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Financial Results Presentation Material for the Year Ended March 31, 2024 And New Medium-Term Management Plan



HAGIWARA ELECTRIC HOLDINGS CO., LTD.

(TSE Prime Market & NSE Premier Market: 7467)

June 3, 2024

Financial results summary for FY2024/3

Earnings forecasts for FY2025/3

Review of the previous medium-term management plan “MNV2023”

Basic policies of the new medium-term management plan “MNV2026”

Numerical target plan and key strategy

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Financial results for FY2024/3

- Net sales, operating profit and ordinary profit reached record highs for three consecutive periods.
- Profit attributable to owners of parent declined due to the disappearance of a gain on bargain purchase of ¥670 million on M&A as an extraordinary income recording in the same period of the previous fiscal year.

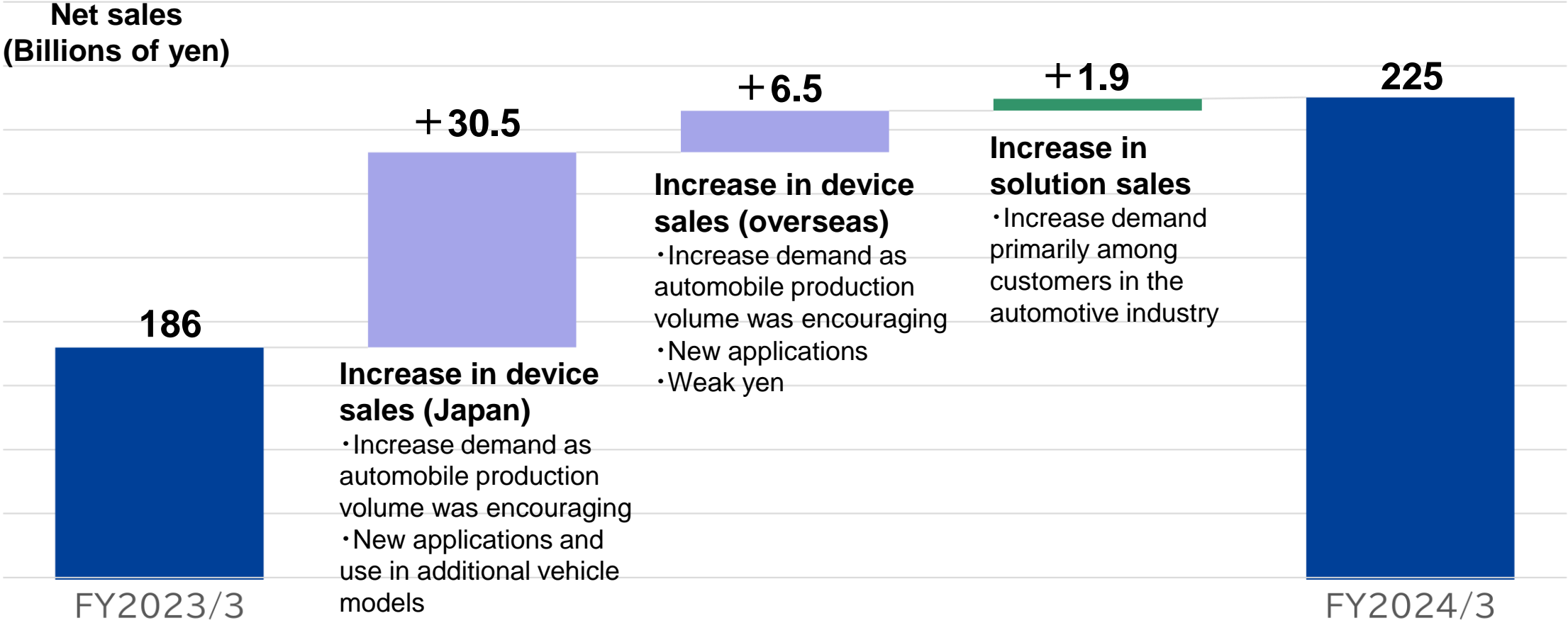
(Unit: Millions of yen)

	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
Net sales	186,001	100%	225,150	100%	+39,149	+21.0%
Gross profit	18,214	9.8%	20,003	8.9%	+1,789	+9.8%
Selling, general and administrative expenses	11,489	6.2%	12,292	5.5%	+803	+7.0%
Operating profit	6,725	3.6%	7,711	3.4%	+986	+14.7%
Ordinary profit	6,417	3.5%	7,221	3.2%	+804	+12.5%
Profit attributable to owners of parent	4,912	2.6%	4,421	2.0%	(491)	(10.0)%
Earnings per share (Yen)	554.71	—	458.80	—	(95.91)	—
Annual dividends per share (Yen)	155	Dividend payout ratio 27.9%	185	Dividend payout ratio 40.3%	+30	—

*1 The number of issued shares increased YoY due to the exercise of rights to subscribe for new shares. The average number of shares during the period was 8,856,783 shares in FY2023/3 and 9,637,615 shares in FY2024/3.

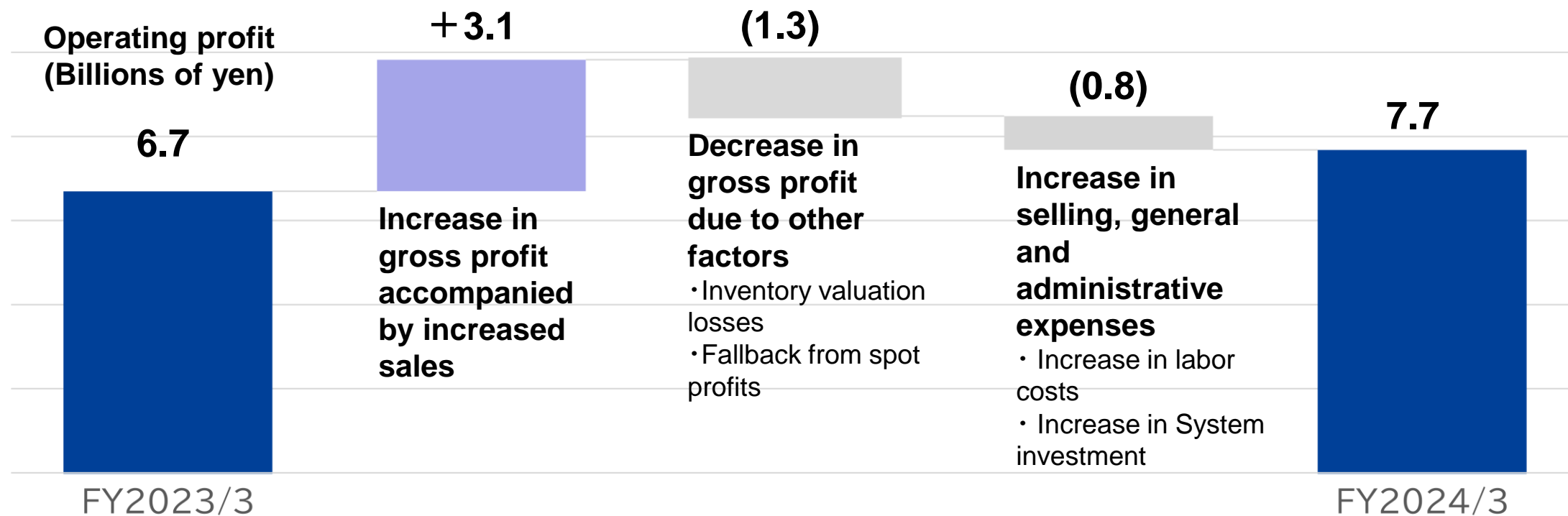
Positive factors for net sales

• Sales increased by 39.1 billion yen (up 21.0%) compared to the previous fiscal year, due to brisk production and robust demand for capital investment, primarily among customers in the automotive industry.



Changing factors for operating profit

- Operating profit increased by ¥0.9 billion, or 14.7% YoY.
- Although the gross margin declined due to the recognition of inventory valuation losses and a fallback from spot profits in the previous fiscal year, operating profit increased thanks to the boost in profits from increased sales and our reining in of increases in SG&A expenses.



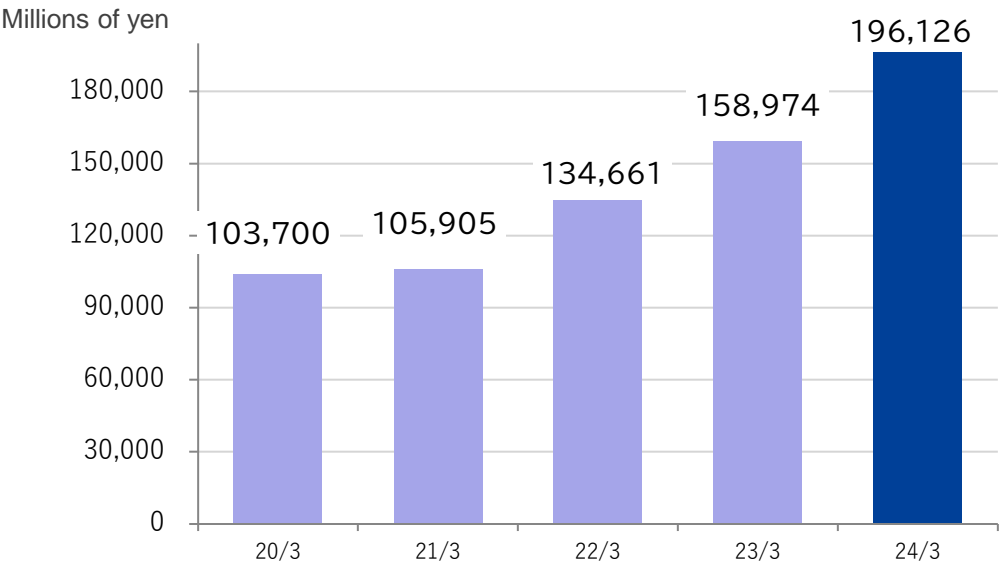
Electronic Devices Business: Financial results summary

- Net sales increased thanks to higher automobile production output and a greater number of vehicle models using the products the Company supplies.
- Although the gross margin declined due to the recognition of inventory valuation, segment profit increased thanks to the boost in profits from increased sales and our reining in of increases in SG&A expenses.

