

Medium-Term Management Plan 2024 : PLAN2024 (FY2022~FY2024)



Jun 2022

HOKURIKU ELECTRIC INDUSTRY CO., LTD

We formulated the basic medium-term management policy forward to FY2026 that is five years ahead from now, and established PLAN2024 as a three-year medium-term management plan from FY2022 to FY2024. In order to achieve that plan, we will respond based on the following medium-term management basic policy while taking into account our corporate philosophy, long-term vision, and action guidelines, and meet the expectations of our stakeholders.

Medium-Term Management Policy

Until FY2021, we had promoted "Renewed Selection and Concentration" activities for our business and worked to strengthen our business foundation.

From FY2022, based on the current activities, we will further strengthen the resilience of the business and further enhance the corporate value by developing the business with recognition of sustainability and actively responding to various changes (transformation) in the social environment .

FY2024 (End of March 2025) PLAN2024

- Consolidated sales **JPY 46 Bn**
- Consolidated operating income **JPY 2.8 Bn**
(Consolidated operating margin **6%**)
- ROE **10%**

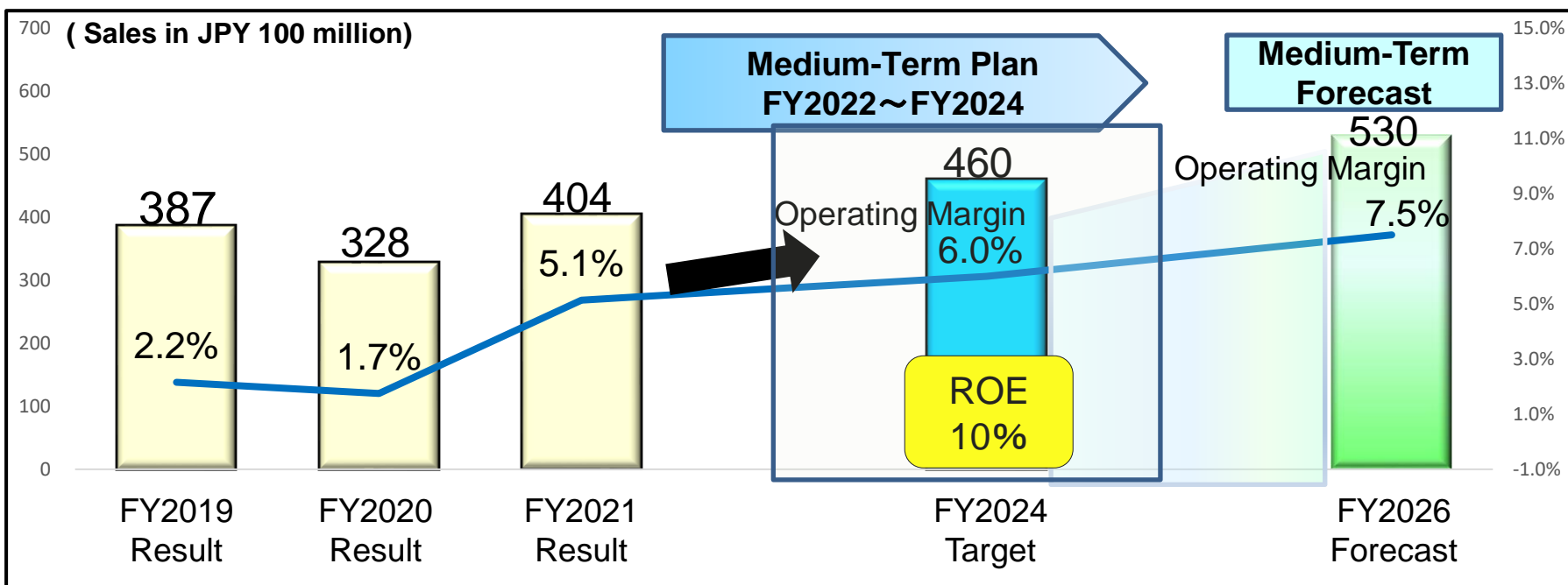
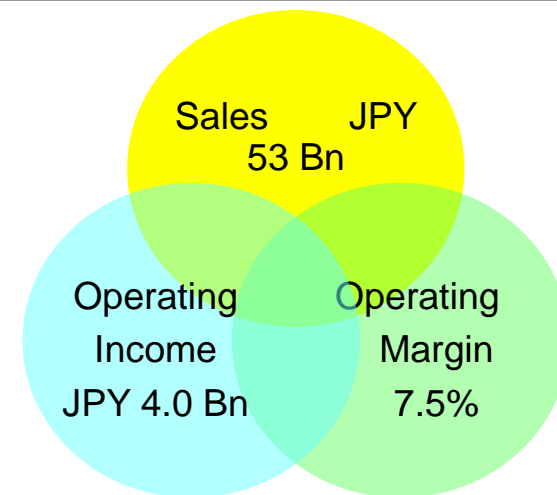
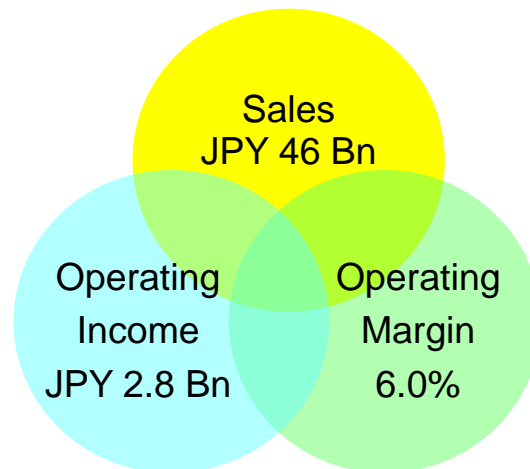
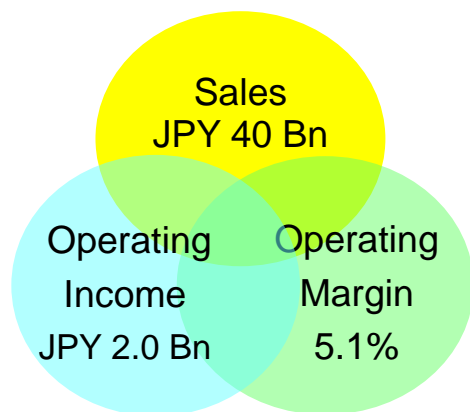
FY2026 (End of March 2027) Forecast

