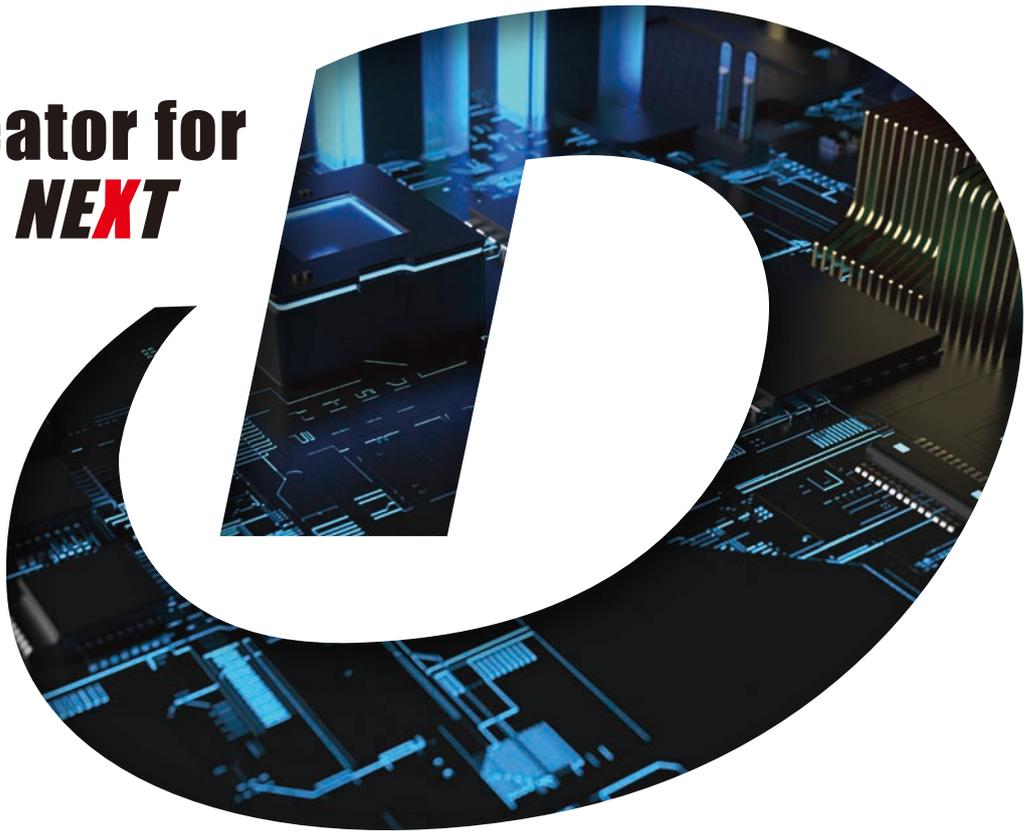


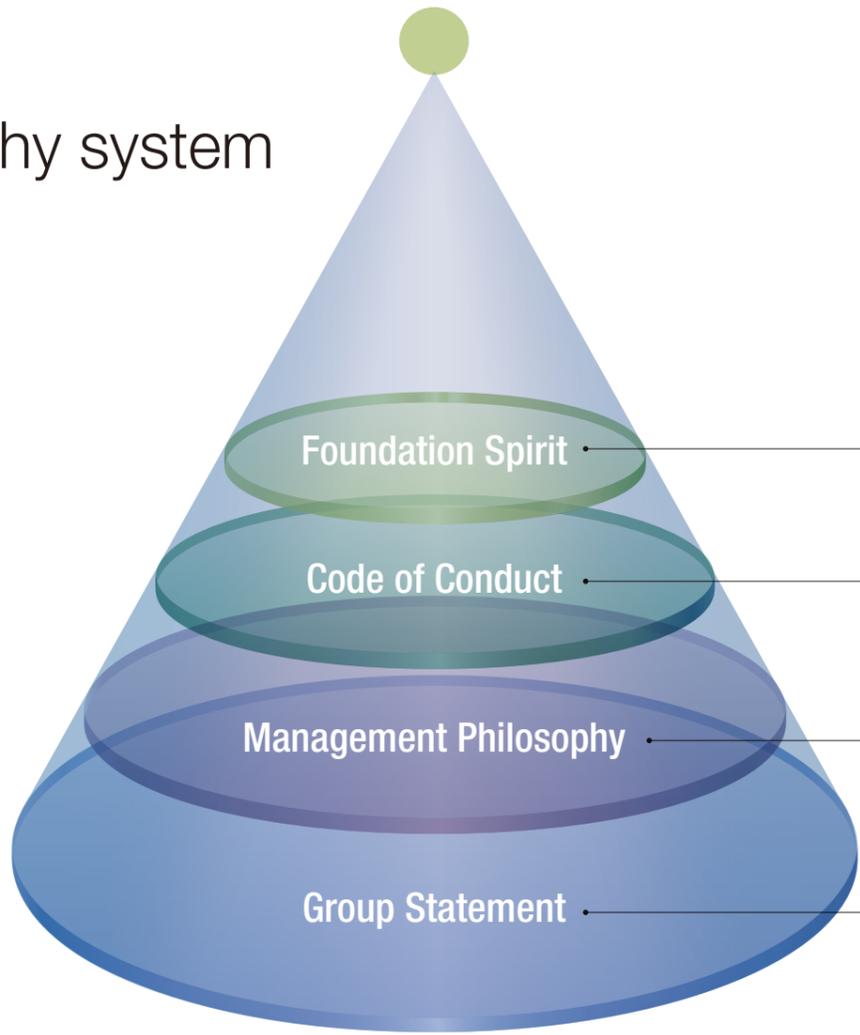
**Creator for  
the *NEXT***



Integrated Report 2023

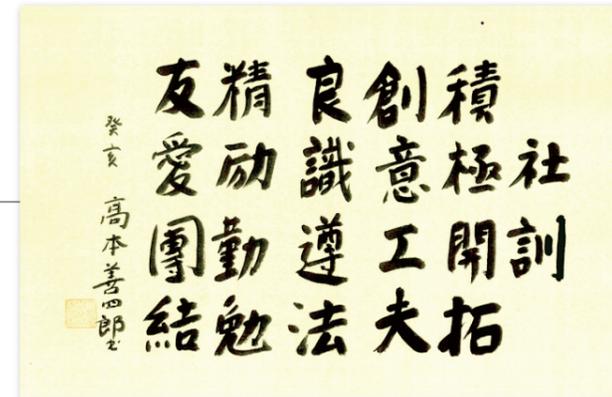


# Philosophy system



## Hard work, prosperous lifestyle

In "hard work," we put our determination to give our all in our work during working hours. "Prosperous lifestyle" suggests that payments be increased and employees and shareholders earn fair returns, as performance improves. Since 2008, we have been further promoting this idea to better motivate employees by realizing a performance-based pay system of an industry-leading level.