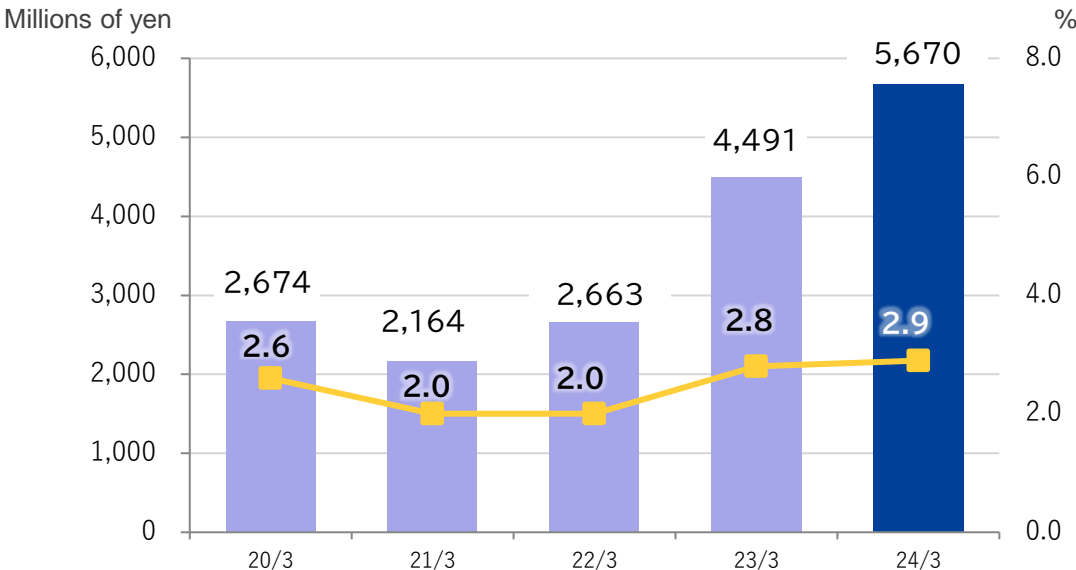
(Unit: Millions of yen)

	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
Net sales	158,974	100%	196,126	100%	+37,151	+23.4%
Segment profit	4,491	2.8%	5,670	2.9%	+1,179	+26.3%

Net sales



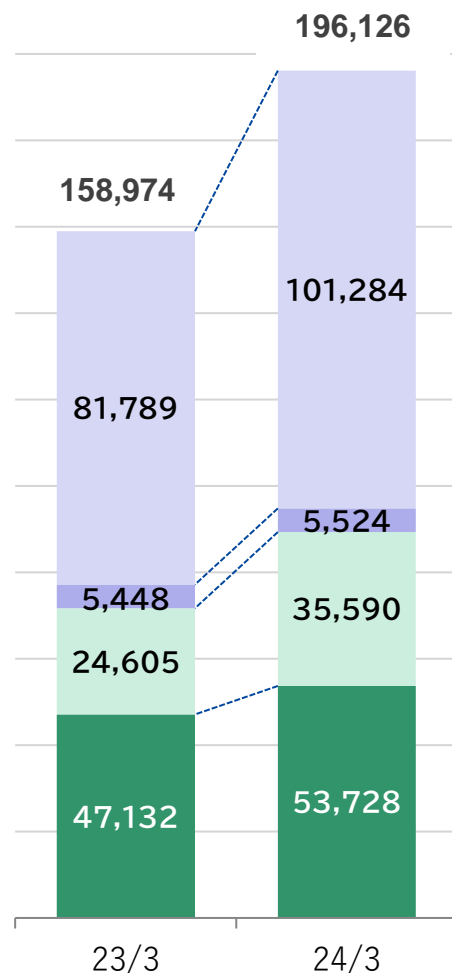
Segment profit and segment profit margin



Electronic Devices Business: Net sales by client (YoY)

• In addition to higher automobile production output, other factors driving sales include a greater number of vehicle models using the products the Company supplies related to onboard multimedia and advanced driver assistance systems, as well as new incorporation of its products.

(Unit: Millions of yen)



(Unit: Millions of yen)

	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
DENSO CORPORATION	81,789	51.4%	101,284	51.6%	+19,494	+23.8%
TOKAI RIKI CO., LTD.	5,448	3.4%	5,524	2.8%	+76	+1.4%
Others	24,605	15.6%	35,590	18.1%	+10,985	+44.6%
*1 Overseas clients	47,132	29.6%	53,728	27.4%	+6,596	+14.0%
Total	158,974	—	196,126	—	+37,151	+23.4%

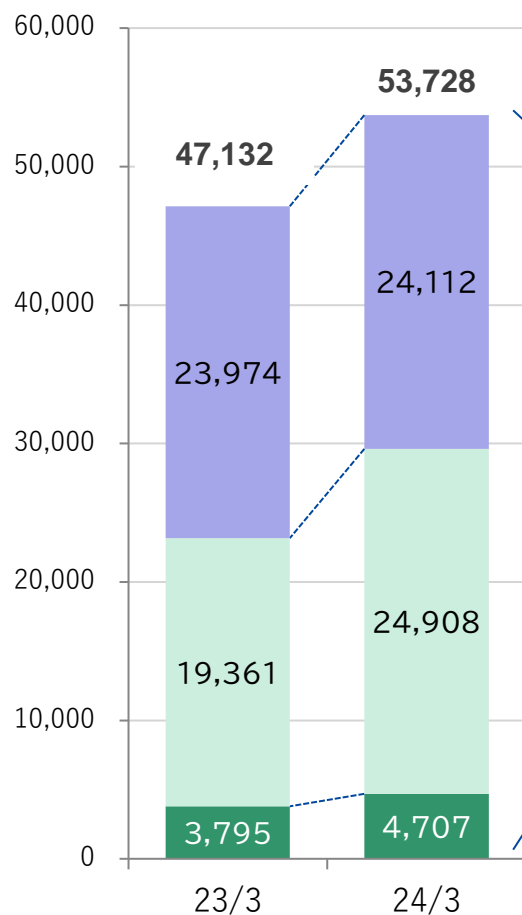
*1 Sales to the overseas offices of major customers, including DENSO CORPORATION, have been included in Overseas clients.

Electronic Devices Business: Net sales by region (YoY)

- Sales, mainly sales in Japan, exceeded the previous fiscal year in all areas.
- Although cumulative figures at Singapore and China bases were down year on year, they recorded double-digit growth for the fourth quarter.

(Unit: Millions of yen)

(Unit: Millions of yen)



	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
*1 Japan	111,842	70.4%	142,397	72.6%	+30,555	+27.3%
Asia	23,974	15.1%	24,112	12.3%	+138	+0.6%
United States	19,361	12.2%	24,908	12.7%	+5,546	+28.6%
Europe	3,795	2.4%	4,707	2.4%	+911	+24.0%
Overseas (total)	47,132	29.6%	53,728	27.4%	+6,596	+14.0%
Total	158,974	—	196,126	—	+37,151	+23.4%

