings and structures	2,212	2,294
Accumulated depreciation	(1,592)	(1,693)
Buildings and structures, net	620	600
Land	1,110	1,066
Other	4,178	4,954
Accumulated depreciation	(2,633)	(3,189)
Other, net	1,545	1,764
Total property, plant and equipment	3,276	3,431
Intangible assets		
Software	320	287
Distribution rights	2	—
Other	0	0
Total intangible assets	323	287
Investments and other assets		
Investment securities	555	547
Deferred tax assets	1,061	1,186
Real estate for investment	312	302
Claims provable in bankruptcy	3,341	3,645
Net defined benefit asset	322	366
Other	501	501
Allowance for doubtful accounts	(3,359)	(3,664)
Total investments and other assets	2,736	2,887
Total non-current assets	6,336	6,606
Total assets	115,332	113,913
Liabilities		
Current liabilities		
Notes and accounts payable-trade	47,910	40,311
Short-term loans payable	403	1,093
Income taxes payable	1,366	1,503
Provision for bonuses	406	415
Other	4,022	3,206
Total current liabilities	54,109	46,530
Non-current liabilities		
Deferred tax liabilities	1,210	1,486
Net defined benefit liability	120	128
Other	248	189
Total non-current liabilities	1,578	1,804
Total liabilities	55,687	48,335
Net assets		
Shareholders equity		
Capital stock	2,142	2,142
Capital surplus	3,335	3,335
Retained earnings	52,296	57,412
Treasury stock	(694)	(694)
Total shareholders equity	57,079	62,196
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	189	171
Foreign currency translation adjustment	2,174	2,999
Remeasurements of defined benefit plans	200	211
Total accumulated other comprehensive income	2,565	3,381
Total net assets	59,645	65,577
Total liabilities and assets	115,332	113,913

Consolidated Statements of Income

(unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net sales	200,646	239,774
Cost of sales	179,085	212,390
Gross profit	21,560	27,384
Selling, general and administrative expenses		
Salaries expenses	5,605	6,349
Director compensation	163	177
Transportation and packing expenses	2,462	2,599
Statutory benefits	901	994
Travel expenses	273	476
Depreciation expenses	504	558
Provision for bonuses	359	350
Retirement benefit expenses	190	188
Provision of allowance for doubtful accounts	(8)	259
Other	2,760	3,377
Total selling, general and administrative expenses	13,214	15,331
Operating income	8,346	12,052
Non-operating income		
Interest income	25	50
Dividend income	9	14
House rent income	91	84
Gain on investments in partnerships	12	—
Gain on sale of property, plant and equipment	29	0
Other	32	40
Total non-operating income	201	190
Non-operating expenses		
Interest expenses	24	73
House rent expenses	36	26
Foreign exchange losses	558	993
Other	60	19
Total non-operating expenses	680	1,112
Ordinary income	7,867	11,130
Extraordinary losses		
Impairment loss	207	43
Total extraordinary losses	207	43
Income before income taxes	7,660	11,086
Income taxes-current	2,238	3,231
Income taxes-deferred	48	158
Total income taxes	2,286	3,390
Net income	5,374	7,696
Net income attributable to owners of parent	5,374	7,696

Consolidated Statements of Comprehensive Income

(unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Net income	5,374	7,696
Other comprehensive income		
Valuation difference on available-for-sale securities	(31)	(18)
Foreign currency translation adjustment	1,511	824
Remeasurements of defined benefits plans, net of tax	15	10
Total other comprehensive income	1,495	816
Comprehensive income	6,869	8,512
(breakdown)		
Comprehensive income attributable to owners of parent	6,869	8,512

Consolidated Statements of Changes in Shareholders Equity

Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)

(unit: million yen)

	Shareholders equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders equity
Balance at beginning of period	2,142	3,335	48,560	(694)	53,343
Changes during period					
Dividends of surplus			(1,637)		(1,637)
Net income attributable to owners of parent			5,374		5,374
Purchase of treasury stock				(0)	(0)
Changes during period in items other than shareholders equity, net					
Total changes during period	—	—	3,736	(0)	3,736
Balance at end of period	2,142	3,335	52,296	(694)	57,079

	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	221	662	185	1,069	54,413
Changes during period					
Dividends of surplus					(1,637)
Net income attributable to owners of parent					5,374
Purchase of treasury stock					(0)
Changes during period in items other than shareholders equity, net	(31)	1,511	15	1,495	1,495
Total changes during period	(31)	1,511	15	1,495	5,231
Balance at end of period	189	2,174	200	2,565	59,645