The writings of founder Zenshiro Takamoto

- ▶ Our Company will aim to provide a comfortable and safe work environment, respecting our employees' needs for self-esteem and encouraging every individual to achieve their fullest potential.
- ▶ Our Company will do its utmost to satisfy its customers, shareholders, and suppliers.
- ▶ Our Company will strive to maintain a global outlook and continue to conquer challenges in technological innovations to provide high value-added products for our customers.
- ▶ Our Company is committed to being a good corporate citizen and actively participating in those communities where we are represented.

## Creator for the **NEXT**

Grasp markets from a global viewpoint to create and provide values one step ahead of customer needs

This Group Statement expresses our idea of what the Daitron Group should be like. Further, "NEXT" (NETWORK, ENGINEERING, X[SYNERGY], TRADING) implies our aspiration to create new value as an engineering trading company leading the electronics industry and capitalizing on its network.

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• Editorial Policy  
The Daitron Group has prepared the Daitron Integrated Report 2023 to help all stakeholders understand our efforts to create sustainable value.  
In addition to our most recent business results, this report describes our management policies and strategies, including notable case studies. For detailed financial data and other information, please visit our website.

• Scope of Reporting  
Period Fiscal Year Ended December 31, 2022 (January 1, 2022 to December 31, 2022)  
\*Some information from outside of this period is also included.

Organization Daitron Group  
\*Caution Regarding Future Outlooks  
The forward-looking statements in this integrated report, including future plan figures and measures, are calculated based on judgments and assumptions that the Company has made based on information currently available and that it believes to be reasonable. Accordingly, actual results may differ from these forecasts due to various important factors such as economic conditions in major domestic and overseas markets and fluctuations in foreign exchange rates.



Chairman and Director  
Isayuki Mae

CEO & COO  
President, CEO and COO  
Shinsuke Tsuchiya

## Contributing to future value creation through electronics

Daitron Co., Ltd. (then called Daito Shoji Co., Ltd.) was established in 1952, starting its journey as a trading company. In 1969, the Daitron trademark was registered, and in 1970, we took several actions toward full-scale manufacturing functionality, including spinning off our technical division. Our unique dual trading and manufacturer functionalities comprise a truly important element of our DNA that has been passed down to the present and has been refined over the years to become one of our major strengths.

In the 71 years since our founding, we have built a broad and stable customer base by meeting the needs of all industries through a wide range of product lines covering the entire electronics domain, from electronic devices and components to manufacturing equipment. As a result, we have built deep and complex trust relationships with our customers, who are also our suppliers and joint developers. With this, our customer base has evolved into an even stronger “partner base.” This is also a very significant source of competitiveness for us.

With regard to the global development of our business, we have been focused on building overseas networks from an early stage, such as becoming the exclusive distributor for advanced technology manufacturers in the U.S. and other countries in the 1950s. This track record and experience have been the basis for our steady overseas expansion, beginning with the establishment of a U.S. subsidiary in 1986.

Then, in 1993, around 40 years after the Company's founding, we reached a major turning point. It was the dawn of the Internet and personal computers, and there was a great sense of anticipation that electronics technology would change the world.

It was amid this atmosphere of the times that we established a new Management Philosophy with the aim of long-term growth and advancement. Simultaneously, as a new form of management to pursue this philosophy, we launched the 1st Medium-Term Business Plan (1M), aiming to operate our

business based on medium- to long-term goals and strategies. This was such a major change, it could truly be called a “second founding.” Since that time, our Group's management has been based on our medium-term business plans, and we have continued to achieve steady growth.

Now, 30 years later, we press forward under the 10th Medium-Term Business Plan (10M). Once again, we face a time of great change. As technologies such as IoT and AI make great strides, society finds itself up against a mountain of issues, including climate change as well as labor shortages due to the declining birthrate and aging population. Here, we believe that electronics technology will serve as a key technology driving solutions to the myriad social and environmental issues the world faces.

In 10M, we seize upon these major changes in the business environment and are pressing ahead with the establishment of a new management structure for future change.

First, at the start of 10M, we made changes to the basic ideas shared by all Group employees. We newly formulated a long-term management slogan expressing our vision for the future: “Make a leap forward in the global market as a technology-based company.”

Next, during the 10M period, in order to materialize the Group's efforts to solve social and environmental issues, in other words, to work toward sustainability, we identified materiality, established a system for action, and started full-fledged activities toward sustainability.

Today, we recognize that we are entering a period that should be positioned as our “third founding.” Going forward, we will work to create new value demanded by societies of the future based on our achievements and experience accumulated over the 71 years since our founding and our unique electronics technology.

We ask for your continued support of the Group.