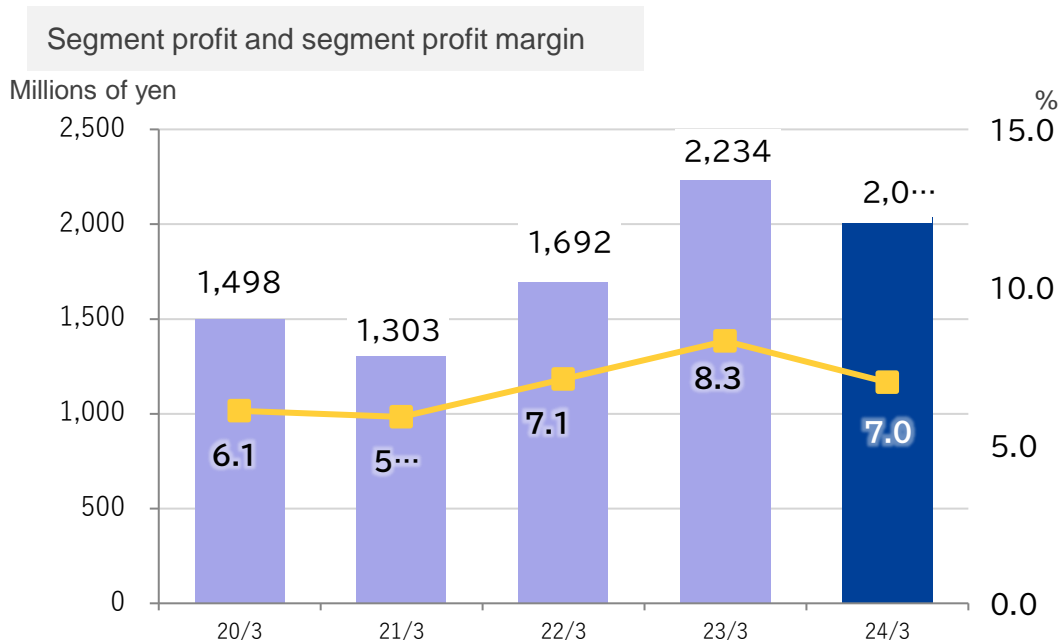
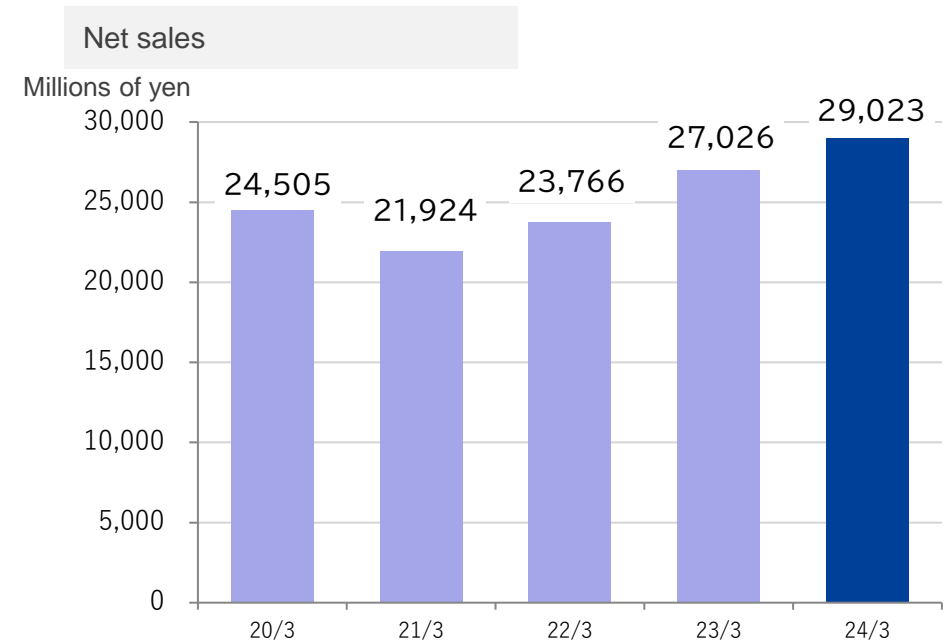
*1 Region names represent the Group's business locations (excluding intragroup transactions). Financial results included in FY2024/3 Q3 are figures from January 2023 to September 2023 as the fiscal year-end for the Group's bases in Singapore, China and the United States is December.

Technology Solutions Business: Financial results summary

- Although there were inventory adjustments at some customers due to factors such as the state of the Chinese market, sales remained strong as the Company capitalized on investment demand from customers in the automotive industry.
- Segment profits declined due to sluggish gross profit growth caused by changes in sales composition, as well as aggressive investment in development and marketing of next-generation units.

(Unit: Millions of yen)

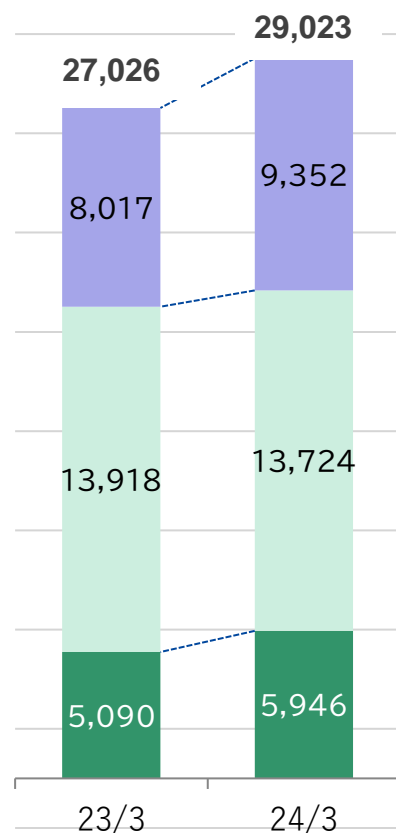
	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
Net sales	27,026	100%	29,023	100%	+1,997	+7.4%
Segment profit	2,234	8.3%	2,040	7.0%	(193)	(8.7)%



Technology Solutions Business: Net sales by business (YoY)

• Although sales in the embedded solutions field were sluggish due to inventory adjustments made by some customers caused by the impact of factors such as Chinese market conditions, system investments aimed at automation and efficiency were strong.

(Unit: Millions of yen)



(Unit: Millions of yen)

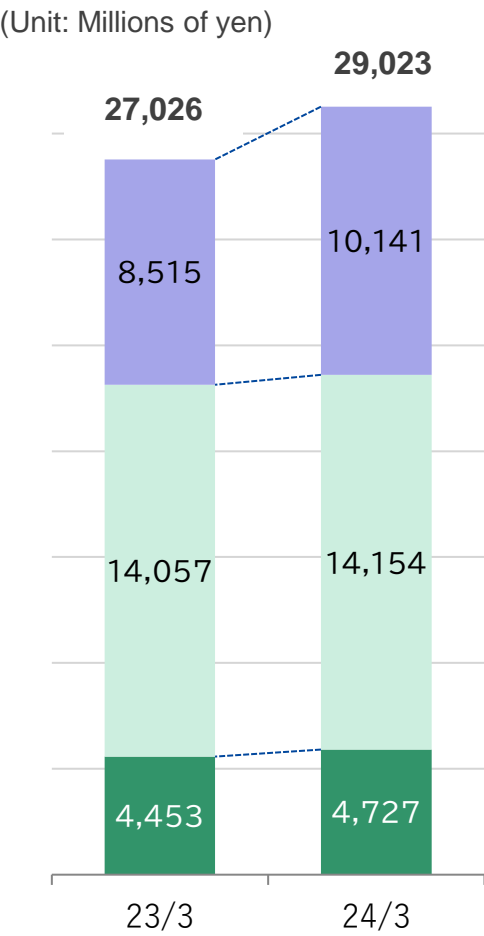
	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
System Solutions	8,017	29.7%	9,352	32.2%	+1,335	+16.7%
Embedded	13,918	51.5%	13,724	47.3%	(194)	(1.4)%
FA Solutions	5,090	18.8%	5,946	20.5%	+856	+16.8%
Total	27,026	—	29,023	—	+1,997	+7.4%

*1 The names of the previous IT, Embedded, and Measurement & FA were changed to the System Solutions, Embedded and the FA Solutions from FY2024/3. The details of each business are as follows.

System: Sale of IT devices, development of apps, development of IoT systems, security measures, etc.
 Embedded: Development and manufacturing of industrial computers, sale of industrial embedded computers for machinery, etc.
 FA: Sale of measurement devices, inspection equipment and FA devices, development, manufacturing and sale of various automated and labor-saving manufacturing equipment.

Technology Solutions Business: Net sales by industry (YoY)

• We capitalized on demand from automotive industry customers for system upgrades and investment in building production lines.



(Unit: Millions of yen)

	FY2023/3		FY2024/3			
	Amount	Ratio	Amount	Ratio	YoY	
Automotive	8,515	31.5%	10,141	34.9%	+1,626	+19.1%
FA & Industrial equipment	14,057	52.0%	14,154	48.8%	+97	+0.7%
Others	4,453	16.5%	4,727	16.3%	+273	+6.1%
Total	27,026	—	29,023	—	+1,997	+7.4%

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Earnings forecasts for FY2025/3

- We plan to increase Net sales and operating profit in both the Electronic Devices Business and the Technology Solutions Business.
- We plan to make strategic investments in the final year of our medium-term plan. We also factor rising interest rates and forex trends into our profit forecasts.

