

Elematec
INTEGRATED
REPORT
2024

elematec



Diverse Options for Manufacturing. New Value in Electronics.

Value for Manufacturing

Management Principles

Mission	Provide new value by expanding our network of strong partnerships
Management policies	<ul style="list-style-type: none">• Provide a wide selection of high-quality products and services globally• Constantly strive for self-improvement, seek to sustain growth, and enhance our credibility in society• Endeavor to maximize corporate value while emphasizing corporate governance and giving due consideration to the environment and safety• Contribute to the realization of a sustainable society as prescribed in our Basic Policy on Sustainability
Value	<ul style="list-style-type: none">• Consider the customer's point of view and become a trusted “manufacturing partner”• Actively exchange ideas and take on challenges with enthusiasm, speed, and teamwork• Each employee shall strive for self-improvement and place importance on equal opportunities and fair evaluations• Pursue the happiness and well-being of employees and growth as a group

Elematec's Vision

Pioneering a prosperous future with the power of electronics



Origin of the company's name

The company's name “Elematec” is derived from the words “electronics,” “material,” and “technology,” and it expresses our desire to develop as a trading company that creates new value by combining advanced electronic materials and electronic parts with technologies.

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 includes risks and uncertain factors.

Actual results may differ substantially from projections due to numerous reasons.



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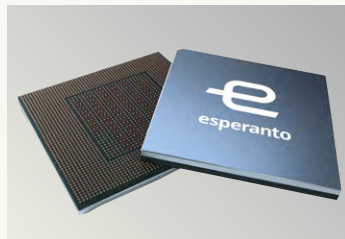
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Editorial policy

The Group began publishing an integrated report from FY2022 as an important tool for communication with stakeholders.

Through the report, we aim to actively disclose non-financial information, such as the Group's value creation story and sustainability initiatives, to help stakeholders understand the various measures we are taking to enhance our corporate value over the medium to long term and to create new opportunities for dialogue.

Published: September 2024

Period covered: FY2023 (April 2023 to March 2024)

Guidelines used as reference

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

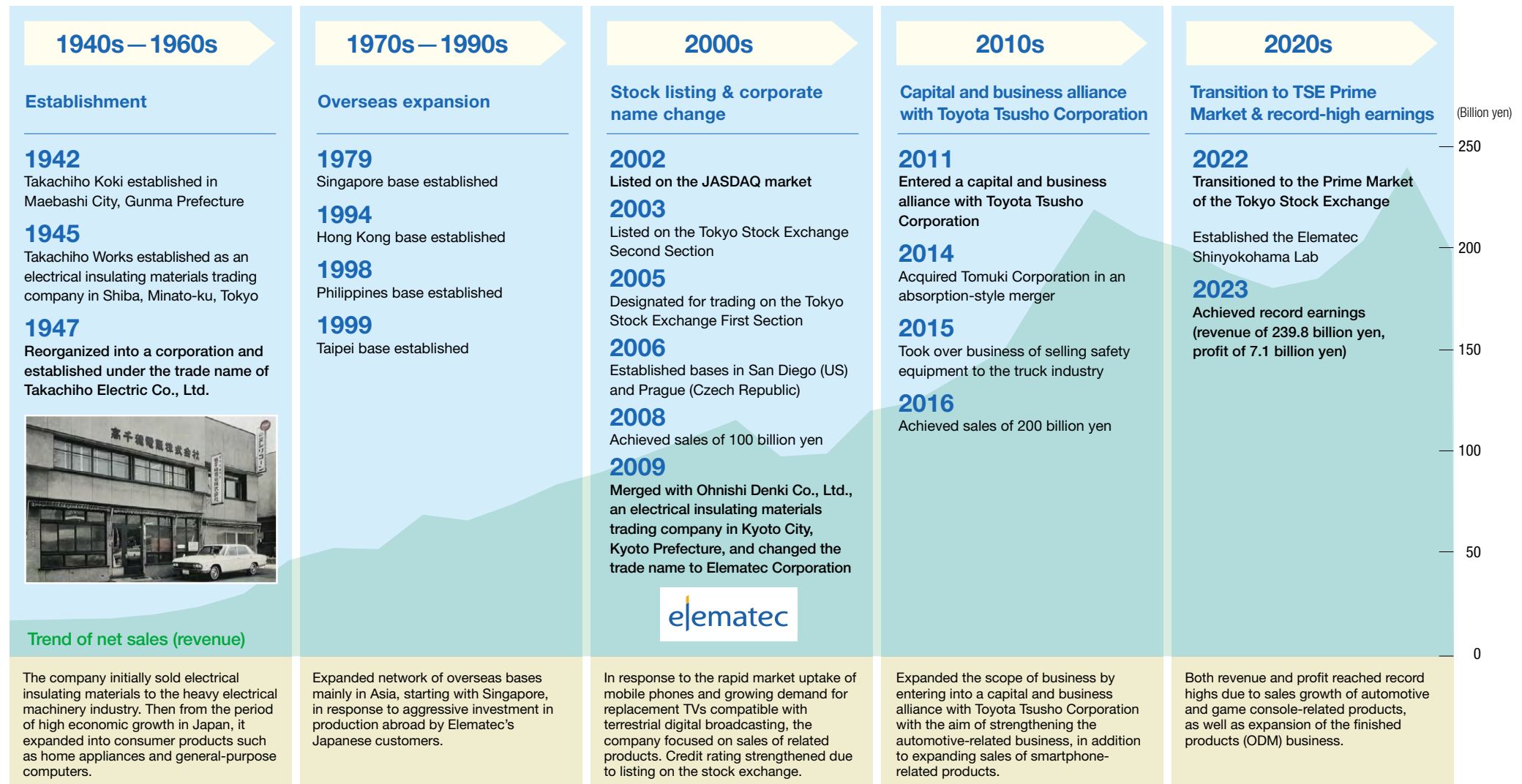
Scope of reporting: The Group (Elematec Corporation and its consolidated subsidiaries)

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



The History of Elematec

Born from the union of Takachiho Electric Co., Ltd. and Ohnishi Denki Co., Ltd., the Elematec Group has been evolving as a manufacturing partner for customers ever since the establishment of Takachiho Electric in 1947. In addition to our frontline capabilities built up through 77 years of history and achievements, we continue to develop as an integrated service company that meets the needs of customers with our high-value-added business proposals. We do so through the collaboration of our divisions for sales, engineering, development, and quality, as well as processing plants, and with the support of an extensive sales foundation (approximately 6,000 customer companies and 7,200 supplier companies) and a network of 73 bases in Japan and overseas.



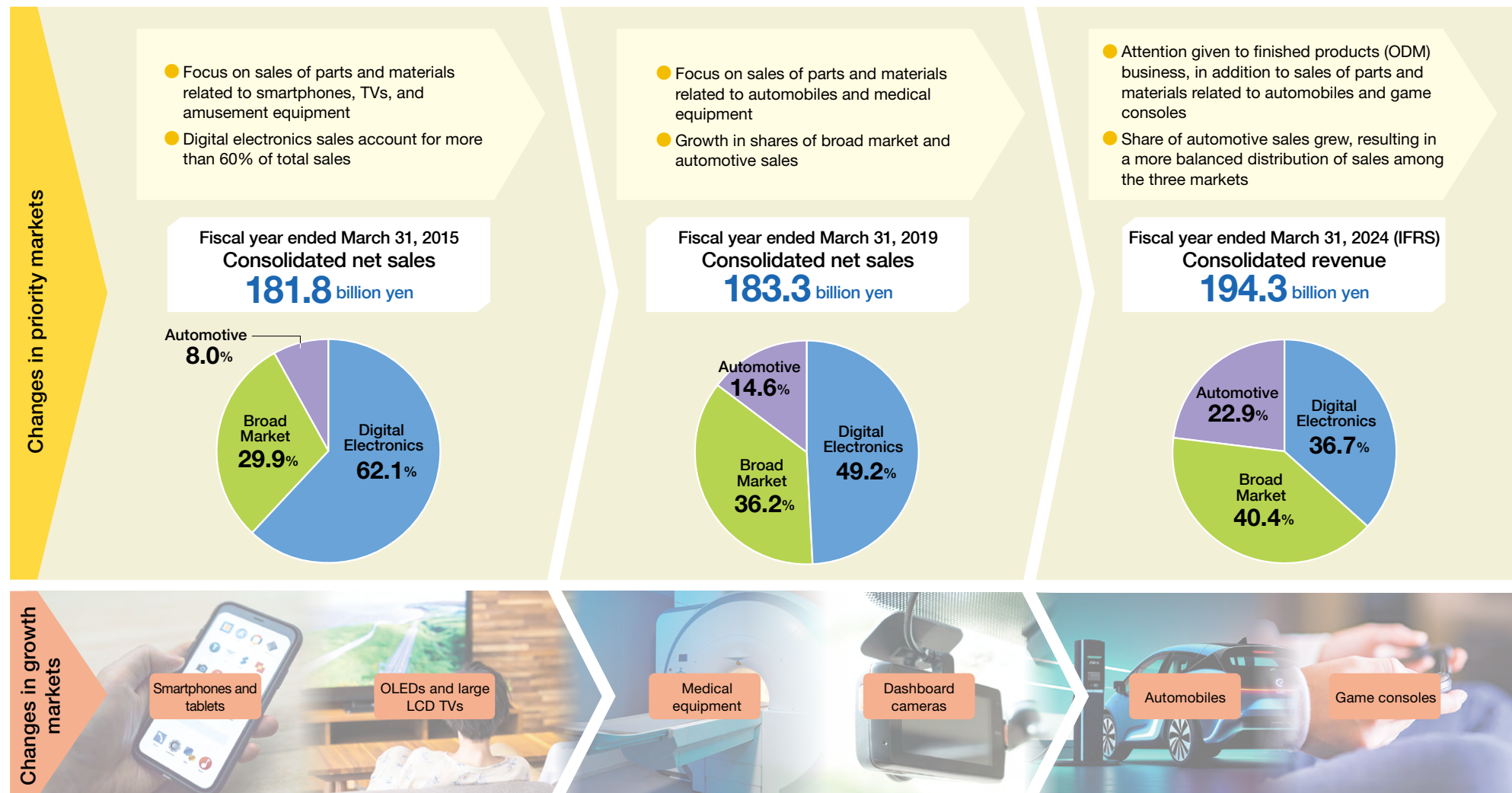


Focus Markets: Business Portfolio Changes over the Past 10 Years

By developing business activities in a wide range of markets, we practice risk diversification management to avoid dependence on specific customers, and we work to capture shares in growth markets, which change from time to time.

Elematec has the ability to effectively provide goods, information, and services that our customers want. This is why our customers choose us. We will continue to identify and respond to changes in the world and growth areas in as timely a manner as possible, and by doing so, we will achieve further growth.

P. 7: Overview of business domains



The photos are intended as images indicating growing product markets and do not depict actual products handled by the Group.



Elematec by the Numbers

Since the company's establishment, we have responded to the needs and challenges of our customers in the fast-changing electronics industry. We have built up a unique business in the markets with numerous customers and suppliers, and have established a network not only in Japan but also in Asia, Europe, and the US. With the numbers highlighted here, we present a closer look at the strengths of Elematec, a company aiming to be a manufacturing partner for the world, and where it stands today.



Years since establishment

77 years

In the fast-changing electronics industry, we have built a unique business by **responding to an extensive variety of needs for 77 years since our establishment** in 1947.



Customers

Approx.

6,000 companies

As an independent trading company, we are able to **conduct sales in a very adaptable manner and diversify risks** by avoiding dependence on specific customers.

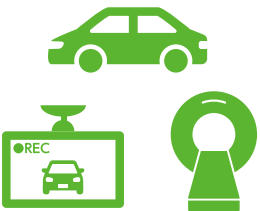


Suppliers

Approx.

7,000 companies

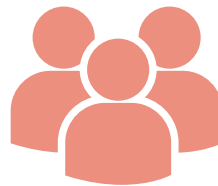
As an independent trading company, we are able to **procure goods without being restricted by manufacturing suppliers.**



Markets

22 fields

Since we have customers in a variety of domains, we conduct business by **categorizing each of our customer companies' production items into our 22 fields of focus (markets).**



Number of employees overseas

707 employees

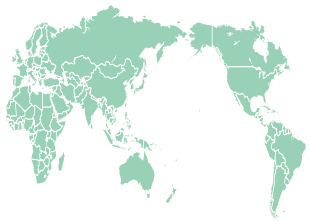
We have **48 overseas bases and more than 700 overseas employees**, who account for **approximately 60%** of our consolidated workforce.



Technical and quality control personnel

48 employees

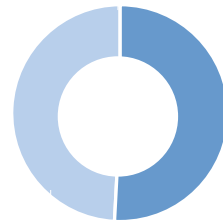
As a **trading company with planning and development/design and quality control functions**, we provide high-value-added services and address the needs of the new era.



Global network

73 bases

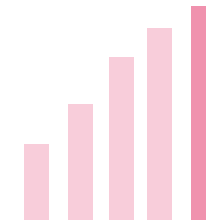
Close collaboration between domestic divisions and overseas subsidiaries **enables quick and smooth communication and service**, unaffected by time differences and language barriers even when handling transactions across borders.



Overseas revenue ratio (IFRS)

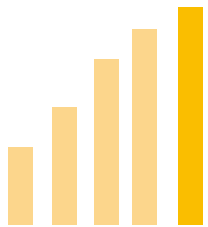
51.1 %

Reflecting our efforts to expand the business globally, the company's **overseas revenue ratio reached 51.1%** for the fiscal year ended March 31, 2024.

Ratio of equity attributable to owners of the parent to total assets (IFRS)
(Shareholders' equity ratio)

59.1 %

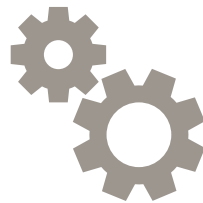
We have **maintained a stable financial standing** owing to profitable operations since the time of establishment.



ROE (IFRS)

8.5 %

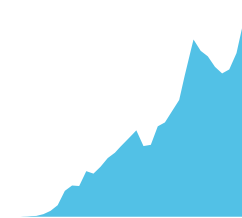
As our main business is the sale of products tailored to customer needs, we are **controlling inventory by keeping inventories** at the minimum necessary level. In addition, the company's **focus on high-value-added commercial products enables it to achieve high profit margins**.



Percentage of customized, module, and finished products

60 %

Because we perform the function of a manufacturer, we can provide **customized products** that are machined to meet customer requirements, **module products** that combine parts, and even **finished products**.



Dividend payout ratio (IFRS)

60.7 %

To further improve the distribution of profits, we have reviewed our dividend policy and raised **the dividend payout ratio from 40% to 50%**. In addition, to ensure the stability of dividends, we have also **adopted DOE (dividend on equity ratio) as a shareholder return indicator**, which is less sensitive to single-year operating results.



Elmatec's Business Fields

The Group's main business is to sell, process and assemble electronic materials, electronic parts, equipment, and other items in Japan and overseas, as well as to design and manufacture them under contract.

In recent years, we have also been focusing on the ODM business, in which we design and manufacture products under other companies' brands (manufacturing is outsourced to companies outside our Group). We leverage our extensive knowledge of electronic materials that we have accumulated over the years to create added value.

Automotive

This is a market where Elmatec offers a wide range of automotive-related merchandise, from exterior to interior products. As it is a field where customer needs are expected to become more sophisticated and diversified against the backdrop of the advances in connected, autonomous, shared, and electric (CASE) technologies, we plan to focus on providing mainly module products by making the best use of the Group's planning and development/design capabilities.

Broad Market

In addition to medical equipment and home appliances, which are expected to become progressively more electronified, we are expanding our business activities in a wide range of industries, including the aftermarket, where we mainly provide finished products. Our customer base has widened to include not only manufacturers but also retailers such as mass retailers of consumer electronics, and we are encountering increasingly more opportunities.

Digital Electronics

In this domain, among the company's offerings are products for smartphones, one of the largest markets among electronics products, and for game consoles, demand for which continues to grow globally. We provide high-value-added products by utilizing our knowledge and experience fostered over many years, including for products that undergo rapid technological innovation.

22 Markets (Fields of Focus)

Note: Categorization is based on items produced by customer companies.

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 systems, train controls, ships, airplanes



Industrial machinery, portable power tools



Motors

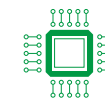
Digital Electronics (8)



LCDs, touch panels, backlights



TVs, monitors, AV, etc.



