

Creating for the Future

Medium-term Management Plan 2027

May 2025



I What HDK wants to be

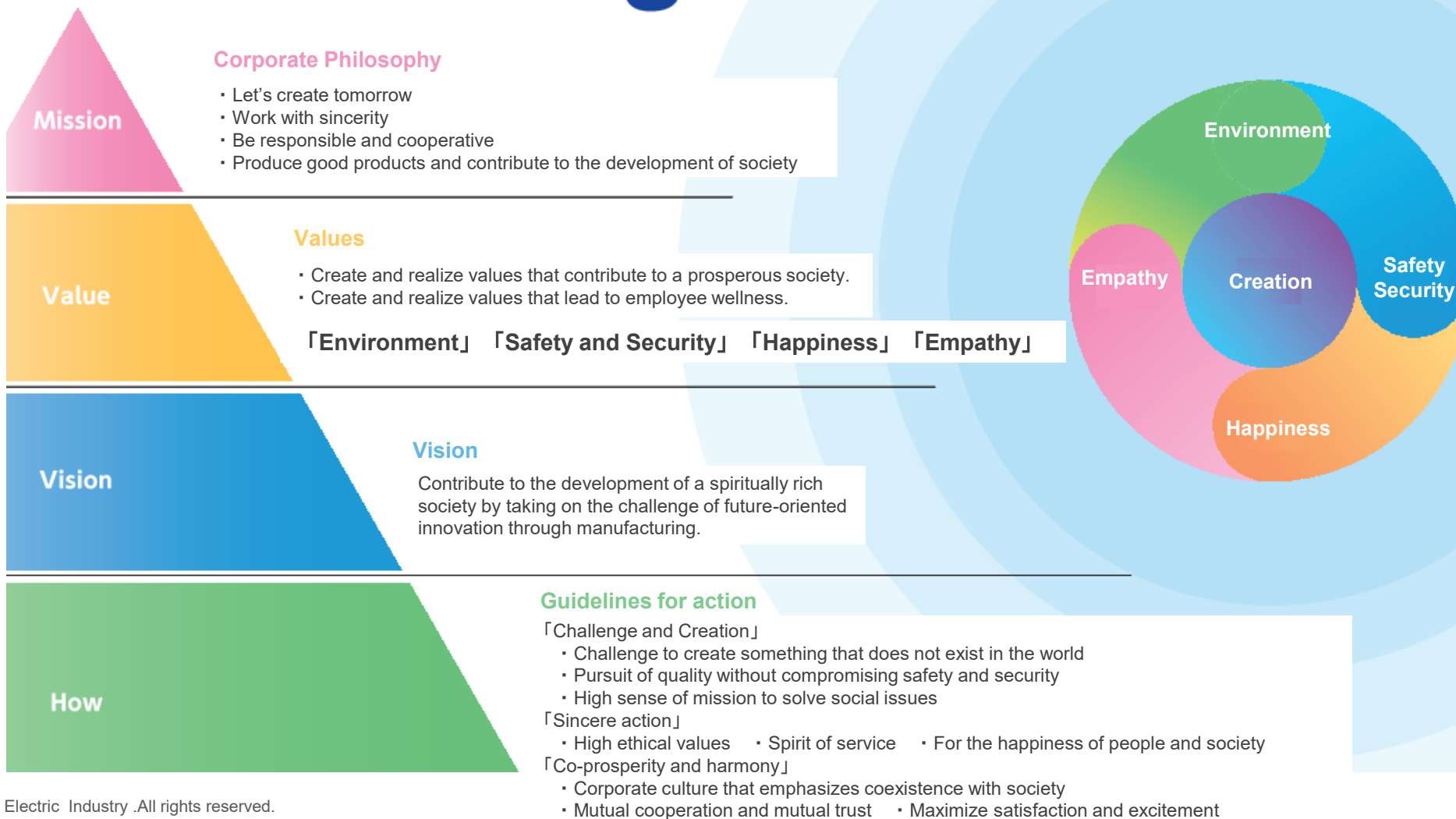
II PLAN2027

Basic Policy

- ① Evolution of core businesses
- ② Promotion of new products and new businesses
- ③ Further strengthening of management base

HDK Slogan

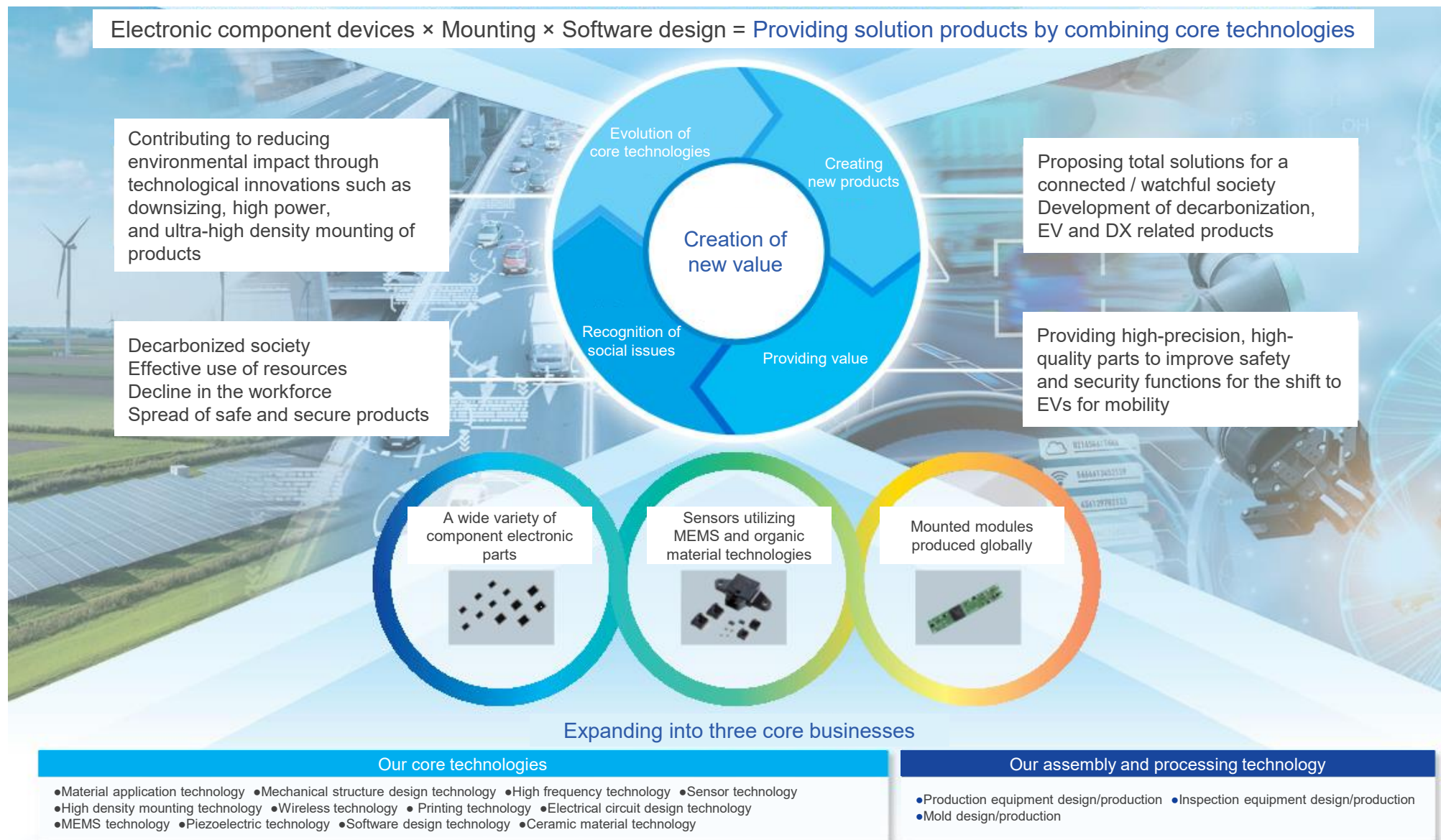
「Creating for the Future」



2. Value Creation Process of HDK



3 . Business model



Overall Structure of the Medium-Term Management Plan 2027

I What HDK wants to be

II PLAN2027

Basic Policy

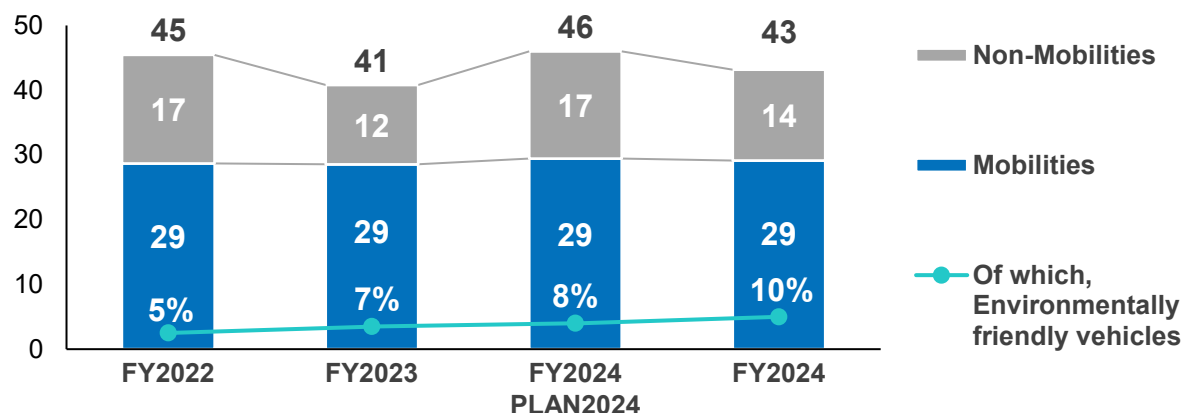
- ① Evolution of core businesses
- ② Promotion of new products and new businesses
- ③ Further strengthening of management base