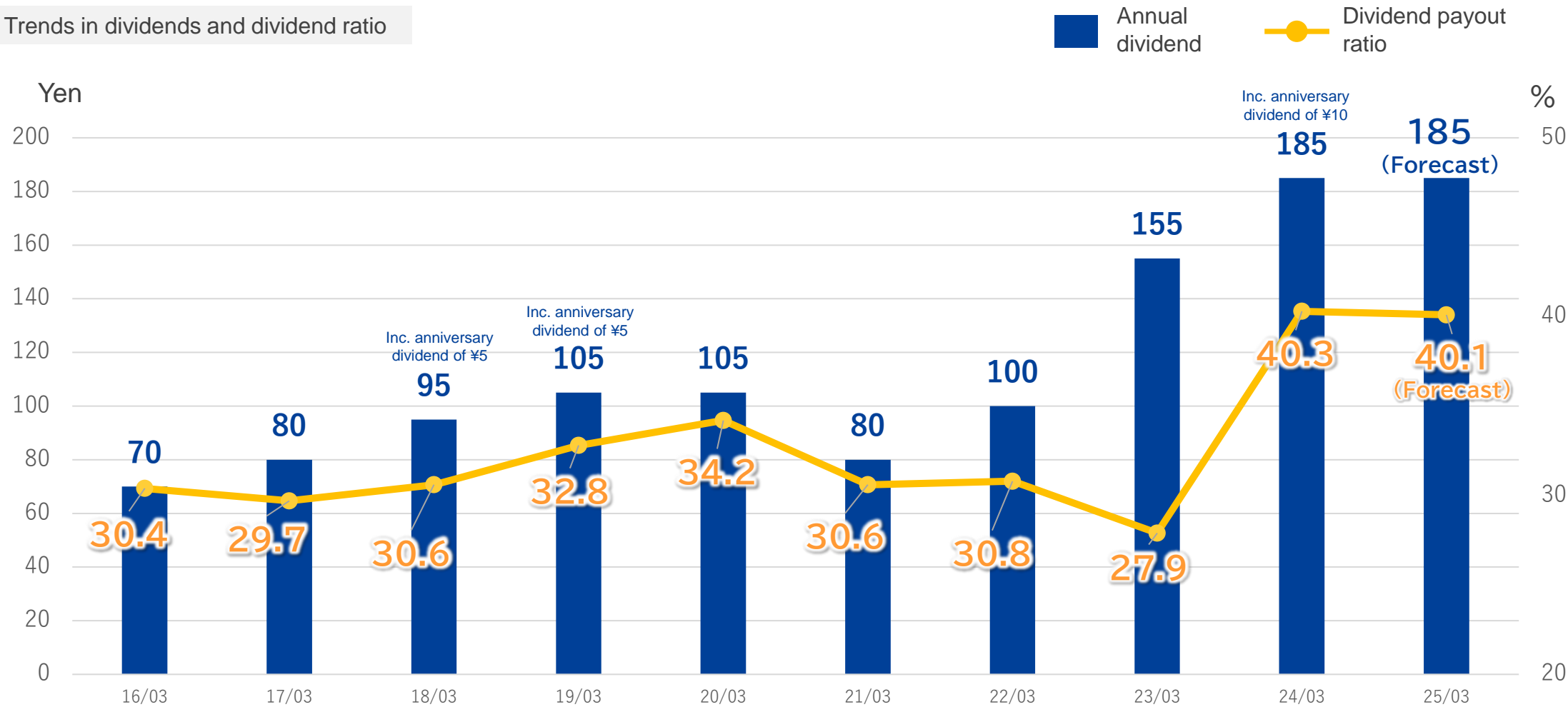
(Unit: Millions of yen)

	FY2024/3		FY2025/3(Forecasts)			
	Amount	Ratio	Amount	Ratio	YoY	
Net sales	225,150	100%	269,000	100%	+43,849	+19.5%
Operating profit	7,711	3.4%	7,900	2.9%	+188	+2.4%
Ordinary profit	7,221	3.2%	7,100	2.6%	▲121	▲1.7%
Profit attributable to owners of parent	4,421	2.0%	4,600	1.7%	+178	+4.0%
Earnings per share (Yen)	458.80	—	461.73	—	+2.93	—

Return to shareholder

• We changed dividend payout ratio target as 30-40% from the FY2025/3, and plan to the annual dividend is ¥185 and dividend payout ratio is 40.1% for FY2025/3.

Trends in dividends and dividend ratio



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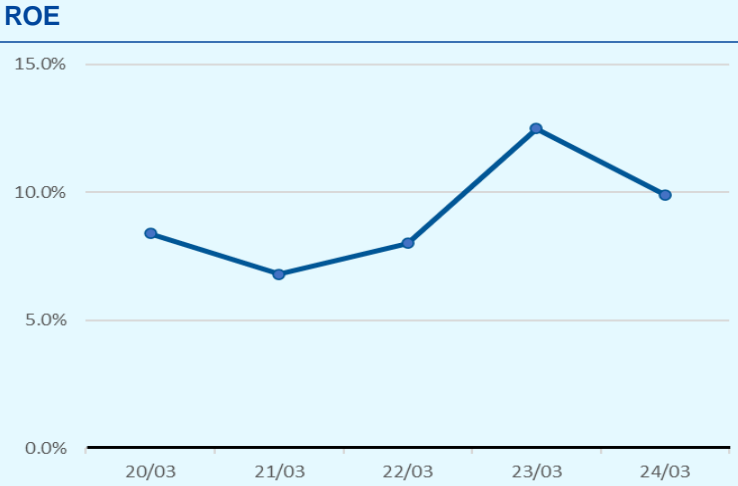
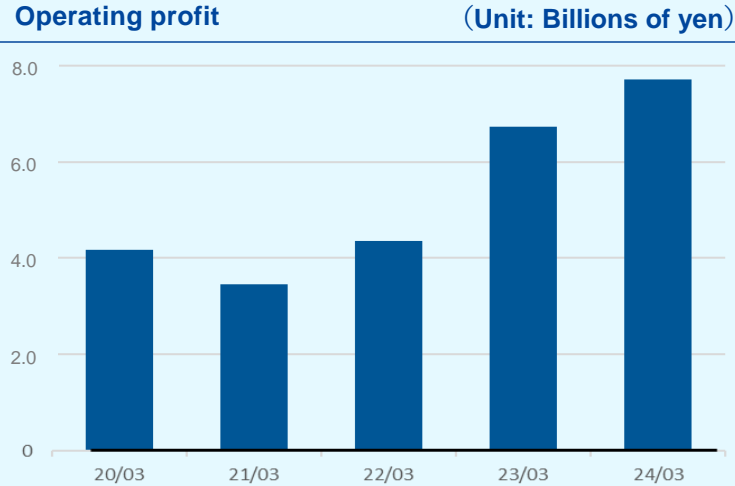
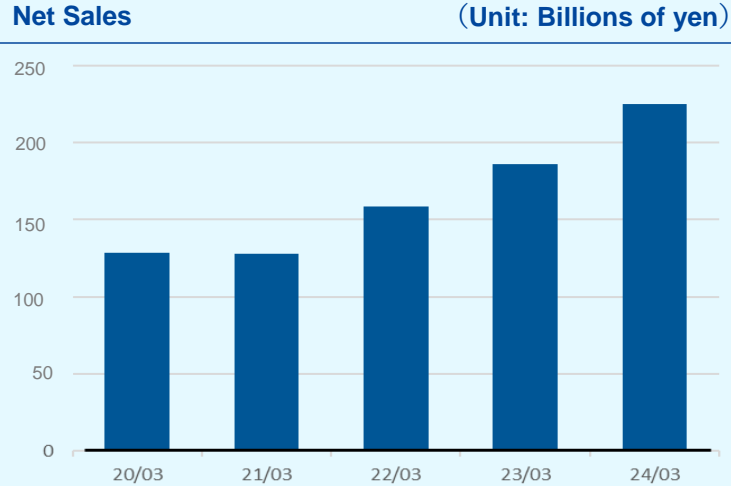
Numerical target plan and key strategy

Review of the previous medium-term management plan “MNV2023”

Given our achievement of plan ahead of schedule even amid changes in the business environment, we have improved our ability to execute action thanks to our implementation of strategic scenarios and our new configuration.

The targets for the final fiscal year (Revised※)	Net sales	Operating profit	ROE
	¥170 billion (¥227.5 billion)	¥5.0 billion (¥8.3 billion)	8.0% (10.0% or higher)
※Figures in parenthesis are revised targets announced in November 2023 (The management targets for the final fiscal year were achieved one year earlier than scheduled)			
Results (FY2024/3)	Net sales	Operating profit	ROE
	¥225.1 billion	¥7.7 billion	9.9%

- Since the plan was first formulated, we have achieved its initial target ahead of schedule, despite being affected by factors such as increased customer production volumes and the impact of the pandemic.
- We believe our basic business policy was appropriate to the circumstances at the time it was formulated, and we have improved our execution capabilities.



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Awareness of the Business Environment

As the scale of business expands, the external environment is changing dramatically. Qualitative improvements through management reforms are urgently needed in order to enhance our corporate value and evolve to a new stage of growth in response to environmental changes.



Changes in the external environment

When we formulated Make New Value 2023, we declared our intention to enhance our corporate value and considered measures to achieve that goal, but the environment surrounding our company has since changed substantially.