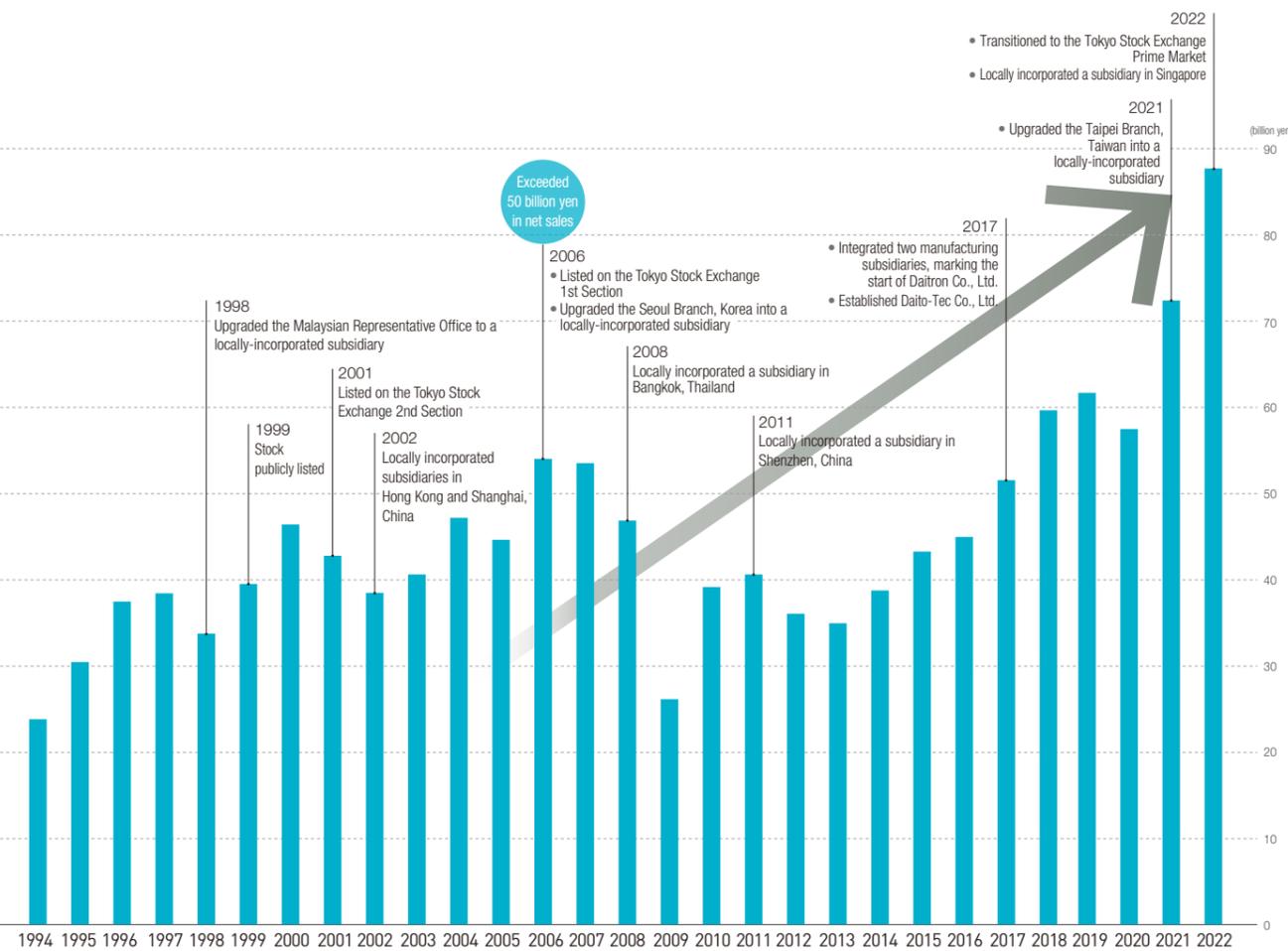
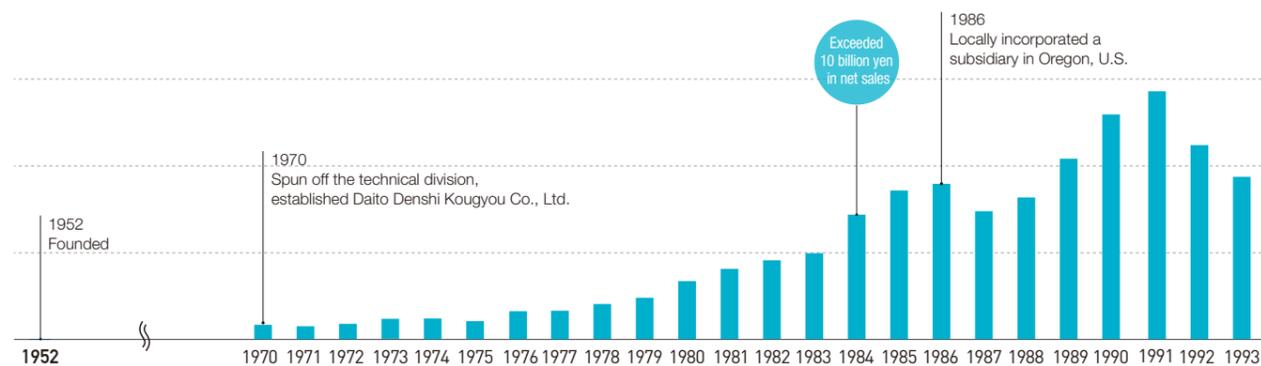
# The Daitron Group History

In the 71 years since our founding, we have grown alongside the development of the electronics industry in Japan and around the world

Our beginnings in 1952 were as a trading company, and we established a manufacturing subsidiary in 1970 by spinning off our technical division. This was the start of our Group “combined manufacturing and sales policy” management system that has continued to the present day.

We have established a unique presence in the industry by being an electronics trading company with a manufacturing function, which enables us to meet the needs of our customers in niche fields.

Then, in 2017, for our next stage of growth, we integrated two domestic manufacturing subsidiaries and began to create a new revenue base through combined manufacturing and sales as Daitron, achieving rapid growth alongside the development of the electronics industry.



**1950s**

**1952**

- Established Daito Shoji Co., Ltd. in Kita-ku, Osaka with a capital of 300,000 yen.
- Focused on sales of tape recorders, which was not common in those days, as a distributor of Tokyo Telecommunications Engineering Corporation (now Sony Group Corporation).

**1954**

- Moved the head office to Doyama-cho, Kita-ku, Osaka to respond to expanded business.
- Enhanced the purchasing division for Sony products and started sales of transformers from TAMURA Corporation and connectors from Hirose Shokai Co., Ltd. (now Hirose Electric Co., Ltd.) and Tajimi Electrics Co., Ltd.

**1957**

- Moved the head office to Oimatsu-cho, Kita-ku, Osaka to respond to expanded business.

**1958**

- Established the Tokyo Branch in Hanazono-cho, Shinjuku-ku, Tokyo.

**1959**

- Started to import and sell wear testing instruments and measuring instruments, etc. of U.S.-based Taber Industries as its Far-Eastern distributor.

**1960s**

**1969**

- Registered the Daitron trademark.

**1970s**

**1970**

- Spun off the technical division, established Daito Denshi Kougyou Co., Ltd.

**1975**

- Opened the Product Control Center in Tarumi-cho, Suita-shi, Osaka.

**1980s**

**1980**

- The First Ritto Factory was completed in Iseochi, Ritto-shi, Shiga. Started the manufacture of cables and harnesses using Bendix connectors.

**1986**

- Locally incorporated a subsidiary in Oregon, U.S.

**1988**

- Changed the trade name from Daito Denshi Kougyou Co., Ltd. to Daitron Technology Co., Ltd.

**1990s**

**1991**

- The new head office building was completed in Shima-machi, Chuo-ku, Osaka.

**1993**

- Established the Management Philosophy.

**1994**

- Spun off the Electrical Wiring Division and established subsidiary Daito Denso Co., Ltd.

**1998**

- Changed the trade name to Daito Electron Co., Ltd., renovated the Daitron trademark logo design at the same time.
- Upgraded the Malaysian Representative Office to a locally-incorporated subsidiary.
- Obtained ISO 9002 certification for our Electronics Operations Procurement Department (Tokyo and Osaka) and Tama Sales Office.

**1999**

- Shares made publicly available on the over-the-counter market at the Japan Securities Dealers Association (securities code: 7609).

**2000s**

**2001**

- Listed on the 2nd Section of the Tokyo Stock Exchange and the Osaka Securities Exchange, and increased capital to 2.186 billion yen through a public offering.

**2002**

- Locally incorporated subsidiaries in Hong Kong and Shanghai, China.

**2004**

- Integrated all the sales offices and Logistics Center located in Osaka Prefecture into the new head office building in Miyahara, Yodogawa-ku, Osaka.

**2006**

- Listed on the 1st Sections of both the Tokyo Stock Exchange and the Osaka Securities Exchange.
- Upgraded the Seoul Branch, Korea into a locally-incorporated subsidiary.

**2007**

- Daito Denso Co., Ltd. makes Takawa Industry Co., Ltd. a subsidiary.

**2008**

- Locally incorporated a subsidiary in Bangkok, Thailand.

**2009**

- Took over the business for semiconductor manufacturing equipment from Entec Co., Ltd.