1 . Review of PLAN2024 (Management figures)

- Ratio of operating income to net sales and ROE achieved targets, but Net sales and Operating income did not reach their respective targets.

(billion yen)	FY2022	FY2023	FY2024	
	Results	Results	PLAN2024	Results
Net sales	45.5	40.8	46.0	43.2
Operating income	2.9	2.3	2.8	2.6
Ratio of operating income to net sales	6.5%	5.6%	6.0%	6.0%
ROE	3.9%	13.6%	10.0%	10.3%
Average exchange rate during the period 1US\$=JPY	135.58	143.45	—	152.84

Sales Amount Breakdown by Market (billion yen)



Achievements

- Profitability stabilized by securing stable orders in the mobility sector and promoting sales expansion.
- Expand sales of products for environmentally friendly vehicles, a key area of focus.
- Building a resilient production system centered on ASEAN.

Factors for not achieving the target

- Decline in demand in the consumer electronics sector
- Prolonged customer inventory Adjustments
- Lack of responsiveness to customer changes

Further evolve core businesses and advance the creation of a stable and growth-oriented business portfolio.

1 . Review of PLAN2024 (Management and Business Strategy)

- While business expanded in growth areas such as mobility electrification, results were insufficient in terms of new product creation.
- In terms of sustainability, materiality is identified and certain results are achieved in various ESG initiatives.

Management and Business Strategy	Achievements	Priority Issues
Strengthening of core businesses	Expand business for mobility electrification	Further evolution of core businesses
	Increase in new orders for products for environmentally friendly vehicles	Creation of new products
	Strengthening the production system in ASEAN	Expansion and strengthening of the global production and sales systems
Strengthening of marketing and promoting of commercialization	Release of IoT solution systems and start of mass production	Promotion of the commercialization of IoT solution systems
	Release of environmentally friendly new products Arc-resistant chip fuse, Ultra-small 0603 surge chip resistor	Targeting growth markets and expanding business areas
		Further expansion of environmentally friendly products
Strengthening of the management base	Strengthened compliance and risk management systems	Enhancement of the quality of sustainability management foundation
	Progress in Sustainability Management	Promotion of human capital management
	Promote reduction of CO ₂ emissions at domestic bases	Continuous reduction of CO ₂ emissions

2. Management and Business Strategy Positioning and Vision of PLAN2027

Positioning of PLAN2027 ➤ This period serve as the period to steer toward a growth trajectory for the realization of our long-term vision.

FY2021~FY2024

FY2025~FY2027

FY2028~

PLAN2024

**Solidification of
management foundation**

FY2024 Results (billion yen)

Net sales	43.2
Operating income	2.6
Ratio of operating income to net sales	6.0%
ROE	10.3%

PLAN2027

Steer toward a growth trajectory

FY2027 Target (billion yen)

Net sales	48.0
Operating income	3.4
Ratio of operating income to net sales	7%
ROE	10%

Long-term Vision

**FY2030
Net sales Target**

53.0 (billion yen)

Contribute to the development of a spiritually rich society by taking on the challenge of future-oriented innovation through manufacturing.

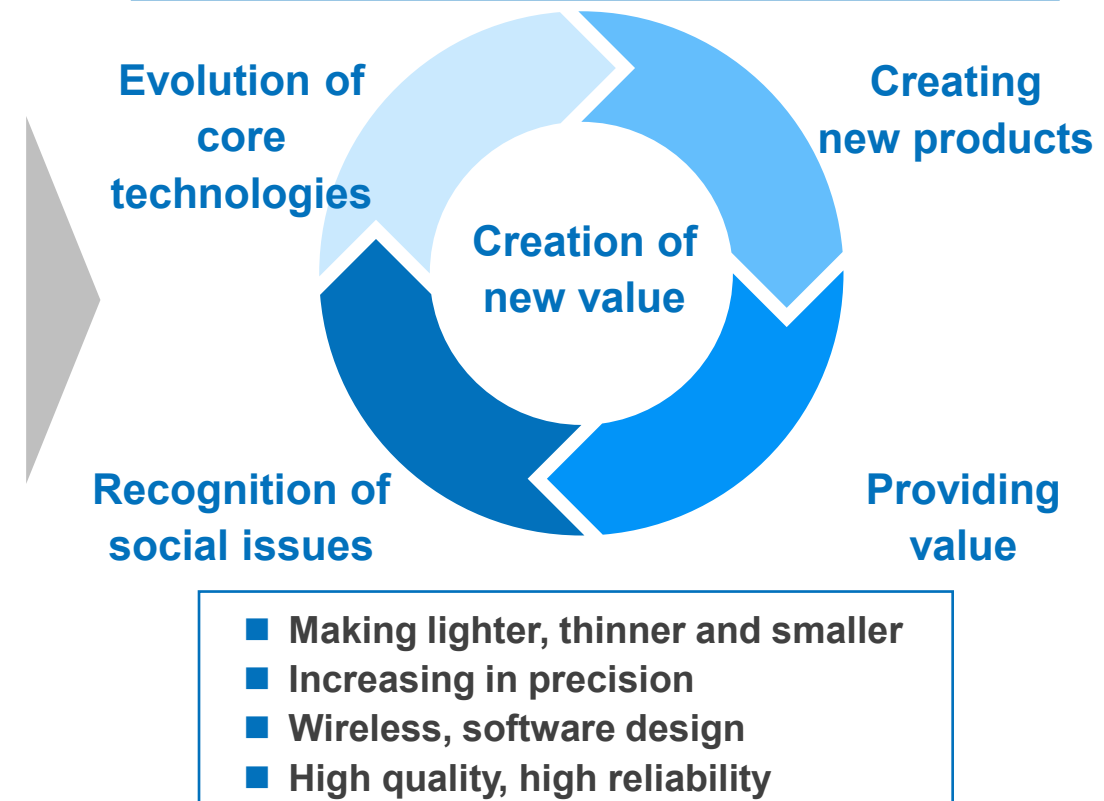
2. Management and Business Strategy

Business Environment surrounding the company

- In addition to heightened geopolitical risks due to changes in policy trends in various countries, the business environment has changed dramatically due to the DX/GX trend and the full-fledged spread of AI.
- Formulate and execute strategies based on an accurate understanding of risks and opportunities to expand our business domain and create new value.

Business Environment	Electronics Market
Rising geopolitical risks	<ul style="list-style-type: none">■ Changes in demand due to trade friction■ Supply chain decentralization
Progress toward a decarbonized society	<ul style="list-style-type: none">■ Progress in electrification and automated driving■ Acceleration of renewable energy utilization
Digital Transformation in Society and Industry	<ul style="list-style-type: none">■ Increasing demand for AI and IT-related services■ Expansion of Solution Services
Decrease in the working population	<ul style="list-style-type: none">■ Progress in Smart Factory■ Utilization of Robotics