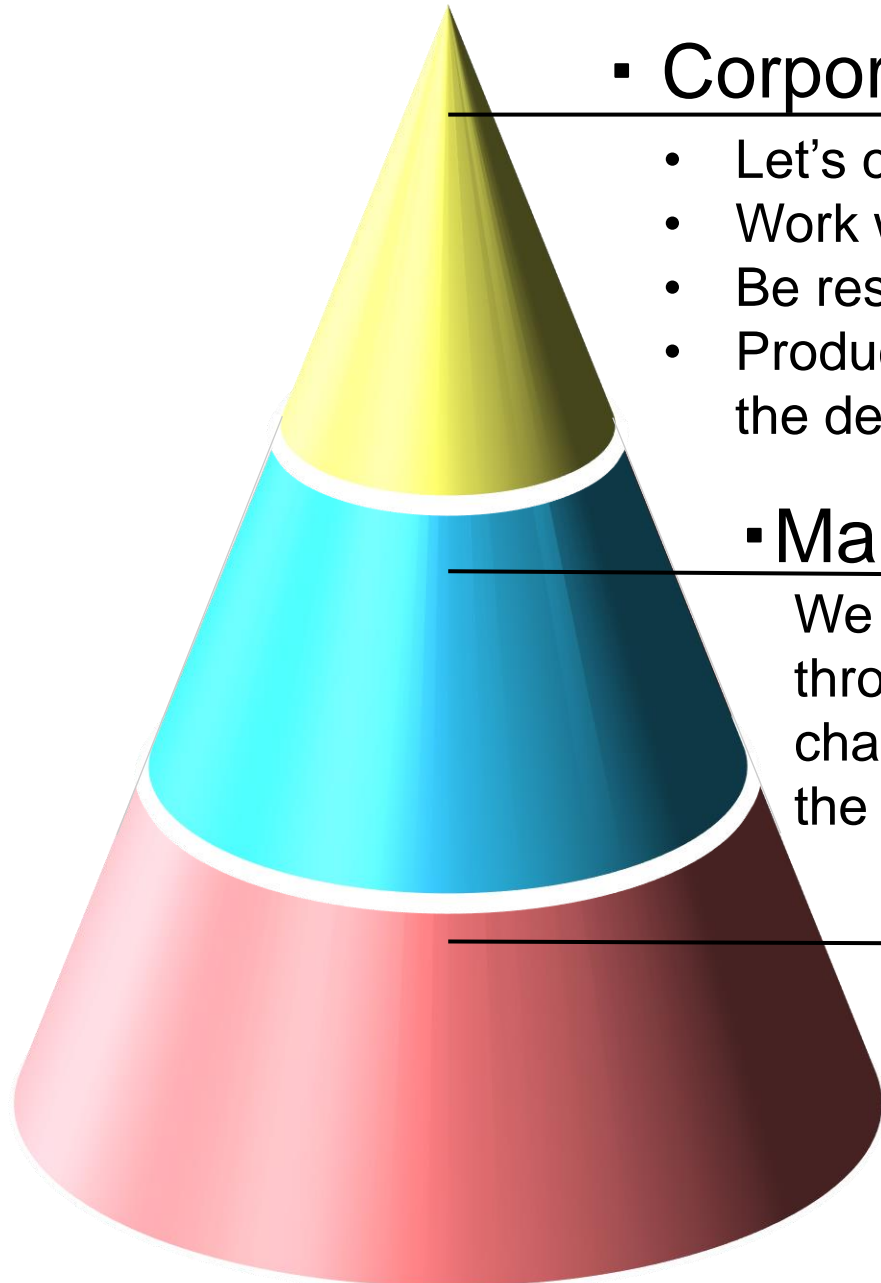
- Consolidated sales forecast **JPY 53 Bn**
- Consolidated operating profit margin forecast **7.5%**