Electrical parts, semiconductors



Mobile devices, PCs



Cameras, camera modules



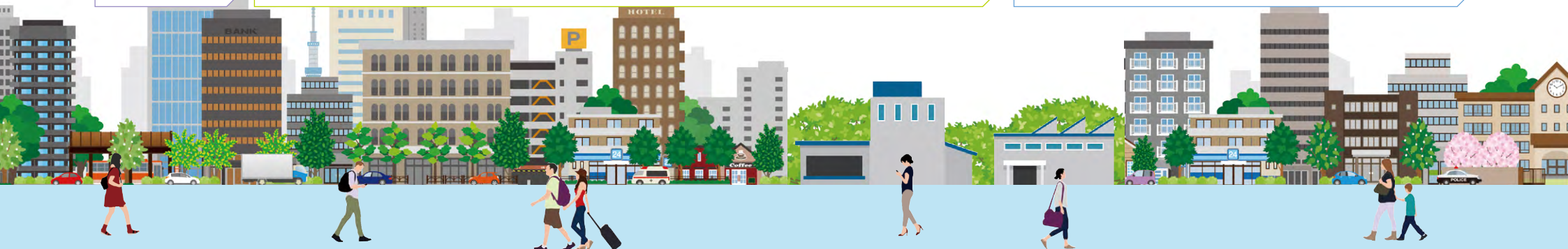
Supercomputers, servers

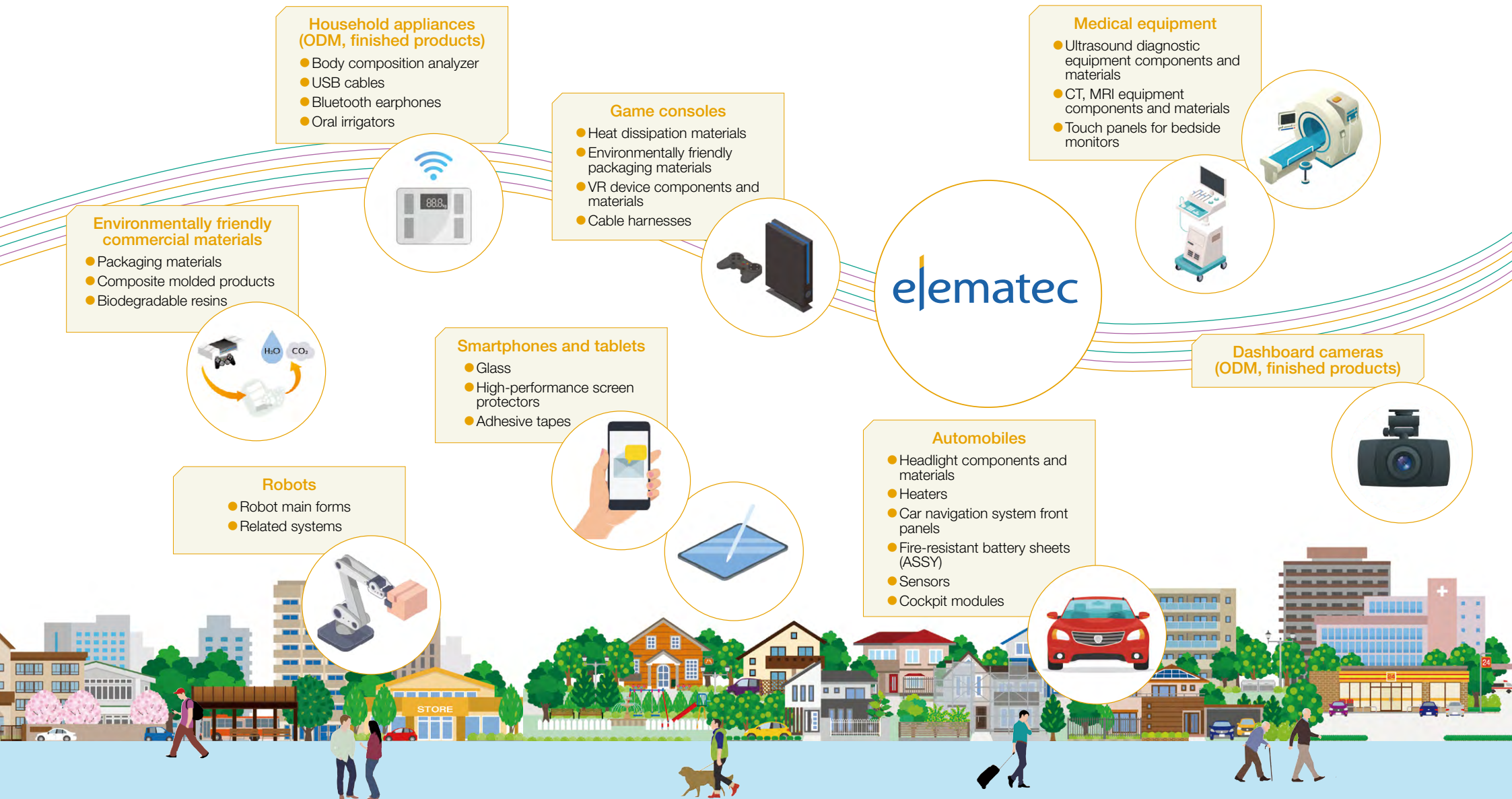


Toys, hobby



Amusement

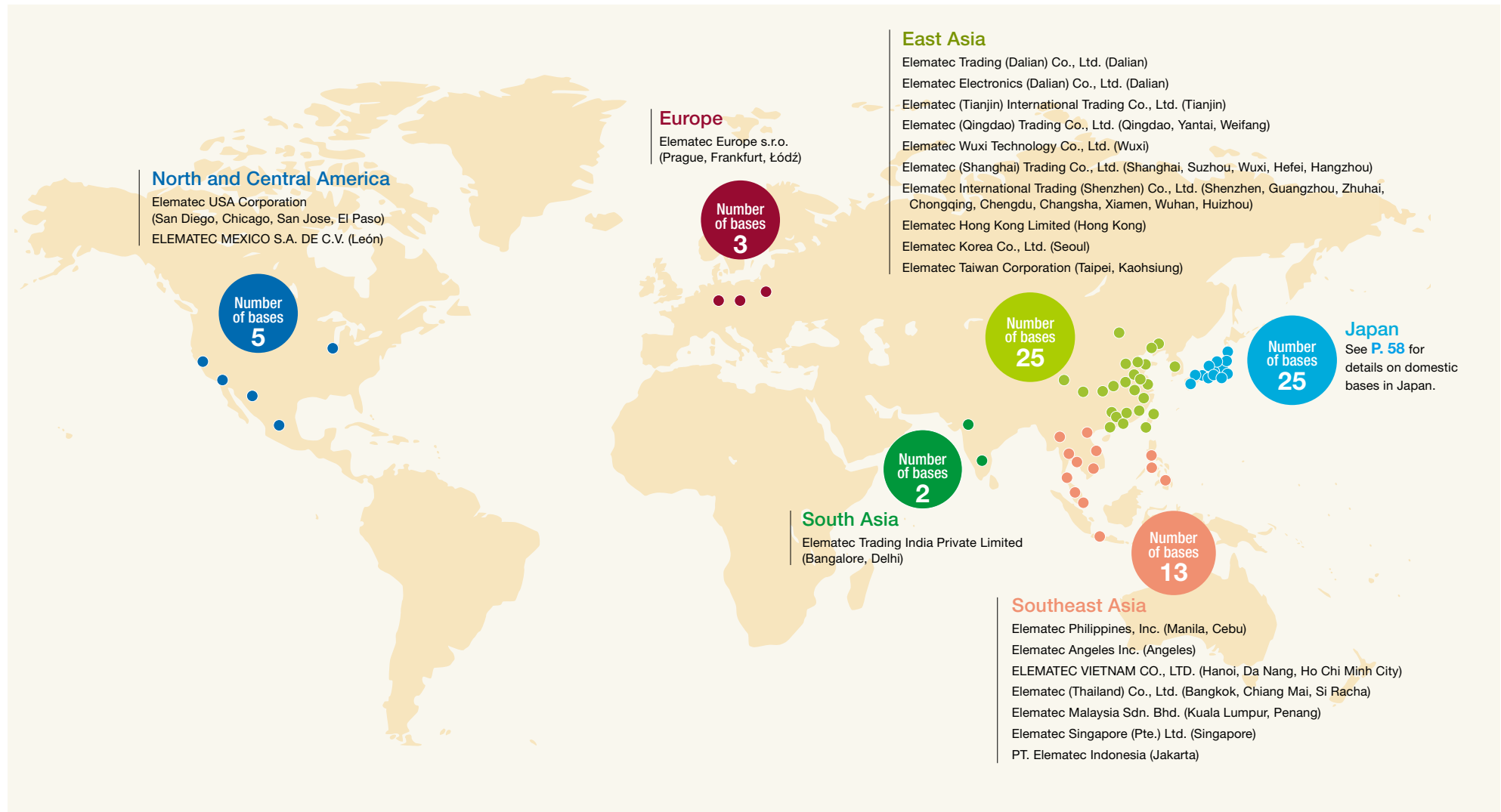






Global Network

With more than 40 overseas bases in addition to 25 domestic bases, our Group is always accessible to our customers, and we can achieve faster and smoother communication and logistics services, undeterred by time differences and language barriers. In addition, with our worldwide network and customer base, we are able to collect a vast volume of product development and technical information, enabling us to propose new technologies and products, and provide solutions suited to customer needs.

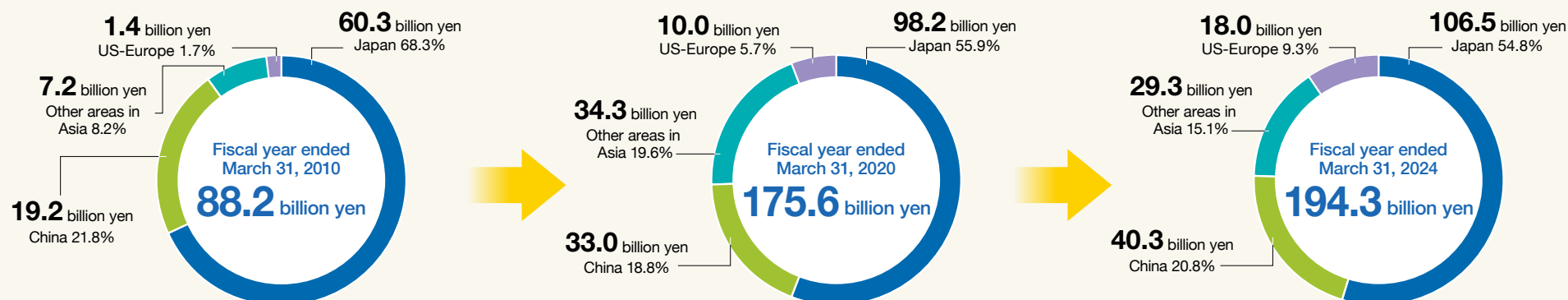




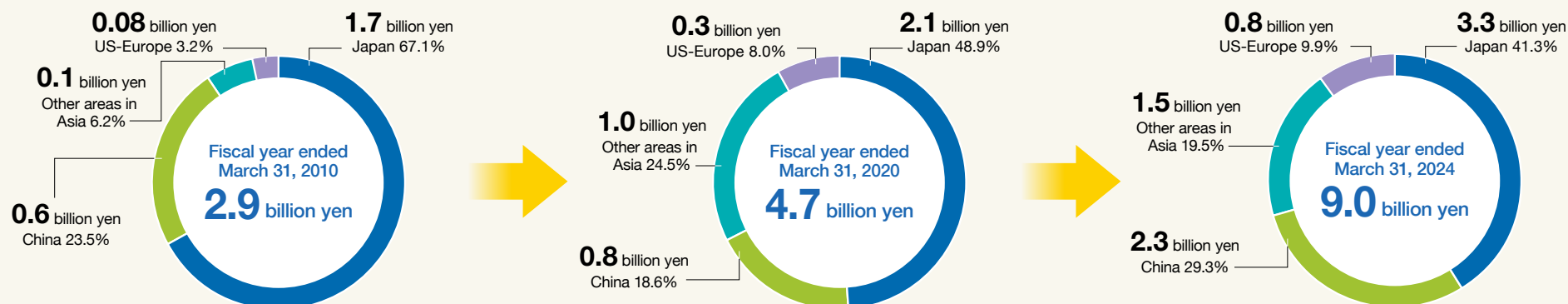
Business Performance by Region

In today's globalized world, trilateral business transactions that do not involve parties in Japan are increasing. Under such circumstances, the Group is expanding its overseas networks in not only Asia but also Europe and North and Central America to support business in all regions of the world. We meet the diverse needs of our customers by providing stable supplies and prompt communication across all regions.

Sales (Revenue) by Region



Operating Income by Region



Notes: 1. All amounts are rounded down to the nearest 100 million yen.

2. Countries and regions included in each business region outside of Japan are as follows: ● China: China (including Hong Kong) ● Other areas in Asia: South Korea, India, Southeast Asia, etc. ● US-Europe: US, Mexico, Czech Republic.

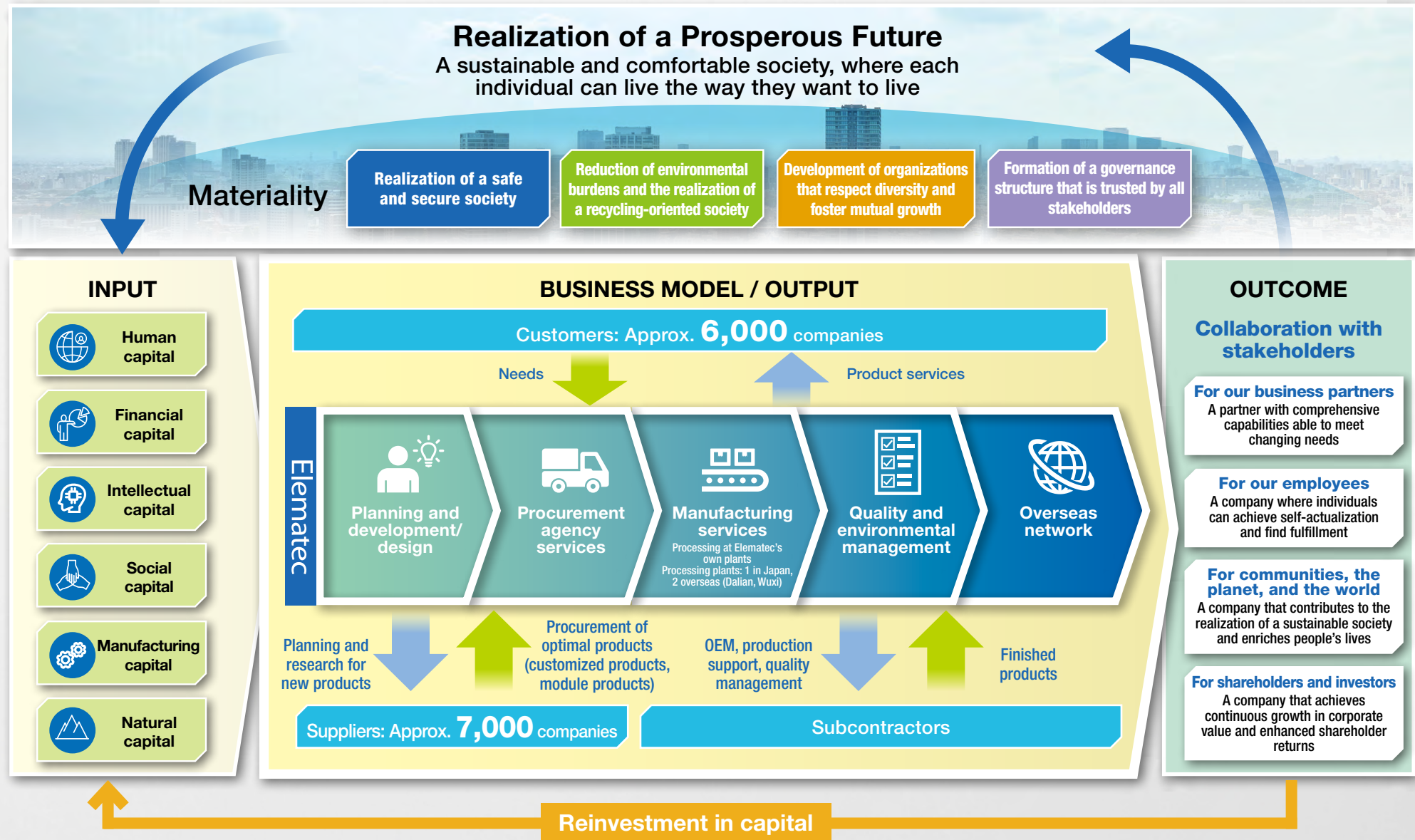
3. Figures for the fiscal year ended March 31, 2024 are based on IFRS. "Revenue" corresponds to "net sales" and "profits from operating activities" correspond to "operating income."

4. Operating income figures are before elimination of inter-segment transactions. Therefore, the total and consolidated operating income do not agree.



Value Creation Process

To help bring about the “realization of a prosperous future” through our business activities, we will pursue sustainable growth by promoting the initiatives of our new Medium-term Corporate Strategy, elematec Pro+, drawing on our six forms of capital and the Group’s unique ability to provide solutions, which we have cultivated over our long history.





Drivers of Growth (Six Forms of Capital)

Since its establishment, the Group has steadily pursued operations as a manufacturing partner for our business partners. In the course of these business activities, we have accumulated a wide range of knowledge about electronics, and that is the source of the Group's added value.



Human capital

- Expert human resources and abundant global human capital
- Number of technical and quality control personnel: **48**
- Number of employees overseas: **707**
(Fiscal year ended March 31, 2024)

We are responding to the new era as a trading company with "technological capabilities" and "quality and environmental management capabilities" in addition to conventional trading company functions. Elematec has a diverse workforce, with overseas employees accounting for approximately 60% of the total, as well as specialized human resources, such as in the Design Department and the Environment Preservation & Quality Assurance Department.



Financial capital

- Ratio of equity attributable to owners of the parent to total assets (Shareholders' equity ratio): **59.1** %
- Ratio of profit attributable to owners of the parent to revenue: **2.9** %
(IFRS, fiscal year ended March 31, 2024)

The company has maintained strong financial soundness with profitable operations since its establishment by setting ROE and ratio of profit to revenue as key management indicators. In addition to the dividend payout ratio, DOE, which is less sensitive to the effects of single-year operating results, was adopted as a shareholder return indicator from the fiscal year ended March 31, 2024.



Intellectual capital

- Extensive knowledge of electronics products
- Strong capabilities to make technology-based proposals

In addition to the wealth of information on technology and manufacturing methods that we have accumulated since our inception, we organically link planning and development, design, quality control, and other functions to handle not only materials and parts, but also customized products, module products, and even finished products.



Social capital

- Customers: Approx. **6,000** companies
- Suppliers: Approx. **7,000** companies
- Toyota Tsusho Group network

The Group has 73 bases in Japan and overseas, and our customers and suppliers number more than 6,000 companies in both cases, making us one of the leading networks in the industry. Furthermore, by adding the effects of synergies with the Toyota Tsusho Group, we have built a framework that enables us to present the most optimized proposals to our customers.



Manufacturing capital

- While the company strives to promote a "core competencies" management approach (refraining from allocating resources to non-core areas), it owns proprietary processing plants that contribute to adding value

Elematec has processing plants in Japan and overseas to provide products that fully meet customer needs, and it also outsources manufacturing to an extensive network of subcontractors. The Group provides one-stop solutions for customers with its combination of trading company and manufacturer functions.



Natural capital

- **Net-zero**
GHG emissions by FY2050
- Environmentally friendly products and materials

Having set the goals to "reduce environmental impact" and "help realize a recycling-oriented society" as our priority issues (materiality), we will contribute to the distribution of products with less environmental impact through our business activities and aim to achieve net-zero GHG emissions by FY2050.



Message from the CEO

It all comes down to pursuing a business model to become the world's manufacturing partner.



Chief Executive Officer and
Chairman of the Board

Akira Yokode



■ Elematec's Core Purpose and Flat Management Structure

The Group's numerous stakeholders can be classified into four groups, and for each, Elematec has a specific sense of purpose. First, for our customers, as a manufacturing partner, we supply them with the parts and materials needed for product manufacturing, which we source from suppliers around the world. We also make proposals that go the extra mile to meet customers' diversifying needs, such as by combining parts and materials to manufacture and supply module and finished products. I believe Elematec's purpose for our customers is to provide services with integrity to build stable relationships with them. Second, as for our suppliers and partner companies, it is important to build relationships marked by honesty and fairness by sparing no effort in providing them with thorough services, including support for technical and quality issues, and inspections and improvements to ensure stable and safe mass production with no quality problems. Third, society's expectations of us include acting in accordance with social norms, engaging in sustainable activities that give due consideration to the global environment, such as seeking out and supplying environmentally friendly commercial materials, and promoting cooperation with local communities and involvement in social contribution activities as a member of society. The fourth is to treat our employees with respect in terms of human rights, individuality, and diversity, to provide them with an environment for personal growth through work, and to create a safe, secure, and attractive workplace. To this end, we are reviewing our personnel system and putting in place various systems. I believe that our commitment to these four groups of stakeholders is Elematec's core purpose.

One of the features of our corporate culture is the flat management structure. For example, there are various approval processes within the company, and in this respect, as in other companies, there are several levels of hierarchical order, but in terms of human relations, since before I joined the company, the corporate culture has been rooted in a style that is not hierarchical in nature, and I have followed this form. I often interact directly with ordinary employees, showing that I am accessible to them through our flat management structure. The existence of a hierarchy makes decision-making time consuming. I think it is important for the parties involved to openly discuss matters with each other and reach a conclusion. The company was not originally oriented

towards a large corporate culture, but rather the opposite, and I believe that these aspects contribute to the vitality of the organization and the speed of decision-making.

One of my most important values as CEO is to always respond with integrity. In addition, I emphasize an attitude of not running away from anything and of tackling difficulties as soon as they arise. The human mind is inclined to put a problem to the side, but that only makes the problem bigger. Therefore, I believe it is of the utmost importance to address problems as soon as we encounter them. I try to pass on this way of thinking to our employees and hope that they will embrace it and put it into practice.

■ Expansion of Business Domains and What I Find Rewarding as CEO

In 2011, the Group entered into a capital and business alliance with Toyota Tsusho Corporation, where I was employed at the time. Compared to Toyota Tsusho's general trading company-like operations, Elematec at that time was more like a professional trading company specializing in a particular field. As I had a great deal of experience in the electronics industry, I was familiar with that type of business, but even so, I was still surprised by the breadth of products handled by Elematec. Elematec was truly a one-stop solutions provider for electronics.

At first, I was transferred to Elematec on secondment from Toyota Tsusho, but whether it would be a one-way ticket or not, I had the mindset that I could make it work wherever I was. I was never at a loss for ideas. Today, the range of products offered by Elematec is even broader than it was back then. In addition to single products such as parts and materials, the company has added module and finished products to its lineup to respond to industry trends and customer requests, further increasing its product lines, and the percentage of those products is increasing. This was made possible by establishing the Design Department, a specialized unit in charge of design and technology, to complement the work of the Marketing & Development Division, which is in charge of market strategy, and by putting the new department's specialist personnel to work. Not only have we increased the number of job types, but we have also increased the range of our business domains by bringing engineers into the company to add to our sales and trading teams.



Upon graduation from university, I joined a trading company. After that, because I originally wanted to work overseas in an international setting and because I saw an opportunity where I could challenge myself professionally, I changed jobs to join a major parts manufacturer and was stationed in the U.K. for about eight years. I used the skills I had gained at the trading company to acquire experience at a parts manufacturer, then a general trading company, and then a specialized trading company, i.e., Elematec, where I work today. Through this career transition, I have not only gained experience abroad, but also acquired cross-cultural communication skills by experiencing a variety of workplaces. And I believe that I developed confidence by always having someone there to objectively assess my situation and actions. Although changing workplaces came with a certain amount of stress, I nevertheless felt I had to do it naturally without overthinking it to develop my own individuality and character. While I may have been a bit too brazen in both a good and a bad sense, my style is to be “honest” in my approach.

Since assuming my position at Elematec, I have always been conscious of the French phrase “noblesse oblige,” which writer Takeshi Kaiko translated as “the higher the rank, the more the duties,” and I find it rewarding as CEO to witness the expansion and success of the business. Another motivating factor for me is to see my employees working with enthusiasm and drive. Elematec employees are occasionally praised by our customers and suppliers. In some cases, the compliment is not given in front of the person concerned, but expressed only to me, and I am so pleased to receive such feedback and feel very happy.

■ Review of the Fiscal Year Ended March 31, 2024 and Issues to Be Addressed

In the previous fiscal year, the external environment made it difficult to achieve strong earnings. However, in implementing our Medium-term Corporate Strategy as our first priority, one of the results of our efforts to strengthen our market strategy was the expansion of our ODM business, which supplies finished products to brand-name manufacturers and consumer electronics mass retailers. We intend to continue in this vein going forward.

The Group has a history of establishing overseas bases in anticipation of our Japanese customers shifting their domestic production overseas, and we now have 48 overseas bases, numbering among the largest in the industry. However, targeting only Japanese-owned companies for business is not enough to achieve significant growth.

The ASEAN market is growing noticeably and local income levels are rising, so we must, as a matter of course, target non-Japanese customers as well.

In overseas markets, firm directives have been given to all our operating bases to locally initiate and build up non-Japanese businesses, and this has opened new channels to some extent. In particular, the automotive-related business and sales of smartphone-related products have started to yield steady results, and we intend to grow these operations going forward. From the perspective of geopolitical risks, we believe that we should cultivate business in ASEAN countries, where the shift of production bases away from China is progressing, and reap the rewards of this effort, and in addition, we should respond globally to our customers’ demands for greater product sophistication and diversification.

■ New Initiatives in the Medium-term Corporate Strategy: elematec Pro+

Among the initiatives in the new Medium-term Corporate Strategy, with regard to the expansion of our customer base and business areas through M&As and alliances, we have been facing the problem of insufficient volume and scale of investments and loans, and to address this, we have partially reorganized our Head Office. Specifically, a new Business Strategy Group has been formed within the Marketing & Development Division, and the unit’s dedicated team will begin researching markets and selecting promising candidates. By making this new unit responsible for investments and loans, the responsibilities and accountability that had been previously scattered have been clarified and a system has been created under which all employees can work with drive and determination to achieve our mission. An M&A is a complex process that involves a counterparty, so in order to ensure a strategic outcome, we first conducted reorganization.

Despite the decline in overall revenue and profit for the fiscal year ended March 31, 2024, the automotive business is growing steadily, marking a compound annual growth rate (CAGR) of 22% over the last three years. As there is a development cycle for the in-vehicle business, it takes three to four years to generate results. Therefore, we need to continue to plant seeds first. Because the automotive domain has a different cycle from other businesses, a specialized organization called the Automotive Group has been established. This segment has grown to become a business accounting for more than 20% of company-wide sales, and we aim to promote further expansion with the goal of raising this figure to 30% in the near term.



Next, the medical field has been designated as a market where the company will strengthen its efforts, and we are currently preparing to obtain approval for registration as a medical device manufacturer. Under this initiative, we aim to have the Group's partner factories assemble finished medical equipment, then have the Group warehouse and sell the products. The reason for targeting the medical equipment market is that, like the automotive business, it is an important product category because it is a limited market with production bases that will remain in Japan in the future. For the same reason, we are also working on business in the electronic components field. Although the brand power of Japanese companies as global consumer electronics manufacturers is declining, the brand power of their components remains strong, and we intend to grow together with our customers in this area.