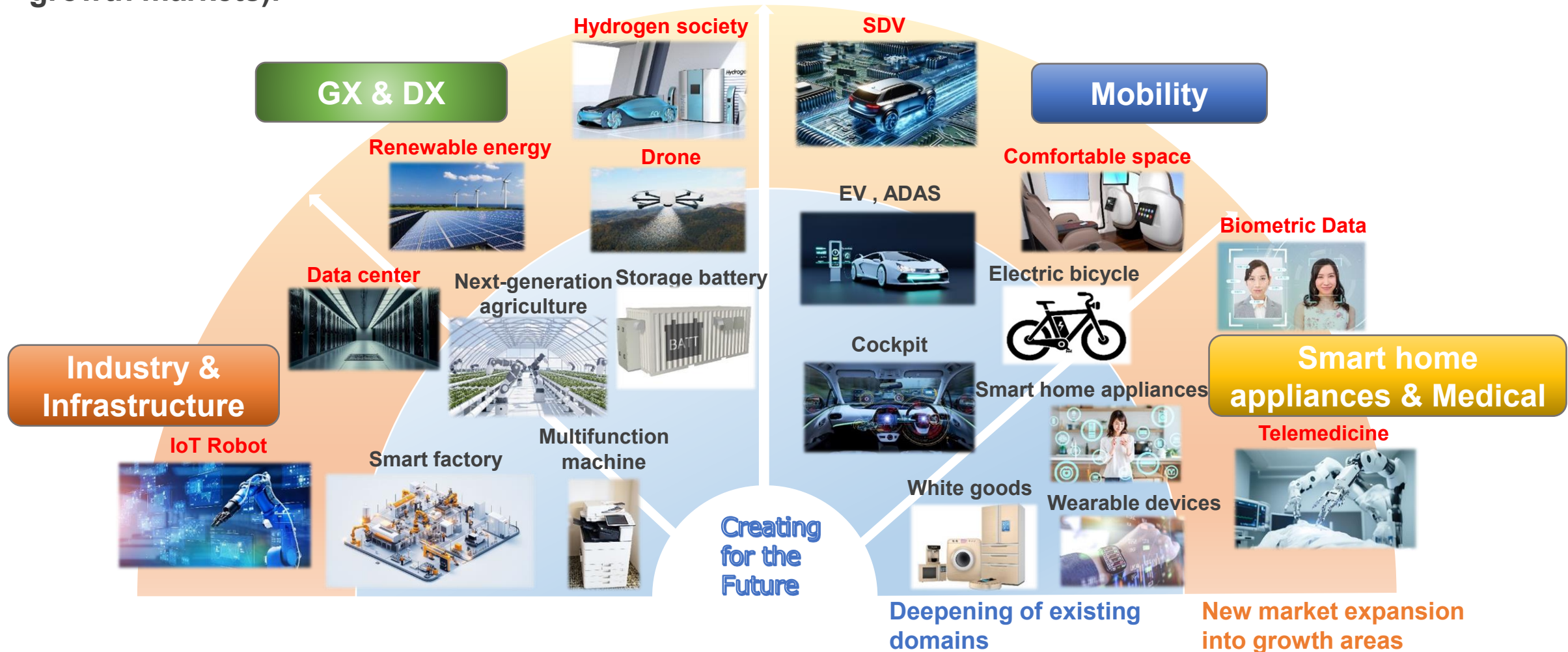
As the business environment undergoes significant changes, the scope of our products' contributions is expanding.



2. Management and Business Strategy





Expansion of business areas for growth markets

Aim to expand business domains by concentrating management resources on evolving core business and creating new products in the four domains and the next frontier (next-generation growth markets).



2. Management and Business Strategy

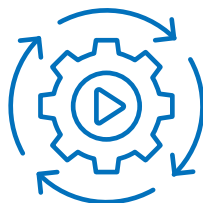
Strengthen and create products that solve social issues for growth markets

	Approaches to social issues solving	Strengthen and create products that solve social issues
 <p>Mobility</p>	<ul style="list-style-type: none"> ▪ Environmentally friendly products for mobility electrification and energy management ▪ Products with excellent thermal characteristics, products that support weight reduction, power saving, and fuel efficiency improvement ▪ Advanced safety performance and hazard prediction 	<ul style="list-style-type: none"> ▪ BMS Unit with high-density mounting ▪ Arc-resistant fuse that contribute to battery safety ▪ Seat sensors ▪ Broadband piezoelectric buzzer with multi-voice support ▪ Ultrasonic sonar systems <div>Evolution of core technologies</div> <div>Challenge</div>
 <p>GX & DX</p>	<ul style="list-style-type: none"> ▪ Improved heat dissipation and temperature/humidity management in data centers ▪ Ensuring safety in a hydrogen society ▪ Increase in opportunities for sensor use to improve the efficiency of agricultural work and solve labor shortages 	<ul style="list-style-type: none"> ▪ High-precision capacitive type humidity sensors ▪ Temperature thermistors ▪ Wireless + Sensor solution products ▪ Hydrogen sensors <div>Evolution of core technologies</div> <div>Challenge</div>
 <p>Industry & Infrastructure</p>	<ul style="list-style-type: none"> ▪ Acceleration of IoT to enhance worker safety ▪ Acceleration of INDUSTRIAL IoT ▪ Increased need for high-precision sensors for robotics ▪ Increase in gas appliances and water heaters with reduced environmental impact 	<ul style="list-style-type: none"> ▪ New pressure sensor modules ▪ Wireless modules ▪ IoT solution systems ▪ Environmentally friendly piezoelectric products <div>Evolution of core technologies</div> <div>Challenge</div>
 <p>Smart home appliances & Medical</p>	<ul style="list-style-type: none"> ▪ Increasing sophistication of medical equipment, increasing need for smoothly operable wireless systems and high-precision sensors ▪ Increase in caregiving and monitoring devices due to the aging population and declining birthrate ▪ Advancement of needs for lighter, thinner, and smaller products due to the relentless pursuit of downsizing and power savings 	<ul style="list-style-type: none"> ▪ MEMS Force sensors ▪ Compact, high-power, high-precision chip resistors ▪ General-purpose humidity sensors for ASEAN ▪ Seat sensors for caregiving beds (monitoring purposes) <div>Evolution of core technologies</div> <div>Challenge</div>

- Promote management and business strategies aimed at sustainable growth and the enhancement of mid and long-term corporate value.

PLAN2027 Basic Policy

01 Evolution of core businesses



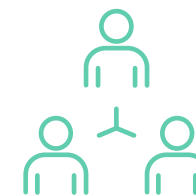
- Build a stable and growing business portfolio
- Expand business for the mobility market
- Expansion and strengthening of the global production and sales systems

02 Promotion of new products and new businesses



- Promote new products and businesses aimed at growth markets and enhancing social value
- Expansion of environmentally friendly products

03 Further strengthening of management base



- Enhancement of the quality of sustainability management foundation
- Promotion of human capital management
- Strengthen governance structure

2. Management and Business Strategy

Management Objectives

Economic Value	
FY2027	
Net sales	48.0 billion yen
Ratio of operating income to net sales	7% or higher
ROE	10% or higher

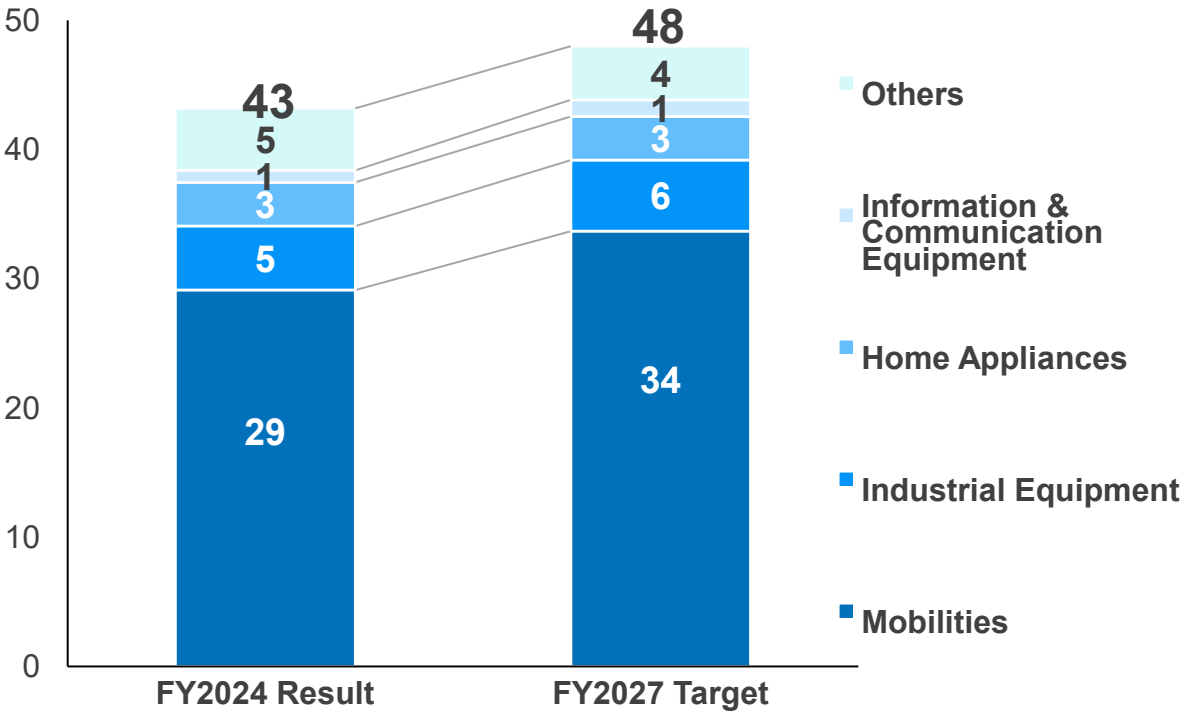
Social Value	
FY2027	
<div>E</div> Environment	<div>CO₂ emissions</div> <div>Sales ratio of environmentally friendly products</div> <div>(compared to FY2017) — 40% 30%</div>
<div>S</div> Society	<div>Promotion of human capital management</div> <div>Employee engagement score</div> <div>Ratio of female managers</div> <div>70% or higher 8%</div>
<div>G</div> Governance	<div>Strengthening corporate governance structure</div> <div>Continuous improvement of risk management</div> <div>Strengthening Information Security</div> <div>(Major accidents) 0</div>