Current consolidated fiscal year (April 1, 2022 to March 31, 2023)

(unit: million yen)

	Shareholders equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders equity
Balance at beginning of period	2,142	3,335	52,296	(694)	57,079
Changes during period					
Dividends of surplus			(2,579)		(2,579)
Net income attributable to owners of parent			7,696		7,696
Purchase of treasury stock					
Changes during period in items other than shareholders equity, net					
Total changes during period	—	—	5,116	—	5,116
Balance at end of period	2,142	3,335	57,412	(694)	62,196

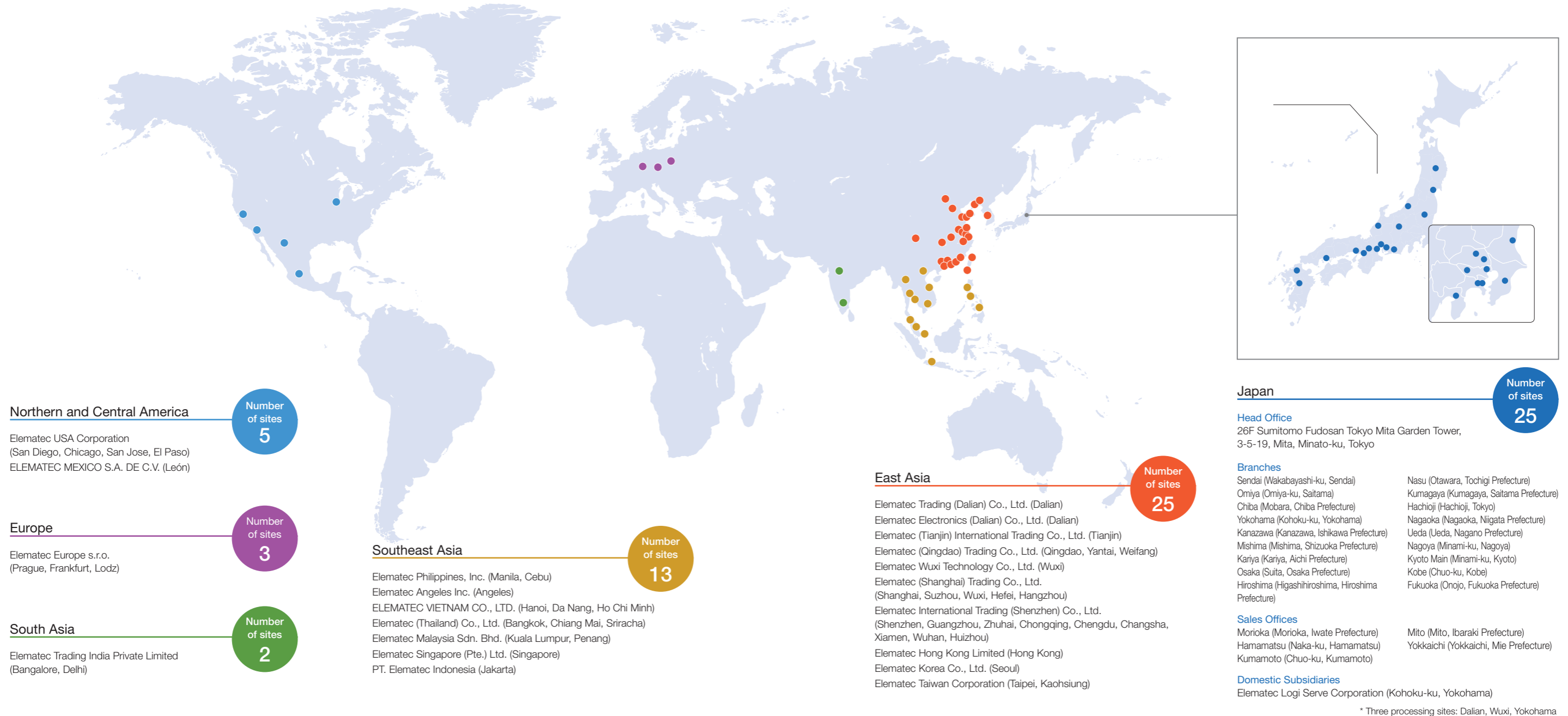
	Accumulated other comprehensive income				Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	
Balance at beginning of period	189	2,174	200	2,565	59,645
Changes during period					
Dividends of surplus					(2,579)
Net income attributable to owners of parent					7,696
Purchase of treasury stock					
Changes during period in items other than shareholders equity, net	(18)	824	10	816	816
Total changes during period	(18)	824	10	816	5,932
Balance at end of period	171	2,999	211	3,381	65,577