Business Results and Future Goals



HOKURIKU





▪ Corporate Philosophy

- Let's create tomorrow
- Work with sincerity
- Be responsible and cooperative
- Produce good products and contribute to the development of society

▪ Management Vision

We aim to be a company that “Innovates through manufacturing by taking on the challenge of creating things that are not in the world and that Contributes to society”.

▪ Action Guidelines

Management is “Business continuity” and the lifeline of “Business continuity” is “Expansion”. The key factor is to “Continue to be trusted by society”.

* Details are on the next page

Corporate Philosophy

There have been no changes of the manufacturing spirit since our company was founded as stated in the Corporate Motto “Let’s create tomorrow”, “Work with integrity”, “Be responsible and cooperative”, and “Produce good products and contribute to the development of society”. We aim to be a highly trustworthy company by customers and that contributes to society by developing and providing safe, secure, convenient and useful electronic component devices and modules.

Management Vision

We are targeting to be a company that “contributes to society by challenge of creating new things that are not in the world and by creating innovation through manufacturing”. As “HOKURIKU of Sensors & Modules”, we will not only respond to previous requests, but also continue to grow in the future by responding to new needs and issues from various sectors toward the realization of a sustainable society as our top priority strategy.

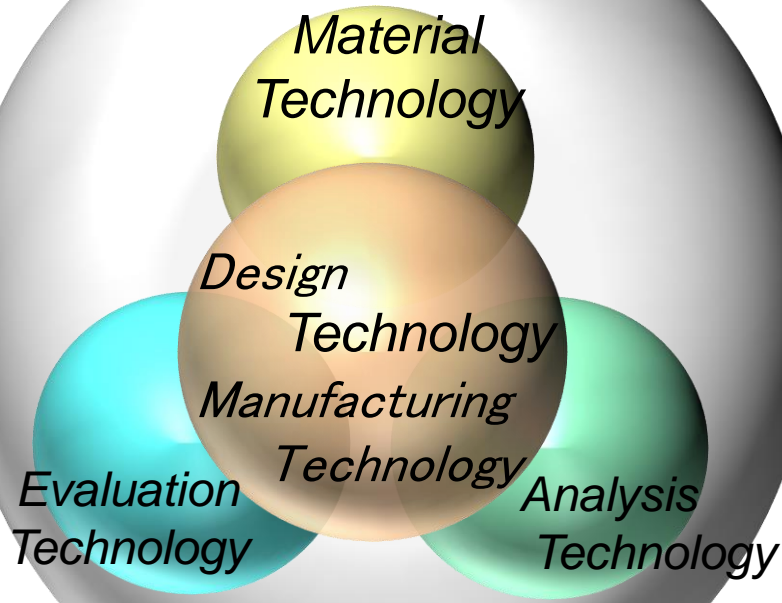
Action Guidelines

- We believe that Management is “Business continuity” and the lifeline is “Expansion”. The key factor is to “Continue to be a trustworthy company by society”. “Long-term expansion” cannot be achieved if the corporate brand value is damaged.
- Complying with the Code of Conduct that we have established, we will promote sincere and ethical corporate activities.
- Further enhancing the spirit of sincerity for quality and technology, we will act with a broad perspective and high goals to make good products.
- We will promote “Sustainability management” to earn the trust of society while acknowledging diversity and enhancing the power of the organization by demonstrating various human resource capabilities.

Our electronic component devices and modules are manufactured based on the spirit of sincerity and product development pursuing five core technologies, and realize high value-added and high quality products that satisfy our customers.

Product Development

Pursuit of New Technologies



Manufacturing

Spirit of Sincerity



Changes in social and business environment

Social Environment

Changes in the social environment with high uncertainty will be continued.

- Growing awareness and needs of decarbonization and environmental protection.
- Labor shortage and rising labor wages due to declining birthrate and aging population, and declining population.
- Decline in growth of developed country, and growth in emerging countries.
- Geopolitical risks such as regional conflicts and trade friction.

Business Environment

Situations that require response to changes in the business environment will be continued.

- Decline in profitability due to commoditization of products.
- Evolution of digital technologies such as IoT, AI and expansion of DX.
- Transformation of the automobile industry such as electrification of vehicles and autonomous driving.
- Increasing awareness of sustainability such as SDGs and ESG.