2. Management and Business Strategy

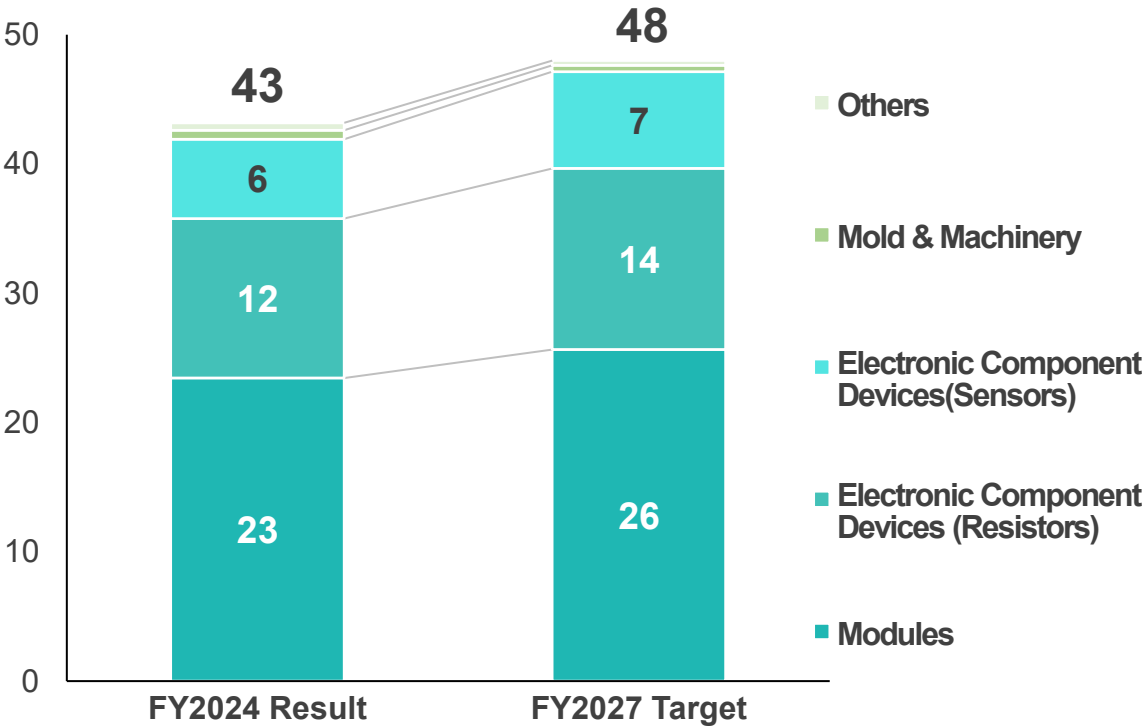
Management Objectives

Sales Target Breakdown by Market and Product

By Market (billion yen)



By Product (billion yen)



Ⅱ

PLAN2027

Basic Policy

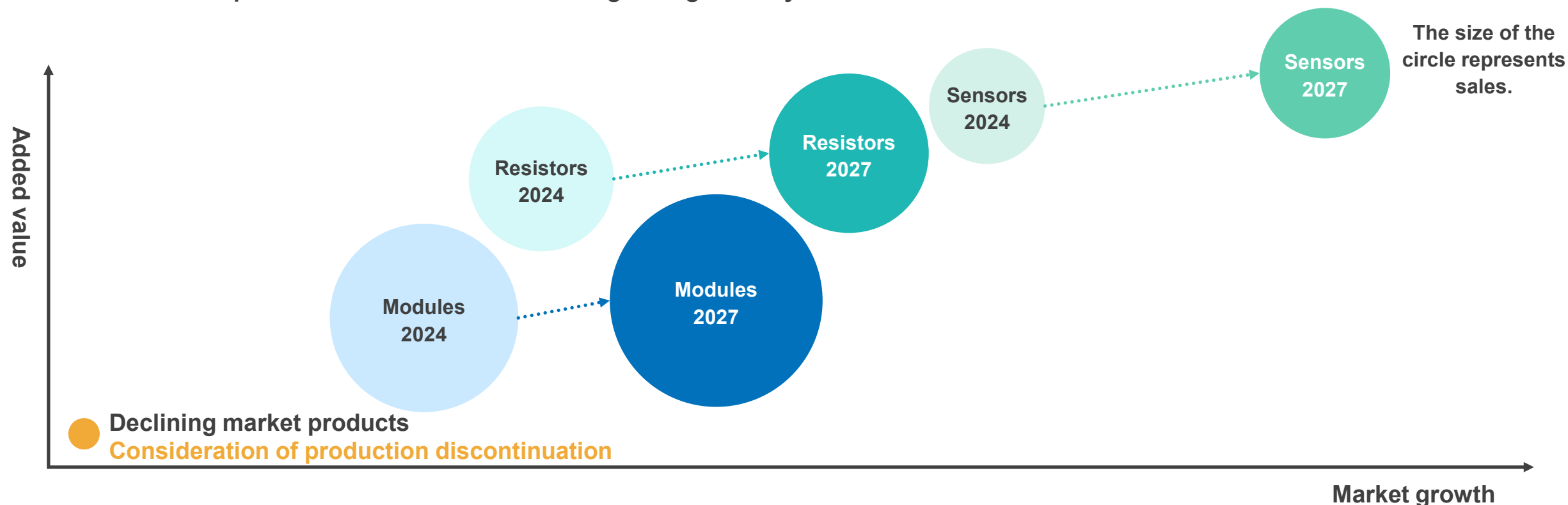
- ① Evolution of core businesses
- ② Promotion of new products and new businesses
- ③ Further strengthening of management base

■ Vision for the Business Portfolio FY2024→FY2027

Build stable and growing business portfolio

Steady growth in the three core businesses in a well-balanced manner

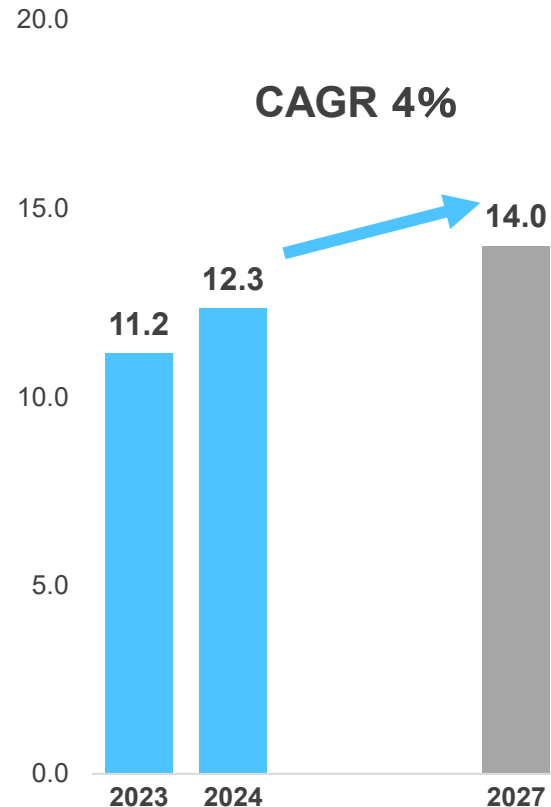
- Resistors Promote selection and concentration, shift to high value-added products targeting mobility and industrial equipment.
- Sensors Strengthening and expanding the lineup of high-precision sensors. Also expanding piezo products for mobility.
- Modules Expansion of our business into the growing mobility electrification market.



■ Electronic Component Devices Resistors etc.