**2010s**

**2011**

- Locally incorporated a subsidiary in Shenzhen, China.

**2016**

- Completed Chubu Factory as a core Group factory in Ichinomiya-shi, Aichi.

**2017**

- Integrated domestic subsidiaries Daito Denso Co., Ltd. and Daitron Technology Co., Ltd. and changed the trade name to Daitron Co., Ltd.
- Made Tanimoto Denso Co., Ltd. a wholly-owned subsidiary and established Daito-Tec Co., Ltd.

**2018**

- Completed Chubu Second Factory on the premises of Chubu Factory.

**2020s**

**2021**

- Daito-Tec Co., Ltd. completed a new factory in Hiroshima-shi, Hiroshima.
- Upgraded the Taipei Branch, Taiwan into a locally-incorporated subsidiary.

**2022**

- Transitioned to the Tokyo Stock Exchange Prime Market.
- Locally incorporated a subsidiary in Singapore.
- Locally incorporated a subsidiary in Eindhoven, The Netherlands.



Our offices at our founding



The newly-opened Tokyo Branch



The Product Control Center



Production of Bendix connectors



Our first day on the Tokyo Stock Exchange



Listing ceremony for the 2nd Section at TSE Arrows

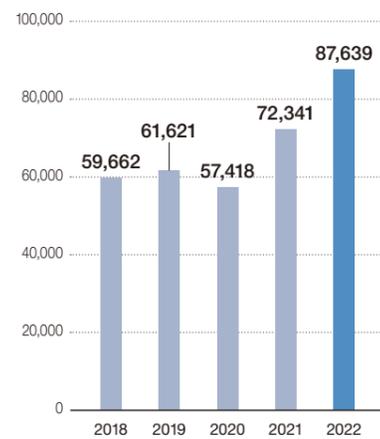


The Chubu Factory

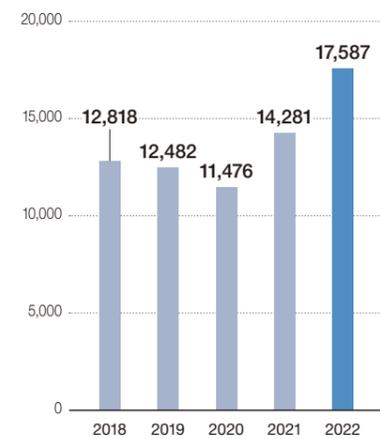
The head office building

Financial Information (Consolidated)

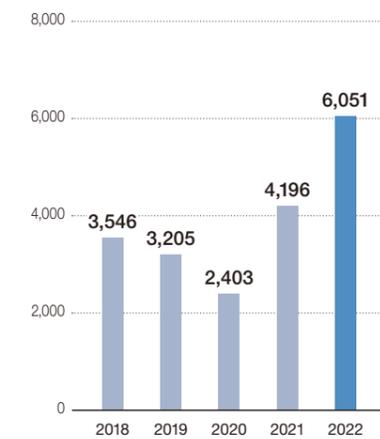
Net sales (million yen)



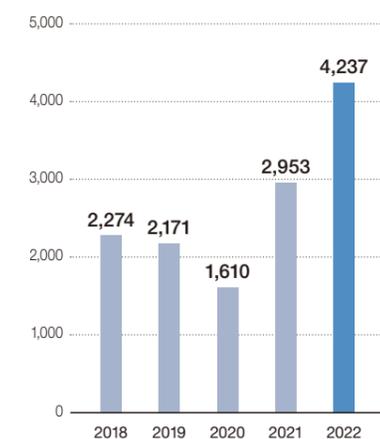
Gross profit (million yen)



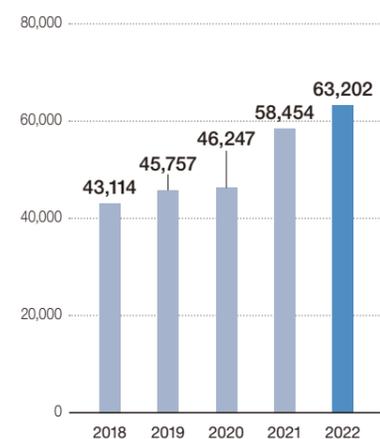
Operating income (million yen)



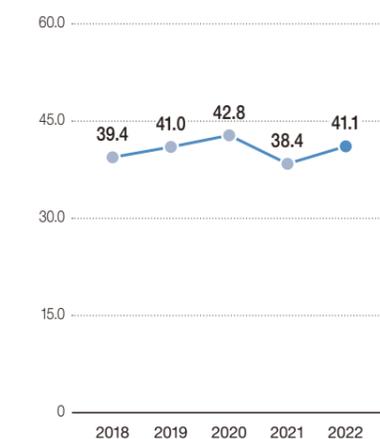
Net income attributable to owners of parent (million yen)



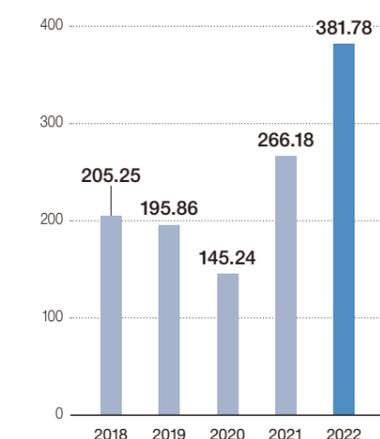
Total assets (million yen)



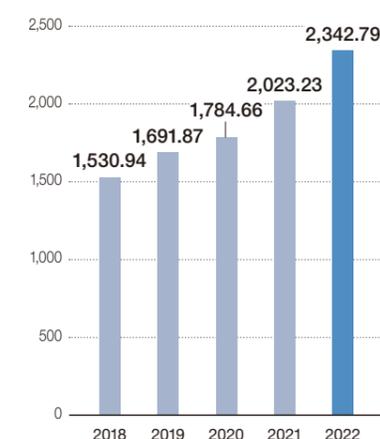
Shareholders' equity/ Total assets (%)



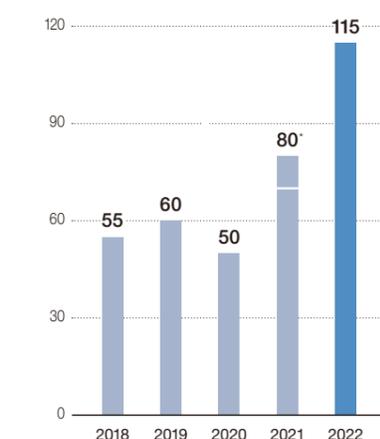
Net income per share (yen)



Net assets per share (yen)



Dividends per share (yen)



\*Includes 70th period commemorative dividends of 10 yen

Non-Financial Information

Daitron (Consolidated)  
Number of Employees

**942**

(As of December 31, 2022)

- Japan: 790
- Overseas: 152



Number of Group Companies

**12**

(As of April 1, 2023)