- The environment for automobile production and remote work due to the pandemic
- Changes in the transaction environment with business partners, and a more intense transaction environment in the device industry
- The advance of the softwareization of mobility, and growing need for digital transformation (DX) across all industries
- Exchange rates, investor expectations, and the discerning ability of stakeholders



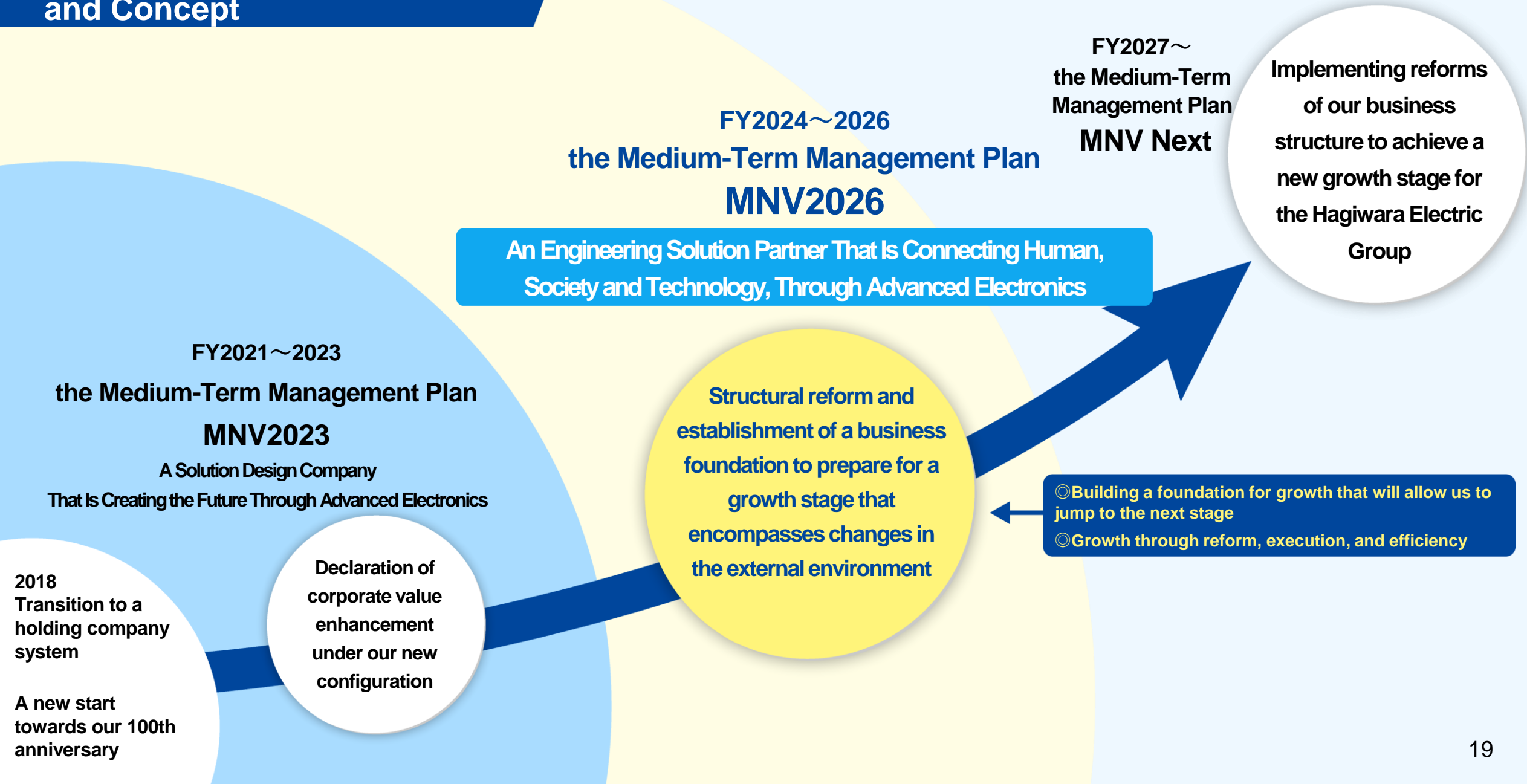
Recognition of issues

Although we are ahead of schedule on numerical targets, we must improve our quality of management and further increase efficiency and profitability in order to achieve sustained growth.

- Evolution of business management
- Strengthening our execution of key measures to achieve plans
- Creation of a system to maximize group synergy, among others

MNV2026 Positioning and Concept

We position this plan as a preparation for evolution to the next stage of growth as well as transformation to a management style that focuses on corporate value enhancement.



Management Vision and Aspiration

The society we aim to achieve

Sustainable and prosperous society

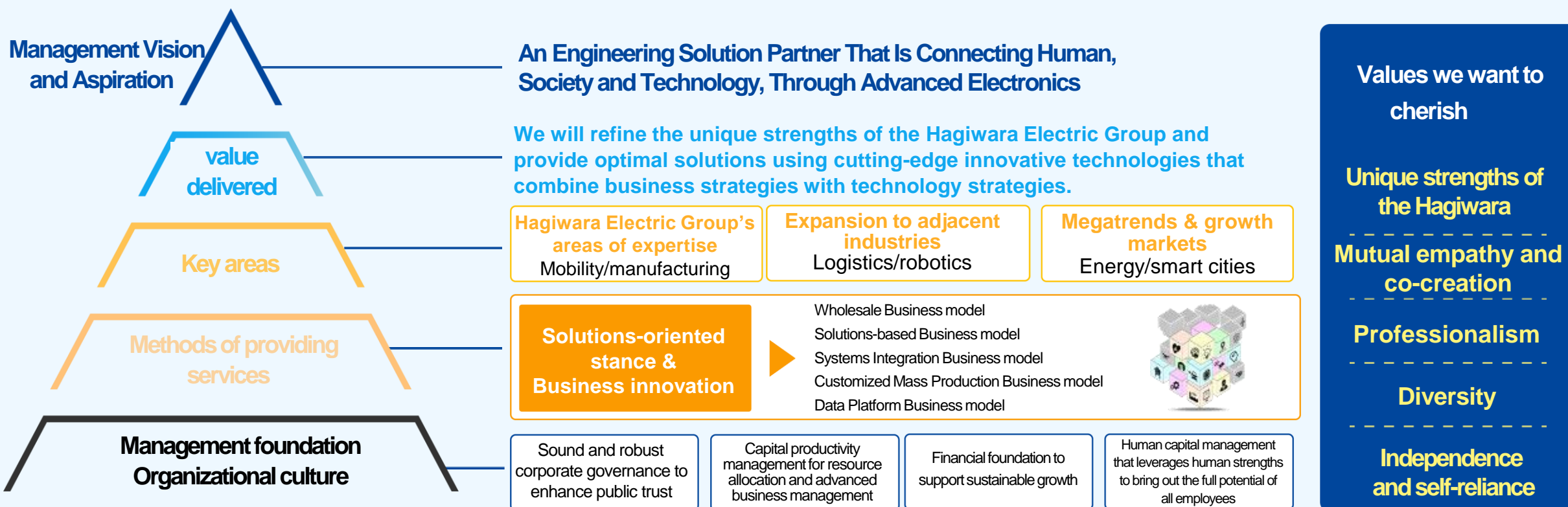
A sustainable society where future manufacturing with cutting-edge technology supports an affluent society and people enjoy happiness and a sense of fulfillment.

Philosophy

Creativity and Ambition

Creativity: All employees adapt to change and continue to create new value

Ambition: All employees continue to strive for further growth without feeling content with the present conditions



Make New Value 2026

～Structural reform and establishment of a business foundation to prepare for a growth stage that encompasses changes in the external environment～

Priority policies

Corporate value enhancement -Improving earning power-

Three structural reform

Business structure

Enhance proposal value through business model reform



Capital productivity

Reform management with an awareness of capital productivity



Human capital

Maximize employee power by leveraging human capital

Six key strategies



Devices business strategy



Advanced business management



Solutions business strategy



Human resources strategy



Business innovation strategy



ESG promotion

© Growth through reform, execution and efficiency

Key management indicator

Net sales

¥300 billion

Operating profit

¥1.1 billion

ROE

11 % or higher

Dividend payout ratio

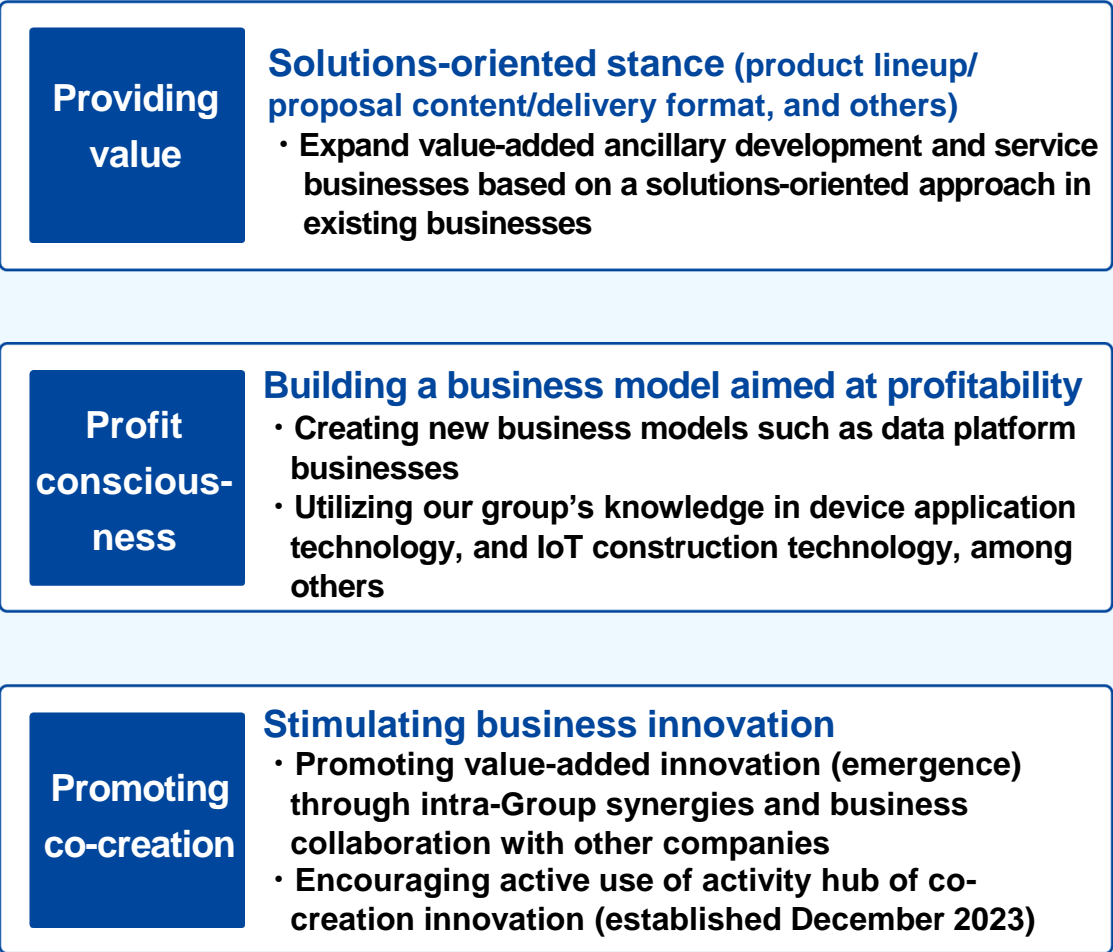
30~40 %

Enhance proposal value through business model reform

Undertaking the challenge of reforming our business structure with a focus on added value and profitability.