The Group adopts a strategy that is not unipolar in that it changes its portfolio of products and focus points in response to market demand, and adapts its strategy to the changing trends of growth markets. The reason we do not follow a "selection and concentration" strategy is that focusing on a single market increases volatility risk. Therefore, we employ a strategy of risk diversification by subdividing our electronics-related priority markets into 22 fields of focus and covering a wide range of markets, so that even if a particular market performs poorly, other markets will compensate for it. However, we must avoid allocating resources to markets that are not expected to grow or be profitable in the future, and we must also make the decision to withdraw when necessary.

Further pursuit of volume is essential, as a business will not be viable unless we take on mass production, whether domestic or overseas. To achieve this, we need to change our targets as we determine which markets to shift to. As for profitability, we emphasize profit margins, setting gross margin standards for our sales force and encouraging them to exceed them. Since we cannot sustain profits with a non-value-added right-to-left (outcomes first) business framework, we focus on promoting value-added businesses by leveraging our information and technological capabilities.

Providing a one-stop solution from planning and development to procurement agency services and assembly is a high-value-added function, and a function deserving of an apropos profit margin. The concept of "cost of ownership" is well established in the U.K. Rather than simply comparing unit costs, the concept captures the total cost, including procurement process costs. We believe that the profit margin represents the value provided by the Group as recognized by our customers. For example, even when a customer's human resources are limited, the Group can provide consistent support as a partner to securely sustain the supply chain. In this sense, we want to be trusted by our customers and be truly their partner of choice, in other words, a "global manufacturing partner."

We are focusing on promoting business with added value by leveraging our information and technological capabilities.





We are pursuing sustainable corporate activities by balancing the expectations of all stakeholders.



Evolving Corporate Governance

To ensure the continuation of sound business activities, the Group aims to increase profits and continuously improve corporate value, while fulfilling its responsibilities to stakeholders and accountability regarding those responsibilities, including ensuring the rights of shareholders. To this end, we aim to continuously improve and develop an internal control framework that governs corporate activities, including the management structure, management organization, and management system that support transparent, fair, prompt, and resolute decision-making and business execution. In consideration of the company's size, we have adopted a Board of Directors system and an Audit & Supervisory Board system. In addition, the company has adopted an executive officer system to separate the roles for management oversight and business execution functions. Some of the directors in charge of domestic subsidiaries and major overseas subsidiaries concurrently serve as managing directors of the company or senior employees of the company.

In June of this year, the first female director was appointed after approval at the General Meeting of Shareholders. Like her predecessor, she is a career lawyer and has also served on the boards of other companies. We expect she will be able to advise us on potential risks to the Group and industry. Candidates for senior management positions and members of the Board of Directors and Audit & Supervisory Board are chosen through a thorough process. Based on draft proposals formulated by myself, as Representative Director, the Nomination and Compensation Committee and the Board of Directors deliberate the selection of candidates, taking into consideration the balance of knowledge, experience, and abilities of all members who will make up each board. The recent appointment of a female director is part of this effort, which also emphasizes diversity. We will continue to strive to make personnel appointments without bias and with an even greater emphasis on diversity. Going forward, we expect to see internally appointed female executives who have demonstrated impressive performance on the front lines of business in both Japan and overseas.

In my role as Chairman of the Board of Directors, I have seen good communication among the board members, and I feel that our corporate governance is certainly evolving. In addition, by setting no limits on the questions that can be asked, the meetings are designed so that they do not become a formality, and the discussions are dynamic. Meanwhile, companies listed on the TSE Prime Market are having to deal with an increasing volume of requirements for reporting and matters needing confirmation. In this context, I believe the challenge is to move forward with a well-balanced approach in assigning varying degrees of emphasis, and we must constantly evolve.



■ Managing Human Capital to Provide Ample Opportunities for Engagement

Elematec hires 40-50 midcareer professionals each year. We are looking for industry-experienced professionals who have a deep understanding of market strategies and are ready to help expand our business. They will go through on-the-job training based on the experience they already have, and we expect them to have a synergistic effect on the employees around them. In addition, we have established a system that allows even inexperienced personnel to play an active role by incorporating their planning, conceptualization, and execution skills into the Group's framework. To accomplish this, we believe that securing a certain population of human resources is an essential human capital initiative. Moreover, a mentor is assigned to each new employee to provide guidance and education through on-the-job training, to supplement the company-wide standardized training and e-learning.

We emphasize internal development of management personnel, and support them in fulfilling their responsibilities through promotion. Elematec has a system in place to promote individual growth, as experience and performance in the industry are important to us. What we expect from our employees is an enterprising business mindset that they must train to anticipate trends and look for opportunities for not only competition but also collaboration, and aim to capture volume on a global scale through optimal use of Group resources.

In terms of promoting career opportunities for women, we do have challenges to overcome in meeting numerical targets for the percentage of women in management positions, the number of female directors, and so on. However, the percentage of women on a non-consolidated basis is approximately 40%, and the Group's operations would not be possible without the success of female employees, who make up the majority of our employees in noncareer-track positions (staff) and play an important role both in Japan and overseas. Recruitment is also gender-neutral, and the representation of women in sales positions is increasing.

With changes in the social environment related to women, including reforms in workstyles, we expect growth in the number of female managers in the future. We also intend to make a sincere commitment to diversity and inclusion by conducting evaluations that emphasize competence regardless of gender, nationality, age, or background.

■ Sustainability through Business

The Group is keenly aware of its core purpose as a "global manufacturing partner," and is engaged in a variety of initiatives aimed at achieving two key objectives: 1) realization of a safe and secure society, and 2) reduction of environmental burdens and the realization of a recycling-oriented society.

The company's initiatives toward "realization of a safe and secure society" include realization of a society without traffic accidents and development of an appropriate medical environment. Regarding the former, in addition to supplying a large market share of connected dashboard cameras through the automobile-related business, we are distributing rear-view camera systems for commercial trucks. With these products, we believe we can directly contribute to the reduction of traffic accidents. As for the latter, access to medical care, we aim to contribute by providing competitive products for medical equipment brands by supplying parts and modules as well as assembling finished products, with the entire process handled within the Group.

As part of our efforts toward "reduction of environmental burdens and the realization of a recycling-oriented society," we have declared that we will contribute to achieving a decarbonized society through the delivery of environmentally friendly parts and materials. Among our measures to address climate change, we aim to reduce our greenhouse gas emissions by 50% by 2030 compared to the level in the fiscal year ended March 31, 2022, and to achieve carbon neutrality by 2050.

■ Message to Stakeholders

There is no doubt that demand for electronics will continue to expand globally in the medium to long term, and the Group believes the business environment is favorable. We aim to comprehensively cover all markets related to electronics, strengthen cooperation among operating bases and organizations, and strive to provide high-value-added products and services, aiming to achieve business growth of 10% or more in net profit CAGR in the fiscal year ending March 31, 2026, compared to the fiscal year ended March 31, 2023. We will meet the mandate entrusted to us by our shareholders by enhancing corporate value, while at the same time maintaining an appropriate dividend payout ratio. Furthermore, we will promote sustainable corporate activities by balancing the expectations of all stakeholders.

I sincerely thank you for your continued support.



Message from the Director in Charge of the Corporate Division



Executive Managing Director
Sei Kawafuji

It is my responsibility to look at management from a bird's-eye view and find the best policies without letting myself be swayed.

Responsibilities as the Director in Charge of the Corporate Division

In principle, the Group's management policy is to emphasize ROE (return on equity attributable to owners of the parent) and profit margin attributable to owners of the parent. To this end, as the Director in Charge of the Corporate Division, my role is to first put the brakes on businesses that are not profitable or efficient in terms of finance and corporate planning. However, rather than simply rejecting a project because of the high degree of risk, I comprehensively consider the company's profitability, corporate value, the project's impact, and other factors and focus on arriving at an optimal solution.

Given that listed companies are being asked to strengthen their actions on cost of capital-conscious management, I believe my mission is not only to increase sales, but also to instill an awareness of proper management of profits on the sales front lines. As for human capital management, measures directly related to employee satisfaction and motivation are essential. As such, I want to evaluate the feasibility of future prospects fairly, and pursue an offensive competitive strategy as well as a defensive one. I feel it is my responsibility to look at management from a comprehensive, overarching perspective from my position and find the best policy without allowing myself to be biased.

Elematec's Dynamic Changes and My Personal Value Perspective

When I was a bank employee, I was seconded to Elematec's predecessor, Takachiho Electric, for two years to support the company's listing on JASDAQ. While the

company was unlisted at the time of my secondment, by the time I joined it in 2005, it had just moved from the Second Section to the First Section of the Tokyo Stock Exchange. Subsequently, I worked on the development of internal controls and preparation of systems to meet J-SOX compliance laws, etc. In 2009, the company merged with Ohnishi Electric and changed its name to Elematec. In August 2011, the company formed a capital and business alliance with Toyota Tsusho Corporation, and in March 2012, Elematec became a corporate group. Thus, the size of the company has tripled since that time, and the organization has been energized. While the fundamentals of the company have not changed, the number of employees with diverse backgrounds has increased, and that has contributed to creating a flexible and flat corporate culture.

When I first joined the company, I worked in both the Corporate Division and Marketing Division and was involved in exploring new alliances and creating tools for making proposals to our customers. Later, I became a dedicated member of the Corporate Division, where I have been ever since. I've never forgotten the pressure to pursue profits and the mentally demanding experience on the front lines from my days working as a banker, and I use that background now to provide advice and oversight for the sales teams. These experiences have shaped my own values and helped me develop the mental acuity needed for performing financial analyses.

Elematec has changed dramatically since I joined the company. I was able to improve my skills and gain valuable experience by working on a number of projects that were fundamental to this change. Although there were some tough situations, I never felt I wasn't up to tackling new things, and I always felt I should be strict with myself, so



that may be why I was able to accomplish what I have. I believe that fulfilling my responsibilities means to give my all to my job, and this is a value that I have always held. I want the company's employees to have that same kind of strong feeling, but with the changing times, I have recently come to believe the priority is to find enjoyment in one's work and commit to it. What I find rewarding is to see people grow, in addition to being able to contribute to enhancing the company and leaving behind a legacy.

Elematec's Strengths as Understood from Its Performance and Problems in the Fiscal Year Ended March 31, 2024

The consolidated business results for the fiscal year ended March 31, 2024 showed a strong performance by the automotive business, with particularly strong sales growth of heater modules for EVs, motor-related materials, and battery-related products. However, sales of dashboard cameras, which were strong in the previous fiscal year, declined as demand ran its course, and production in the electronic parts-related business was also sluggish. Earnings from businesses related to displays and gaming devices also remained lackluster due to shrinking demand and other factors.

As a result, revenue decreased 19.0% year on year to 194,350 million yen, operating profit decreased 21.1% to 9,052 million yen, and profit before tax decreased 22.5% to 8,116 million yen. Profit attributable to owners of the parent decreased 20.3% from the previous year to 5,729 million yen. From the fiscal year ended March 31, 2024, the Group adopted International Financial Reporting Standards (IFRS) in place of the previous Japanese Generally Accepted Accounting Principles (J-GAAP).

Despite the weak earnings situation, one of the positive achievements in the fiscal year ended March 31, 2024 was the growth of the automotive market. As for challenges, we are developing our business in 22 markets, of which

the electrical and electronic parts market is the only one that has experienced a significant drop in demand owing to the business environment. That aside, the reason for the decline in overall sales and profits may be that the company had not made sufficient inroads into each market. Originally, there would have been areas where recovery was possible because of risk diversification. Of course, there are other factors as well, such as the transitional period of establishment for newly formed markets, but it seems there are not enough large businesses to drive the company, along the lines of those for dashboard cameras and game console-related products.

Depending on the industry, some companies may be able to purchase the same parts and materials over a long period of time, but in general, products are replaced every few years, so we need to continuously make proposals. We will satisfy the needs of our customers by providing value-added products tailored to their specifications over the long term, thereby ensuring profit margins. We need to do this for multiple products in a wider range of industries and, furthermore, this practice needs to be repeated systematically. Our industry is not one where steady continuous growth can be achieved easily, so it is important to keep working on these new businesses. As some operations may see results after two to three years, we strive to expand business from both short- and medium- to long-term perspectives.

What We Need to Do to Accelerate the Medium-term Corporate Strategy elematec Pro+

We are now in the second year of our new Medium-term Corporate Strategy and each section and team is accelerating their activities to execute the initiatives of the strategy. For example, finished products carry more risk than parts and semi-finished products, so it is necessary to secure profits commensurate with the risk and establish a framework. After getting off to a smooth start, we are now

at a stage where we need to figure out how to turn them into large businesses. The ability to provide a one-stop shop for materials and parts, as well as finished products and post-processing services, is a major strength in the Group's ability to provide added value to its customers and fulfill its role in the industry.

Meanwhile, we are examining what we can do to further drive our activities. For example, since we have not achieved quantitative results in terms of mutual support between domestic and overseas operations, we are considering ways to set targets and evaluate how one organizational unit can complement another. In addition, under elematec Pro+, as one of our key measures is "expansion of the customer base and business areas through M&As and alliances," we aim to broaden and strengthen the management base through more aggressive use of M&As. Specifically, we will utilize M&As as a means to acquire companies that have sales channels to the Group's target customers and companies with technology and talent that can contribute to adding value to our existing businesses to support Elematec's autonomous growth. With respect to investments and loans, members from the division director level and above regularly discuss investment projects, returning to the basics and routinely performing the steady work to extend the company's reach. Furthermore, the newly established Business Strategy Group has been assigned the mission of carrying out the organization's policies as the point of contact for investments and loans.

Aggressive Investment and Adoption of DOE as a Performance Indicator

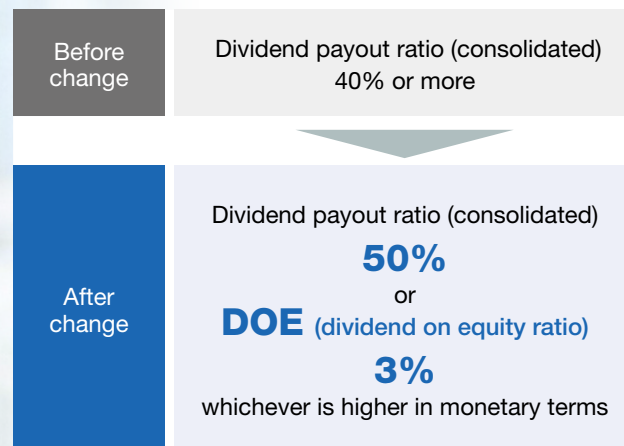
Since investment by a trading company primarily means establishing operating bases, we are actively opening bases in promising areas. We also believe major investments should be made in human capital as a measure for organic growth. In addition to an increase in the number of operating bases, if we invest heavily in creating a good working



environment, motivating people to work, and helping them grow, the returns will naturally be greater. Furthermore, we are continuing to invest in recruitment and training through a learn-as-we-go manner.

Next, regarding risk-taking M&A investments, when making investments to increase shareholder value over the medium to long term, the Group carefully selects companies with high investment effectiveness by focusing on their synergistic potential with our existing businesses. We allocate available operating cash flow to corporate investments, human capital, M&As, and shareholder returns, in that order. We believe that the more we invest in the company and in people, the more the value of the company will increase. And the upshot is that we can then reward shareholders with dividends. Unfortunately, however, we have not been able to make risky M&A investments over the past few years, and some have pointed out that we have a “cash surplus.”

Dividend Policy



In light of this, from the fiscal year ended March 31, 2024, we revised our dividend policy to further strengthen shareholder returns, and increased the dividend payout ratio from 40% to 50%.

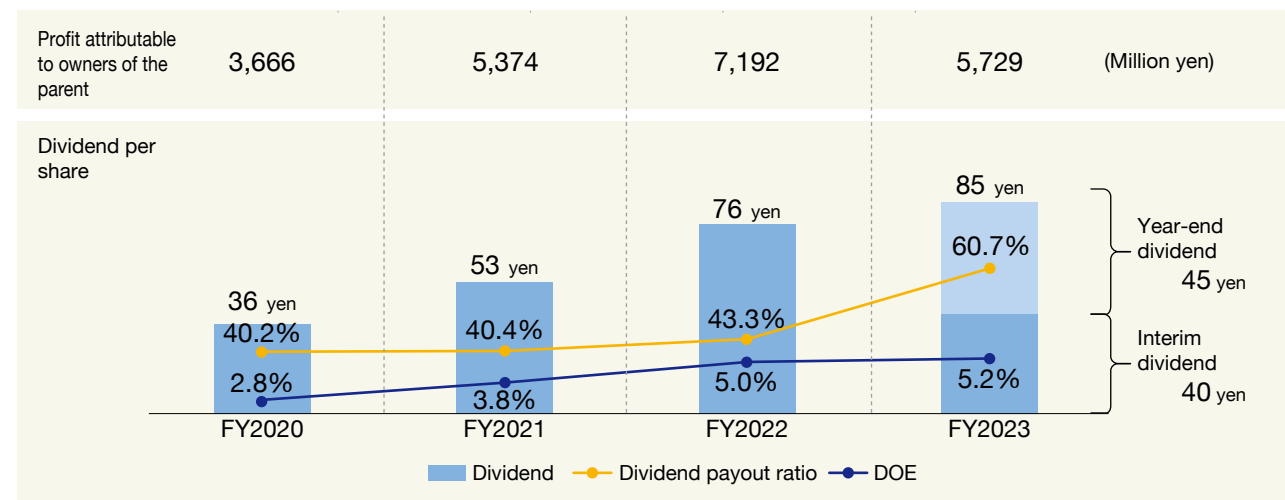
At the same time, we introduced DOE (dividend on equity ratio) as a performance indicator to ensure stable dividends even in the event of a temporary earnings downturn, whereas previously only the dividend payout ratio was used. Although the indicator value itself is not very high, we believe that if we do not see a certain level of investment in the future, we should return that amount to our shareholders. However, in general, trading companies are in the business of adding value to purchased parts and selling them, which requires a certain amount of working capital. By securing a high level of liquidity on hand, the Group has basically continued to manage its business without the need to rely on loans. Along with a revenue plan, a cash flow plan must also be created to consider the cash position, which must be adjusted annually as the business changes.

When we entered into a capital and business alliance with Toyota Tsusho in August 2011, we signed an agreement with them to guarantee Elematec's independence and to maintain our listing. Although more than 10 years have passed since then, Elematec's intention has not changed. However, we believe that we should always discuss what is the best choice for both parties.

Desirable Prospective Hires and Employee Engagement

We only started hiring female generalists through the recruitment of new graduates in 2016-2017, so we have a short history in terms of promoting the advancement of women and may be behind the curve in this regard in the electronics industry.

However, female generalists accounted for 30% of total hires in the previous fiscal year, indicating their numbers have been increasing. As a result, there are now more



Note: Effective from the fiscal year ended March 31, 2024, the company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) instead of the previous Japanese Generally Accepted Accounting Principles (J-GAAP). Accordingly, figures for the fiscal years ended March 31, 2023 and 2024 are based on IFRS.



opportunities to see excellent female workers engaged in active roles as superiors, peers, and subordinates, and we are also seeing their positive effect on energizing those around them. In fact, we are receiving an increasing number of applications from women, especially from new graduates who have a desire to study and work internationally, and we intend to continue hiring such candidates going forward. When working for the Group, it is important to be able to communicate well, universally, that is, not just limited to matters related to work. It is also important to have a strong intellectual curiosity, a desire to deepen knowledge, and a willingness not to fear change. We are looking for people who can expand their capacity on their own, as the productivity and efficiency of the company as a whole will improve as people with this mindset strengthen their competencies.

Regarding the new personnel system introduced in July of this year, in addition to reviewing the qualification, evaluation, and compensation systems, various revisions were made, including further clarification of evaluation criteria, to create a system that makes it easier for employees to actively perform their job duties. However, as HR systems can become fatigued over time, minor changes must be made regularly. With regard to engagement, we are proactively improving the office environment and responding to the diversification of workstyles by relocating offices and introducing a free address system. Another important effort is to help employees feel fulfilled in their work. We believe that support for young and midcareer employees, as well as those at the management level, should be devised in ways that make it fair and easy for employees to understanding, including mental healthcare and compliance.

■ Dialogue with Shareholders and Investors

Since establishing an appropriate stock price is extremely important, we would like to actively engage in dialogue with both individual and institutional investors to ensure that they have an accurate understanding of the Group. I also recognize that it is my role to provide management with feedback on suggestions and questions from institutional investors and shareholders. The Group has been in business for 77 years, and we are proud to say that we are a company that can survive for more than 100 years. We are determined to further enhance our corporate value and return profits to our stakeholders from a medium- to long-term perspective. We look forward to your continued support and guidance.

■ Actions to Realize Management Conscious of Cost of Capital and Stock Price

To achieve sustainable growth, the Group has been formulating Medium-term Corporate Strategies since the fiscal year ended March 31, 2015, and is currently pursuing the initiatives contained in elematec Pro+, a three-year Medium-term Corporate Strategy covering the period from the fiscal year ended March 31, 2024 to the fiscal year ending March 31, 2026. Since we began formulating Medium-term Corporate Strategies, we have been engaged in sales activities with an awareness of the cost of shareholders' equity through continuous internal training, and have promoted stronger shareholder returns through changes to our dividend policy, which have been well received by the capital markets and resulted in P/B ratios above 1x at the end of the most recent two years.

We will continue to strengthen our efforts with each measure to improve ROE and the P/B ratio, being conscious of cost of shareholders' equity (around 7-9%), so that we can maintain a P/B ratio greater than 1x.

Our policy will be to improve the P/B ratio by continuously increasing ROE above the cost of shareholders' equity and shoring up the capital markets' assessment of the Group's business and growth potential. To accomplish this, we will focus on the following measures.

(1) Execution of the elematec Pro+ Medium-term Corporate Strategy

Strive to improve profitability by steadily implementing the measures set forth in the Medium-term Corporate Strategy (see p. 23).