- Japan: 2
- Overseas: 10



Worldwide Group Locations

**37**

(As of April 1, 2023)

- Sales Offices: 27 (Japan: 16, Overseas: 11)
- Manufacturing locations: 8 (Japan: 7, Overseas: 1)
- Representative Offices: 2 (Overseas)



Daitron (Non-Consolidated)  
Partner Base

Approx. **6,800** companies

(As of December 31, 2022)

- Customers: Approx. 5,000 companies
- Suppliers: Approx. 1,800 companies



Original product ratio (sales base)

**16.0%**

(FY2022)



Overseas business ratio (sales base)

**25.5%**

(FY2022)



Daitron (Non-Consolidated)  
Ratio of female hires (Women as a share of new hires\*)

**45.6%**

(2022 results)

\* Data for new regular employees (not including contract and part-time employees)



Daitron (Non-Consolidated)  
Ratio of childcare leave taken

**56.5%**

(2022 results)

- Women: 100%
- Men: 41.2%



Daitron (Non-Consolidated)  
Ratio of outside officers

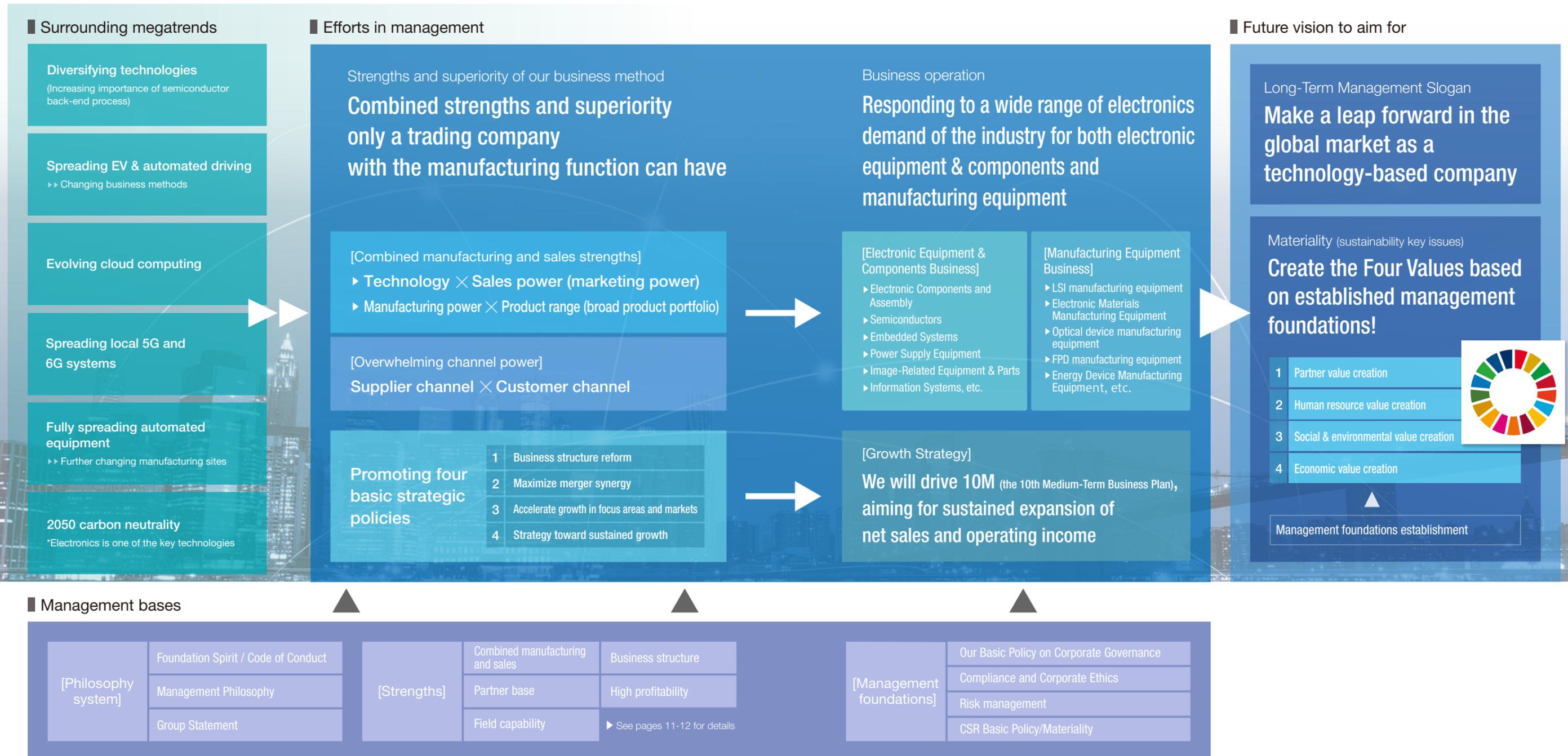
**60%**

(As of March 30, 2023)

- Directors: 7 (including 4 outside directors)
- Corporate Auditors: 3 (including 2 outside corporate auditors)
- Total Officers: 10 (including 6 outside officers)

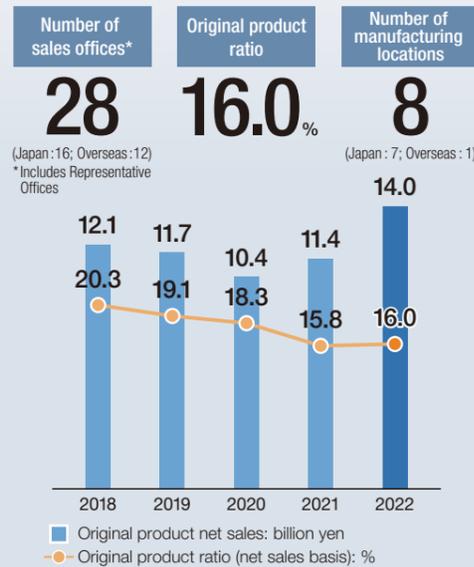


We aim to make a leap forward in the global market as a technology-based company and create new value for the world



# As a technology-based company, Daitron Group

## Combined manufacturing and sales

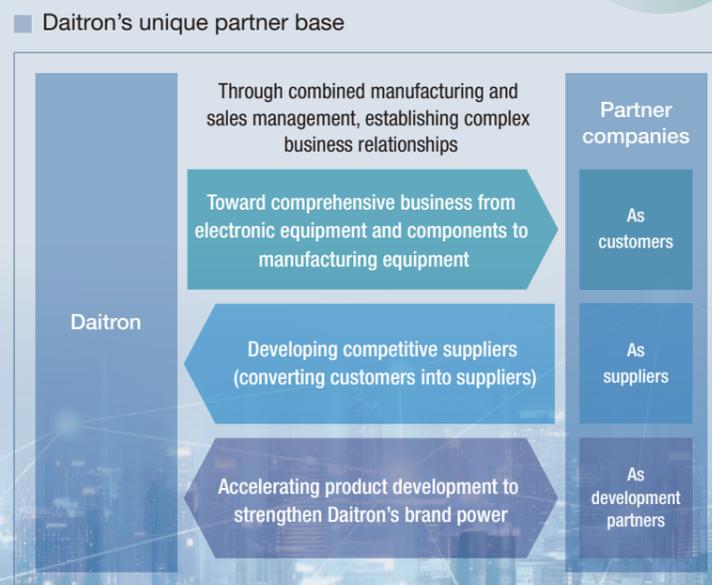


Starting out as an electronics trading company, we have always been particular about being responsive to our customers' wide range of needs. Having frequently faced the reality that many needs cannot be met only by purchasing products from suppliers, we decided to develop and manufacture products in areas not covered by suppliers despite a certain level of needs, and have gradually strengthened our manufacturing capabilities through the establishment of manufacturing subsidiaries and other measures. As a result, Daitron Group has become a corporate group with both manufacturing and trading company functions, and our current management is based on combined manufacturing and sales exerting great synergy from the integration of these two functions.