- Strengthening of core business, promoting of product development and commercialization to meet new demand.
- Strengthening of the management based on sustainability efforts.

Strengthening of core business

- Further expansion of new technologies (new products), new customers, and new fields.
- Continued investment in product development and optimization of business portfolio.
- Strengthening of business bases in consideration of BCP and global restructuring of overseas manufactured products.

Strengthening of marketing and promoting of commercialization

- Strengthening of marketing of auto parts, various sensors, etc.
- Promotion of product development related to decarbonization, electrification of vehicles and DX.

Strengthening of the management base

- Enhancement of corporate governance.
- Accelerating activities toward a sustainable society.



Core business sales ratio

The core business grows steadily in a well-balanced manner.

- Sales ratio of electronic component devices (resistors, sensors, etc.)
FY2021 JPY19 Bn / 47% ➡ FY2024 JPY21.5 Bn / 46% (Sales growth rate 13%)
- Sales ratio of Module products
FY2021 JPY20 Bn / 49% ➡ FY2024 JPY22.5 Bn / 49% (Sales growth rate 13%)

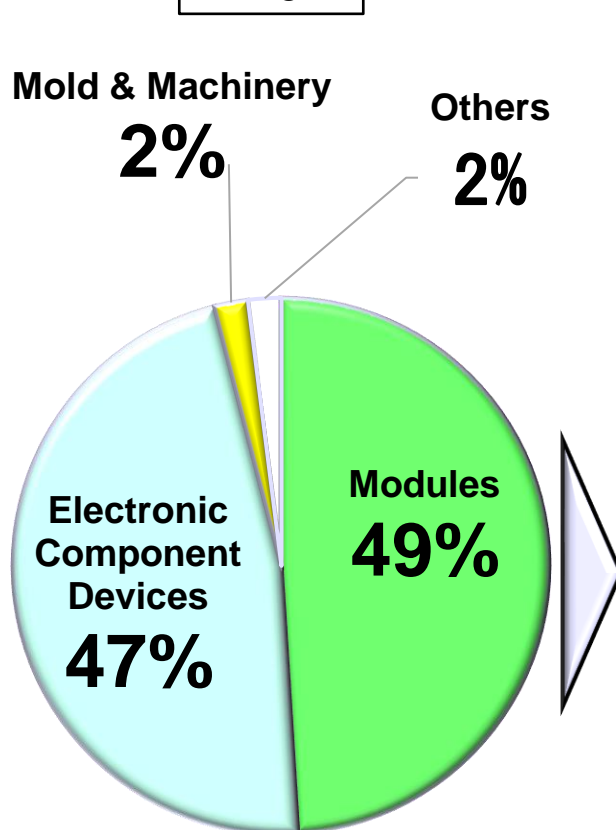
Core product strategy

- Resistors / Electronic component devices will be increased significantly due to the electrification of vehicles.
- Temperature-humidity sensors / Electronic component devices sales will grow by increasing the lineup.
- Module products sales will be expanded by high-functional modules.
- Mass production of new sensors required in a safe and secure society.

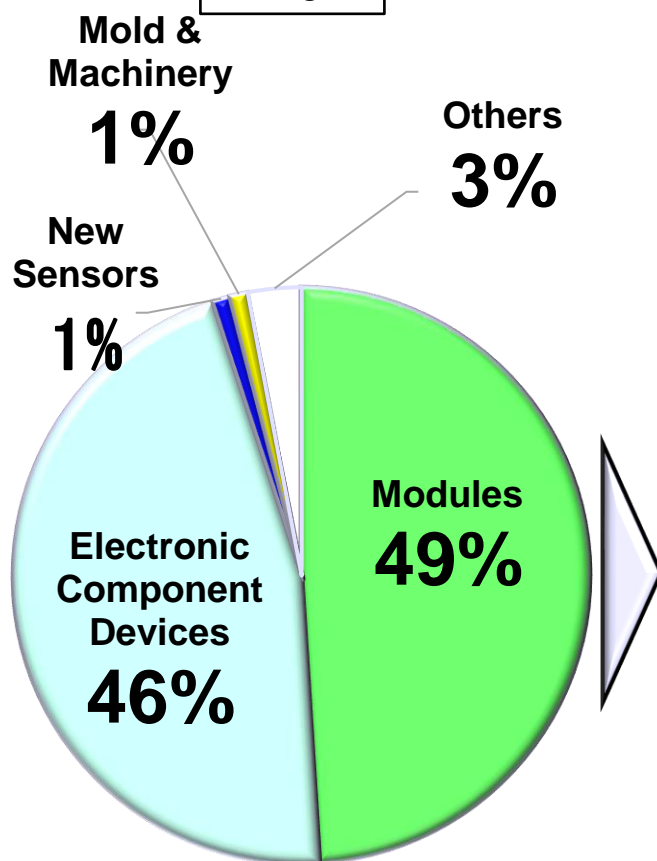
Mold and machinery

- Focus on the mold for advanced PCB applications.
- Development of AI inspection equipment, etc. to suit the market trends.