(2) Strengthening of financial strategies

Aim to boost capital efficiency and further increase shareholder returns, in addition to improving asset efficiency by optimizing inventories through reduction of stagnant inventories and other measures and optimizing settlement terms.

(3) Energizing IR activities

Directors will take the lead in actively meeting with shareholders and institutional investors to share information on matters related to the Group's sustainable growth and improvement of corporate value over the medium to long term, as well as share information with the Board of Directors on opinions, concerns, and other issues identified through the dialogue. We will also strive to more proactively disseminate management information, such as by holding company briefings for investors, enhancing disclosures through the renewal of our corporate website, and publishing an integrated report each year.



Medium-term Corporate Strategy

The Group's environment is undergoing significant changes, including disruption of supply chains due to increased geopolitical risks, changes in lifestyles, and sharp fluctuations in exchange rates.

In this business environment, we started the new elematec Pro+ Medium-term Corporate Strategy (fiscal year ended March 31, 2024 to fiscal year ending March 31, 2026), taking up challenges in fields with potential while further expanding and strengthening our management foundation.

Vision

Pioneer a prosperous future with the power of electronics

Basic Policy

We will strategically integrate our long-established on-site capabilities and five unique functions (planning and development/design, procurement agency services, manufacturing services, quality and environmental management, and overseas networking and logistics), and carry out the following fundamental strategy to maximize the Group's sustainable growth and corporate value.

Business Environment

Geopolitical risks and fluctuations in domestic and foreign markets

Advancement/diversification of customer needs

Growing interest in sustainability challenges

Changing ways of working and increasing diversity

Fundamental Strategy

Strengthen high-value-added businesses

- Expand module business and ODM business by leveraging our original planning and development/design function
- Strengthen development of competitive offerings

Cultivate leading domestic and overseas customers

- Full-scale business with major US and Chinese customers
- Win business from customers with a global presence

Focus on the automotive field

- Win business from overseas Tier 1 majors
- Expand offerings in line with automotive electrification

Cultivate potential areas on a full-scale basis

- Reinforce activities to have our products included in product specifications and expand network of bases in Europe and the US
- Strengthen development of customers and suppliers/partners in ASEAN

P. 25: Feature

Strengthen the functions of the Marketing & Development Division

- Establish a specialized team to strengthen cooperation with the Toyota Tsusho Group, in addition to planning and promoting company-wide strategies, creating new businesses, and identifying and executing investment and financing projects

P. 26: Feature

Expand customer base and business domains through M&As and alliances

- Identify companies that have sales channels to target customers or have an affinity with the electronics industry
- Identify companies with technology and talent that can contribute to value-added improvement of existing businesses

P. 27: Feature

Sustainability and human capital initiatives

- Activate working groups around materiality
- Promote human capital management, including talent development and implementation of measures to improve engagement



Key Markets

Our three key markets are automotive, aftermarket and medical equipment. The Group will not engage in simplistic selection and concentration, but as these markets are expected to expand in scale over 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 lead our business overall.

Automotive



Aftermarket

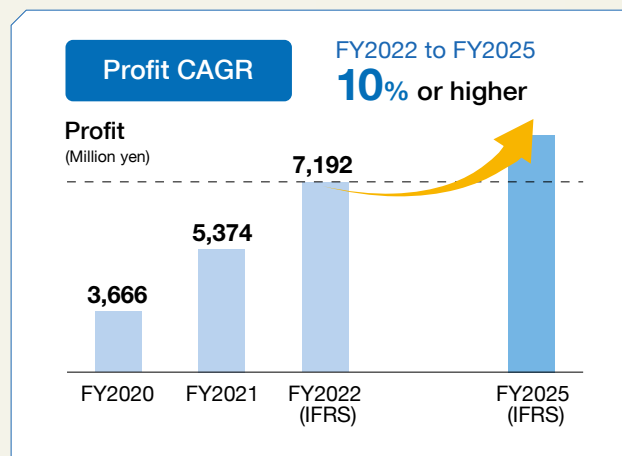


Medical equipment



P. 28: Growth Strategy by Key Market

Quantitative Target



Note: The company has voluntarily adopted International Financial Reporting Standards (IFRS) for its consolidated financial statements from the fiscal year ended March 31, 2024. Accordingly, the quantitative target has changed from ordinary income to net profit.

Sustainability and Human Capital Initiatives

Initiatives for Sustainability

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

Sustainability initiatives are the most important priority for the Group's management, and our management principles state that we will contribute to creating a sustainable society. We have established medium- to long-term targets based on the key issues (materiality) to be addressed as priorities through our business activities, and we are promoting measures to achieve them, led by working groups.

•Realization of a safe and secure society

We are working to create a safe and secure society through the use of new technologies. Key areas include 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 contribute to the realization of a comfortable society in the future by providing advanced components and materials for autonomous driving, driving support, sensing technologies, AI technologies, medical diagnosis and testing equipment, and other fields.

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

To achieve CO₂ reduction and a decarbonized society, we will contribute to the creation of a recycling-oriented society by providing environmentally friendly automotive and clean energy components and materials. To reduce the impact of our business activities on the environment, we provide components and materials such as environmentally friendly products and packaging materials, as well as services such as reworking of defective products that emerge from manufacturing processes.

•Development of organizations that respect diversity and foster mutual growth

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

•Formation of a governance structure that is trusted by all stakeholders

The enhancement of corporate governance is a top priority for management, which works to prevent legal and regulatory violations, misconduct, scandals, and other incidents that would damage our corporate value.

Initiatives for Human Capital

The Group's corporate value is created by our individual employees, and the enhancement of their capabilities leads directly to the enhancement of our corporate value. We will expand and enrich the content of our training to 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 use of childcare leave by male employees.

Behind the Name "elematec Pro+"

Pro+ (Plus) includes the term "pro" in many meanings: for example, proficient, productive, proactive, and professional. These words represent Elematec's value chain and its desire to provide high-value-added services.

The prefix "pro" comes from Latin, with the meaning "before, forward," and expresses our determination as a company to "move forward" toward achieving our goals.



Priority Measures | Cultivate Potential Areas on a Full-scale Basis

Most of the Group's customers are concentrated in Japan and China, which account for three-quarters of our consolidated sales revenue. To maintain sustainable growth under these circumstances, we will promote initiatives with a focus on ASEAN, which hold great potential for development by the Group given the progressive transfer of production there from Europe, the United States, and China, where our customers' development bases are concentrated.

Opening of the Poland Branch

In May 2023, we opened our Poland Branch, the third base in Europe along with our bases in the Czech Republic and Germany. With a number of leading Japanese and overseas companies investing in Poland, where automotive manufacturing is the central pillar of the economy, we believe that this location offers rich business opportunities for the Group.

By establishing bases near our customers and promoting close coordination between our divisions in Japan and overseas, we will achieve smooth service provision across time zones and language barriers.

In Europe and the United States, we are aggressively investing resources, and we will continue constantly expanding our network of bases in order to capture leading customers in each region and proactively expand globally.

Ramping Up Efforts to Develop Partners in ASEAN

The Group has teamed up with external subcontractors to provide customized, module, and finished products planned, developed, and designed separately for each customer. We are developing relationships with subcontractors who have outstanding technologies and competitive pricing every day. Under our Medium-term Corporate Strategy, we will cultivate outsourcing partnerships in ASEAN, which is the destination for an ongoing shift of production from China.

First Vietnam-based Manufacturing in the Amusement Equipment Industry

The Japanese amusement equipment industry's products are usually manufactured in Japan or China, but the Group has identified new subcontractors in Vietnam and received orders for mass production of module products. The domestic and overseas Sales Departments, Marketing & Development Division, and Design Department have coordinated to build a system that can handle all aspects from procurement of parts and materials to assembly of approximately 300 components using multiple contractors.

Creation of New Businesses in Response to the Business Environment

With regard to manufacturing in China, our customers have sensed the need to distribute their production bases from a perspective of geopolitical risk, and they have also noted the issue of rising manufacturing costs. In this situation, the Group is using its abundant network of suppliers to identify new subcontractors in Vietnam, which has comparatively low personnel costs, even within ASEAN. It is necessary to continue manufacturing certain components in China, but the Group's various divisions have coordinated to appropriately control the manufacturing process across countries. Moreover, in the process of setting up the operation, the Design Department provided technical guidance to the subcontractors, keeping costs down while achieving production of products that meet the customers' demands. By responding to changing needs driven by the business environment and coordinating within the Group globally, we contributed to solutions for customers' issues.

Voice



Comment from Customer's Purchasing Officer

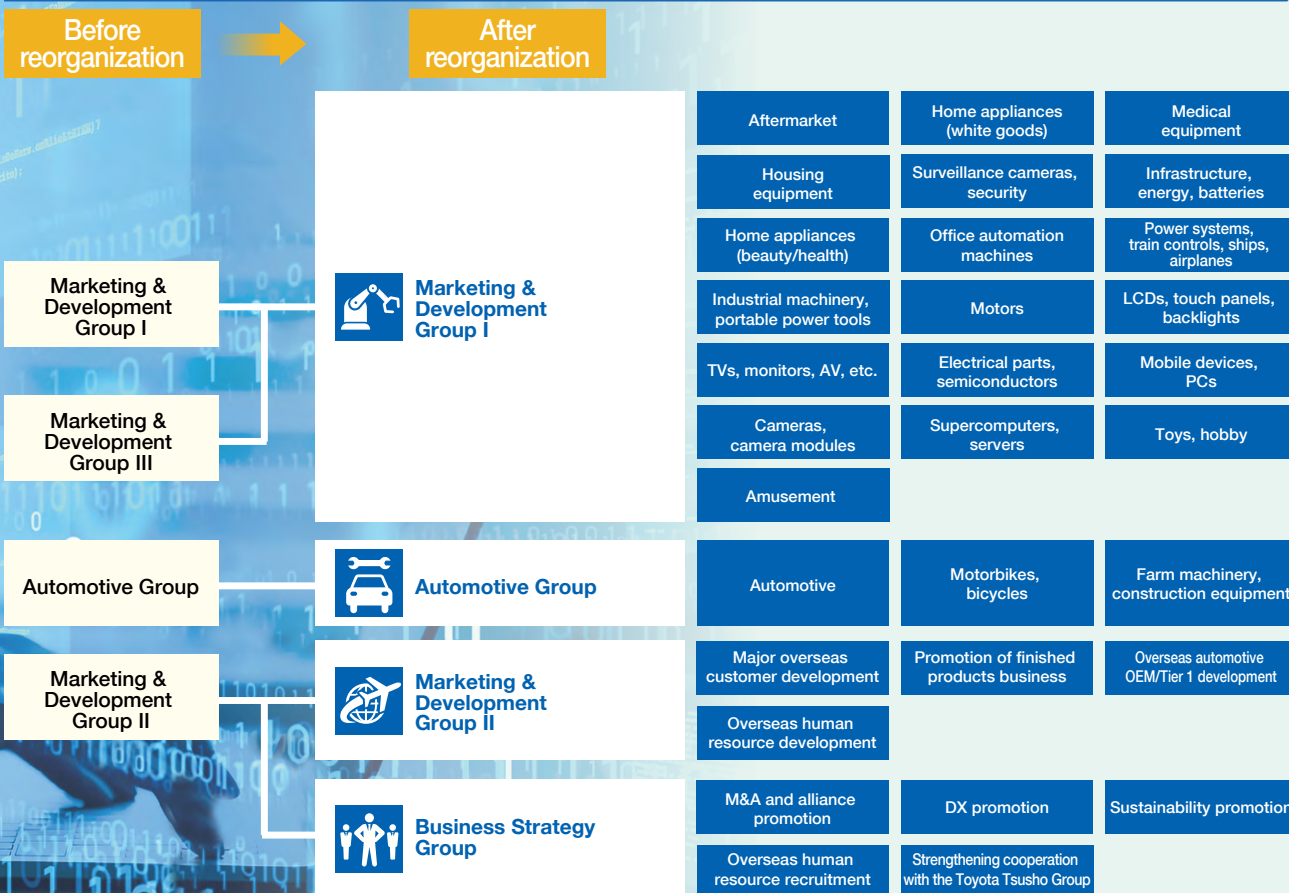
We are extremely grateful to have had a proposal for production in Vietnam and rapid establishment of a production system. Our request had a short timeframe, but we were nevertheless able to receive a proposal that was optimal in terms of both cost and quality. We hope to receive further proposals for solutions to the issues that we face going forward, such as foreign exchange rate fluctuations and increases in personnel expenses.



Priority Measures | Strengthen the Functions of the Marketing & Development Division

The Group's Marketing & Development Division has been responsible for market strategy, with marketers specializing in our 22 markets (fields of focus) working each day to develop products that meet customer needs. In addition, we reorganized the groups under the Marketing & Development Division, changing from a market-based structure to a structure based on the mission of the Marketing & Development Division to create new businesses and address customers' increasingly sophisticated and diversifying needs.

Reorganization of the Marketing & Development Division



Establishment of the Business Strategy Group

As part of the reorganization, we established a new Business Strategy Group. This group plays a central role in execution of M&As and alliances, which is also a priority measure under the Medium-term Corporate Strategy, and in promoting sustainability initiatives. Furthermore, it also contributes actively to DX-related initiatives, which urgently require a response to increase the overall operational efficiency and productivity of the company, and to recruitment activities for overseas human resources. In addition, the group will accept members sent on assignment from Toyota Tsusho Corporation, with a view to creating further synergies by strengthening cooperation with the Toyota Tsusho Group.

The Business Strategy Group leads and promotes company-wide strategies, further accelerating the achievement of our Medium-term Corporate Strategy and initiatives for the Elematec Group's sustainable growth.

Voice



Executive Managing Director,
Sales Division Director,
and General Manager of
Marketing & Development
Division
Hiroyuki Rikuna

Message from the Officer in Charge

The Marketing & Development Division is pursuing the broad trend of business and the changes in the times. Through our initiatives, we support sales base activities and contribute to the growth of the company.

The reorganization of the Marketing & Development Division has been the first step toward strengthening its functions. How-

ever, I do not consider the current organizational structure to be perfect. We will create a corporate culture of boldly taking on new challenges and continue to pursue the optimal organization structure for the company overall going forward so that we can all realize our full potential.



Priority Measures

Expand Customer Base and Business Domains through M&As and Alliances

The Group is actively promoting M&As and alliances as a means to supplement its organic growth, with a focus on integration with our market strategy and affinity with the electronics industry. One of the measures we have taken in this area is the acquisition of exclusive sales rights in the Japanese market for AI accelerators (chips) made by US company Esperanto Technologies Inc. in February 2024.

Acquisition of Exclusive Sales Rights for Products of US Start-up Esperanto

Esperanto is a US start-up that manufactures AI accelerators (chips) used mainly in servers and so forth. Esperanto planned to expand the sales of its products in Japan, while the Elematec Group was searching for AI-based offerings. Accordingly, the two companies found their aims to be compatible, and decided to form a commercial alliance. Through the alliance with Esperanto, we will contribute to the development of the rapidly expanding AI market.

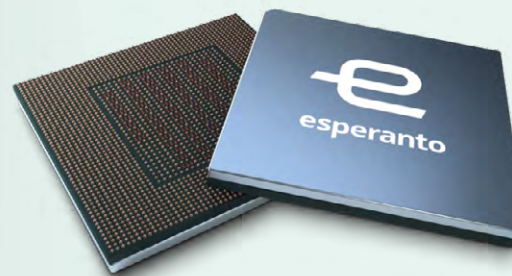
Expectations of Electronics Trading Companies to Develop Markets

As sales promotion partners, Japanese trading companies have an unusual business model when viewed from a global perspective. Nevertheless, the executive management of Esperanto had a deep understanding of the role of trading companies in the Japanese market and the network value that they can offer. Overseas, sales expansion is usually carried out through sales representatives. However, Esperanto felt that in Japan it would be most effective to use a trading company for opening sales channels, and wanted to make full use of the Elematec Group's powerful network of ap-

proximately 6,000 customer companies and approximately 7,000 suppliers.

Competitive Advantage of Esperanto's Products

Esperanto's chips are distinctive for their low-power operation. Compared to competitors' products, they achieve low-power performance using approximately one-tenth of the power. The chips also boast low heat emission and low noise, which are strengths for applications in small on-premise servers isolated from the outside or edge AI applications for automobiles. In terms of targets for sales expansion, in the case of data centers, there are issues to be addressed



Esperanto's low-power, low-heat-emission, low-noise AI accelerators (chips)

such as the current high power consumption of chips and difficulty in procuring chips due to recent expansion in demand for AI. Looking ahead, the number of data centers and servers will continue increasing due to growth in the use of generative AI, and by 2030, data centers are projected to account for approximately 15% of the world's total electricity usage. In this situation, low-power chips will be an effective solution, and the Elematec Group will promote sales expansion of the chips themselves and of AI servers incorporating them.

In promoting the expansion of Esperanto's products, the Elematec Group will play the role of jointly conducting marketing and proactive sales expansion in the Japanese market. Looking ahead, we will engage with the data center, server, and high-performance computing markets as our highest priority measure, aiming to expand our business domains and customer base.

Voice



Esperanto Technologies Inc.
President and CEO

Art Swift

Message from a Partner

Elematec is an ideal partner for Esperanto.

Elematec's long and successful history in the electronics market, together with its broad reach across many customers throughout all of Asia, was a key point that attracted us to them. Through their acquisition of exclusive sales rights in Japan, we are already off to a very strong start with initial customer engagements underway. I am confident that we will have a long and fruitful relationship with Elematec.



Growth Strategy by Key Market

Automotive



Automotive

In this market, we provide a wide range of automotive-related products used both inside and outside the vehicle. With the advance of connected, autonomous, shared, and electric (CASE) vehicles in the industry, the needs of customers in this domain are expected to grow increasingly advanced and diverse. The Group will respond by providing primarily module products utilizing its planning and development/design functions.

Opportunities

- Electrification of automobiles
- Growth in the EV market (including PHVs and FCVs)

Risks and Issues

- Decrease in market share and competitive capabilities of Japanese manufacturers
- Discovery of high-value-added products for overseas OEM providers and Tier 1 players

Market Environment

EVs have been the sales leaders mainly in China, India, and emerging markets. However, with a backdrop of geopolitical risk, parts shortages, and high prices for raw materials, automobile production growth has flattened. Automotive manufacturers had been making a shift to battery electric vehicles (BEVs), but recent changes to government policies and regulatory trends in each country, coupled with changes in consumer awareness, have boosted the competition with gasoline vehicles and other electrification technologies, while diversifying selection options. Despite some variation between regions under these conditions, EV demand is expected to expand in the long term.

Strengths of the Group

Capability for Proposals with Rich Variation and the Toyota Tsusho Group's Network

EVs are predicted to see market expansion, and they use parts that differ significantly from those of gasoline vehicles. To meet this special EV demand, we gather information in real time from bases established nearby Tier 1* players in Japan and overseas, and we are able to offer proposals not only for single components, but also for module products based on our wide-ranging knowledge of electronic materials and our abundant network of business partners, including over 6,000 customers and suppliers. Moreover, since our participation in the Toyota Tsusho Group in 2012,

we have also conducted sales activities using the Toyota Tsusho Group's network, and we are accelerating our strategy for this market.

* Manufacturers who supply parts directly to completed vehicle manufacturers

Action Plan

In addition to an aggressive strategy for overseas OEM providers and Tier 1 players, we will promote the sales expansion of EV-related parts and materials.

Business Strategy

We will expand our bases in Europe and the United States to target overseas OEM providers and Tier 1 players, while also expanding sales of high-functionality products that have proven performance among Japanese manufacturers. In addition, the trend towards larger and multiple in-vehicle displays is changing vehicles from a simple mode of transport to Mobility as a Service (MaaS) plus entertainment.

Against the backdrop of advances in CASE vehicles, we expect further growth in demand for integrated proposals for electronic circuit boards, design, and mounting as Tier 1 players expand into yet-untouched areas, such as exteriors and electrical equipment.

Based on these circumstances, we will extend our experience gained through smartphone component procurement to the automotive market.



Aftermarket



Aftermarket

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

Opportunities

- Expansion of the private brand market
- Expansion in demand for products associated with strengthening driver health management

Risks and Issues

- Regional concentration of subcontractors
- Exploration of products to replace dashboard cameras

Market Environment

In the in-vehicle market, demand for dashboard cameras has peaked, and items that have been aftermarket appliances are now expected to become standard equipment on automobiles. We are expecting demand for new items that can strengthen driver health management.

In addition, the ratio of private brand products is increasing, since consumer electronics mass retailers and other retailers can plan and develop them and sell them at a low price. This is creating further opportunities to capture new customer segments by proposing distinctive and unique products.

Strengths of the Group

Knowledge of Manufacturing and Business-building Capabilities

With its long history of supporting manufacturing in the electronics industry, the Group has deep knowledge of all kinds of components and products, and has accumulated a wealth of information regarding technologies and manufacturing methods. In addition to this, we are able to provide comprehensive solutions to customers who require knowledge of manufacturing and resources through our manufacturing services, which make use of our planning and development/design capabilities, our own plants and those of subcontractors, and our quality management functions.

We are also looking beyond manufacturing and building structures in Japan and overseas that are able to handle

market research and legal and regulatory compliance in each market, acquisition of various certifications, delivery, after-sales services, and recycling.

Action Plan

We will strengthen the finished products (ODM) business in response to the expanding private brand market, and develop new products to meet the needs of the market, such as products related to driver health management.

Business Strategy

In the finished products (ODM) business, we will take a two-sided approach, focusing on both the market and on products, to develop products that are freely imagined and completely new to the world. By continuously proposing new products, we will target new customer segments such as consumer electronics mass retailers, while duplicating our successful development of suppliers in China horizontally across the ASEAN region. We will also expand our business for private brands of local companies as customers.

Furthermore, with the current move to strengthen driver health management in order to reduce the incidence of traffic accidents, we expect to see growing demand for relevant products to be used in various applications, including for consumers and corporate customers. We will closely monitor market trends and increase our handling of products that match customers' needs.