Though the original product ratio, one of the KPIs in our growth strategy, is on the decline, net sales are growing. This is partly due to the remarkable growth in sales of purchased products amid recent rapid market expansion. We will continue to strive to achieve the 25% original product ratio target and expand synergies from combined manufacturing and sales.

Our Group's relationships with our business partners are extremely unique and strong due to our longstanding efforts in this area. While many companies have only a single relationship with their business partners, we have many business partners who are customers, suppliers, and development partners. These complex business relationships make up what we call our "partner base." This is one of the major strengths that we have gained by promoting combined manufacturing and sales.

## Partner base



# has built highly competitive, unique strengths

## Field capability

to provide close customer orientation, marketing capability, and high level of expertise



In the course of promoting combined manufacturing and sales management, we have cultivated thorough customer-oriented sales, advanced marketing capability, and a high level of expertise. We are proud that our field capabilities providing customers with these three functions combined is one of the major reasons why customers prefer us.

By constantly refining our field capabilities, we aim to become the corporate group with the No. 1 customer satisfaction.

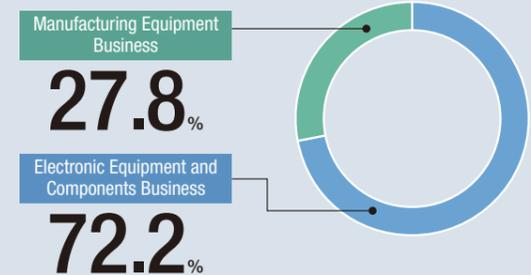
Our business structure is broadly divided into two areas: the Electronic Equipment and Components Business and the Manufacturing Equipment Business.

The Manufacturing Equipment Business includes equipment installed on production lines at manufacturers' plants and used to produce semiconductors, electronic materials, optical devices, energy devices, etc. The Electronic Equipment and Components Business, on the other hand, includes products installed in and incorporated into various facilities and equipment. As the electronics market significantly expands its base, our Group's business covers a wide range of fields and domains, from upstream to downstream, offering a wide range of business opportunities for the future.

## Business structure

enabling total success from upstream to downstream of electronics

Component ratio for sales by product segment



## High profitability



By driving management through combined manufacturing and sales, we have established a foundation to ensure an overwhelmingly higher profit ratio compared to general electronic traders.

From the viewpoint of maintaining and strengthening its high profitability base, we have set a goal of securing a gross profit ratio of 20%, and this has generally trended around 20%.

## Further developing our own unique business method as a technology-based electronics company under the combined manufacturing and sales policy

The Daitron Group is a global corporate group with a total of 11 Group companies in Japan and overseas. We are centered on Daitron Co., Ltd., which has both trading company and manufacturer functions.

We offer a broad product lineup in the electronics field through its product lineup in the two segments of Electronic Equipment and Components and Manufacturing Equipment.

In the trading company function, we have discovered around 1,800 suppliers from all over the world, while we have expanded the number of customers to about 5,000 companies both in Japan and overseas. The scale of these two wings of our business forms the partner base that supports our Group's stable growth.

In the manufacturing function, we develop and manufacture products leveraging our unique marketing capabilities or jointly develop products with suppliers, focusing on niche markets that our suppliers do not address and that we believe we should address.

Through this combined manufacturing and sales management, we continue a unique history as a technology-based company in the electronics industry.

**Creates high added-value by combined manufacturing and sales functions as the core of the Group**

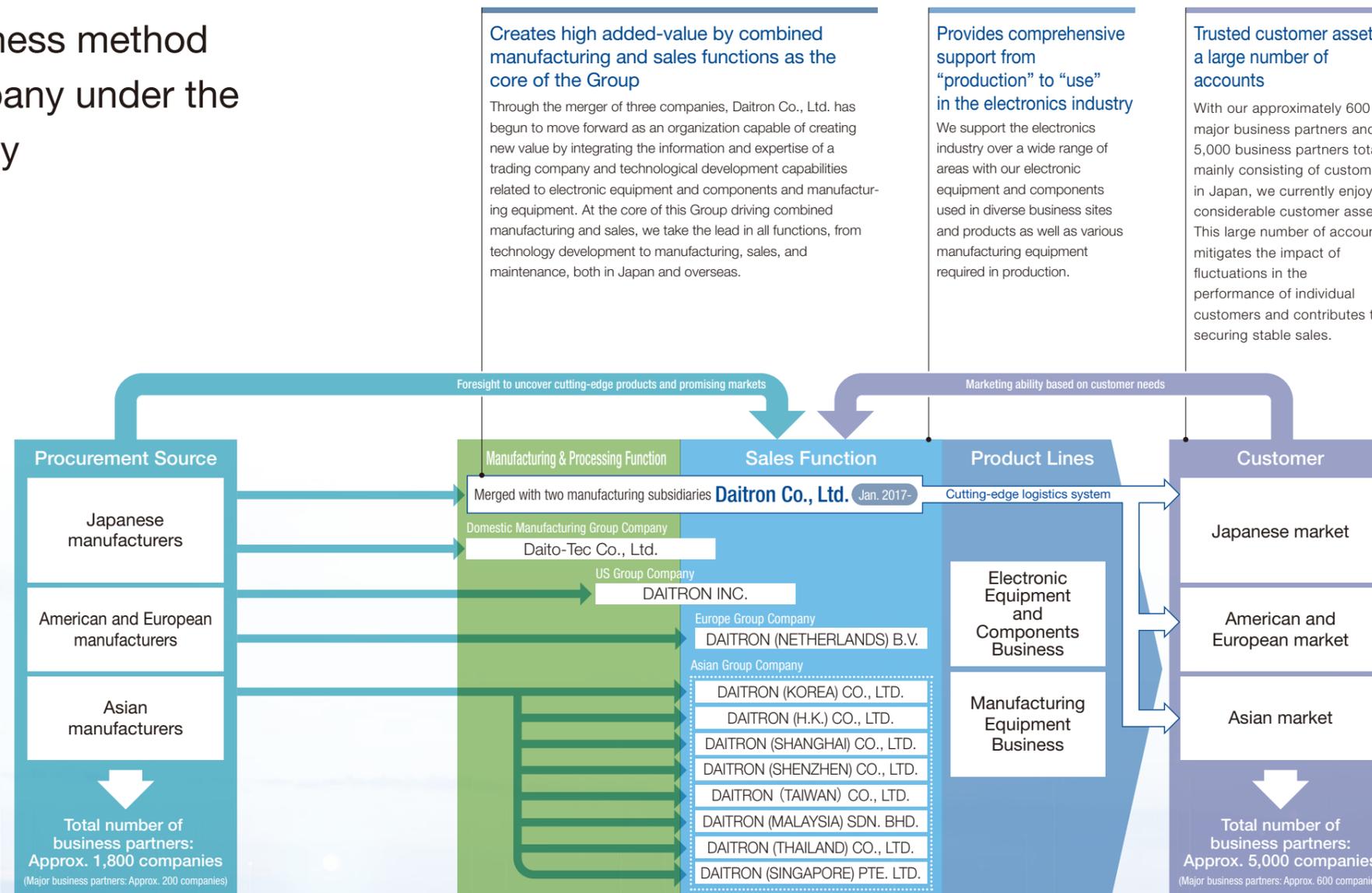
Through the merger of three companies, Daitron Co., Ltd. has begun to move forward as an organization capable of creating new value by integrating the information and expertise of a trading company and technological development capabilities related to electronic equipment and components and manufacturing equipment. At the core of this Group driving combined manufacturing and sales, we take the lead in all functions, from technology development to manufacturing, sales, and maintenance, both in Japan and overseas.