Strengthening our earning power by offering solutions to societal and customer issues and obtaining fair profits commensurate with the value we provide.

Enhance proposal value through business model reform



The Group's solutions-oriented profit structure (conception)



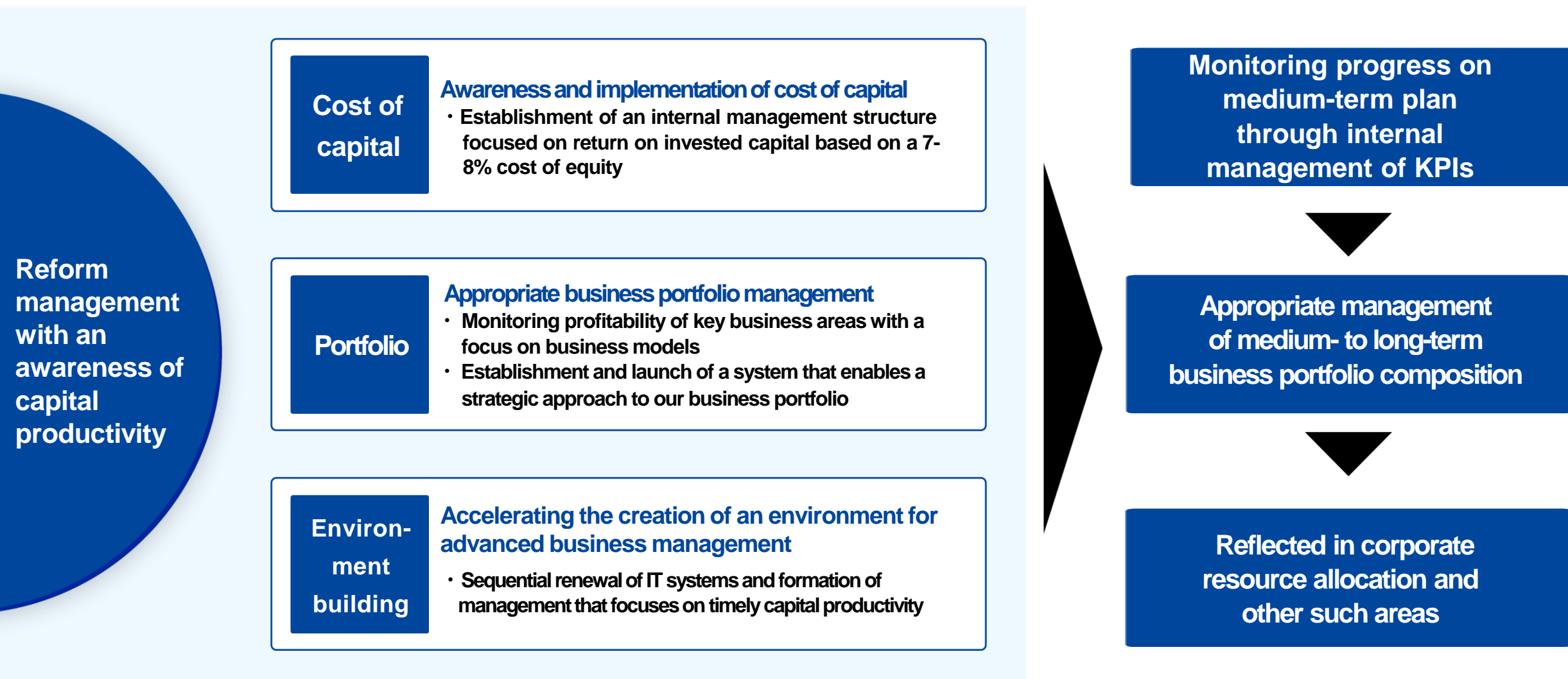
■ Solutions-based business model ■ Wholesale Business model

Profit from Solutions-based Business*

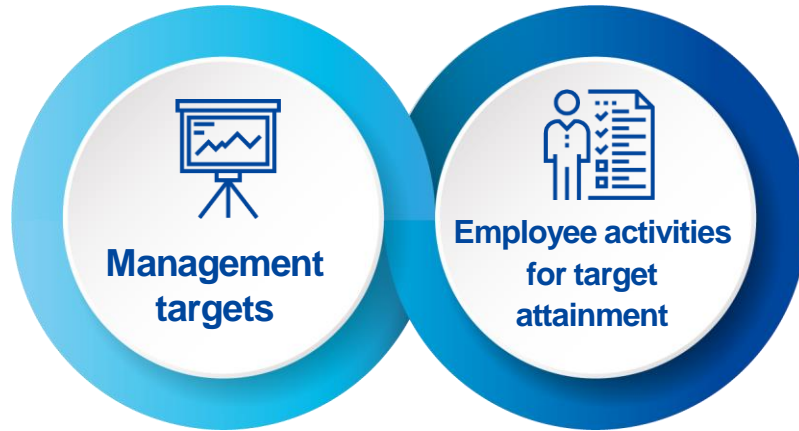
*Figures combining the existing Technology Solutions Business (segment) and the Solutions-based Business in the Electronic Devices Business (gross profit basis).

Reform management with an awareness of capital productivity

Along with business model reform, we are also starting to change our management style with a focus on capital productivity.



Maximize employee power by leveraging human capital



- Maximizing employee performance and synchronizing employee activities for target attainment with Management targets
- Individual goal management linked to company goals in a scalable manner



Fostering a sense of participation in management among all employees as we move towards the next stage of growth and aiming corporate operations with the idea that all employees work together to improve corporate value

Accelerating the cultivation of “creative and ambitious human resources” who will drive solutions-oriented business model reform, and strengthening the foundation for human resources development.

[Practicing human capital management that leverages the human strengths unique to the Hagiwara Electric Group]

Human Capital Management Framework (formulated in April 2024)

- Implementing innovation activities with universal participation
- Spirit of “independence”
- “Promoting ambition and change” × “Work design reform”
- Further improving employee engagement

[Introducing ideas and systems for cultivating human resources and promoting the stimulation of people and organizations]

Human resources system overhaul (starting April 2024)

- Ambition, fairness, and open thought
- Providing diverse opportunities for growth to foster an innovative mindset and the gaining of experience
- Utilizing and cultivating the right people in the right positions to respond to changes in the business environment
- Greater emphasis on performance evaluation based on expected roles and goal achievement

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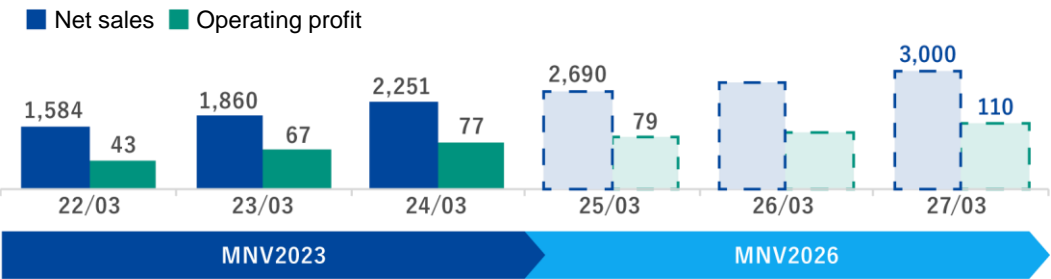
Numerical target plan and key strategy

Make New Value 2026

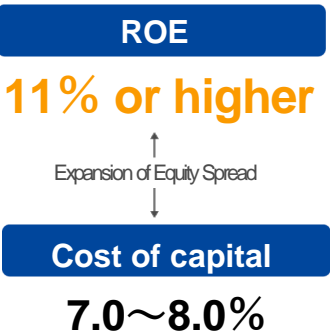
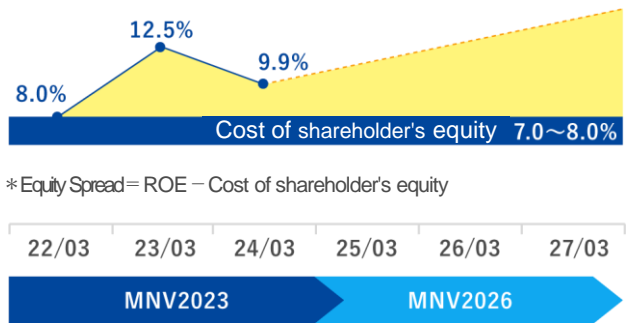
Aiming structural reform and establishment of a business foundation for a new stage of growth.