Medical Equipment



Medical Equipment

In this market, we mainly supply components and materials for equipment used in medical diagnosis and testing. This market in particular is expected to see progress in equipment becoming increasingly electronic, making it a domain where the application of electronics technologies and knowledge is essential. We will respond promptly to changing demand in the medical equipment market, leveraging our many years of accumulated experience.

Opportunities

- Expansion of the medical equipment connectivity market
- Expansion of demand for dental examinations

Risks and Issues

- New entrants from other industries
- Long lead times before profitability

Market Environment

The global medical equipment market is expected to continue expanding in step with population aging in advanced countries and population increase and economic development in emerging and developing countries. In advanced countries, preventative and personalized healthcare are becoming more advanced and efficient, with medical equipment becoming increasingly electronic. It is expected that patient data will be obtained not only from equipment in medical institutions, but also from wearable devices, and that systems will be built to enable physicians to diagnose patients and manage their data remotely.

Strengths of the Group

Knowledge of Electronics and Global Networks

The Group does not have its own manufacturing functions for medical equipment. However, we have a rich knowledge of materials and technologies developed through our business operations in diverse markets, and we are applying this to the medical equipment market where the adoption of electronics is advancing, in partnership with suppliers who have proven track records.

Moreover, since we have bases throughout the world, coordination between our bases in Japan and overseas enables us to respond swiftly and flexibly to the overseas production of medical equipment.

Action Plan

We will strengthen our finished products (OEM) business, and expand our handling of products that respond to the increased connectivity of medical equipment and expansion in demand for dental examinations.

Business Strategy

The company is working to obtain a medical device manufacturer license.* This will enable us to handle finished medical equipment products so that we will be able to deliver them to our customers in forms that meet all of their needs.

Furthermore, we will also expand our handling of components and materials for consumer healthcare products. In addition, in the area of dental equipment, with the Japanese government currently examining the introduction of a national dental examination program, expansion in demand for relevant components and materials is expected, and we aim to capture the market through a wide range of proposals.

* The General Meeting of Shareholders held on June 26, 2024 approved an addition to the company's purpose in the Articles of Incorporation to assist in the obtaining of the medical device manufacturer license. We are currently going through the procedure and expect to obtain the license in 2024. In 2025, we aim to acquire ISO 13485, an international standard for quality management systems specialized for the medical equipment industry.



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 issues such as the selection of suitable suppliers for development. The main feature of the department is a structure that allows us to be involved in customers' new products from the planning and development stage onward, and to offer one-stop proposals for the subsequent distribution, 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 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.

■ Proposal of Efficient Manufacturing Processes

In the manufacturing process, the Group has one processing plant in Japan and two overseas. Manufacturing may take place at Group companies' processing service bases, or it may be outsourced to suppliers. To advance efficient product development, the Group selects the suppliers offering the best technologies and cost competitiveness to meet the customer's needs from its abundant list of approximately 7,000 suppliers, which is one of the Group's strengths.

■ 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. Our design, quality control, and sales departments work as one to provide this support through repeated reviews, leveraging know-how and expert knowledge built up over many years.

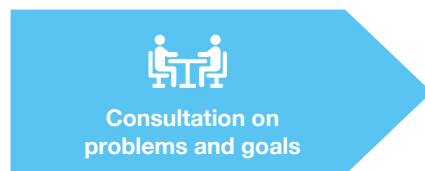
In our technical departments, human resources with knowledge of mechanical structures, electrical circuit design, and other fields promptly respond to customers' needs. In terms of hardware, we are equipped with 3D CAD, 3D printers, NC machining tools, and other equipment, and we have built a structure that enables us to conduct sample production and reliability testing during design. In addition to these resources, we leverage our powerful sales infrastructure based on know-how and cutting-edge expertise built up over the years to provide products that meet the needs of customers.



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

Product Development Flow

New development



- New business
- Cost and resource review



- Product concept review
- Proof-of-concept production



- Suppliers: Approx. 7,000 companies
- Selection of suppliers matched to needs

Design outsourcing



- Product housing design
- Mechanism design
- Strength analysis
- Circuit design
- Circuit board design
- Software design

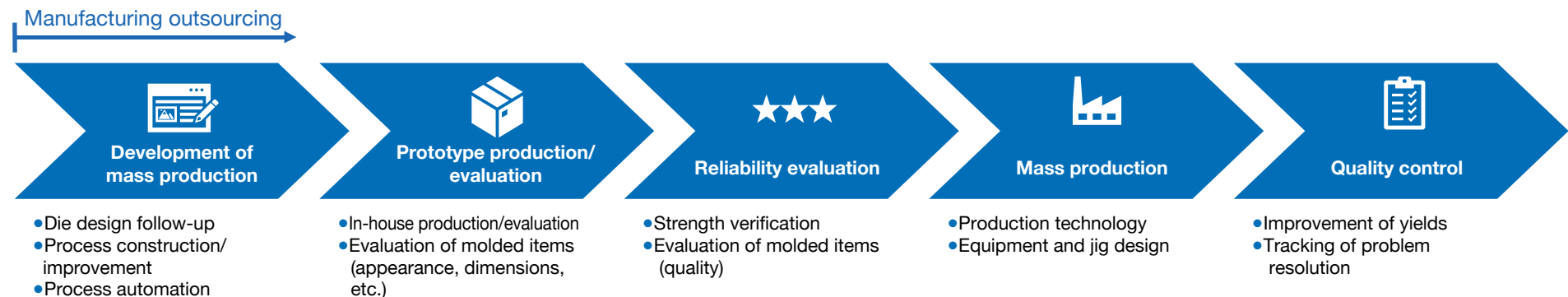


■ Extensive Human Resources that Meet the Needs of Customers

To meet the needs of our customers, we have organizations and human resources well versed in the fields of machinery and systems, enabling us to respond to a broad range of customer needs as a true manufacturing partner.

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

Field	Skills possessed	Details
Mechanical structures	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/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 patterns
	Programming	C/C#/Ruby
	Software quality assurance	Static and dynamic analytical tools, CI/CD, etc.





Meticulous Quality Control Capabilities

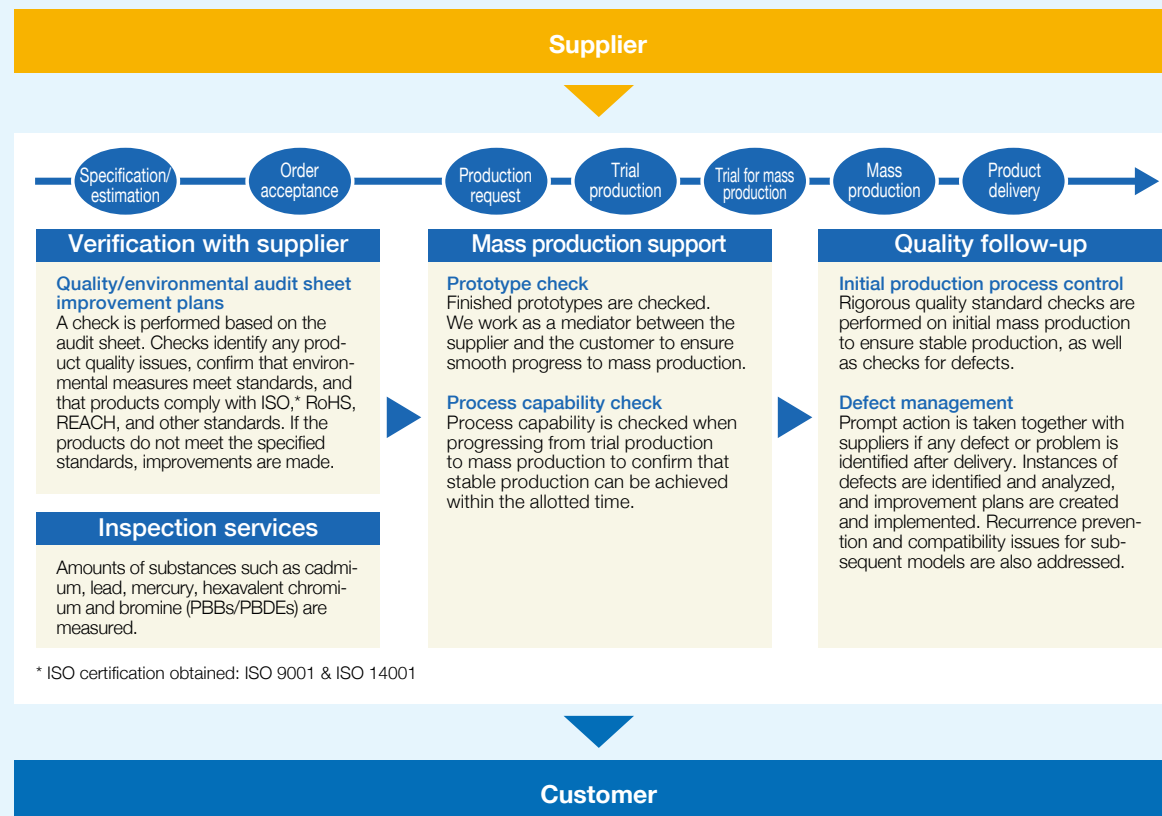
Meticulous Support for Stable Mass Production by Suppliers

To meet customers' exacting demands for quality, the Group has established the Environment Preservation & Quality Assurance Department and 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 distinguished by its ability to provide detailed support for stable mass production by suppliers. Its work consists primarily of the following four operations.

The Group's Quality Control Structure



(1) Support for product launches

The department provides comprehensive support that spans trial production to mass production to enable stable and safe progression 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-reported defects

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

(4) Reliability testing and defect analysis functions

At the Elematec Shinyokohama Lab, in the underground area of our subsidiary Elematec Logi Serve Corporation, we have introduced reliability testing and analytical equipment vital to product development, enabling the lab to provide full services from product evaluation to submission of reports to customers. This allows us to provide quick and low-cost handling of consultation requests from customers and suppliers regarding technology and quality in the event that a defect occurs when a new product is launched.



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 (ISO 14001/9001) certification at all of our operating bases in Japan. We are working to achieve certification at overseas bases in stages as well, while training internal ISO auditors and increasing their number. We will further advance activities with an eye toward chemical substance management and reduction of environmental impacts.

Human Resources with Competence in a Wide Range of Fields

Our highly experienced and knowledgeable human resources are able to respond to wide-ranging needs, covering diverse fields.

Automotive	Cockpit modules, LCD panels, finished products (dashboard cameras), metal processing, resin molding, assembly and process design
Consumer electronics	Exterior mounted parts, finished products, semiconductors, LCDs, circuit board mounting, equipment development, reliability testing, defect analysis
ISO/environmental legal compliance services	Creation of international material data system reports and various environmental materials, ISO management, compliance with laws related to electrical appliance safety, etc.

Elematec Shinyokohama Lab

Equipped with evaluation and analysis equipment essential for product development, the lab is able to provide various reliability testing and defect analysis services



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



08 3D measuring machine New equipment introduced

The lab has started new dimension measurement services using 3D measuring machines. Both contact types and scanner types have been introduced, enabling dimension measurement of items in various sizes and shapes. Product dimensions are one of the important items in quality assurance.





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, which seek to provide new value by expanding its network of strong partnerships 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” as stated in our management principles.

To promote the CSR activity policy, the Group has established 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 booklets of these provisions to ensure thorough awareness and widespread understanding of them among all officers and employees.

Sustainability Promotion Structure

Governance Structure

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

The committee is composed primarily of Executive Directors, the Director of the Corporate Division, and Executive Officers responsible for development, 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 area of materiality have been established directly under the Sustainability Committee. Each working group conducts deliberations and monitors the status of initiatives aimed at solving its respective issues, and regularly reports its results to the Sustainability Committee.

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

Sustainability-related Risk Management

The Sustainability Committee conducts evaluations and reviews of measures for countering sustainability-related risks, including climate change, that are thought to have a major impact on the business activities and earnings of the Group. Working groups under the committee devise 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.

Materiality

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

Materiality Identification Process

In identifying areas of materiality, we first identified and organized the social issues that should be addressed by the Group, associating them with its businesses and using the SDGs as a reference. We next evaluated and classified the importance of each identified issue, created materiality suggestions based on the results, and held repeated discussions to identify materiality.

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



Materiality Identification Process

1. Organization of social issues

Identify issues to be addressed while associating the SDGs with the Group's businesses

2. Prioritization

Classify identified issues by importance

3. Formulation of materiality suggestions

Create materiality suggestions with a focus on social issues of high importance

4. Identification of materiality












Hold discussions within the Sustainability Promotion Preparation Office under the jurisdiction of the Chief Executive Officer and Chairman of the Board and identify materiality

Four priority issues (materiality)

5. Formulation of KPIs

Formulate KPIs for each materiality issue, primarily through working groups under the Sustainability Committee (reorganized from the Sustainability Promotion Preparation Office)

Elematec Group Priority Issues (Materiality)

Materiality	Relevant SDGs	Group initiatives and measures	Medium- to long-term sustainability goals
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 	<p>Expand sales of high-value-added products that respond to the evolution of mobility FY2023 revenue: 24,800 million yen → FY2025 revenue: 32,500 million yen (up 31.0%)</p> <p>Expand sales of commercial products for medical diagnostic and testing equipment, etc. FY2023 revenue: 6,400 million yen → FY2025 revenue: 12,200 million yen (up 90.6%)</p>
Reduction of environmental burdens and the realization of a recycling-oriented society	     	<ul style="list-style-type: none"> Delivery of environmentally friendly electronic and other materials Operation of quality and environmental management systems Promotion of rework and recycling businesses Delivery of electronic and other materials related to clean energy 	<p>Expand sales of commercial products for environmentally friendly vehicles and clean energy (solar power, offshore wind power, etc.) facilities FY2023 revenue: 10,700 million yen → FY2025 revenue: 16,000 million yen (up 49.5%)</p> <p>Expand sales of environmentally friendly products FY2023 revenue: 2,700 million yen → FY2025 revenue: 5,500 million yen (up 103.7%)</p> <p>Operation of quality and environmental management systems</p> <ul style="list-style-type: none"> Contribute to environmental preservation by taking steps to improve service quality through global rollout of the Head Office ISO system and increasing the number of certified internal ISO auditors. Help boost partner productivity and contribute to reduced environmental impact by offering support for lowering bad losses.
Development of organizations that respect diversity and foster mutual growth	  	<ul style="list-style-type: none"> Respect for human rights Expansion of training systems Promotion of D&I (diversity & inclusion) Workstyle reform 	<p>Provision of opportunities for all employees to fully demonstrate their abilities</p> <ul style="list-style-type: none"> Review of employment systems, promotion of health and productivity management, full renewal of personnel systems, etc.
Formation of a governance structure that is trusted by all stakeholders		<ul style="list-style-type: none"> Establishment and strengthening of governance structures and compliance systems 	<p>Strengthening of the functions of the Board of Directors and enforcement of compliance</p> <ul style="list-style-type: none"> Review of evaluations of effectiveness of the Board of Directors, enhancement of the ratio of External Members of the Board, appointment of female directors, etc. Establishment of a specialized department in charge of compliance promotion.



Environment

Response to Climate Change

The Group recognizes the problem of climate change as a key social issue. We believe that this issue poses a risk to the Group, while also presenting new business opportunities. Accordingly, the Group is contributing to achieving the transition to a decarbonized society through its business activities.

Approach to Climate Change

- As a global manufacturing partner, the Group is contributing to making a decarbonized society possible through the delivery of eco-friendly electronic and other components.
- In its business activities, the Group has set targets of achieving a 50% reduction by FY2030 from the level of the Group's Scope 1 + Scope 2 greenhouse gas (GHG) emissions in FY2021, and achieving carbon neutrality by FY2050.

Governance

Climate change-related governance is embedded in governance across the entire spectrum of sustainability. For climate change-related issues, the Climate Change Working Group examines and implements specific initiatives, as well as monitors results. With respect to initiative details and monitoring results, we have developed a system for appropriately responding to issues with supervision by the Board of Directors and guidance from the Chief Executive Officer and Chairman of the Board, following discussion by the Sustainability Committee and placement on the agenda and reporting to the Board of Directors.

Strategy

Regarding the impact climate change has on the Group's business activities and earnings, we have identified risks and opportunities, referencing climate change scenarios from the International Energy Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC).

The Group has set targets of achieving a 50% reduction by FY2030 from the level of its Scope 1 + Scope 2 GHG emissions in FY2021, and achieving carbon neutrality by FY2050. FY2030 is also the analytical timeframe for the current scenario analysis.

Reference Scenarios

Category		Under 1.5°C/2°C	4°C
Overview		Scenario in which the rise in average global temperature is held under 1.5°C/2°C compared to pre-Industrial Revolution levels as of 2100, due to more stringent climate change measures than those currently in place > There is significant impact from transition risk but physical risk impact is limited compared to the 4°C scenario.	Scenario in which average global temperature rises approximately 4°C compared to pre-Industrial Revolution levels as of 2100, due to failure to adopt new policies and regulations beyond those currently in place > There is minimal impact from transition risk but significant impact from physical risk compared to the under 1.5°C/2°C scenario.
Reference	Transition	IEA Net Zero Emissions by 2050 Scenario (NZE) IEA Sustainable Development Scenario (SDS)	IEA Stated Policies Scenario (STEPS)
	Physical	IPCC RCP2.6	IPCC RCP8.5
IEA (International Energy Agency) IPCC (Intergovernmental Panel on Climate Change)			



Climate Change-related Risks and Opportunities

Category		Climate change factors	Risks	Opportunities	Effect on the Elematec Group	Response
Transition risk	Policy/ legal reg- ulations	Introduction of carbon taxes	●		Increased carbon tax burden, rising costs for raw materials, increased logistics costs	Logistics cost reductions by leveraging worldwide network
		Mandatory climate change-related disclosure, including GHG emissions, etc.	●		Increased clerical costs to comply with mandatory disclosure	Clerical cost reductions from disclosure data calculation leveraging DX
	Markets/ technol- ogy	Expansion in demand for products and services for adaptation to climate change impacts	●	●	Variable earnings from changes in trends in commercial products handled in step with climate change	Expanded sale of products for environmentally friendly vehicles and clean energy (solar power, offshore wind power, etc.) facilities and environmentally friendly products
Physical risk	Acute	More intense rainstorms, flooding and other natural disasters and abnormal weather	●	●	Reduced sales opportunities from lower or halted factory production and distribution network disruptions Opportunities to capture new business leveraging worldwide network	Global supply chain management enhancement leveraging domestic and overseas bases
	Chronic	Rise in average temperatures	●		Impact on business bases and workforce from worsening labor environment	Maintain labor environment through drafting and operational management of business continuity planning (BCP) and capital investment

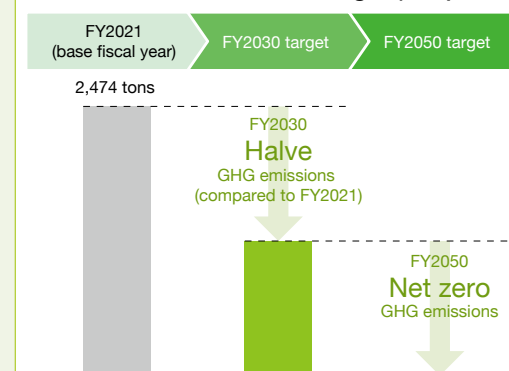
Risk Management

Climate change-related risk management is incorporated into risk management across the full spectrum of sustainability. For risks pertaining to climate change, we will monitor indicators of success for the specific response measures devised by the Sustainability Committee and the Climate Change Working Group.

Indicators and Targets

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 the fusion of 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 ISO 14001 and ISO 9001, 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 (ISO 14001/9001) to pursue revenue and profits and to give back 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 effort to reducing environmental impact and controlling chemical substances as part of our environmental activities.
5. We deepen our understanding of and respond to biodiversity conservation and conflict mineral cases.
6. We strive for reductions in risk via 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 its unique functions in planning and development/design, manufacturing services, and more to develop businesses 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 deliver environmentally friendly and high-value-added products aimed at the realization of a sustainable society.

Handling of Environmentally Friendly Products Components and Materials for Environmentally Friendly Vehicles

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

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

Clean Energy-related Components and Materials

While contributing to their widespread uptake through the delivery of components and materials required for the utilization of renewable energy, we contribute to the reduction of CO₂ throughout society as a whole by offering products for solar, wind, geothermal and other clean energy facilities and equipment.

Environmentally Friendly Commercial Materials

To reduce the presence of plastics, which seriously impact environmental pollution, the Group is extending its handling of commercial materials that contribute to the elimination of or reductions in plastic use. In addition to finished products and plastics using bioplastics, we are delivering packaging materials made from plant-based raw materials as alternatives to plastic, as we strive to reduce our environmental impact.



Cardboard
(used for storing medical kits)

Pulp molds
(used for storing tablets)

Reworked and Recycled Products

Along with proposing components and materials for reworking (tapes, adhesives, etc.), we are developing a reworking business that utilizes subcontractors. Defective circuit boards that emerge from the product manufacturing process are collected from customers, cleaned and repaired into a reusable condition, then resold.

Furthermore, we are developing recycling schemes for packaging materials and are involved in the sale of readily recyclable components and materials, as we promote the 3Rs (reduce, reuse and recycle) through our business activities.