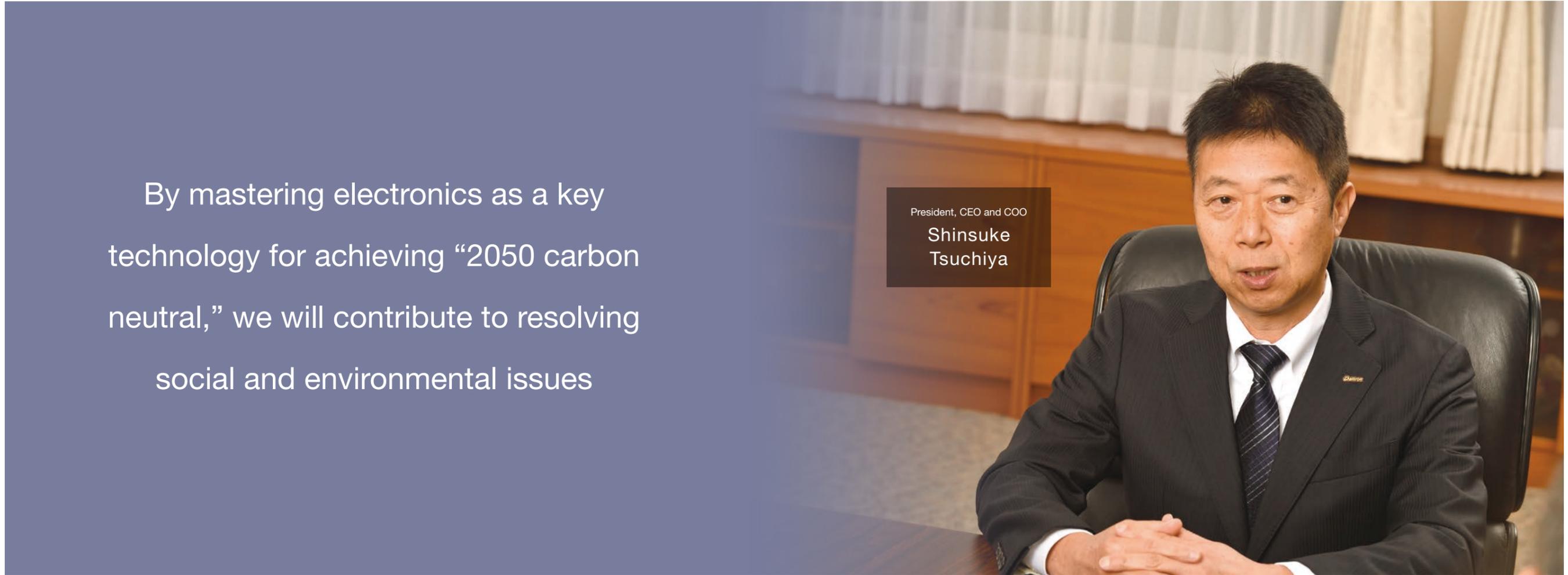
**Provides comprehensive support from "production" to "use" in the electronics industry**

We support the electronics industry over a wide range of areas with our electronic equipment and components used in diverse business sites and products as well as various manufacturing equipment required in production.

**Trusted customer assets, a large number of accounts**

With our approximately 600 major business partners and 5,000 business partners total, mainly consisting of customers in Japan, we currently enjoy considerable customer assets. This large number of accounts mitigates the impact of fluctuations in the performance of individual customers and contributes to securing stable sales.





By mastering electronics as a key technology for achieving “2050 carbon neutral,” we will contribute to resolving social and environmental issues

President, CEO and COO

Shinsuke Tsuchiya

► Business environment

The electronics industry is pushing toward mid- to long-term growth trends

We belong to the electronics industry, which is entering a period of expansion and growth in the medium to long term. This is despite some concerns in the short term, such as the lingering global shortage of semiconductors and electronic components, a lull in the shift toward digital technologies accelerated by the COVID-19 pandemic, and semiconductor production entering an adjustment phase in some areas.

With the rapid development of cutting-edge ICT-related technologies such as IoT, AI, 5G & 6G, and Big Data, the demand base in the electronics industry is expanding significantly. For example, automation (robotics) is advancing in all industries as they utilize IoT technology to collect information (big data) from sensors mounted on various objects through high-speed, large-capacity communication networks such

as 5G & 6G, which is then analyzed by AI to automatically perform the necessary processing. Beyond this, the Japanese government's Society 5.0 plan for a future society envisions a future with smart factories and logistics sites, smart cities for public services across entire cities, smart homes, and at the individual level, wearable devices. Today, amid these diverse efforts to create the future unfold in every industry, our Group's business partners are spread across a wide range of industries, from automobiles and electronics to the three commodities (food, pharmaceuticals, and cosmetics), construction, logistics, e-commerce, and more. These trends are growing in scale and speed with each passing year, opening up unprecedented growth opportunities ahead of our Group.

► Performance trends

Double-digit growth in net sales and operating income, marking record highs for two consecutive years

We are pressing forward under the 10th Medium-Term Business Plan (10M), which began in fiscal 2021.

In fiscal 2021, the first year under 10M, we were able to achieve record highs in both net sales and operating income by achieving growth surpassing the residual effects of the COVID-19 pandemic.