Aiming to expand earnings by developing and providing high value-added products that match market needs

Sales Target (billion yen)



Opportunities and business strategy

Opportunities

- Increase in the number of component parts due to the shift to EVs for mobility and progress in CASE such as ADAS
- Increase in demand for high durability and high reliability components in the mobility and industrial equipment sectors
- Growing demand for environmentally friendly products, such as lighter, thinner, smaller, and more power-efficient components

Business Strategy

- Expansion and enhancement of our mainstay high-value-added chip components and thermistor product lines
- Expansion of products related to safety and security
- Promote development of products that match market needs, such as “higher functionality,” “higher reliability,” and “smaller size and energy saving”
- Optimization through selection and concentration of product lineups and enhancement of profitability through reorganization of bases

Focus Products

High-value-added chip components

Arc-resistant fuse



Smoke and ignition prevention through a fast-acting cutoff mechanism
Material selection designed to withstand abnormal overheating conditions

Ultra-precision resistor



Thin-film resistors can be substituted due to reduced TCR variation

Compact high-power chip resistor



Heat management enables higher power handling
Provides an advantage in surge and pulse resistance

Thermistors

Thermistor element



Flexible in adapting to various characteristics

Resin-coated thermistor



High moisture resistance is maintained through a special resin coating

Seat belt reminder sensors



- Design of sensor shape tailored to the seat shape
- Capable of distinguishing between people and luggage due to the layout and circuit design of the sensing section
- Waterproof design available
- Selection of materials with excellent temperature characteristics

■ Electronic Component Devices Sensors etc.

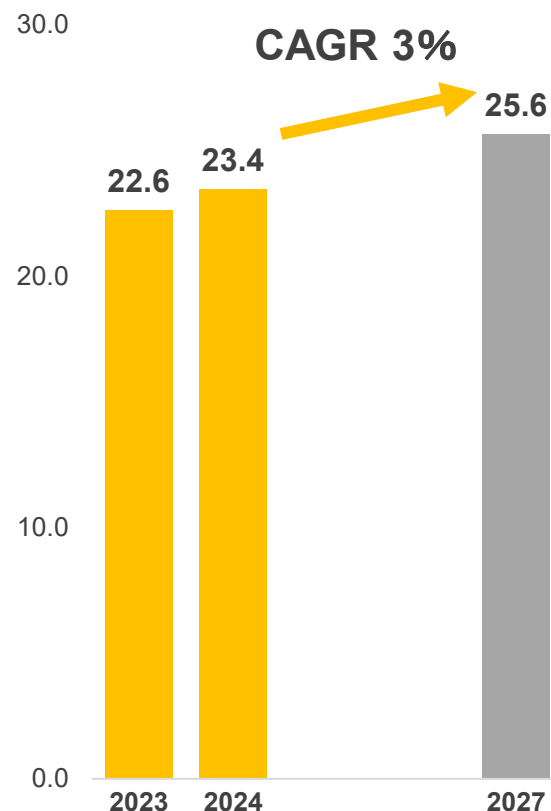
Aiming for steady growth by capturing demand for products that contribute to the environment, safety and security



■ Modules

Aiming to establish a growth trajectory by capturing the electrification needs of the mobility sector and developing solutions business

Sales Target (billion yen)



Opportunities and business strategy

Opportunities

- Expanding business opportunities associated with the motorization and electrification of mobility
- Increased demand for highly durable and reliable components in the mobility and industrial equipment sectors
- Growing demand for environmentally friendly products, such as lighter, thinner, smaller, and more power-efficient components

Business Strategy

- Expansion of modules for EVs, electric bicycles, and other electric vehicles that contribute to reducing environmental impact
- Develop ODM (Original Design Manufacturing) business, which is a further evolution of the conventional EMS business and extends to circuit design and software design
- Implement optimal investment and production expansion at ASEAN bases to meet the growing demand in the mobility sector

Focus Products

Downsized modules

- Meet the need for lighter, thinner, and smaller board circuit modules
- Ultra-high-density mounting technology contribute to lighter, thinner, and more power-efficient products

BMS (Battery Management System) Modules

- Compatible with monitoring and protection circuit modules for rechargeable batteries such as lithium-ion batteries
- Suitable for a wide range of applications including not only EV vehicles but also electric bicycles and various types of robots

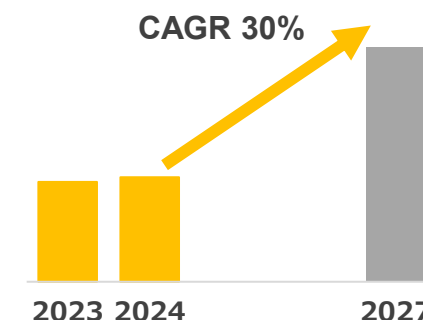
Module for electric compressors

- Deal with assembly and processing technologies for plastic molded parts, and aluminum die casting and other components



High-speed mounter capable of handling 0201 components

Sales Plan for Modules for BMS and Electric Compressors



Strengthen global production and sales systems

① Strengthening the production system in ASEAN

Production ratio: FY2024 result 30% → FY2027 target 40%

- Thailand Expand module line to meet growing demand for mobility-related products
- Malaysia Partial transfer of chip resistors from BCP perspective, increased production capacity for piezoelectric products
- Indonesia Expand piezoelectric product lineup and increase production capacity



② Strengthening the sales system in India

- Promoting the strengthening of the sales system in rapidly growing India
 - Considering the establishment of a local office
Considering establishing a new sales office in the suburbs of New Delhi, the capital of India (planned for the end of FY2025)



Target Market

(Our estimates based on various surveys)

	Automobiles	Motorcycles (Bikes)	Air conditioners
Production Volume in India (2024)	6.0M units	23.0M units	11.5M units
Aiming to expand sales of sensors, resistors, etc., mainly in the above three major markets			

Promotion of Smart Factory Implementation

Aiming to transform into a strong business structure that can overcome changes in the environment by improving productivity through DX

Social Issues

- Labor shortage
- Declining birthrate and aging population
- Moving away from legacy systems

Major Initiatives

- Promote automation of production processes and expand in-house production facilities
- Digitalization of the production process
- Expansion and horizontal deployment of AI image inspection
- Simplified picking work in a component warehouse
- Reduction of management man-hours by linking AI-OCR and RPA



Ⅱ

PLAN2027

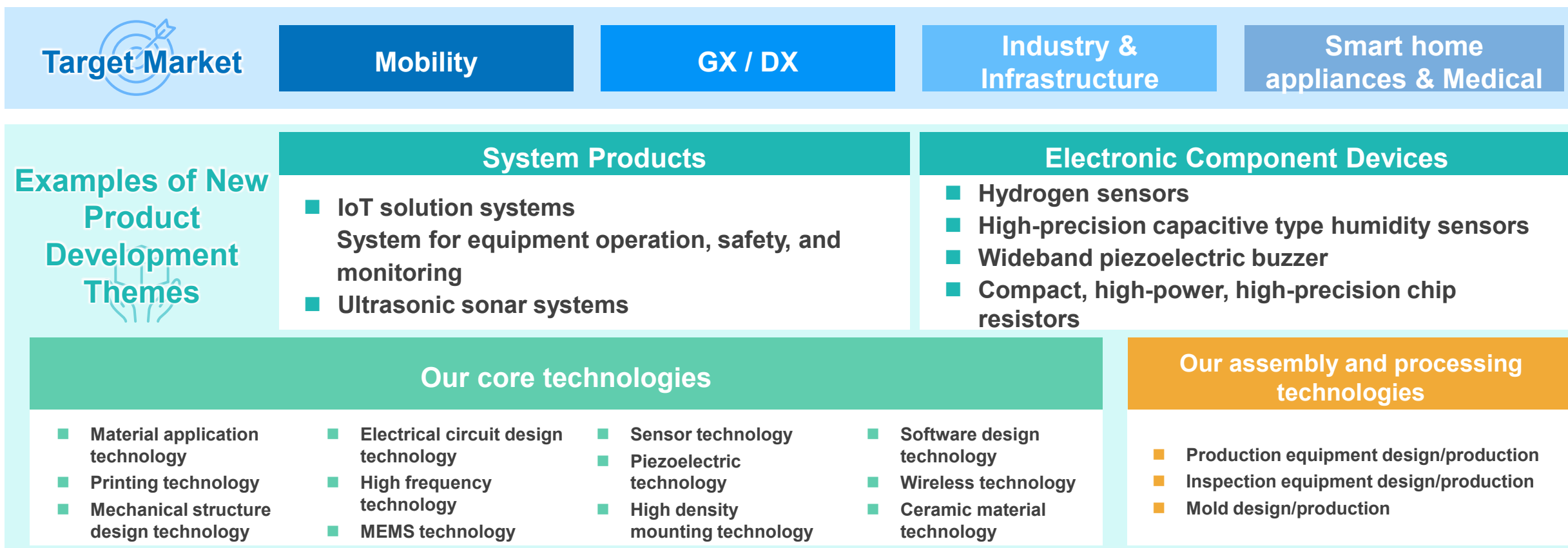
Basic Policy

- ① Evolution of core businesses
- ② Promotion of new products and new businesses
- ③ Further strengthening of management base

2. Management and Business Strategy

2) Promotion of new products and new businesses

- Promote development of new products that solve social issues by defining four growth areas as target markets
Target for FY2027: 20% Sales Ratio from new products and new businesses
- We aim to expand our strength through the development of new electronic component devices and solutions.
Our strength lies in “electronic component devices x mounting x software design = solution products ” based on the fusion of core technologies.