Society

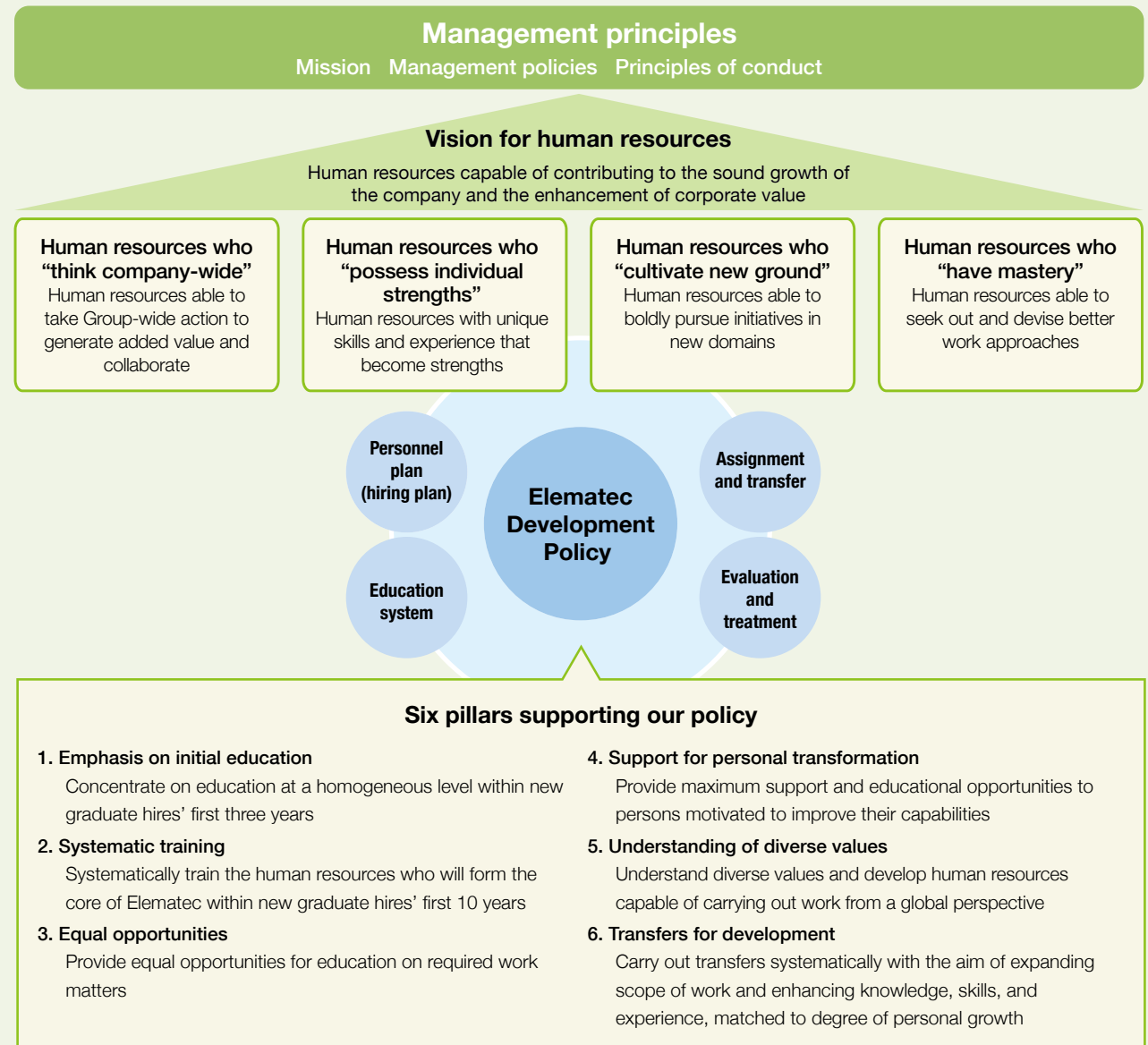
Fundamental Concepts for Human Resource Development

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 values 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 have made “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 resource 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.





■ Adoption of New Personnel System

In July 2024, we released a new personnel system for the Group, developed from repeated discussions between management and human resource project members. The system is designed to address the recruitment, training and subsequent treatment of human resources to support achievement of the Group's management and business strategies, including the Medium-term Corporate Strategy, in a rapidly changing environment.

In line with the Medium-term Corporate Strategy, we have defined four types of human resources with the elements needed to achieve business strategies and who will lead the Group's future growth: human resources who “think company-wide,” who “possess individual strengths,” who “cultivate new ground” and who “have mastery.” As policy for the new system, we are developing mechanisms for recruiting and retaining human resources with these qualities, as well as mechanisms that promote the acquisition and demonstration of these elements by employees. In these ways, we are aiming for a personnel system that enables diverse human resources to leverage their respective characteristics and thrive.

More specifically, we have reviewed our qualification, evaluation and remuneration systems, and clarified the levels of the roles expected of employees, promotion rules, evaluation criteria and remuneration standards.

For the qualification system, in order to support the careers of diverse human resources, along with a review of job types and definitions, we have prepared terms and conditions for switching between job types and transfer classifications and systems based on career orientation.

For the evaluation system, to ensure proper evaluation, we adjusted the treatment and weight of each evaluation item in light of their aims.

For the remuneration system, aiming to develop an environment that enables continued working with peace of mind, we adopted a remuneration system aligned with the actual circumstances of roles, responsibilities and professional duties performed. We also raised the floor of the basic salary to reflect growth in the cost of consumer goods and services in recent years.

■ Investments in Human Capital

Having identified “Development of organizations that respect diversity and foster mutual growth” as an area of materiality, the Group pursues activities that aim to provide opportunities for all employees to fully demonstrate their abilities.

Each fiscal year, we review and consider ways to expand and enhance our training. In the fiscal year ended March 31, 2024, we planned and implemented an array of new training programs linked to the new Medium-term Corporate Strategy launched this term. This saw the enactment of training programs promoting growth for the company and employees alike, such as training to deepen knowledge of investment and loans, which is one of our priority issues, 1-on-1 training designed to energize communication, training in which senior employees serve as instructors to junior employees in conveying their personal work experiences, and compliance and harassment training. Because of this, our investments in human capital increased significantly compared to the previous fiscal year.

Going forward, we intend to continuously and proactively invest, linking the Medium-term Corporate Strategy with human resource development, to strategically advance human capital management in a bid to sustainably improve corporate value.

Topic | Right to Defer Transfer

In step with revamping the personnel system, we established a new system called the “right to defer transfer.” Designed to enhance our orientation toward social welfare and the labor environment, this system recognizes the right to defer an order to transfer for a limited period of time, with remuneration unchanged, if a reason such as childcare, nursing care or personal medical issues (personal injury/illness) exists, for employees for whom a job transfer would entail a change in residence.

The Elematec Group is committed to preparing environments where employees with a variety of personal circumstances can nonetheless work long term by developing systems that better allow for work-life balance.

(Non-consolidated)	FY2022	FY2023
No. of employees	483	505
Total investment in human resource development	24,612 (¥ thousand)	52,875 (¥ thousand)
Investment per employee	51.0 (¥ thousand)	104.7 (¥ thousand)
Total training time	3,865.4 (Hours)	9,025.1 (Hours)
Training time per employee	8.0 (Hours)	17.9 (Hours)
Training participants (total number)	314	546



Education and Training (Position-based Training)

To support the growth of every employee, we have developed training with a long-term perspective that includes position-based 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.

Education System

Target	Overall basic education	Position-based training	Provision of learning opportunities	Selective training	Global human resource development
Career-track (generalist)	Management positions	<ul style="list-style-type: none"> • HCP (Hybrid Communication Program) training* • Organization policy understanding and coaching training • New manager training (role and mindset, leadership, job delegation approach) 	English language ability improvement (TOEIC support)	Next-generation manager development training	Overseas OJT dispatch program
	Non-management positions	<ul style="list-style-type: none"> • Problem-solving training for accounting • Problem-solving training for marketing • Problem-solving training for setting targets • Generative problem-solving training • Problem-solving discourse training • New senior supervisor training (role and mindset, followership) • New supervisor training (role and mindset, introspection, coaching junior colleagues) • Practical frontline training • Third-year training (self-promotion training) • Second-year follow-up training (self-leadership/critical thinking enhancement training) • New employee training (business etiquette, business math) 		Next-generation leader development selection training	
Noncareer-track	Non-management positions	<ul style="list-style-type: none"> • How to be a leader, problem-solving skill acquisition • Work improvement capabilities, leadership/followership • Problem identification and issue resolution skill acquisition • Career design 			

* HCP training: Training for communication skill acquisition that incorporates coaching

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 actual work and daily living, they acquire knowledge, skills, and an international perspective vital 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.

The roster of dispatch bases to date includes locations in the US, China, Taiwan, Thailand, Vietnam, Malaysia and Indonesia, with more to come.



Opinions of an Overseas OJT Dispatch Employee

Through dispatch overseas, I saw real improvement in my ability to communicate in a different culture. Also, the strength with which I could feel how directly the company's cash situation connects to day-to-day operations at overseas subsidiaries reconfirmed for me the importance of inventory management and cash flow.



Opinions of a Dispatch Site Supervisor

My sense is that trainees gained a deeper understanding of the relationship between inventory management and cash flow, as well as import and export flow. I also involved them in the launch of mass production overseas, and it was apparent that considering how to improve work efficiency while supporting the local staff led to their growth.





2. Practical frontline training

This training emerged from a proposal from business site supervisors, who wanted practical training with direct connection to work that would allow younger employees to build up their business skills.

The training touches on a host of topics, such as delivery management and quality problems, with veteran senior employees serving as instructors. Teams debate and present on how best to tackle a given issue. Eighty-eight employees have participated thus far in this meaningful training, which enables practical learning from instructors based on their own experience.



Participant Opinions

The ability to discuss defect cases that come from actual business activities was extremely eye-opening, allowing me to learn from a perspective I could never have imagined.



3. Q&A sessions with younger employees and executives

Younger employees within three years of joining the company come together for dialogue with Directors and Managing Directors, with frank discussion of topics such as the Group's management and development policies, as well as workstyles. Directly sharing the management team's vision with younger employees—the company's future—can motivate

them to look at organizations from a more objective viewpoint, with the gathering also functioning to provide concrete examples of what career advancement might look like.

Participant Opinions

I gained valuable insight, including into the kind of mindset that members of the management team had when they were younger. It was definitely time well spent, since I received decisive answers to even difficult questions asked.

4. Position-based noncareer-track training

In promoting greater workstyle diversity and flexible human resource development, we have redefined required training, linking it with the curriculum for each noncareer-track position.

Major Training Themes

After joining

Career design and self-understanding

Promotion to supervisor

Problem identification and issue resolution

Promotion to senior supervisor

Leadership and development guidance

Promotion to leadership

Leadership approach and skills (stability/discernment and thoughtfulness/leadership)



Participant Opinions

Understanding the skills and expectations of my role has clarified both how I should approach my job going forward and the direction for setting goals. It was also a fresh and valuable experience as I was able to share my everyday concerns and work duties with people from other bases.

5. Next-generation manager development training

This training for executives is for systematically learning management to build the skills needed to assume responsibility for the next generation of management.

Specifically, this training deepens understanding through case studies in areas such as logical thinking, corporate strategy, marketing and finance.

The 11 executives and division directors chosen for this training participate in 12 programs over approximately eight months.

Participant Opinions

The well-balanced curriculum was filled with content critical to skill enhancement. In addition to debating the company's issues and future direction with other participants, this was a meaningful training that enabled us to learn about new ideas from members.



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 resource 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 work with childcare and nursing care.

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

Promotion of Female Executives 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 executives and employees involved in management decision-making in the future:

- Ratio of female employees hired for career-track positions: 30% (30.6%)
- Ratio of female employees in career-track positions: 15% (9.6%)
- Ratio of female employees in management positions: 5% (1.9%)

Note: Figures in parentheses above are as of March 31, 2024.

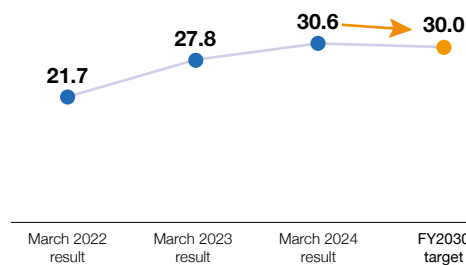
The ratio of female employees hired for career-track positions and the ratio of female employees in career-track positions are both on the rise. While the ratio of female employees in management positions remains flat, we are working to improve this through expanded education and training, as well as through system improvements and other means.

Promotion of Midcareer Hires

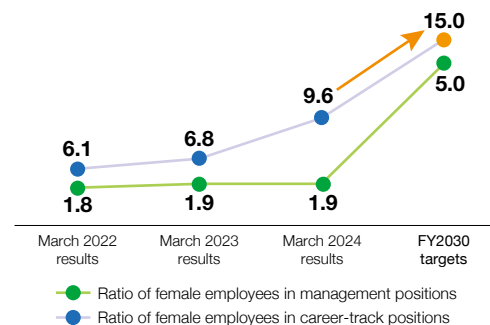
We hire human resources with various backgrounds and specialties in midcareer. The ratio of midcareer hires in management positions is more than 60%, while the ratio of midcareer hires on executive positions is more than 70%. The company will continue to secure human resources for management and professionals,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

- Ratio of midcareer hires in career-track positions: Maintain level of about 50% (as of March 31, 2024: 68.9%)

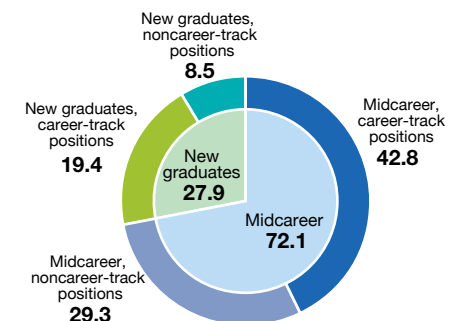
Ratio of Hiring of Female Employees in Career-track Positions (%)



Ratio of Female Employees in Career-track Positions/
Ratio of Female Employees in Management Positions (%)



Ratio of Midcareer Hires (%) (as of March 31, 2024)





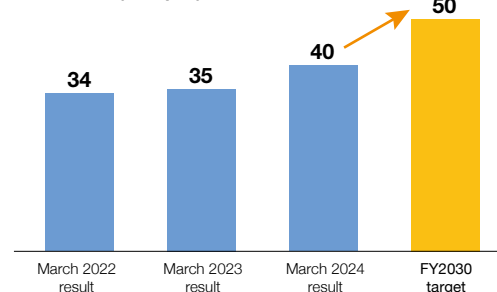
Promotion of Foreign Nationals

To advance the strengthening of human resource development and improve personnel systems, and to realize competitive advantages on a global scale, we aim to achieve the following number by FY2030:

- Foreign human resources in senior management positions at overseas subsidiaries: 50 (as of March 31, 2024: 40)

We are promoting the expansion and enhancement of education and training at overseas subsidiaries, with the number of foreign human resources in senior management positions growing each year.

Promotion of Foreign Nationals to Senior Management Positions (People)

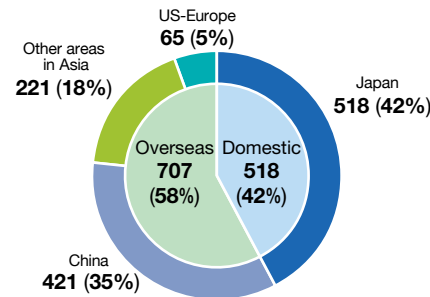


Group Workforce by Region

The Elematec Group has a network of 48 bases spanning Japan, China, the United States, Europe, and other parts of Asia (Southeast Asia, etc.). Of the Group's 1,225-member workforce, roughly 60% are employed at overseas subsidiaries.

Without regard to nationality or gender, our diverse human resources leverage smooth communication for the global advancement of our business.

Group Workforce by Region (as of March 31, 2024)

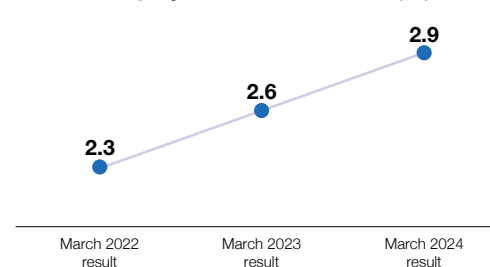


Efforts to Employ Persons with Disabilities

Our ratio of employees with disabilities is 2.9% (as of March 31, 2024), surpassing the statutory employment rate (2.3%). We are working to create mechanisms that allow everyone, regardless of their disability status, 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 career advancement for employees with disabilities by offering the same opportunities for carrying out work matched to individual skills and for education as employees without disabilities.

Ratio of Employees with Disabilities (%)



* Current statutory employment rate: 2.3%

Promotion of Workstyle Reform

The Elematec Group believes 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 initiatives detailed below. Our aim is to improve both labor productivity and corporate value as we continuously expand and review each of these measures going forward.

Promotion of work-life balance and diverse workstyles	<ul style="list-style-type: none">• Work-from-home system• Promotion of use of paid leave• Hourly based paid leave• Expansion of categories for staggered working hours
Support for balancing childcare and nursing care	<ul style="list-style-type: none">• Use of employee benefits and welfare services• Use of Cabinet Office vouchers for babysitter fees

Head Office Relocation

The Head Office was relocated in October 2023. Once divided into two floors, the office is now on a single floor which, together with open plan seating, has enabled more lively communication between employees and departments.

Thanks to the Head Office relocation, we are promoting cross-departmental collaboration and taking steps toward work improvements and better employee engagement.





Health and Productivity Management

As part of the Medium-term Corporate Strategy, the Group has positioned as a vision for itself to “pioneer a prosperous future with the power of electronics.” To achieve this, we have set “development of organizations that respect diversity and foster mutual growth” as an area of materiality, and opted to invest management resources into advancing health and productivity management as one measure for doing so.

Recognizing the importance of the continued high performance of mentally and physically healthy employees to realizing this vision, we take steps to prepare healthy work environments and the maintenance and promotion of employee health.

Elematec Group Health and Productivity Management Declaration

The Elematec Group believes that the physical and mental health of its employees, which is its greatest asset, is of paramount importance in contributing to the realization of a sustainable society and enhancing corporate value.

We will strive to maintain and improve the health of our employees by devoting all our efforts to safety and health activities and creating a safe and healthy work environment by pursuing Group development and employee happiness as stated in our management philosophy.

We will also contribute to society by contributing to the health of all people through various business activities with the active participation of each employee, who themselves are physically and mentally healthy.

Approach Policy

1. We will actively support the independent health management of employees and their families.
2. We will promote the creation of safe and secure workplaces so that diverse human resources can work actively and the performance of the organization can be maximized.
3. Through our various business activities, we will contribute to the realization of a prosperous future by enabling our employees and the organization to perform in a sound state.

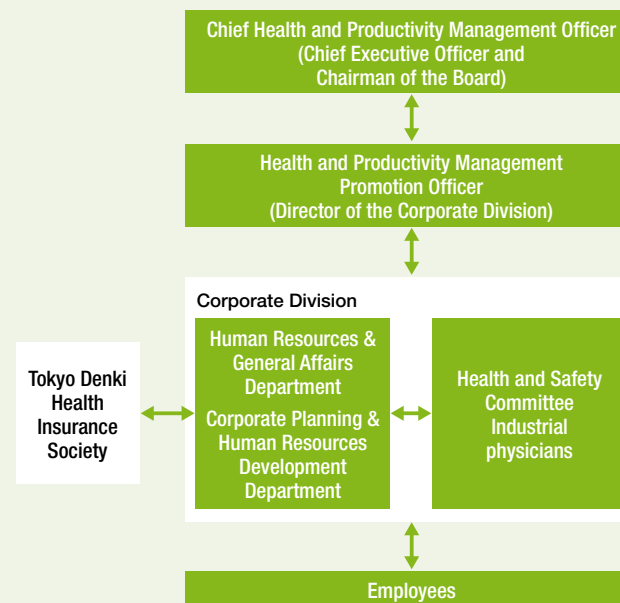
Promotion Structure

A promotion structure has been established wherein the Chief Executive Officer and Chairman of the Board is the Chief Health and Productivity Management Officer, the Director of the Corporate Division is the Health and Productivity Management Promotion Officer, and the Human Resources & General Affairs Department and the Corporate Planning & Human Resources Development Department are in charge of the Secretariat.

Each health and productivity management policy will be reviewed and implemented in collaboration with the Health and Safety Committee, industrial physicians, and the health insurance society.

The Group aims to maintain and improve the health of each and every employee from various angles, and achieve a healthy work environment.

Promotion Structure



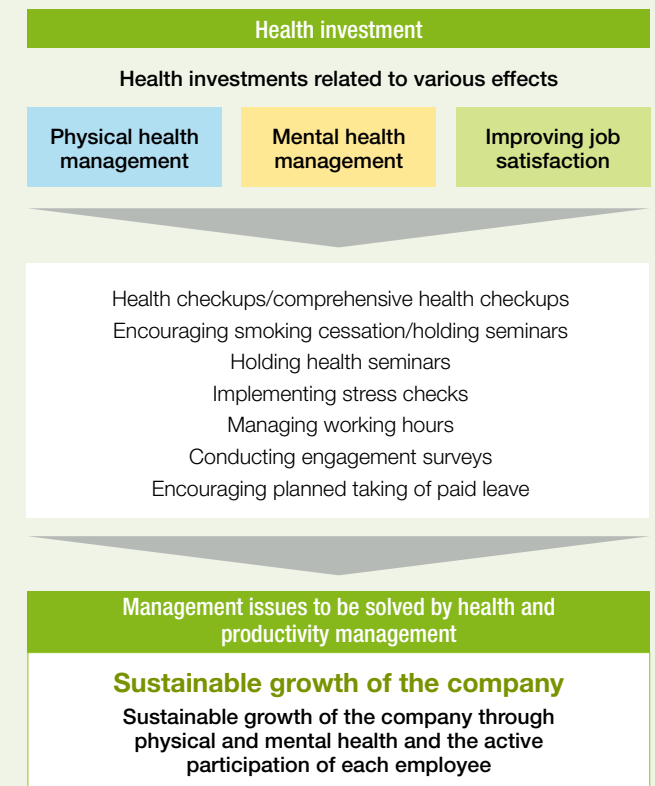
Health Management Strategy Map

The Group has created a strategy map for promoting health and productivity management measures.

Specifically, we are examining and promoting measures from the following three perspectives:

1. Physical health management
2. Mental health management
3. Improving job satisfaction

Health and Productivity Management Strategy Map (Excerpt)





■ Respect for Human Rights

In developing business activities globally, we recognize that human rights may be affected directly or indirectly by the Group's business activities. To ensure that the human rights of all stakeholders connected to our business activities are respected, we have formulated the Elematec Group Human Rights Policy based on our management principles and our CODE 10 Ten Provisions of the Code of Ethical Conduct. Our efforts to promote respect for human rights are guided by this policy.