We aim for sales of **300 billion yen** and operating profit of **11 billion yen** by actively investing in business expansion and new revenue models

	FY2024/3(Results)		The last FY of MNV2026 (FY2027/3)
Net sales	¥225.1 billion	▶	¥300 billion
Operating profit	¥7.7 billion	▶	¥1.1 billion



We will accelerate expansion and growth investments with appropriate financial leverage to achieve ROE of **11% or higher**

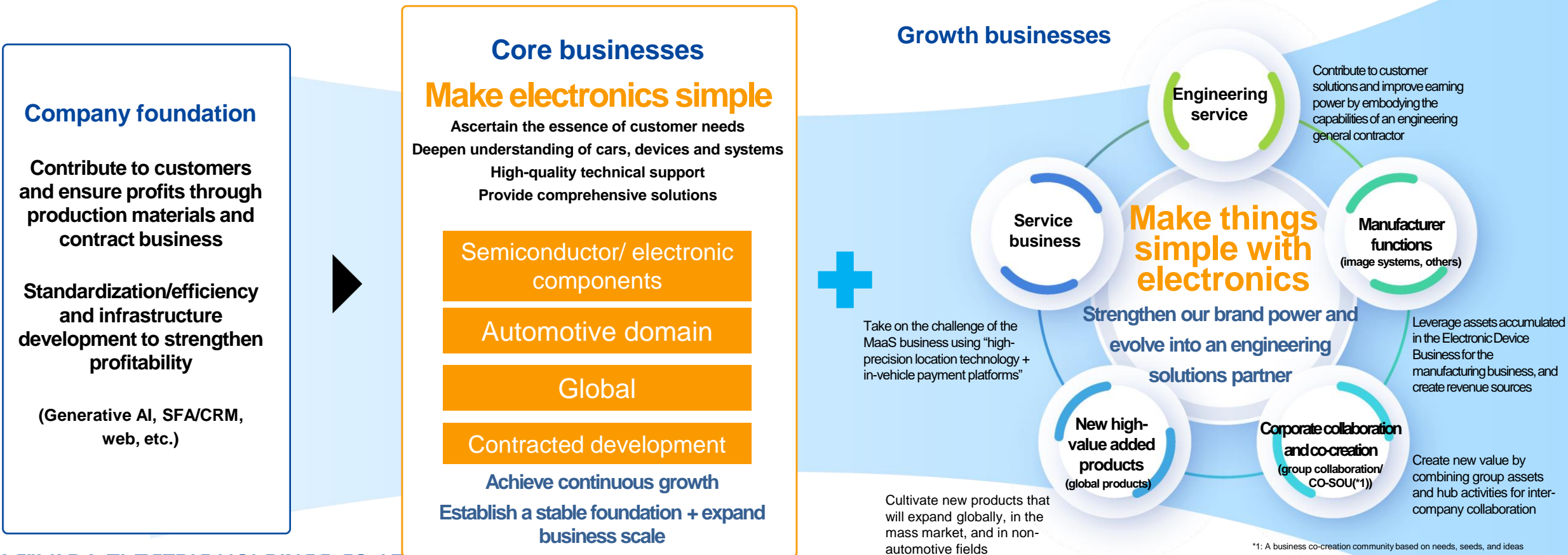


We set a target of dividend payout ratio to 30-40%, and implement stable dividend payment, considering the ratio of dividends to consolidated net assets.

Dividend payout ratio around 30% ▶ **30~40%**

Business Policy

- Expand the scale of our core business through production materials (semiconductors and electronic components) and contract business
- Expand the scope of our proposals and services that address customer issues through a deep understanding of vehicles, devices, and systems and high-quality technical support
- Develop and expand the Solutions-based Business, build profitable business models by creating new value, and strengthen earning power



Business Policy

- Promote highly profitable business by solving problems for society and our customers and creating value
- Launch a data platform business as our fourth pillar, establish a fusion business that leverages the strengths of our three existing businesses, and take on the challenge of further expanding into new markets and high value-added businesses

An engineering company that supports the creation of future worksite through utilizing data

Leverage our integration capabilities to deliver manufacturing DX

Contribute to customer value creation through new embedded solutions

Create new added value for companies through data utilization

Cultivate services and technologies that can be used in a manufacturing as well as a wide range of related industries, and refine business models

Security

DX service

IoT platform

IT assessment/
consulting

Original products
Board computers

In-house inspection
and measurement
technology

Engineering
technologies

IT solutions

- Deepen account strategies (selectivity and concentration)
- Define added value to capture the market and pursue strategies by developing solutions
 - Kanto area and other industries (construction, distribution, among others)
 - Security/Data backup area

Data platform

- Provide new value based on data as a service
- Establish a fusion business that leverages the strengths of our three existing businesses
- Promote high-value-added business through recurring software license business

Embedded solutions

- Enter new markets by promoting collaboration with FA trading companies with which we can create synergy
- Develop new areas for product development and production, and expand manufacturer business by promoting value and expanding production capacity

FA engineering

- Expand in-house production, a high-value-added business
- Maximize mutual complementarity and synergistic effects through collaboration with HAGIWARA ENGINEERING
 - Reorganization of accounts/area strategies
 - Optimal allocation of technical departments

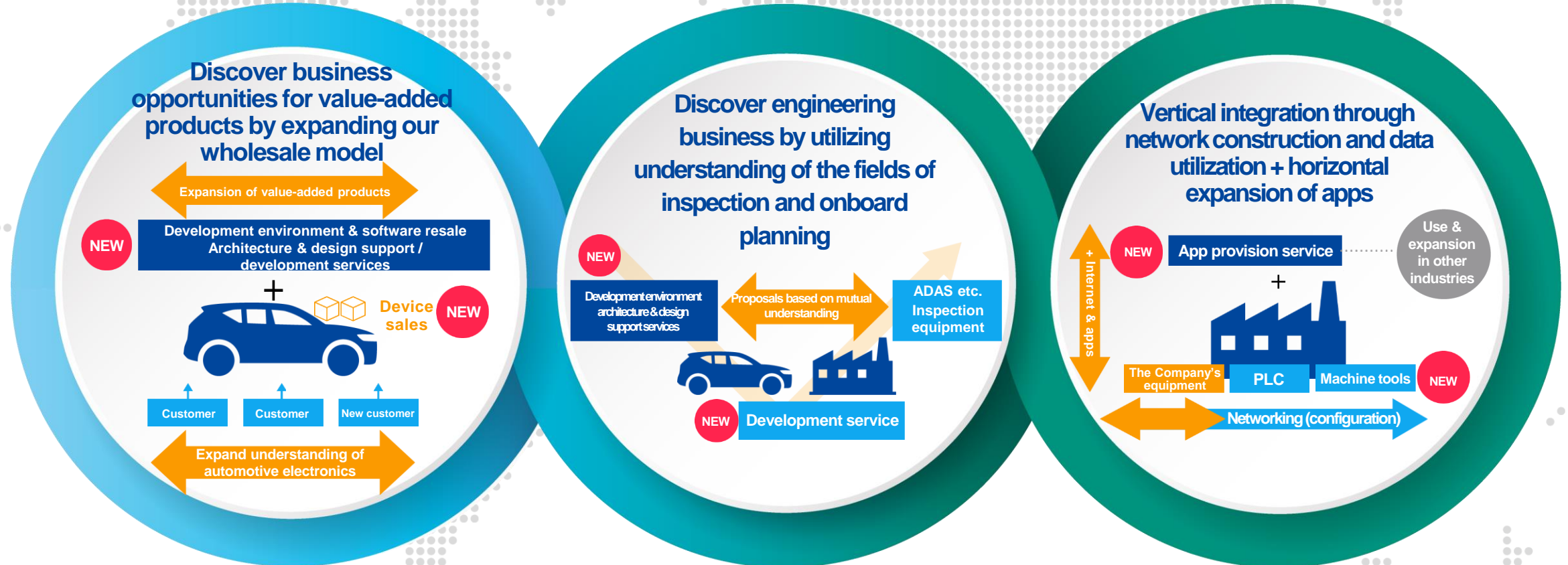
Business Innovation Strategies (new business/co-creation activities)

Business Policy

- Create, expand, and deploy businesses based on the Hagiwara Electric Group's unique deep understanding of the mobility field
- Promote value-added innovation (emergence) through intra-group synergies and business collaboration with other companies

A hub for the Hagiwara Electric Group with new value creation functions

Hagiwara Innovation
center TOKYO

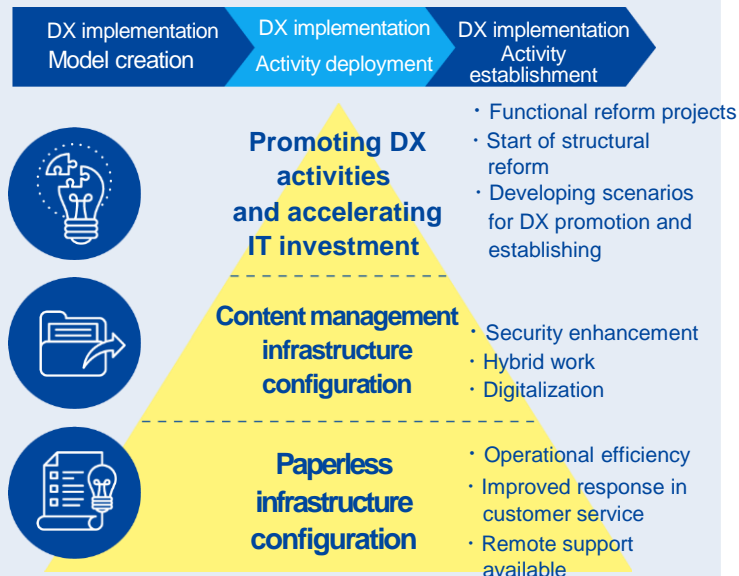


Business Management Sophistication Strategy

We will work to improve operational efficiency and optimize management resources through IT and DX, as well as accelerate our efforts to shift to a management style that focuses on capital productivity.