2. Management and Business Strategy

【Strategic Product Topics】



2) Promotion of new products and new businesses

■ IoT Forklift Service※¹

HOKURIoT™ (HOKURIO)※² contributes to “safe and secure” society.

Business Opportunities

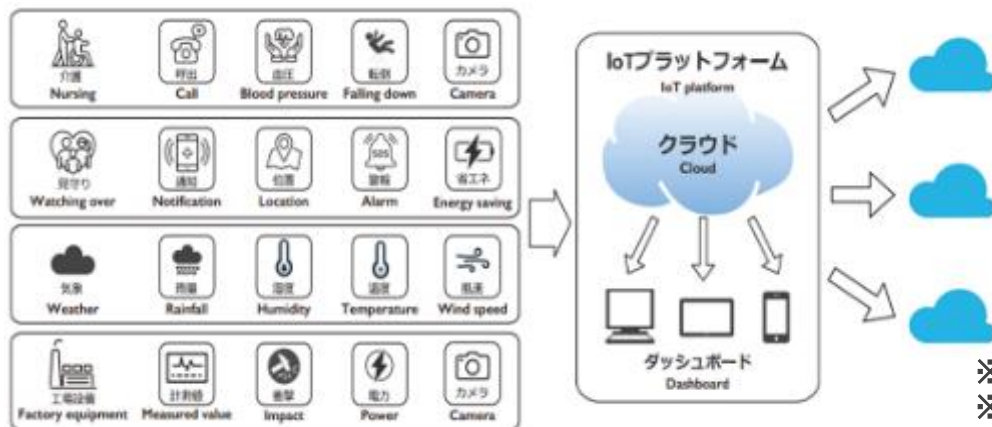
- Growing need for safety and security to prevent accidents
- Addressing labor shortages and improving operational efficiency



Support accident prevention measures and improving operational efficiency by detecting dangerous driving and monitoring operational status

Product Features

Total support from terminal design to software development and cloud maintenance



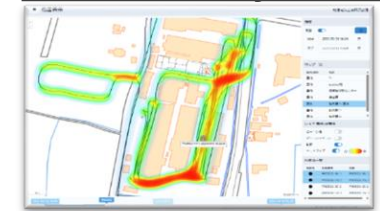
ForkMate™ ※³ Measuring devices



Monitoring devices



Location history screen



- Developing a service that can be easily installed as a retrofit
- Contributing to accident reduction and safe driving instruction
- Total solution support by subscription

※¹ This service has been jointly developed and is provided in collaboration with Mitsubishi HC Capital, Inc.

※² HOKURIoT™ (HOKURIO) is a registered trademark (pending) representing our IoT solutions.

※³ ForkMate™ is a registered trademark (pending) representing our IoT solution services for forklifts.

2) Promotion of new products and new businesses

■ Ultrasonic sonar system

Contributions to “Safe and Secure” Society through Solution Proposals

Business Opportunities

- Promote and expand the use of safety devices that prevent vehicle accidents
- Mandatory installation of Devices for means of rear visibility or detection.
(Ministry of Land, Infrastructure, Transport and Tourism)



Solution

Detect the distance to obstacles using ultrasonic sensors and alert the driver
via on-screen display and audible alarms

Product Features

Hardware (sensor) + software design can be utilized and provided as a sonar system.



Ultrasonic sensor

Control unit

Monitor

- Easily retrofitted for installation
- Flexibly respond to diverse customer needs by starting from software design
- Support for high robustness and durability

2. Management and Business Strategy

【Strategic Product Topics】



2) Promotion of new products and new businesses

■ Broadband piezoelectric buzzer

Business Opportunities

■ Electrification of mobility, power saving

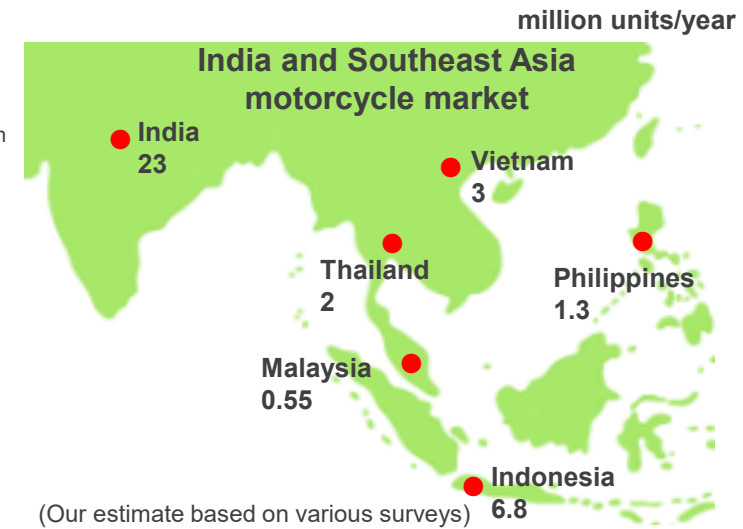
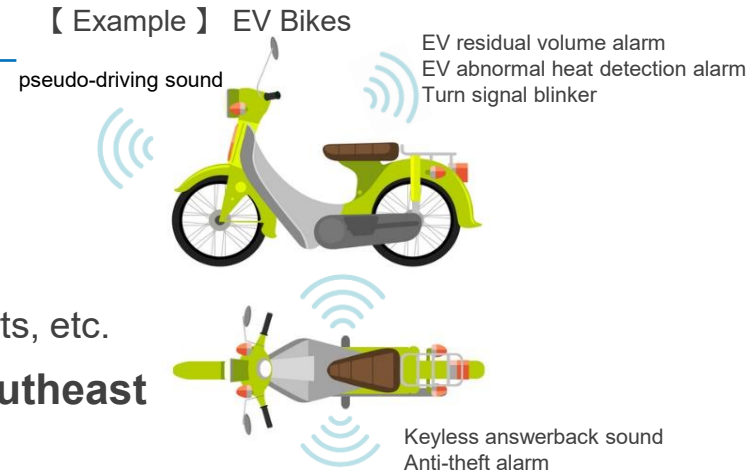
- Compact, lightweight, power-saving

■ Diversified needs for pronunciation

functions for mobility

- Variety of sounding, Warning tones for proximity alerts, etc.

■ Expanding demand in the Indian and Southeast Asian motorcycle markets



Product Features

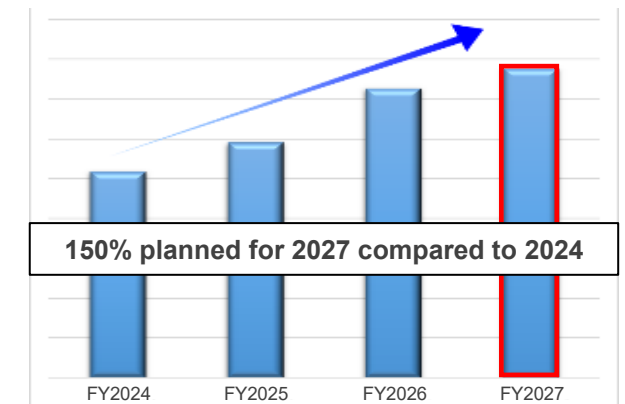
Developing the world's first Piezoelectric Buzzer with a broadband frequency (scheduled for release in FY2026)

- **High sound pressure** ※Can sound a loud alarm.
- **Broadband** ※Capable of sounding melody, voice, and other chords
- **Compact, lightweight**
- **Conservation of electric power**

Product appearance image (Under development)



Answer-back buzzer sales plan for motorcycles (Including Broadband piezoelectric buzzers)



2. Management and Business Strategy

2) Promotion of new products and new businesses

【Strategic Product Topics】

■ Compact high power chip resistors PCR06

Business Opportunities

■ Demand trends for automotive resistors

- Increased demand for resistors due to the shift to SDV in automobiles

■ Need to reduce space due to increase in ECUs as automobiles become more electronically controlled

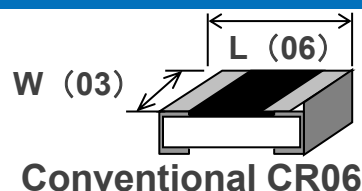
- Increased demand for smaller ECU

■ Pulses applied to components increase as circuits evolve

- Increased demand for smaller size and higher power

Product Features

Equivalent characteristics to conventional 10 and 05 sizes can be realized in 06 and 03 sizes!
(Scheduled for release in November 2025)



(Technical Evolution)

- Resistive element materials and patterns
- Trimming shapes, etc.