Consolidated Statement of Cash Flows

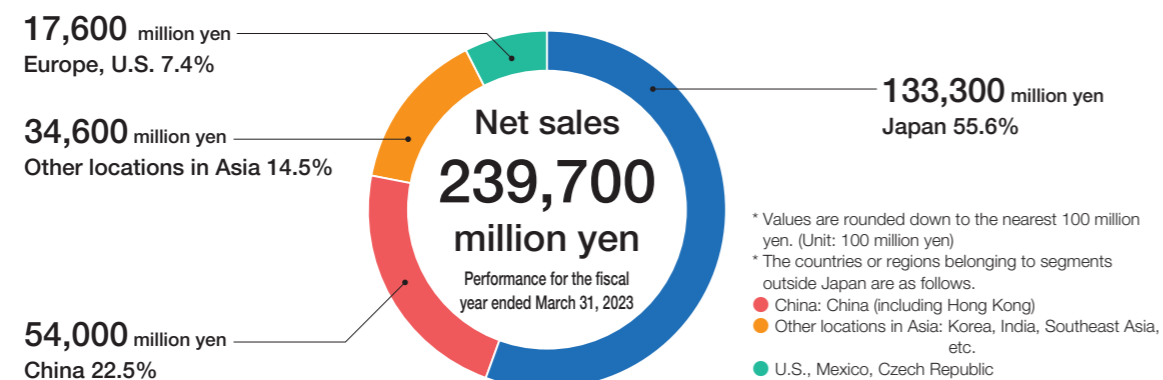
(unit: million yen)

	Previous consolidated fiscal year (April 1, 2021 to March 31, 2022)	Current consolidated fiscal year (April 1, 2022 to March 31, 2023)
Cash flows from operating activities		
Income before income taxes	7,660	11,086
Depreciation expenses	953	1,133
Impairment loss	207	43
Increase (decrease) in allowance for doubtful accounts	(10)	260
Decrease (increase) in notes and accounts receivable trade	(4,305)	4,498
Decrease (increase) in claims provable in bankruptcy	12	(276)
Decrease (increase) in inventories	(3,217)	1,052
Increase (decrease) in notes and accounts payable trade	3,686	(9,075)
Other (Net)	897	(663)
Subtotal	5,884	8,059
Interest and dividends income received	35	65
Interest expense paid	(24)	(73)
Income taxes (paid) refund	(1,658)	(3,140)
Cash flows from operating activities	4,236	4,910
Cash flows from investing activities		
Purchase of property, plant and equipment	(693)	(860)
Purchase of intangible assets	(56)	(58)
Rent income received	65	66
Other (Net)	84	(20)
Cash flows from investing activities	(599)	(872)
Cash flows from financing activities		
Short term loans payable	230	651
Repayments of lease liabilities	(302)	(371)
Cash dividends paid	(1,637)	(2,580)
Other (Net)	(0)	—
Cash flows from financing activities	(1,710)	(2,299)
Effect of exchange rate change on cash and cash equivalents	948	475
Increase (decrease) in cash and cash equivalents	2,875	2,213
Cash and cash equivalents at beginning of period	27,877	30,753
Cash and cash equivalents at end of period	30,753	32,966

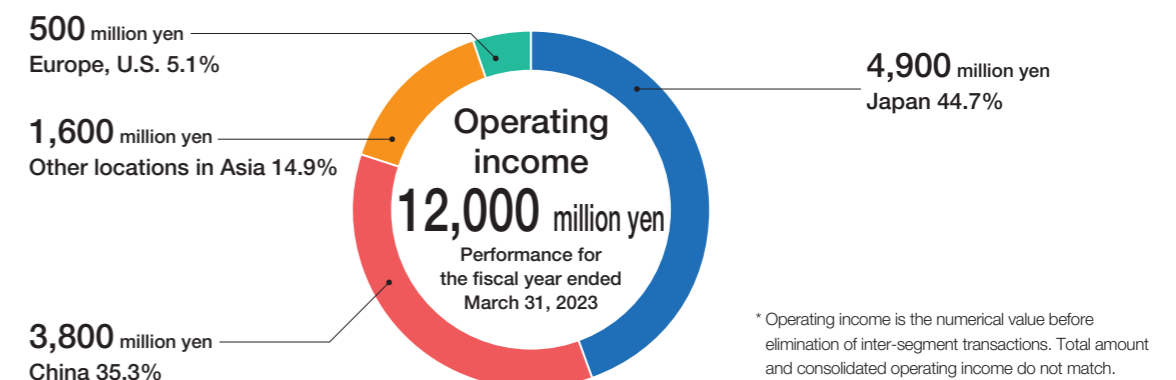
Domestic and Overseas Networking and Logistics