After formulating our human rights policy, and following training conducted for bases in Japan, we now offer training for overseas subsidiaries, spreading awareness of fundamental content concerning respect for human rights and the Group's human rights policy across the entire Group.

Furthermore, as part of human rights due diligence, we also plan to conduct training targeting the Group's supplier network.

CODE 10: Ten Provisions of the Code of Ethical Conduct (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.

Elematec Group Human Rights Policy

1. Compliance with international norms and laws

Based on the Guiding Principles on Business and Human Rights, we support and respect the International Bill of Human Rights, including the United Nations Universal Declaration of Human Rights, and the International Code of Human Rights, including the ILO Declaration on Fundamental Principles and Rights at Work. We also comply with relevant national and regional laws and regulations in our business activities.

In cases where there is a conflict between international human rights norms and national or regional laws and regulations, we will seek ways to fully respect internationally recognized human rights.

2. Scope of application

This policy applies to all officers and employees of the Group. We also expect that all business partners of the Group will understand this policy and strive to respect human rights.

3. Respect for human rights through business activities

In addition to not violating human rights ourselves, we will fulfill our responsibility to respect human rights by preventing or mitigating the negative impact on human rights that may occur through our business activities and will address human rights issues, including the following:

- 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 will strive to secure a minimum wage and respect freedom of association and the right to collective bargaining.

4. Human rights due diligence

Through our human rights due diligence mechanisms, we strive to identify and prevent or mitigate the negative human rights impacts associated with our business.

5. Correction and remedy

If we find that the Group's business activities have caused or contributed to negative human rights impacts, we will work to correct and remedy them through appropriate procedures and dialogue.

6. Complaint-handling mechanism

We will strive to establish reporting and complaint-handling mechanisms in order to appropriately identify and respond to human rights issues related to all officers and employees and our business.

7. Education

We will provide appropriate education and training to all officers and employees so that this policy can be incorporated into all business activities and implemented effectively.

8. Information disclosure

We will disclose appropriate information regarding our efforts to respect human rights.

9. Dialogue and consultation with stakeholders

In response to negative human rights impacts, we will use external expertise in human rights and sincerely engage in dialogue and consultation with the relevant stakeholders.

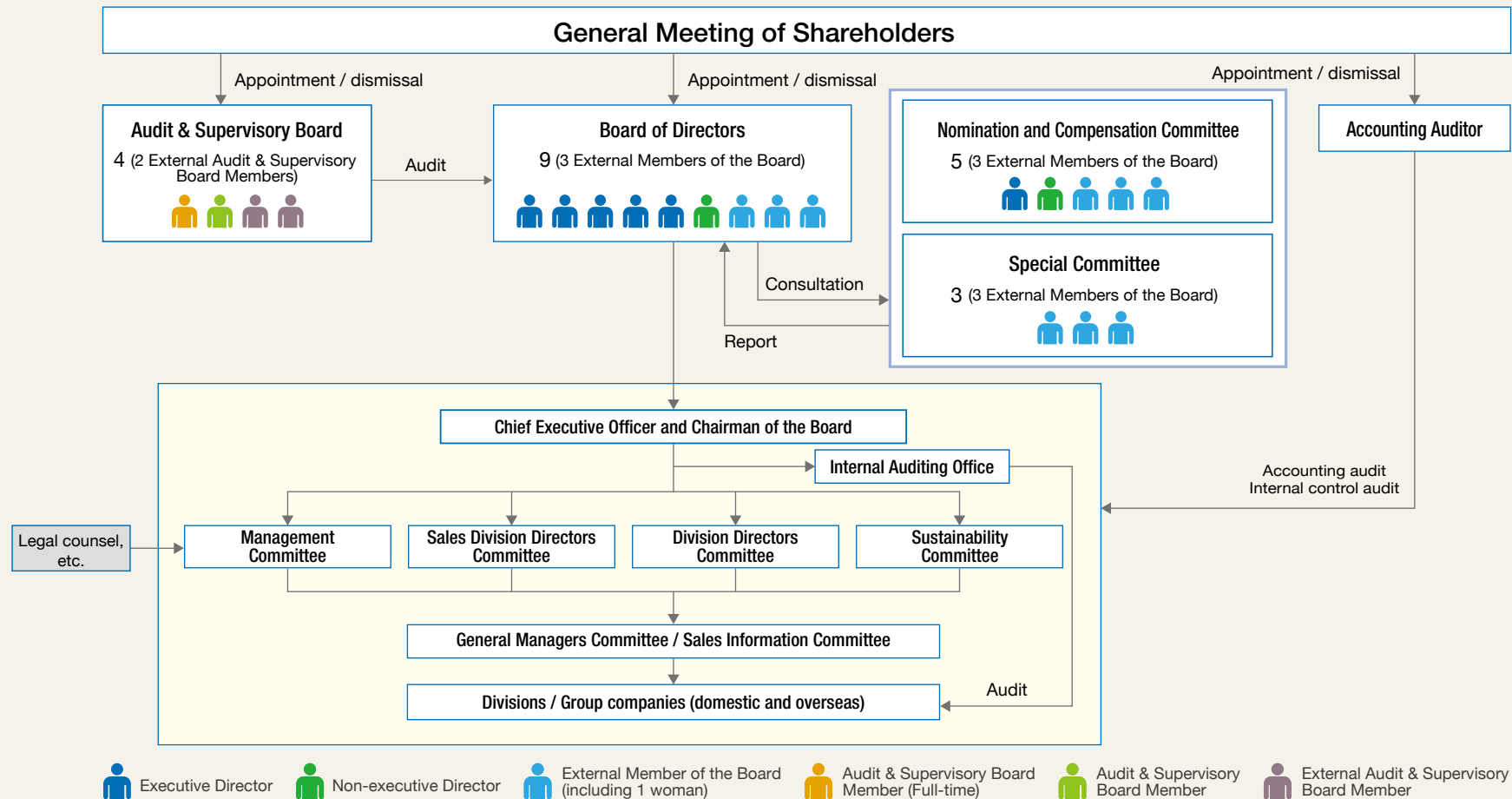


Governance

Basic Approach

As a prerequisite for conducting corporate activities, we establish smooth relationships with our stakeholders, including shareholders, customers, suppliers, employees, and local communities, and ensure soundness, transparency, and efficiency in the establishment of such relationships. Based on these activities, we aim to improve profits and continuously increase corporate value, while fulfilling our responsibilities to stakeholders, including ensuring the rights of our shareholders, and our accountability regarding these responsibilities. To this end, we aim to continuously improve and develop an internal control framework for governing corporate activities, including management structure, management organization, and management systems to support transparent, fair, prompt, and resolute decision-making and business execution.

Organization Chart of Corporate Governance Structure





Overview of Corporate Governance Structure

The company is a company with a Board of Directors and an Audit & Supervisory Board, and is structured to strengthen corporate governance, accelerate decision-making and business execution in group management, and clarify executive and supervisory responsibilities in management.

Furthermore, in response to changes in the business environment surrounding the Group, we have adopted an executive officer system to facilitate prompt decision-making, clarify the roles of management and execution, and strengthen group management through interaction between management and execution. The company has determined that it is appropriate to continuously improve its governance structure on the basis of its current structure as a company with an Audit & Supervisory Board.

Board of Directors

Our Board of Directors is chaired by the Chief Executive Officer and is composed of nine members, including Directors who concurrently serve as Executive Officers, External Members of the Board, and Non-executive Directors who concurrently serve as officers or employees of the parent company. External Members of the Board account for one-third or more of the Board of Directors. The term of office for each Director is one year, and their number has been narrowed down to an appropriate scale. Under this structure, the Board of Directors deliberates and decides on important matters concerning the management of the company 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 as follows.

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 revisions, etc.

In addition, the company has established and operates the following committees as voluntary advisory bodies to the Board of Directors.

Nomination and Compensation Committee

Objectives	To strengthen the fairness, transparency and objectivity of procedures related to the nomination and compensation of Directors, Audit & Supervisory Board Members and Executive Officers, and to enhance corporate governance.
Composition	The Nomination and Compensation Committee is composed of three or more Directors selected by resolution of the Board of Directors. * The majority shall be selected from External Directors, who, in principle, shall be selected from among 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 and minority shareholders.
Composition	The Special Committee is composed solely of three or more External Directors selected by resolution of the Board of Directors. * In principle, they shall be selected from among Independent External Directors.

Audit & Supervisory Board

The Audit & Supervisory Board consists of a total of four members including 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 has also established 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 operations; 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 the status of business execution by division directors and Group-wide activities; identification and sharing of problems	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 June 30, 2024)

Directors

Executive Directors



Akira Yokode
Chief Executive Officer and
Chairman of the Board



Sei Kawafuji
Executive Managing
Director, Corporate &
Administration



Koichi Okoshi
Executive Managing Director,
Sales and Assistant to CEO



Naohito Tsuji
Executive Managing Director,
Sales Division Director



Hiroyuki Rikuna
Executive Managing Director,
Sales Division Director, and
General Manager of Marketing &
Development Division

Managing Directors

Senior Managing Director

Tsutomu Kishishita Sales Division Director

Managing Directors

Masahiro Fukami Director of Corporate Division

Koichi Ishibashi Sales Division Director

Takefumi Mizukoshi Sales Division Director, General
Manager of Overseas Department,
Head of ASEAN Operations

Hitoshi Arai Sales Division Director

Takanori Obata Sales Division Director, Deputy General
Manager of Overseas Department,
Deputy Head of ASEAN Operations

Non-executive Directors



Yosuke Komatsu
Member of the Board



Tatsumi Maeda
External Member of the
Board, Independent Officer



Yoshiaki Yatsu
External Member of the
Board, Independent Officer



Mie Fujimoto
External Member of the
Board, Independent Officer

Audit & Supervisory Board Members



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



Hiroshi Mizukami
External Audit & Supervisory
Board Member, Independent
Officer



Hiroshi Ito
Audit & Supervisory Board
Member



Toshio Ohshima
External Audit & Supervisory
Board Member, Independent
Officer

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

The 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 election and nomination procedures, advisory and report procedures of the Nomination and Compensation Committee must be completed before the final election/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 illegal or improper acts or suspicion thereof, 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.

Notes: 1. The company selects candidates for Independent External Directors based on the independence standards established by Tokyo Stock Exchange, Inc.
2. Director Tatsumi Maeda, Director Yoshiaki Yatsu, Director Mie Fujimoto, Audit & Supervisory Board Member Hiroshi Mizukami and Audit & Supervisory Board Member Toshio Ohshima have been designated as independent officers as stipulated by Tokyo Stock Exchange, Inc. and registered with the exchange.



Skill Matrix and Attendance at Meetings

Skill Matrix

Attribute	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
Members of the Board	Executive Directors						
	Akira Yokode	●	●	●	●		
	Sei Kawafuji	●			●	●	●
	Koichi Okoshi	●	●	●			
	Naohito Tsuji	●	●	●			
	Hiroyuki Rikuna		●		●		
	Non-executive Directors						
	Yosuke Komatsu		●	●			
	Tatsumi Maeda	●	●		●		
	Yoshiaki Yatsu				●	●	
Audit & Supervisory Board Members	Mie Fujimoto				●		●
	Yoshihito Noguchi				●		●
	Hiroshi Mizukami				●		●
	Hiroshi Ito			●	●	●	●
	Toshio Ohshima	●	●	●	●		

Meeting Attendance by Members of the Board

Attribute	Name	Attendance at meetings of the Board of Directors	Responsibility for and attendance at advisory committee meetings	
			Nomination and Compensation Committee	Special Committee
Members of the Board	Executive Directors			
	Akira Yokode	12/13 (92.3%)	Committee Member (5/6)	–
	Sei Kawafuji	13/13 (100.0%)	–	–
	Koichi Okoshi	* No record for the fiscal year ended March 31, 2024 due to assuming office on June 26, 2024	–	–
	Naohito Tsuji	13/13 (100.0%)	–	–
	Hiroyuki Rikuna	11/11 (100.0%)	–	–
	Non-executive Directors			
	Yosuke Komatsu	13/13 (100.0%)	Committee Member (6/6)	–
	Tatsumi Maeda	13/13 (100.0%)	Committee Member (5/6)	Committee Member (4/4)
	Yoshiaki Yatsu	13/13 (100.0%)	Chair (6/6)	Chair (4/4)
	Mie Fujimoto	* No record for the fiscal year ended March 31, 2024 due to assuming office on June 26, 2024	* No record for the fiscal year ended March 31, 2024 due to assuming office on June 26, 2024	* No record for the fiscal year ended March 31, 2024 due to assuming office on June 26, 2024

Meeting Attendance by Audit & Supervisory Board Members

Attribute	Name	Attendance at meetings of the Board of Directors	Attendance at meetings of the Audit & Supervisory Board
Audit & Supervisory Board Members	Yoshihito Noguchi	13/13 (100.0%)	13/13 (100.0%)
	Hiroshi Mizukami	13/13 (100.0%)	13/13 (100.0%)
	Hiroshi Ito	13/13 (100.0%)	13/13 (100.0%)
	Toshio Ohshima	13/13 (100.0%)	13/13 (100.0%)

Note: Attendance at meetings of the Board of Directors and meetings of the Audit & Supervisory Board is based on the results for the fiscal year ended March 31, 2024.



Executive Compensation System

Basic Policy

- (1) Compensation for Directors shall be determined by the Board of Directors after annual deliberation 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

Members of the Board: 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 conclu-

sion 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 Members of the Board

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

- The Chief Executive Officer and Chairman of the Board 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 Nomination and Compensation Committee.

- The Nomination and Compensation Committee shall deliberate on the proposal from the Board of Directors before reporting to the Board of Directors.
- The Chief Executive Officer and Chairman of the Board 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 Chief Executive Officer and Chairman of the Board shall present a final report to the Nomination and Compensation Committee and present a proposal to be passed by the Board of Directors.

Upon the completion of the above procedures, the Board of Directors shall perform final deliberation to determine the compensation to be paid to senior management and Directors.

Structure and Calculation Method of Compensation for Members of the Board

Compensation items shall be determined according to the attributes of officers, and the breakdown and calculation method are set forth in the "Model percentage" table below.

Model Percentage

Compensation structure	Monthly fixed compensation	Performance-linked compensation (bonus)			Total
Constituent item	Base compensation for Directors + additional compensation by position	Linked to consolidated net income			
		70% of bonus amount (linked to short-term performance)	30% of bonus amount (linked to medium-term performance)	Subtotal	
Percentage of amount based on standard bonus amount	74-78%	16-18%	6-8%	22-26%	100%
Increase/decrease in percentage by position	Gradual decrease	Gradual increase			–



(1) Executive Directors (see “Model Percentage” the previous page)

Monthly compensation shall be fixed based on “base compensation for Directors” and “additional compensation by position.” Bonuses are performance-linked compensation based on 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.

Since the main responsibilities of Executive Directors are to ensure and improve earnings and to increase corporate value in each fiscal year and over the medium to long term, consolidated net income is used as an indicator for the calculation of the performance-linked portion (bonus) of compensation for Executive Directors.

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 External Directors shall receive only base Director compensation as a fixed salary, which shall be within the range of the model base compensation for Directors.

(3) Non-executive officers dispatched from the parent company

Non-executive officers dispatched from the parent company are not compensated.

Evaluation of the Effectiveness of the Board of Directors Evaluation Framework and Method

- (1) Target: All current Directors and Audit & Supervisory Board Members as of January each year.
- (2) Implementation method: Questionnaire (anonymous responses)
- (3) Evaluation items: The questionnaire consists of the following seven chapters.
 1. Composition of the Board of Directors
 2. Operation of the Board of Directors
 3. Operation of the Nomination and Compensation Committee
 4. Operation of the Special Committee
 5. Relationship with shareholders and investors
 6. Agenda of the Board of Directors
 7. Systems supporting the Board of Directors
- (4) Evaluation process:
 - January: Distribute and disseminate questionnaires
 - February: Collect questionnaires
 - March: Report the results of the questionnaire survey and the columns for comments, requests and free entries to the Board of Directors. Discuss challenges and improvement measures in the Board of Directors.
 - April: Chief Executive Officer and Chairman of the Board evaluates the effectiveness of the Board of Directors and reports the results to the Board of Directors.

Summary of Evaluation Results

As a result of the analysis and evaluation, the effectiveness of the Board of Directors as a whole was generally assessed as adequate, but there were some comments that there were issues with “ensuring the diversity of members of the Board of Directors” and “explaining management succession plans to the Board of Directors.” With regard to the questions newly added from the fiscal year ended March 31, 2024, some respondents suggested that there is room for improvement in the frequency of “reports to the Board of Directors from the Nomination and Compensation Commit-

tee and Special Committee” and “reports to the Board of Directors on the results of IR activities.”

In order to further enhance effectiveness, the company’s Board of Directors will work diligently to make improvements to address the aforementioned issues and ensure full supervision of management by the Board of Directors.

Approach to Diversity of the Board of Directors, etc.

The company’s Board of Directors currently consists of nine Members of the Board. The composition of the Board of Directors is well-balanced, including the Chief Executive Officer and Chairman of the Board who executes business operations, Executive Directors who concurrently serve as Executive Officers, Non-executive Directors who concurrently serve as officers or employees of the parent company, and Independent External Directors.

Furthermore, the Audit & Supervisory Board consists of a total of four members including one Audit & Supervisory Board Member (Full-time), two Independent External Audit & Supervisory Board Members, and one Audit & Supervisory Board Member who concurrently serves as an employee or officer of the parent company.

The Executive Directors are selected on the basis of their strong ties to the front lines, while the Non-executive Directors who concurrently serve as officers or employees of the parent company and Audit & Supervisory Board Members are selected from candidates who have extensive experience on the front lines and in the administrative divisions of the parent company.

In addition, candidates for External Directors are drawn from among those with legal, financial, or accounting experience through a professional role or position within a company or from those with experience in senior management or management positions within a company.



Promotion of Female Officers

In selecting candidates, the company considers diversity in terms of gender, nationality, work experience, and age, as well as their business experience and ability to adapt to the company's industry, and the Board of Directors makes every effort to consider and discuss these.

Due to recognizing diversity on the Board of Directors as an issue, at the 78th Ordinary General Meeting of Shareholders held in June 2024, the company nominated and elected Mie Fujimoto, a woman, as a candidate for the Board of Directors. From the perspective of diversity of the Board of Directors, we will continue to work to produce management executives from a variety of human resources.

Training Policy for Members of the Board and Audit & Supervisory Board Members

We provide opportunities for Members of the Board and Audit & Supervisory Board Members to gain a thorough understanding of the roles and responsibilities expected of them by explaining and acquiring the necessary knowledge of the company's business, finances, organization, legal knowledge, etc., in accordance with their individual backgrounds, and by utilizing external training programs provided by third-party organizations.

In addition, for the purpose of subsequently updating such knowledge on an ongoing basis, the company provides and mediates opportunities for explanations and places for training adapted to individual Members of the Board and Audit & Supervisory Board Members, and supports the costs of such training.

The company holds officer training sessions approximately twice a year, selecting themes and other topics in consideration of the prevailing conditions of the times.

Providing Information to External Members of the Board

The company has a system in place to respond to requests for information from External Members of the Board as need-

ed and, in principle, endeavors to provide materials one week prior to the date of a meeting of the Board of Directors.

Succession Plan

In formulating the executive structure plan every year, the Chief Executive Officer and Chairman of the Board drafts the plan based on the opinions of senior management. This is reviewed and deliberated by the Board of Directors, and after consultation with and reporting by the Nomination and Compensation Committee, it is finally decided by a resolution of the Board of Directors.

First, senior management and Members of the Board are selected based on their experience and knowledge in corporate management, corporate administration and specific specialist fields, as well as their ability to make accurate and swift decisions based on this, and also on the basis of their character as an individual and their insight to ensure compliance with laws and regulations and corporate ethics.

In order to enhance their qualifications as candidates to succeed positions such as top management, the selected management executives and Members of the Board are allocated positions and responsibilities, and their responsibilities are periodically replaced to further develop their knowledge, experience, and abilities.

Moreover, in April 2023, we began Training for Next-generation Executives to develop successors for future senior officers, CEOs, etc., providing them with opportunities to acquire the knowledge and skills necessary for top management.

The Board of Directors consults with the Nomination and Compensation Committee regarding the policy on succession planning and the status of training, and receives reports from the committee to confirm the appropriateness of the overall plan.

Policy on Constructive Dialogue with Shareholders

In addition to assigning a Director in charge of investor relations, the Corporate Planning & Human Resources Development Department has been designated as the department in charge of investor relations.

The Director in charge of investor relations oversees the divisions related to investor relations activities in the Corporate Division and works with them on a daily basis.

The Corporate Planning & Human Resources Development Department responds to telephone interviews from investors and inquiries from shareholders, and holds financial results briefings for analysts and institutional investors, with the Director in charge of investor relations providing explanations.

Whenever we engage in dialogue with institutional investors, whether at financial results briefings or small meetings, we focus on matters related to the sustained growth of the company and the enhancement of corporate value over the medium to long term.

Policy on Strategic Shareholdings

The company believes that it needs to cooperate with various stakeholders in its business. As a means of building, maintaining and strengthening business and collaborative relationships, the company may acquire and hold shares in other companies.

Based on a comprehensive review of the business relationships and the purpose, history, effects, risk and cost of shareholdings with each of our business partners, the company plans to acquire or hold these shares as strategic shareholdings to enhance its corporate value over the medium to long term.

In addition, the appropriateness of each shareholding is evaluated every year in accordance with future changes in circumstances, and if deemed inappropriate or inadmissible, a reduction or other such revision is made.



Compliance

To accomplish the management principle of “expanding good relations and creating 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 understood by all officers and employees.

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 compliance regulations set by the company, we also include the blocking of relationships with antisocial forces as an item in the Code of Business Practice, making this widely known through in-house education

by the Human Resources & General Affairs Department. We operate an internal whistleblowing system as outlined below.

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.