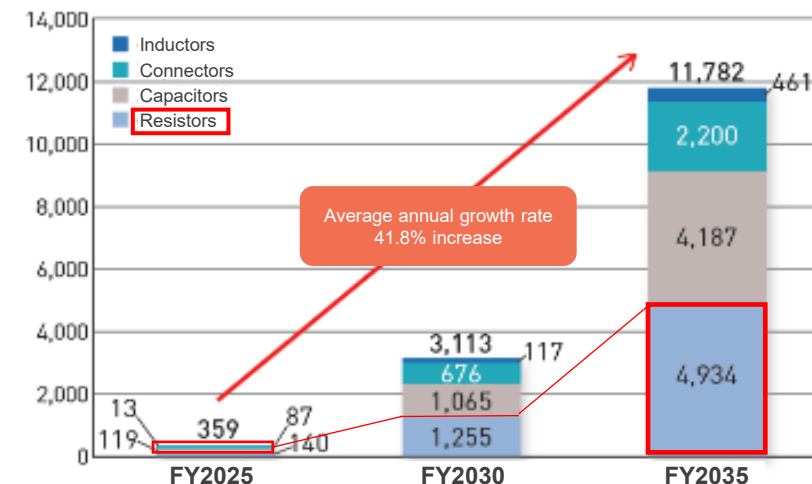
New PCR06

Rated power
0.1W
Maximum working
voltage
50V

Rated power
0.05W
Maximum working
voltage
25V

SDV Electronic Components Demand Forecast by Type (Global)

[Millions of dollars]



Average annual growth rate
41.8% increase

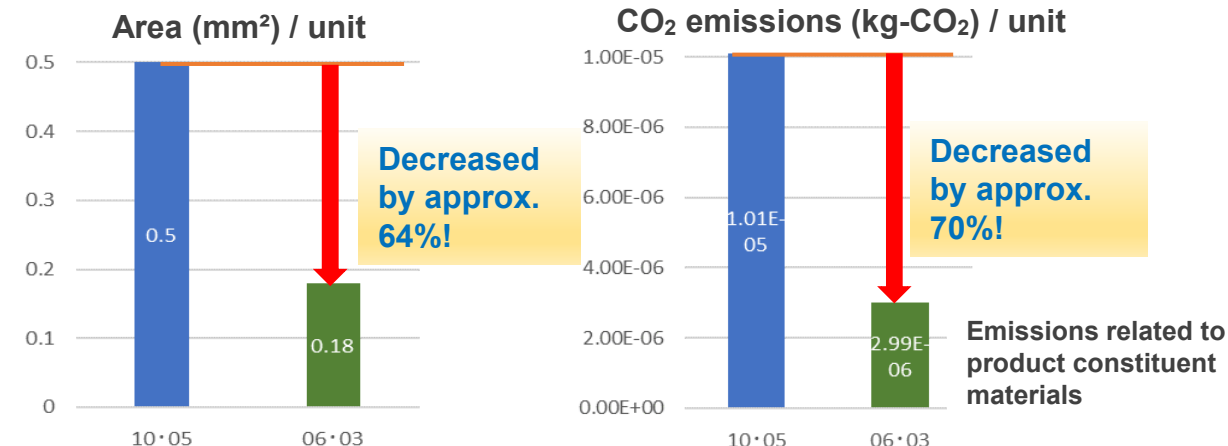
※SDV : Software Defined Vehicle

Vehicles with software-defined and updateable vehicle functions and performance

After 2025, the demand for resistors will increase 35-fold in 10 years due to SDV

Source: JEITA. (2024). Chūmoku bun'ya ni kansuru dōkō chōsa 2024 [Survey on Trends in Key Fields 2024].

Environmental Contribution Value



Decreased
by approx.
64%!

Decreased
by approx.
70%!

Emissions related to
product constituent
materials

Ⅱ

PLAN2027

Basic Policy

- ① Evolution of core businesses
- ② Promotion of new products and new businesses
- ③ Further strengthening of management base

2. Management and Business Strategy

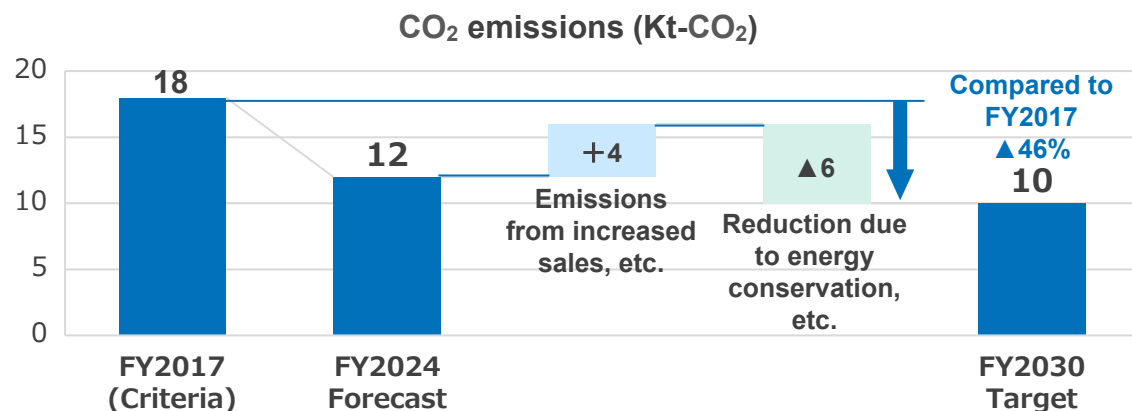
3) Further strengthening of management base

■ Addressing Climate Change and Environmental Challenges

Reduction of CO₂ emissions (domestic offices + sales offices)

Promote initiatives to reduce 40% in FY2027 and 46% in FY2030 compared to FY2017

Reduction of CO₂ emissions



Continue various initiatives with medium-term CO₂ reduction targets

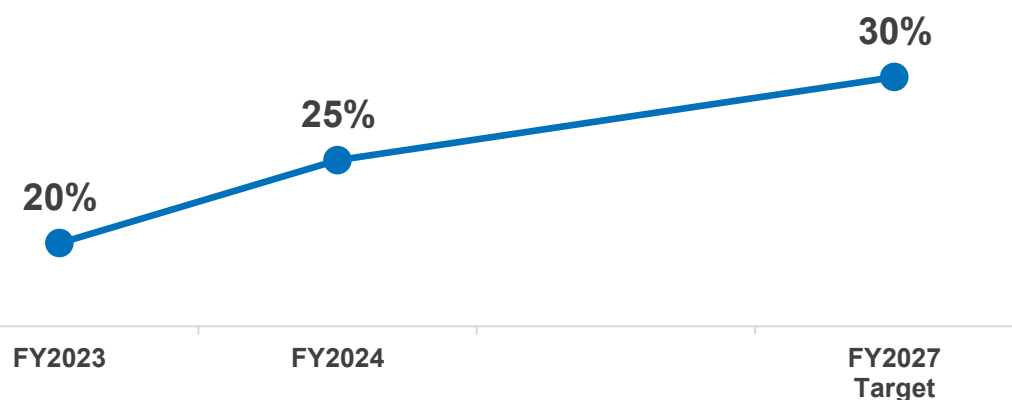
Major Initiatives

- Promote energy conservation
- Fuel conversion
- Productivity improvement
- Promote expansion to global locations

Expansion of environmentally friendly products

Target for FY2027: 30% sales ratio of environmentally friendly products

Sales ratio of environmentally friendly products



Promote sales expansion of product lines that contribute to CO₂ reduction, energy conservation, and reduction or elimination of environmentally hazardous substances