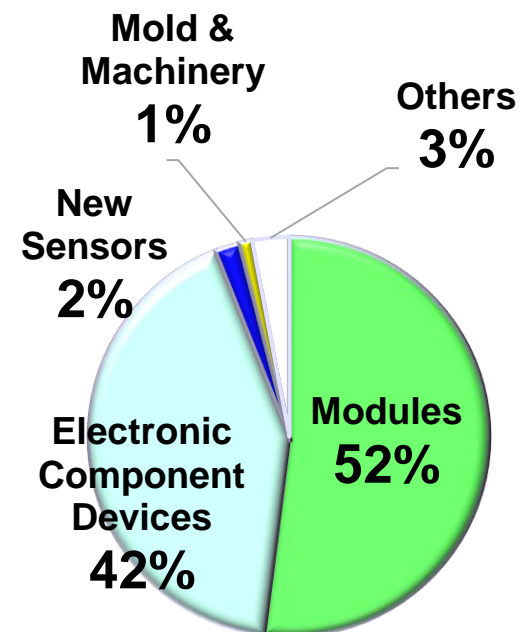
Steady growth in each Division

FY2021

Sales JPY 40.4 Bn

FY2024

Sales JPY 46.0 Bn

Reference**FY2026**

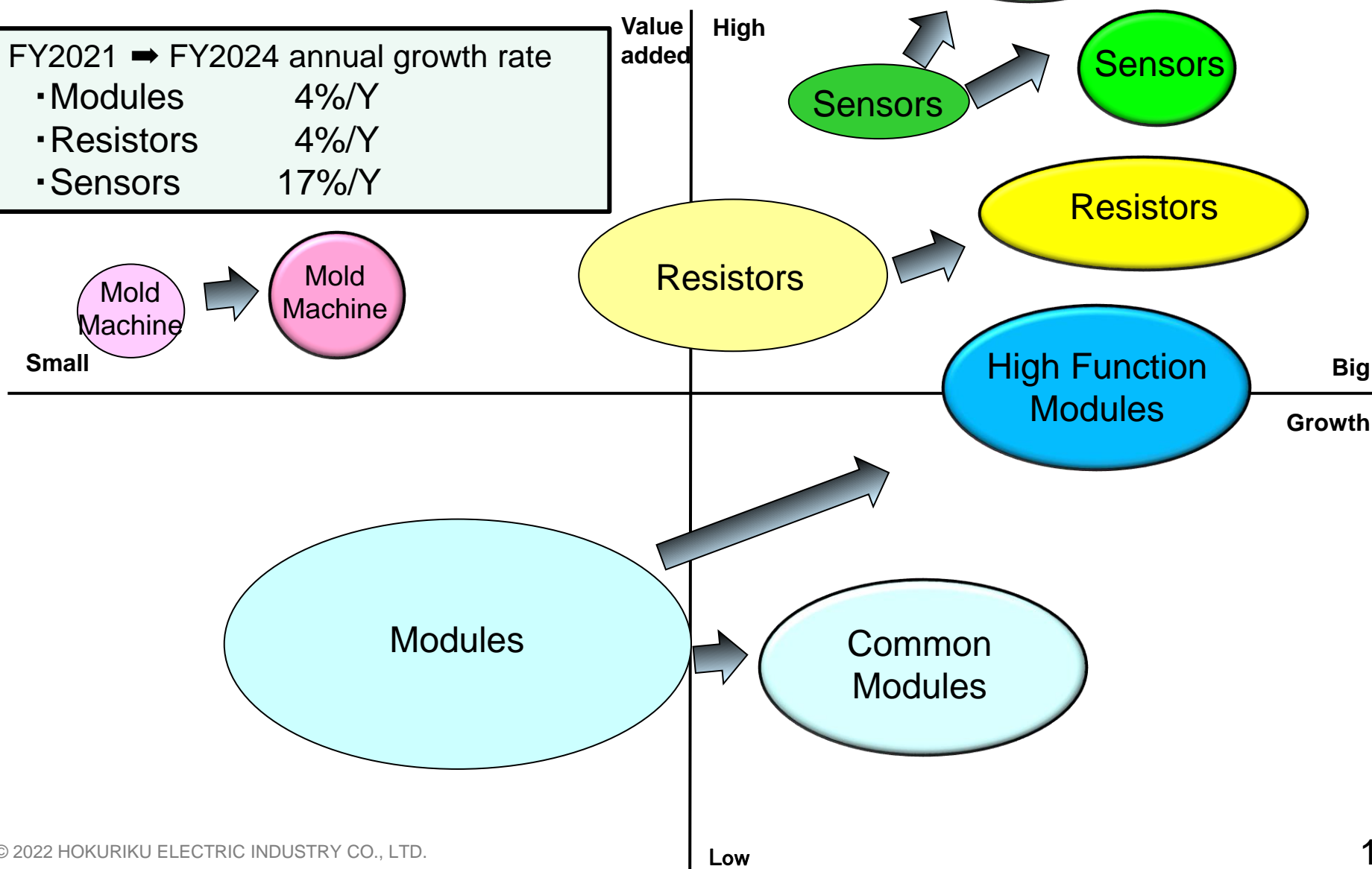
Sales JPY 53.0 Bn

Business development & strategy of Portfolio

※The size of circle represents the scale of sales

FY2021 → FY2024 annual growth rate

- Modules 4%/Y
- Resistors 4%/Y
- Sensors 17%/Y



Strengthening and expanding of the system to focus on high growth potential and profitable field

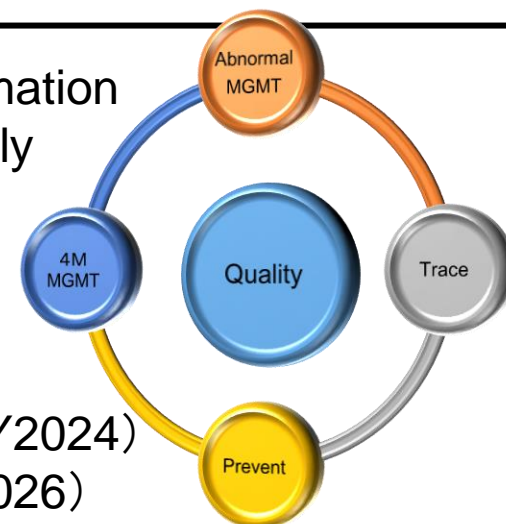
Automobiles

Acceleration of business development for major transformation from gasoline-powered vehicles to environmentally friendly vehicles (EFV)