Overview of the Whistle-blowing System

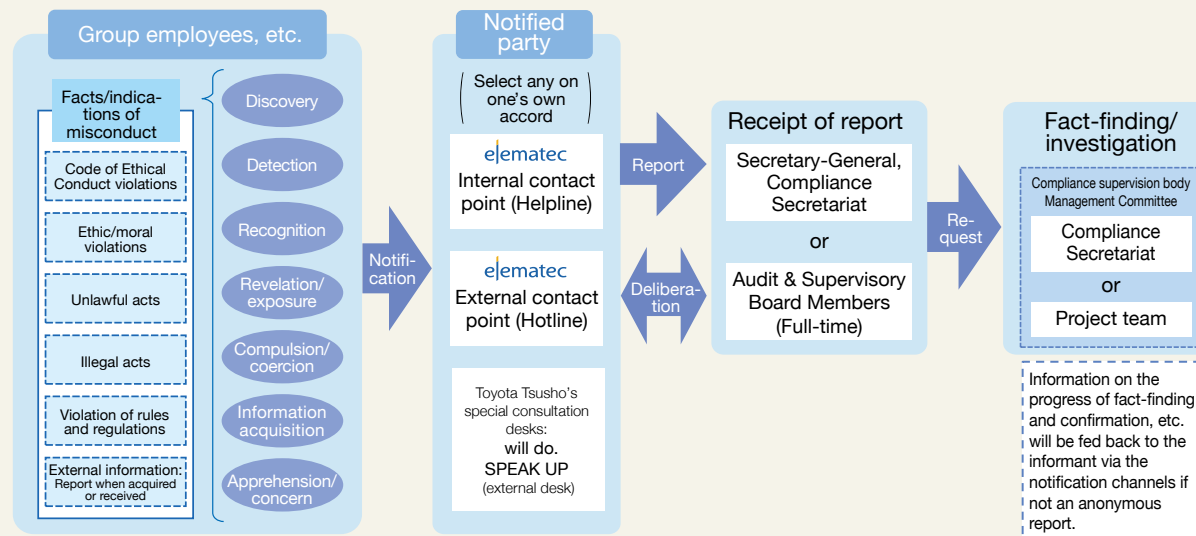
The Group has set out details regarding our whistle-blowing system in our compliance regulations and whistle-blowing guidelines, and has established the following contact points inside and outside the company.

- (1) Internal contact point (Helpline)
 - General Manager, Human Resources & General Affairs Department or General 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 whistle-blowing after promptly holding discussions with the Secretary-General of the Compliance Secretariat on whether the case constitutes misconduct. It then reports to Audit & Supervisory Board Members (Full-time), according to the content of the case. When the external contact point receives a whistle-blowing 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 according to the content of the case, and undertakes subsequent action.

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

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





Risk Management

Harassment Compliance Training

We recognize that measures to address harassment are an urgent issue, and we plan training, including compliance, not as a one-off event, but as a medium-term (three-year) training program that not only provides knowledge, but also encourages employees to change their behavior.

In particular, training for managing directors, division directors, and employees at the level of department or branch manager is not passive training, but is designed so that they can learn by themselves through their work, providing opportunities to foster awareness.

Since the content to be learned differs depending on the role of the position, the training is divided into the following hierarchical levels.

- Senior management
- Department and branch managers
- Employees other than the above

At each level, the three years are divided into the following steps to encourage step-by-step understanding.

[Step 1] First year

Study the two topics of harassment and compliance to build a foundation

[Step 2] Second year

As an advanced format, learn more in-depth content than that of the first year

[Step 3] Third year

Select themes that can encourage new knowledge and behavioral change based on the past two years of study

The Group is committed to risk avoidance through enhancement of awareness about compliance with not only laws and regulations but also internal regulations and rules, etc., and is also engaged in various measures to protect the company's assets and reputation and stakeholders' interests through periodic analysis of risks in each area and revision of measures to avoid risks.

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 report those with a high impact to the Corporate Risk Management Committee as well as to the Accounting Auditor.

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. at 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 changes
Risks related to credit	Inability to collect receivables, 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, infectious diseases, etc.	Occurrence of natural disasters such as earthquakes, heavy rains, floods, or other abnormal weather, infectious 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. exceeding expectations
Risks related to the substantiality of sales transactions with new business partners	Occurrence of situations such as the Group becoming party to fictitious or circular transactions due to unidentifiable circumstances



Key Financial Data

J-GAAP	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	IFRS (Note 1)	FY2022	FY2023
Management indicators												Management indicators		
Ratio of ordinary income to net sales (%)	3.9	3.9	3.2	2.6	3.1	3.4	2.6	2.9	3.9	4.6	3.9	Ratio of profit before tax to revenue (%)	4.4	4.2
Ratio of net income to net sales (%)	2.7	2.8	2.3	0.7	2.2	1.8	1.9	2.0	2.7	3.2	2.8	Ratio of profit attributable to owners of the parent to revenue (%)	3.0	2.9
Return on assets (ROA) (%)	8.1	9.0	8.4	6.1	6.6	6.6	4.8	5.3	7.3	9.7	6.6	ROA (return on assets before tax) (%)	9.1	7.1
Return on equity (ROE) (%)	11.2	12.8	11.6	3.0	9.5	6.9	6.5	7.0	9.4	12.3	7.9	ROE (return on equity attributable to owners of the parent) (%)	11.5	8.5
Shareholders' equity ratio (%)	50.0	51.0	55.2	47.8	52.3	52.3	55.5	53.7	51.7	57.6	60.1	Ratio of equity attributable to owners of the parent to total assets (%)	56.7	59.1
Consolidated results of operations												Consolidated results of operations		
Net sales (million yen)	143,442	181,876	216,824	203,004	196,238	183,399	175,654	180,218	200,646	239,774	194,457	Revenue (million yen)	239,871	194,350
Ordinary income (million yen)	5,644	7,077	6,880	5,314	6,085	6,188	4,499	5,179	7,867	11,130	7,595	Profit before tax (million yen)	10,477	8,116
Net income attributable to owners of the parent (million yen)	3,863	5,105	5,048	1,342	4,376	3,364	3,263	3,666	5,374	7,696	5,367	Profit attributable to owners of the parent (million yen)	7,192	5,729
Consolidated financial position												Consolidated financial position		
Total assets (million yen)	73,425	84,191	80,572	93,284	91,835	95,667	91,781	101,317	115,332	113,913	115,727	Total assets (million yen)	114,598	117,212
Interest-bearing debt (million yen)	0	1,598	466	2,884	53	83	349	507	890	1,576	1,103	Interest-bearing debt (million yen)	2,288	2,778
Net assets (million yen)	36,943	42,910	44,442	44,545	48,046	50,056	50,896	54,413	59,645	65,577	69,529	Total equity (million yen)	65,032	69,249
Consolidated results of cash flows												Consolidated results of cash flows		
Cash flows from operating activities (million yen)	2,132	(5,942)	7,573	(3,309)	19,257	1,009	398	6,104	4,236	4,910	14,250	Cash flows from operating activities (million yen)	5,597	14,911
Cash flows from investing activities (million yen)	21	(290)	(1,387)	(85)	(51)	74	(309)	(747)	(599)	(872)	(1,160)	Cash flows from investing activities (million yen)	(872)	(1,160)
Free cash flow (million yen)	2,154	(6,232)	6,186	(3,394)	19,205	1,084	88	5,357	3,637	4,038	13,089	Free cash flow (million yen)	4,725	13,751
Cash flows from financing activities (million yen)	(1,145)	318	(2,837)	1,504	(3,547)	(1,401)	(1,747)	(1,264)	(1,710)	(2,299)	(4,996)	Cash flows from financing activities (million yen)	(2,986)	(5,657)
Per-share information												Per-share information		
Book-value per share (yen)	896.26	1,047.97	1,085.37	1,087.90	1,173.40	1,222.49	1,243.00	1,328.89	1,456.67	1,601.56	1,698.06	Equity attributable to owners of the parent per share (yen)	1,588.23	1,691.22
Net income per share (yen)	94.35	124.69	123.29	32.79	106.88	82.17	79.70	89.55	131.25	187.96	131.09	Profit per share (yen)	175.66	139.93
Dividend per share (yen)	28.50	37.50	37.50	10.00	32.50	33.00	32.00	36.00	53.00	76.00	85.00	Dividend per share (yen)	76.00	85.00
Ratios												Ratios		
Payout ratio (%)	30.2	30.1	30.4	30.5	30.4	40.2	40.1	40.2	40.4	40.4	64.8	Dividend payout ratio (%)	43.3	60.7
DOE (%)	3.4	3.8	3.5	0.9	2.9	2.8	2.6	2.8	3.8	5.0	5.2	DOE (%)	5.0	5.2

Notes: 1. Effective from the fiscal year ended March 31, 2024, the company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) instead of the previous Japanese Generally Accepted Accounting Principles (J-GAAP). Accordingly, for the fiscal years ended March 31, 2023 and March 31, 2024, consolidated financial information is presented based on both J-GAAP and IFRS.

2. 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. Book-value per share and equity attributable to owners of the parent per share, net income per share and profit 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 ended March 31, 2014.



Group Companies and Domestic Network

Group Companies

Company's name	Location	Capital	Percentage of voting rights held (%)
Elematec Logi Serve Corporation	Yokohama	JPY 10,000,000	100
Elematec Trading (Dalian) Co., Ltd.	Dalian	RMB 1,655,000	100
Elematec Electronics (Dalian) Co., Ltd.	Dalian	RMB 24,606,000	100
Elematec (Tianjin) International Trading Co., Ltd.	Tianjin	RMB 1,735,000	100
Elematec (Qingdao) Trading Co., Ltd.	Qingdao	RMB 3,339,000	100
Elematec Wuxi Technology Co., Ltd.	Wuxi	RMB 34,620,000	100
Elematec (Shanghai) Trading Co., Ltd.	Shanghai	RMB 5,794,000	100
Elematec International Trading (Shenzhen) Co., Ltd.	Shenzhen	RMB 2,121,000	100
Elematec Hong Kong Limited	Hong Kong	USD 12,000	100
Elematec Korea Co., Ltd.	Seoul	KRW 490,000,000	100
Elematec Taiwan Corporation	Taipei	TWD 3,000,000	100
Elematec Philippines, Inc.	Manila	USD 215,000	100
Elematec Angeles Inc.	Angeles	USD 490,000	100
ELEMATEC VIETNAM CO., LTD.	Hanoi	USD 373,000	100
Elematec (Thailand) Co., Ltd.	Bangkok	THB 106,000,000	100
Elematec Malaysia Sdn. Bhd.	Kuala Lumpur	USD 730,000	100
Elematec Singapore (Pte.) Ltd.	Singapore	USD 238,000	100
PT. Elematec Indonesia	Jakarta	USD 700,000	100
Elematec Trading India Private Limited	Bangalore	INR 65,320,000	100
Elematec Europe s.r.o.	Prague	CZK 27,000,000	100
Elematec USA Corporation	San Diego	USD 450,000	100
ELEMATEC MEXICO S.A. DE C.V.	León	MXN 7,000,000	100

Domestic Network

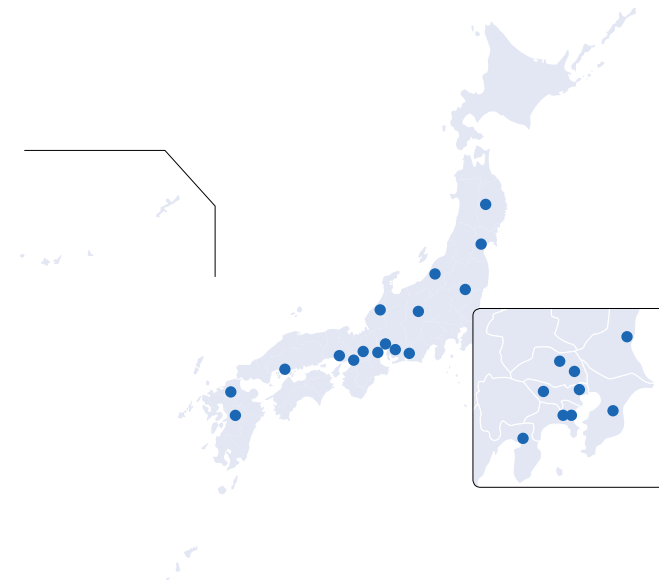
Head Office 26F Sumitomo Fudosan Tokyo Mita Garden Tower, 3-5-19, Mita, Minato-ku, Tokyo

Branches

Sendai (Wakabayashi-ku, Sendai)	Nasu (Otagawa, Tochigi Prefecture)
Omiya (Omiya-ku, Saitama)	Kumagaya (Kumagaya, Saitama Prefecture)
Chiba (Chiba, Chiba Prefecture)	Hachioji (Hachioji, Tokyo)
Yokohama (Kohoku-ku, Yokohama)	Nagaoka (Nagaoka, Niigata Prefecture)
Kanazawa (Kanazawa, Ishikawa Prefecture)	Ueda (Ueda, Nagano Prefecture)
Mishima (Mishima, Shizuoka Prefecture)	Nagoya (Minami-ku, Nagoya)
Kariya (Kariya, Aichi Prefecture)	Kyoto Main (Minami-ku, Kyoto)
Osaka (Suita, Osaka Prefecture)	Kobe (Chuo-ku, Kobe)
Hiroshima (Higashihiroshima, Hiroshima Prefecture)	Fukuoka (Onojo, Fukuoka Prefecture)

Sales Offices

Morioka (Morioka, Iwate Prefecture)	Mito (Mito, Ibaraki Prefecture)
Hamamatsu (Chuo-ku, Hamamatsu)	Yokkaichi (Yokkaichi, Mie Prefecture)
Kumamoto (Chuo-ku, Kumamoto)	





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
Revenue (fiscal year ended March 31, 2024)	Consolidated 194,350 million yen
Number of employees (as of March 31, 2024)	Consolidated 1,225 Non-consolidated 505
Domestic service network (as of March 31, 2024)	25 locations
Overseas service network (as of March 31, 2024)	48 locations

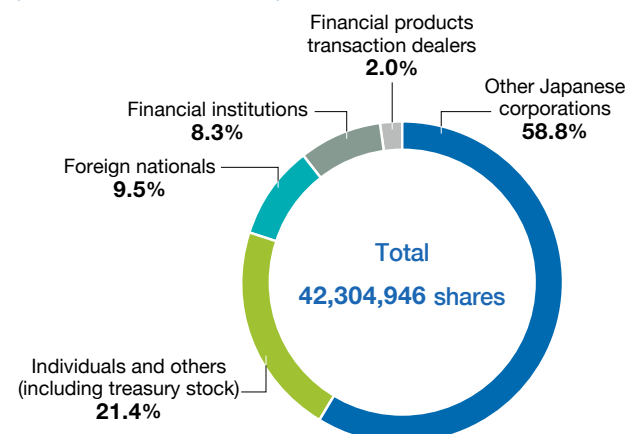
Basic Stock Information (as of March 31, 2024)

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	9,994
Stock exchange listing	The Prime Market of the Tokyo Stock Exchange
Ticker symbol	2715
Administrator of shareholder register	Sumitomo Mitsui Trust Bank, Limited

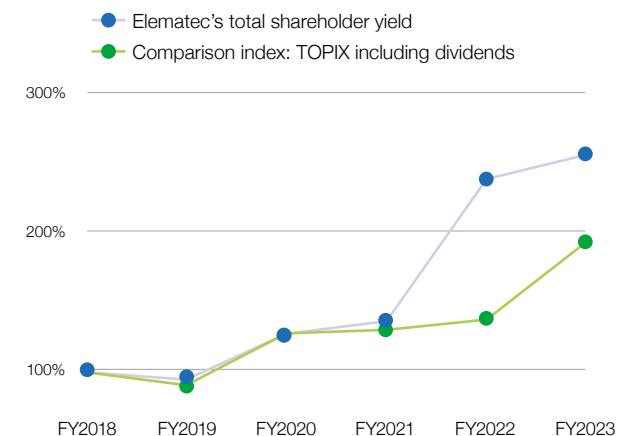
Status of Major Shareholders (as of March 31, 2024)

Name of shareholder	Number of shares held	Equity ratio
Toyota Tsusho Corporation	24,005,800	56.7
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,456,600	5.8
Elematec Corporation	1,358,737	3.2
Elematec Employee Shareholding Association	1,152,296	2.7
Custody Bank of Japan, Ltd. (Trust Account)	901,200	2.1
Osaka Small and Medium Business Investment & Consultation Co., Ltd.	583,800	1.4
STATE STREET BANK AND TRUST COMPANY 505223	315,002	0.7
Nomura Securities Co., Ltd.	279,245	0.7
THE BANK OF NEW YORK MELLON 140042	239,328	0.6
JPMorgan Securities Japan Co., Ltd.	211,264	0.5

Distribution of Shares by Shareholder Type (as of March 31, 2024)



Total Shareholder Yield



Note: Base values are the actual stock prices and index as of March 31, 2019. TOPIX is calculated based on figures including dividends. On June 1, 2019, the company conducted a stock split at a ratio of two shares per share of common stock. Calculations for FY2018 are based on the assumption that the stock split was conducted at the beginning of the fiscal year.

Stock Price Performance

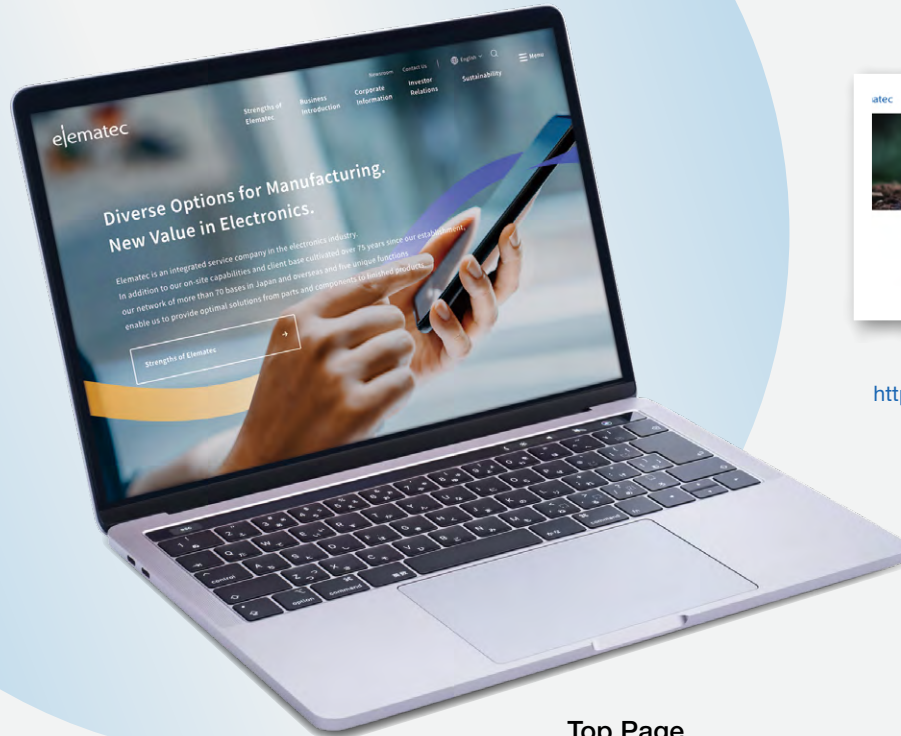
	(Yen)				
	FY2019	FY2020	FY2021	FY2022	FY2023
Highest stock price	1,239 (2,150)	1,099	1,322	1,957	2,000
Lowest stock price	692 (1,752)	727	967	1,000	1,654

Note: The highest and lowest stock prices for FY2019 are those after the stock split, and the highest and lowest share prices before the stock split are shown in parentheses.



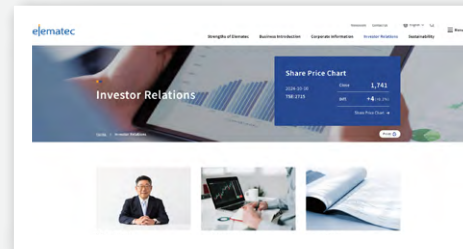
Website

See our website for more detailed information about the Group.



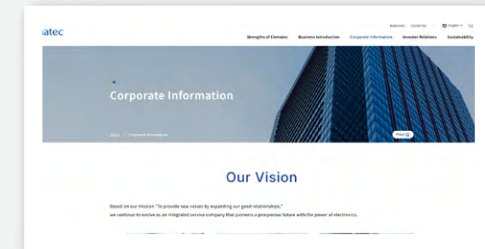
Top Page

<https://www.elematec.com/en/>



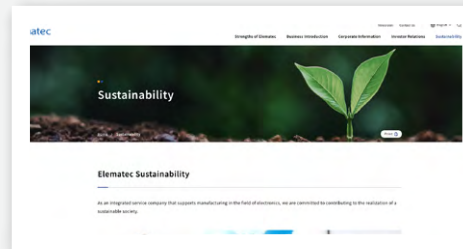
Investor Relations

<https://www.elematec.com/en/ir/>



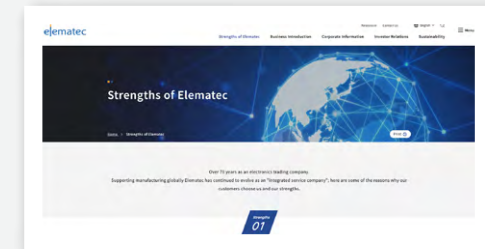
Corporate Information

<https://www.elematec.com/en/company/>



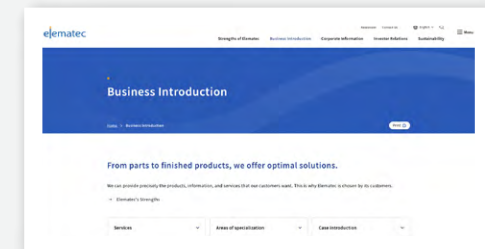
Sustainability

<https://www.elematec.com/en/sustainability/>



Strengths of Elematec

<https://www.elematec.com/en/strength.html>



Business Introduction

<https://www.elematec.com/en/business/>

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 Corporation