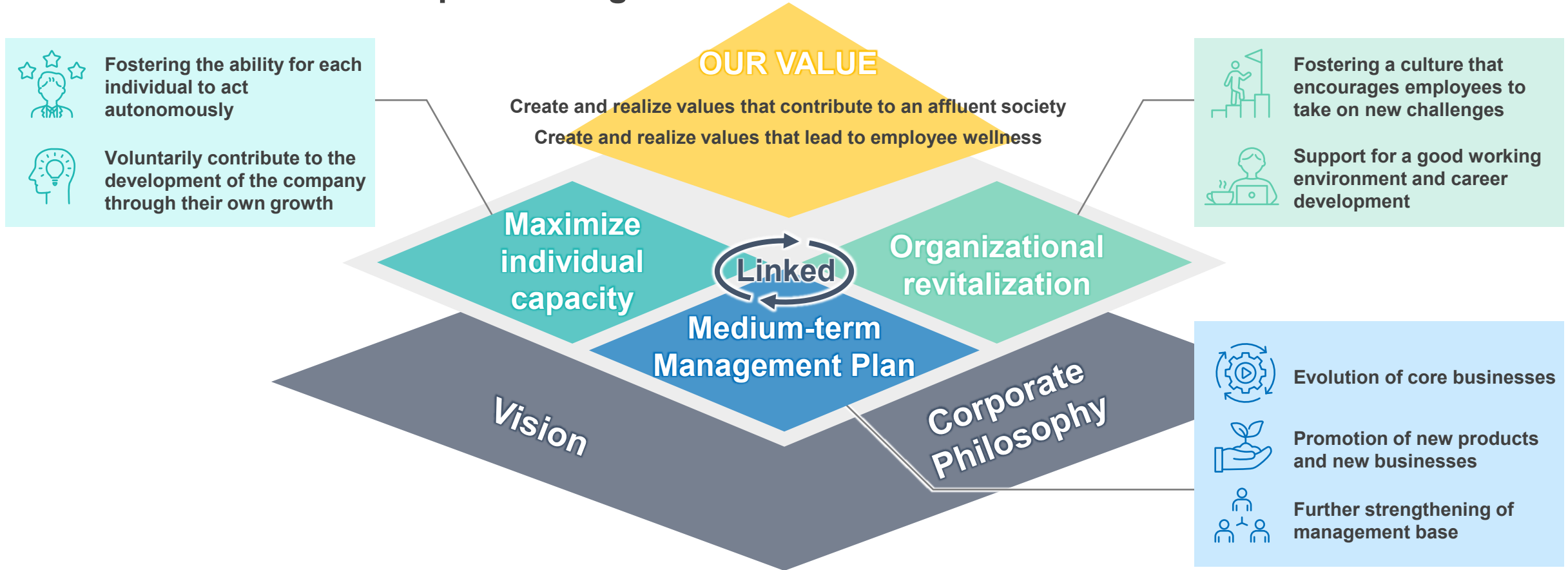
Target Products

- Products for electrification in mobility (modules, resistors, etc.)
- Various sensors (pressure sensors, humidity sensors, thermistors, etc.)
- Compact high-power chip resistors
- IoT solution systems, etc.

2. Management and Business Strategy

3) Further strengthening of management base

■ Promotion of human capital management



Priority
measures

Securing and Developing
Human resources

Appropriate staffing

Safe and Secure

Diversity and Inclusion

Human rights

2 . Management and Business Strategy

3) Further strengthening of management base

■ Human resource strategy initiatives linked to business strategy

Priority Themes	Initiatives	Actions in PLAN2027
Appropriate staffing	Securing human resources	Strategic execution of acquisition and placement of human resources linked to business strategy
	Promote the right person for the right place	Staffing to encourage individual challenges
Human resource development	Career development support	Strengthening the development of highly specialized human resources
	Expansion of training opportunities	Developing next generation leaders
	Promotion of women's activities	Ratio of female managers 6.5% in FY2024 → 8% in FY2027
		Reinforcement of promotion by director in charge
Diversity and Inclusion	Expand hiring of experienced personnel	Based on employment ratio: 30% or higher
	Promotion of silver age activities	Review of employment conditions for those over 60 years old Promotion of passing on skills to the next generation

Aiming to improve employee Well-being and foster a culture that encourages employees to take on new challenges



■ Improve employee engagement

Engagement Score FY2024 67% → FY2027 70% or higher

2 . Management and Business Strategy

3) Further strengthening of management base

■ Continuous improvement of risk management

Identify, analyze, and evaluate risks and promote activities to prevent, mitigate, and minimize risks

Risk Management System

- The President and Representative Director shall be responsible for overall risk management, and the Risk Management Committee shall meet as appropriate.
- Report risk response plans and performance to the board of directors



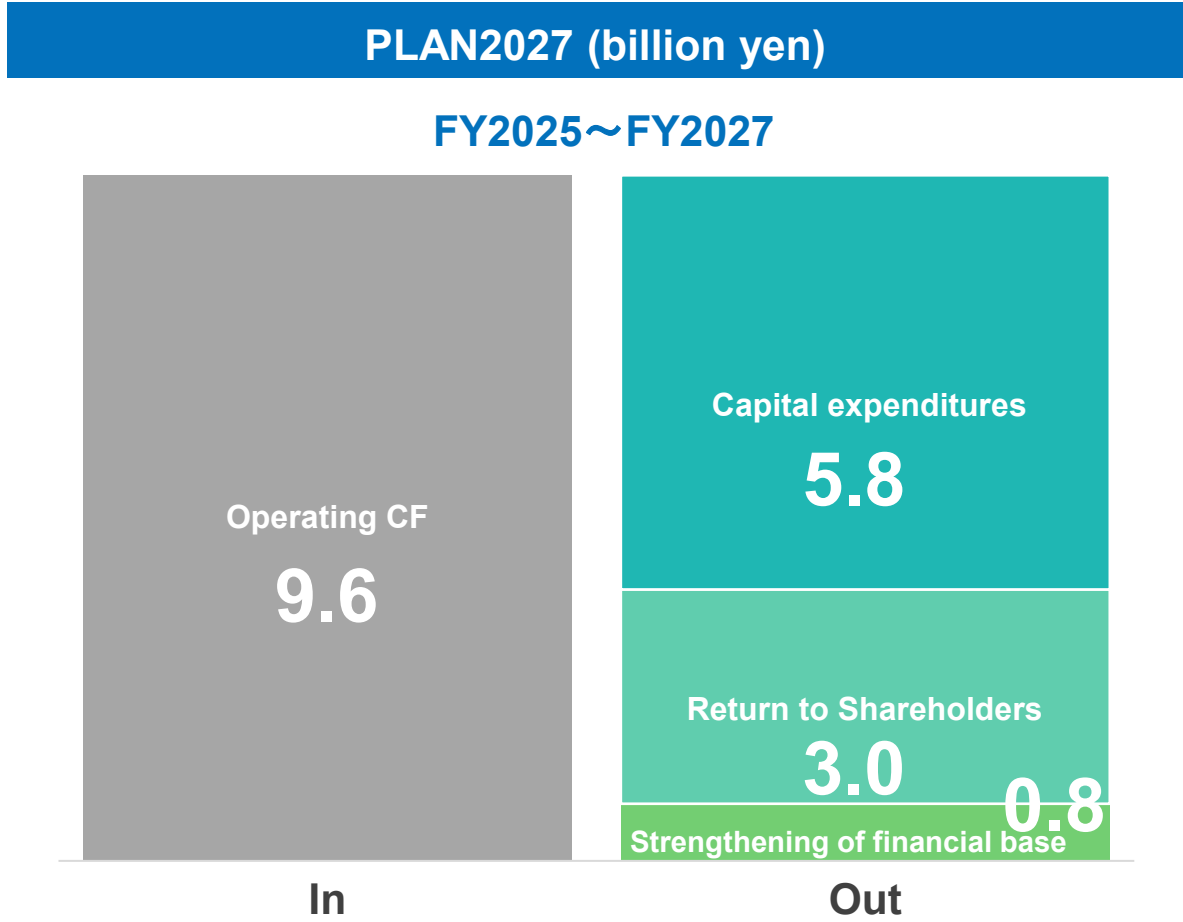
Significant Risks (excerpts)

- Visualize risk through annual risk identification and evaluation selection
- Develop a risk response plan and steadily implement the risk management activity cycle

Broad category	Type of risk	Risk
External factors	Non-financial risk	Climate change risk
		Overseas business expansion risk
	Financial risk	Customer credit risk
		Economic volatility risk
Internal factors	Strategy risk	Marketing and Product development risk
		Regulation and compliance risk
	Operational risk	Product quality risk
		Information security risk
		Infectious disease risk

3 . Capital Allocation

- By generating stable operating cash flow, we will promote investment in new products and growth of core businesses. And aiming to sustainably increase corporate value through enhanced shareholder returns.



Capital expenditures

- Growth investment in new products
- Maintain and expand core businesses base
- Expand global production capacity
- Sustainability investment

Return to Shareholders

- Dividends with target DOE of 3% or higher and payout ratio of 35%
- Purchase of treasury shares

Strengthening of financial base

- Reduction of Interest-bearing debt by securing operating cash flow
- Improvement of Equity ratio

HOKURIKU ELECTRIC INDUSTRY CO., LTD

The business outlook described in this material was prepared by the Company based on the information available at the time of preparation of this material, but the results may differ significantly from actual performance due to various factors such as changes in the economic environment and volatile electronics market trends. Therefore, please refrain from relying entirely on the business outlook and target figures in this material. The Company is not liable for any loss that may occur as a result of using this material.