【Sales ratio for automotive】

58% FY2021 ➡ 64% FY2024

(Environmentally Friendly Vehicles: 5% FY2021 ➡ 8% FY2024)
(REF: 20% FY2026)



Information and communication, industrial equipment, home appliances, etc. (OA, etc.)

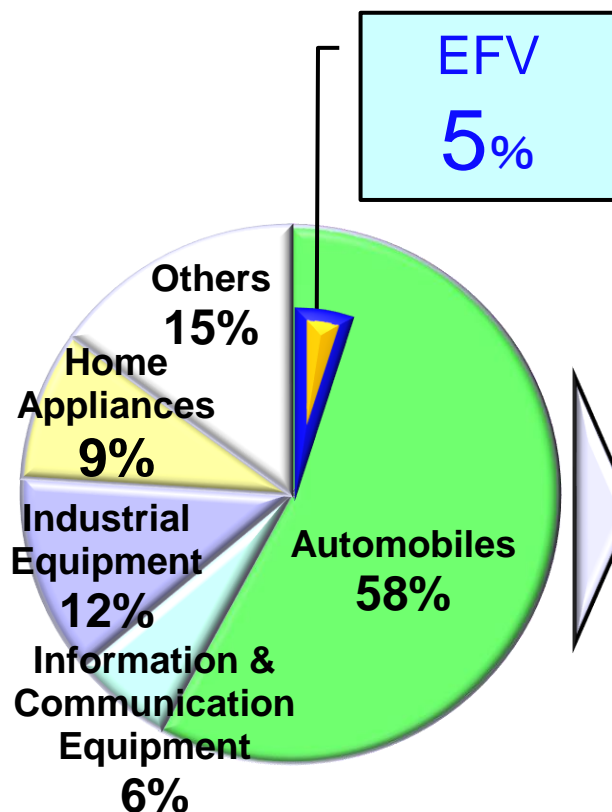
- Strengthening of development of electronic component devices and modules that contribute to CO2 reduction.
- Expansion of product line up to meet customer needs.

GX, DX related (5G, IoT, etc.)

- Product development that contributes to solve social issues (safety and security, monitoring, decarbonization related).