MNV2023

- Establishment of DX promotion activities
- Sophistication of system infrastructure
- Sophistication of operations
- Strengthening and speeding up of the group's management base

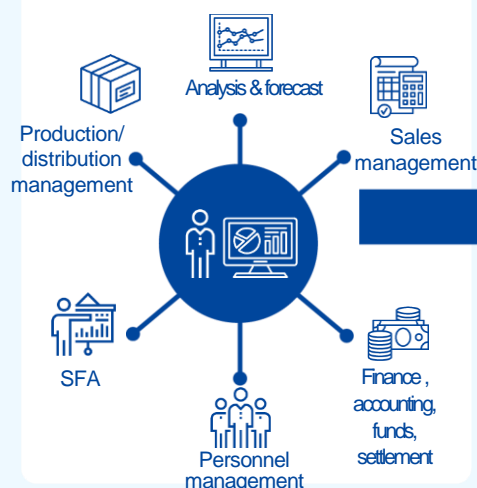


MNV2026

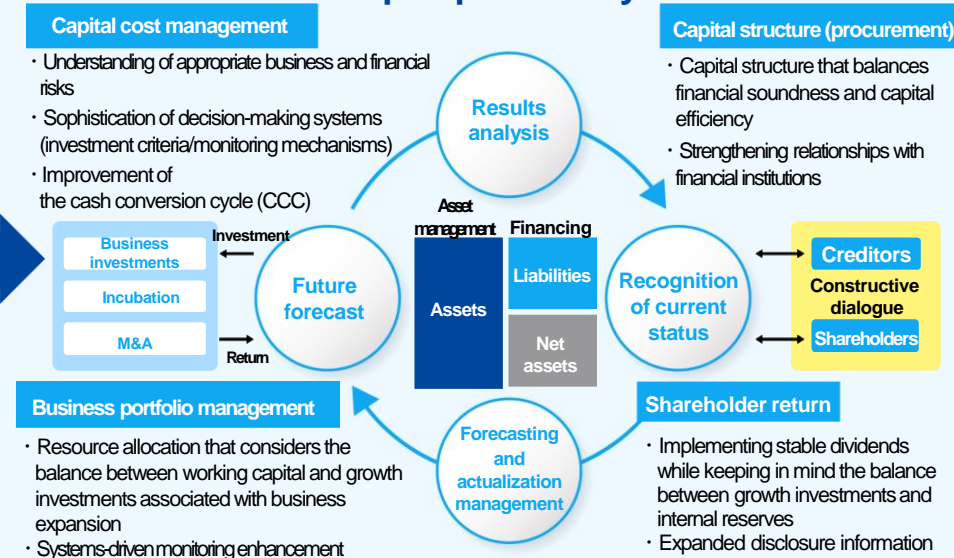
Transformation to management that focuses on capital productivity through sophistication of business management functions

- Assemble IT infrastructure to visualize data and speed up decision-making
- Assemble an investment decision scheme to speed up the decision-making process and accelerate growth
- Strengthen supply chain management through standardization and streamlining of logistics management, proper inventory management, and other measures

Transformation to a systems-driven new management style



Implementing a management style that focuses on capital productivity

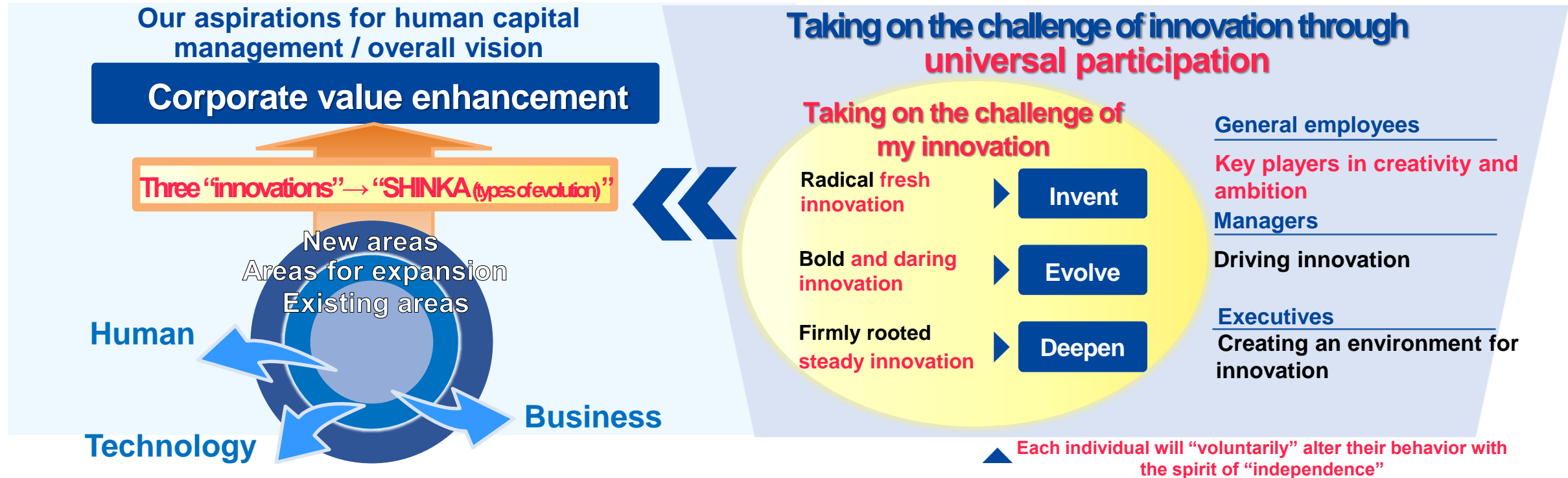


Human Resource Strategy

Implementation of human capital management to undertake challenges and maximize performance.

Employees
= assets

Using human capital management that leverages the “human” strengths unique to the Hagiwara Electric Group to maximize the abilities of all our employees



“Human” strengths unique to the Hagiwara Electric Group

Broad and deep knowledge
into mobility-related technologies and manufacturing

Ability to build trust
over deep and long-term relationships with customers and partners

Deep understanding
of the mobility industry and customer needs

Two spirits of “independence”

Independence
Connect and link oneself

Autonomy
Demonstrate high professional ethics

Human Resources strategy

Implementation of human capital management to undertake challenges and maximize performance.

HR strategy KGIs and Key strategic themes

Corporate value enhancement

innovation

HR strategy

Promoting challenges and reform



Work design reform

KGI

Human capital productivity

Sub KGI

Human capital investment/ employee engagement

Key strategic themes

Talent management

Promoting reform through a new personnel system (recruitment, placement, training, evaluation)

Diversity, Fairness & Inclusion (DFI)

Provide all employees with fair and equal opportunities suited to their needs, and freely exchange and combine diverse knowledge

Activity Based Working (ABW)

Promote autonomous working styles to suit the situation

Health Management

Without healthy employees, there is no innovation either

compliance

Ensure a strong sense of responsibility as a member of society



ESG Promotion

Continue and deepen our efforts by leveraging the results and activities of MNV2023.
Accelerate the creation of an internal environment that supports human resource growth and innovation creation.
Seek out ways to address and respond to new sustainability themes.

Deepening sustainability management

- Disclosure of sustainability information in annual securities reports
- Funding through ESG management support private placement bonds
- Certification as “Excellent Corporation for Health Management”
- Acquisition of DBJ health management rating

- Endorsement of TCFD recommendations
- Member of the TCFD Consortium
- Promoting human sources system reform
- Accelerating workplace reform

- Establishment of the Sustainability Committee
- Commencement of GHG emissions (Scope) calculation
- Health Management Declaration
- Promotion of remote work and free address policy

- Establishment of a dedicated sustainability department
- Publication of TCFD recommendations on the website
- Commencement of CDP replies

- Determination of materiality
- Publication of sustainability content on the website
- Training on SDGs adoption
- Review and re-declaration of the General Business Owner Action Plan

Make New Value 2026

Challenge themes

- ☑ Scope 1 and 2 reduction targets (minimum 25% reduction vs. FY2020)
- ☑ Stimulation of SDGs activities through open innovation creation
- ☑ Human resource development through human capital management practices
- ☑ Promoting human rights due diligence
- ☑ Enhancement of ESG information disclosure
- ☑ Strengthening of corporate governance



HAGIWARA ELECTRIC HOLDINGS CO., LTD.

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