Segment sales composition ratio by region



Segment operating income composition ratio by region



Company Profile and Basic Stock Information

Company profile

Trade name	Elematec Corporation
Establishment	April 1947
Representative	Akira Yokode, Chief Executive Officer and Chairman of the Board
Address of operating base	26F Sumitomo Fudosan Tokyo Mita Garden Tower, 3-5-19, Mita, Minato-ku, Tokyo
Capital stock	2,142 million yen
Net sales (fiscal year ended March 31, 2023)	Consolidated 239,774 million yen Non-consolidated 172,851 million yen
Number of employees (as of Mar 31, 2023)	Consolidated 1,184 Non-consolidated 483
Domestic service network (as of June 1, 2023)	25 locations
Overseas service network (as of June 1, 2023)	48 locations

Basic stock information (as of March 31, 2023)

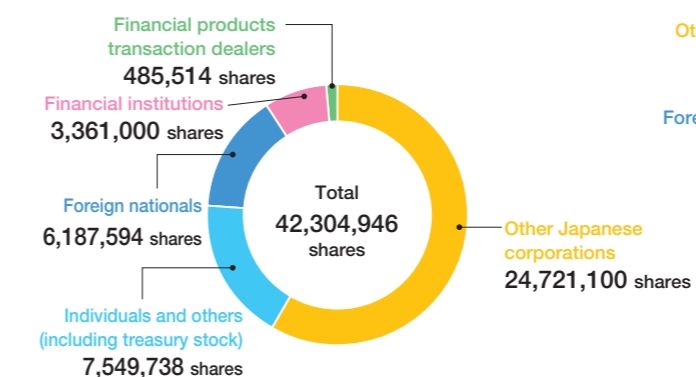
Fiscal term	March 31 every year
Ordinary General Meeting of Shareholders	Held in June every year
Status of stocks	Stock trading unit: 100 Total number of authorized shares: 168,000,000 Total number of issued shares: 42,304,946
Number of shareholders	6,403
Stock exchange listing	The Prime Market of the Tokyo Stock Exchange
Ticker symbol	2715
Administrator of shareholder register	Sumitomo Mitsui Trust Bank, Limited

Status of major shareholders (as of March 31, 2023)

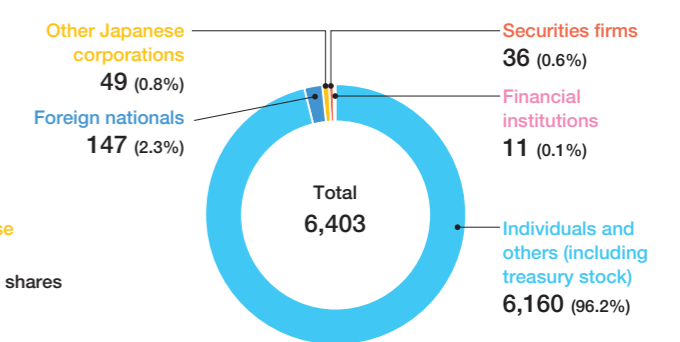
Names of shareholders	Number of shares held	Equity ratio
Toyota Tsusho Corporation	24,005,800	56.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,378,700	5.6
BBH FOR FIDELITY LOW-PRICED STOCK FUND (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	2,111,406	5.0
Elematec Corporation	1,358,737	3.2
Elematec Employee Shareholding Association	1,089,175	2.6
Custody Bank of Japan, Ltd. (Trust Account)	780,500	1.8
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	583,800	1.4
BBH FOR FIDELITY GROUP TRUST BENEFIT (PRINCIPAL ALL SECTOR SUBPORTFOLIO)	306,005	0.7
BNYM AS AGT / CLTS 10 PERCENT	282,489	0.7
STATE STREET BANK AND TRUST COMPANY 505223	244,660	0.6

Status of stock distribution

Number of shares held



Number of shareholders



Stock price performance (percentage change in stock price from base of April 2020) and volume