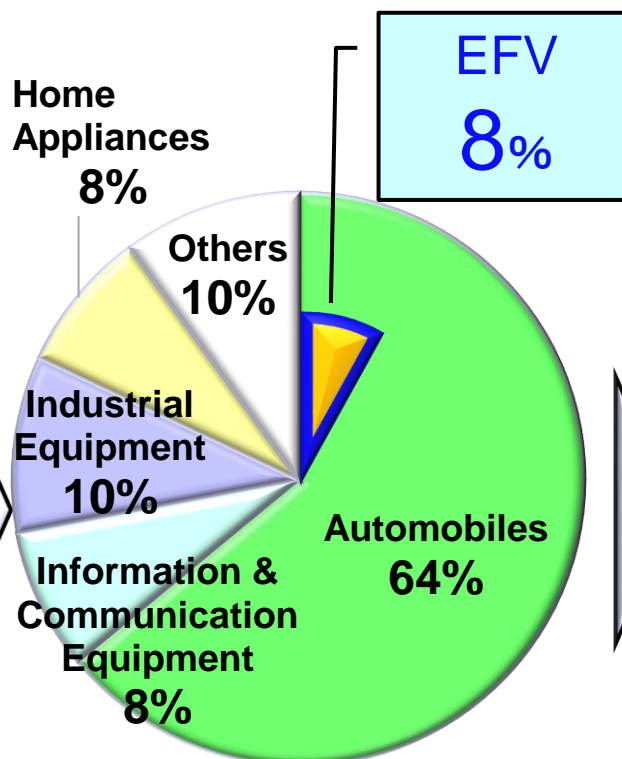
Increase of net sales at automotive market & environmentally friendly vehicles

FY2021



Sales JPY 40.4 Bn

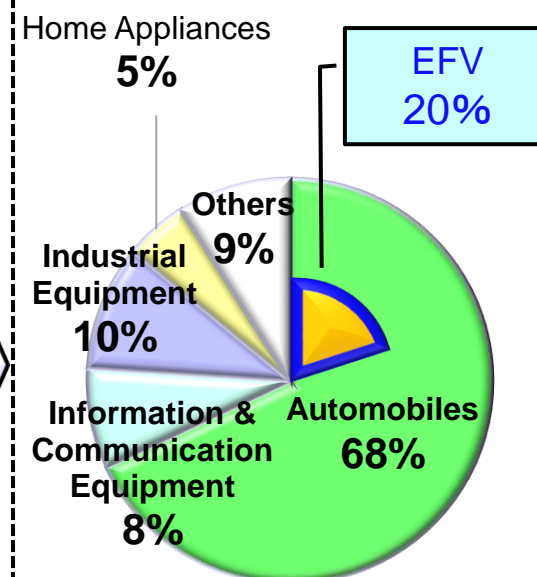
FY2024



Sales JPY 46.0 Bn

Reference

FY2026



Sales JPY 53.0 Bn

※EFV・・・Environmentally Friendly Vehicles

- The production base will review the global production system to pursue a resilient production system in consideration of (1) stable supply (risk management, securing labor force), (2) local production for local consumption, (3) sustainable business development (BCP), etc.

【Overseas production ratio】

60% FY2021 → 66% FY2024 (Ref: 75% FY2026)

China

Tianjin Plant



Shanghai Plant



Dongguan Plant



ASEAN

Thailand Plant



Malaysia Plant



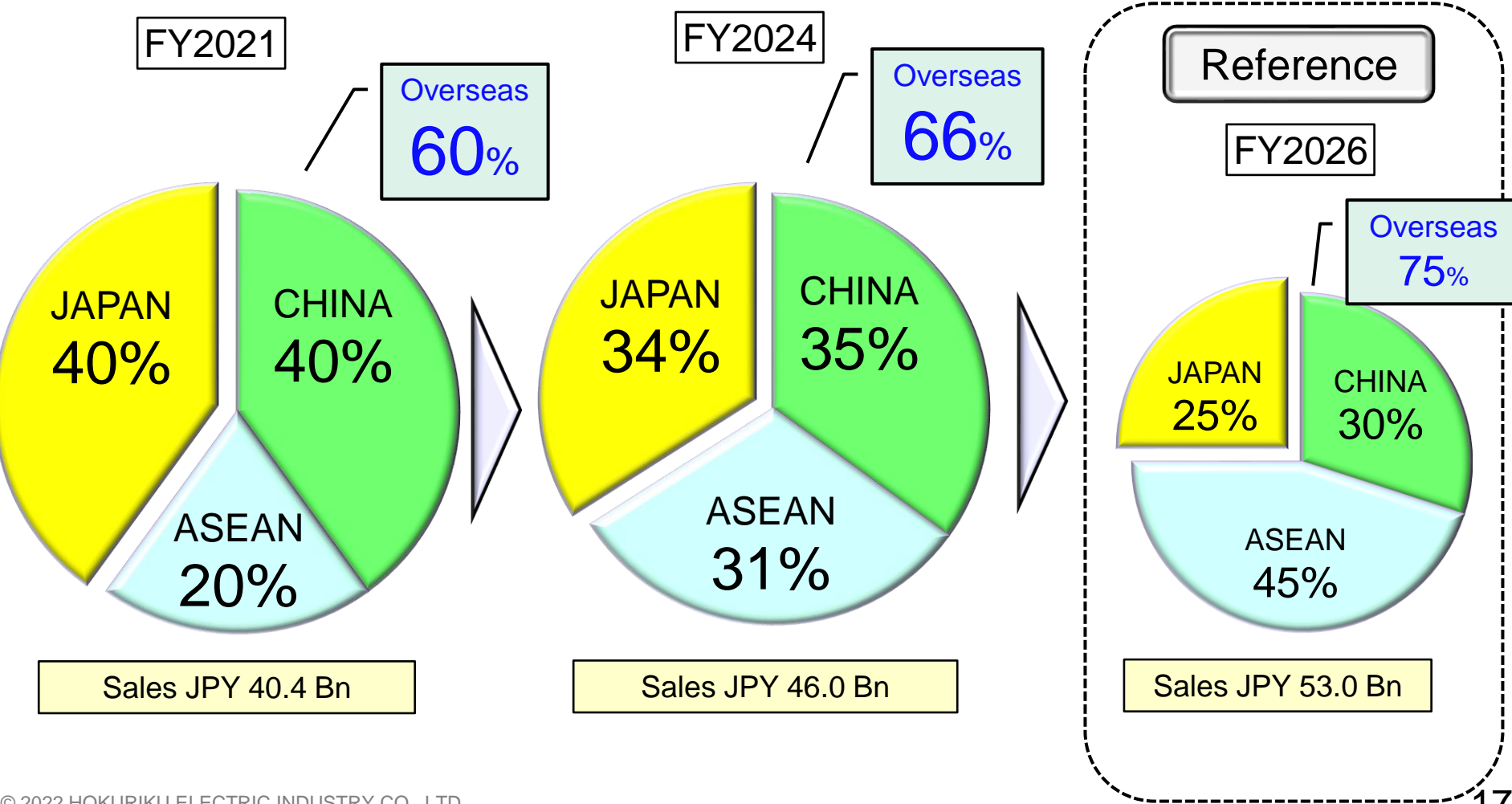
- Five overseas manufacturing plants were established more than 10 years ago. They are operated independently by local employees and have ability of timely response to any changes. Enhancement of capital investment and expansion of the factory will be carried out in the ASEAN region.

【ASEAN production ratio】

20% FY2021 ➡ 31% FY2024 (Ref: 45% FY2026)

- Manufacturing plants in Japan will maintain the production scale. Smart production will be promoted by DX, Visualization, Improvement of business processes, etc.

- Expansion of overseas production 60% FY2021 ➡ 66% FY2024
- Expanding products from China base to ASEAN base
- Thailand factory expansion in 2022, ASEAN MFG ratio 20% FY2021 ➡ 31% FY2024



Sustainability Concept

We will continue to take on the challenge of developing products required by a sustainable society, and contribute to the development of a sustainable society through the development and stable supply of high-quality products that meet the needs of the times. We aim to achieve carbon neutrality in 2050.

【Main Efforts】

**SUSTAINABLE DEVELOPMENT GOALS**

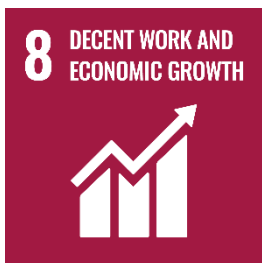
• Initiatives for Climate Change (Decarbonization)



• Strengthening of the compliance system



• Improvement of employee engagement



• Product development



We believe that tackling the social issues indicated by the SDGs will lead to the creation of new business opportunities and business growth.

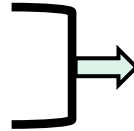
In order to accelerate our sustainability efforts, we have set important issues to focus on and clarified the main issues to be addressed.

Details of our efforts will be disclosed on our website sequentially.

	Focus on Important issues (materiality)	Main Issues
E: (Environment)	Initiatives for Climate Change (Decarbonization)	46% reduction of CO ₂ emissions in FY2030 Development of environmentally friendly products Promotion of CO ₂ reduction in factories
	Engagement in the supply chain environmental loading management	Development of product with low environmental impact Establishment of sustainable supply chain
S: (Society)	Diversity and Inclusion	Employee Engagement Increasing ratio of female management staff
G: (Governance)	Risk management & Governance	Enhancing of risk management and compliance system
	Product Quality	Continuous improvement of manufacturing process Full Quality compliance

Shareholder return policy

Continuation of stable dividends
Enhancing corporate structure



Distribution based on business performance
(Balance with retained earnings and dividends)

We will raise the profit level by increasing sales and operating profit margin, and aim to return profits to shareholders by increasing dividends.

Return on equity (ROE)

We will strive to maintain ROE of 10% or higher by increasing the operating profit margin and curbing retained earnings by increasing dividends.

Enhancement of financial status

By investing in high value-added businesses and improving production efficiency, we will secure cash flow and allocate it to sustainability, investment in human capital, and reduction of borrowings.

HOKURIKU ELECTRIC INDUSTRY CO., LTD

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