In fiscal 2022, the second year, both the electronic equipment and components and manufacturing equipment sectors performed well as demand continued to grow significantly due to active capital investment in IoT, AI, 5G & 6G-related fields, despite the impact of the global semiconductor and electronic component shortages. As a result, we were able to achieve record consolidated results in fiscal 2022 for the second consecutive year, both in terms of net sales and operating income. With a 21.1% increase

in net sales and a 44.2% increase in operating income over the previous year, we are gaining momentum toward our long-term target of becoming a company with consolidated sales of 100 billion yen. We aim to achieve this target as soon as possible and to sustain high growth in fiscal 2023, the final year of the 10M plan.

With respect to the return of profits to shareholders, we strive to pay stable dividends on an ongoing basis, based on a payout ratio of 30%. Following on from fiscal 2021, we have increased the dividend for fiscal 2022 amid a significant increase in sales and profit, and have set the annual dividend per share for fiscal 2022 at 115 yen (a year-on-year increase of 35 yen). Going forward, we will continue to consider ways to enhance shareholder returns on an ad hoc basis, including a review of our dividend standards.

# President Message

## ► Progress of the Medium-Term Business Plan

### Management aimed at both securing profits and future investment based on the basic policy of “continued profitable growth”

Our basic policy in 10M is “continued profitable growth.” Here, our aims are sustained expansion of net sales and operating income and securing 20% gross profit ratio. We are also simultaneously estimating an annual SGA increase of around 3-5% to proactively promote investments forming the foundation of sustained growth. In other words, our management aims to both secure profits and invest in the future.

Looking at the results to date, we have sustained high growth in both net sales and operating income in the first (fiscal 2021)

and second (fiscal 2022) years of the 10M plan, with double-digit increases in both. In addition, the gross profit margin is around the 20% level, at 19.7% in fiscal 2021 and 20.1% in fiscal 2022. The reason for the margin being slightly below 20% in fiscal 2021 is that the growth of purchased products exceeded the growth of original products amid the boom in the overall electronics industry.

Also, SGA expenses increased 11.2% year on year in fiscal 2021 and 14.4% year on year in fiscal 2022, partly due to proactive investments in human resources and technology development.

#### ■ Basic policy in 10M

Continued profitable growth		
Aim at sustained expansion of net sales & operating income through management focusing on growth potential	Continue to push forward with business structure reform to secure 20% gross profit ratio	Estimate an annual SGA increase by around 3-5% to promote investments forming the foundation of sustained growth (in human resources, technology development, etc.)

### Accelerated strengthening of original product development capabilities and overseas business development capabilities

Looking ahead, KPIs that we are emphasizing in promoting continued profitable growth over the medium to long term are the “original product ratio” and the “overseas business ratio” (both on a net sales basis).

The “original product ratio” was 15.8% in fiscal 2021 and 16.0% in fiscal 2022, compared to a target of 25%. Due to a booming electronics industry, the share of net sales for original

products was relatively low due to higher-than-expected growth in purchased products, but the absolute net sales value grew. In fiscal 2023, the final year of the 10M plan, we will continue our efforts to achieve this target.

The “overseas business ratio” is showing steady growth, at 23.3% in fiscal 2021 and 25.5% in fiscal 2022, on track to achieve our target of 30%. However, we have only set 30% as a milestone along the way to achieving 50% in the future.

In the pursuit of these two KPIs, i.e. in the accelerated strengthening of original product development capabilities and overseas business development capabilities, we established the Group Business Promotion Department under the direct supervision of the President on January 1, 2023. This new section is responsible for Group sales strategies and business planning. In addition, we have boldly restructured our organization by placing the section responsible for product development strategy under the direct purview of the President of D&P Company. By doing so, we hope to accelerate our management and make more daring decisions.

With regard to overseas expansion, we locally incorporated a branch and newly-established a local subsidiary in the Netherlands. By strengthening of these overseas networks, we will make further progress in the next medium-term business plan.



### Driving change in business portfolios through the creation of new business

In the electronics industry, innovations with technological discontinuity are taking place frequently, and in order to ensure future growth, we must respond appropriately to these changes. To this end, we are working to create new business and gradually bring about a change to its business portfolio.

The Green Facility Department (GFD), which had been a new business cultivated under the previous medium-term business plan, now contributes to profitability as a stable growth business. Currently, we are promoting the

creation of new businesses centering on four projects: the Automotive Project and Medical Project launched in the previous medium-term business plan, and the Battery Project (a sub-project of the Automotive Project) and the Software Business Project launched in the current medium-term business plan. The Automotive Project and Medical Project have already achieved a certain level of success, while we are currently taking actions for the Battery Project and Software Business Project to generate results during the next medium-term business plan.

### Pursuing three management indicators to achieve both financial stability and high profitability/growth

In pursuit of continued profitable growth, we have set three management indicators as targets within the 10M plan.

For our equity ratio, ROA, and ROE targets of 50%, 6%, and 12% or more, respectively, these indicators were 41.1%, 7.0%, and 17.5% in fiscal 2022.

By continuing to aim for levels that exceed our targets, we will strive to achieve both a stable financial base and high profitability and growth, promoting management that will earn the trust and support of our stakeholders.

#### ■ Target Management Indices of 10M

Striving to reach higher ROA and ROE targets and a similar equity ratio target versus the previous medium-term business plan

Equity Ratio	ROA	ROE
Target	Target	Target
50% or more	6% or more	12% or more
Fiscal 2022 results	Fiscal 2022 results	Fiscal 2022 results
41.1%	7.0%	17.5%

## ► Sustainability Management

### Aiming to contribute to the realization of a sustainable society through our businesses using electronics technologies

In the spring of 2022, we made steady progress in developing a mechanism and structure for sustainability management, including re-examining its sustainability system, formulating its approach to sustainability, identifying materiality (sustainability key issues), and establishing the Sustainability Committee.

Thereafter, five subcommittee groups based on materiality were established under the umbrella of the Sustainability Committee to study the content of activities and KPIs to be pursued. Looking ahead, we will work diligently to establish KPIs and announce their progress as soon as possible.

In addition, with the aim of strengthening human

capital management going forward, we are improving our environments and various institutions related to work styles, including the introduction of new performance evaluations, further promotion of diversity, and systematization of education and training systems.

In the firm belief that electronics technologies will be the key technologies for reaching carbon neutrality by 2050, we will promote sustainability initiatives and contribute to the realization of a broadly sustainable society through our business activities.

We hope you will look forward to our management of the Daitron Group.

# To Maximize the Group's Corporate Value

## The Business Administration Division's mission is to provide comprehensive support for improving the Group's corporate value

The Business Administration Division plays an extremely important supporting role for all aspects of our corporate value. In other words, we see the division's mission as "how we can improve the Group's corporate value."

In order to fulfill this mission, in the 10th Medium-Term Business Plan (10M), the Business Administration Division has been taking action under the following three policies: 1. Carrying out functional strategies for business promotion, 2. Enhancing corporate governance, and 3. Enhancing Group headquarters functions.

## Placing top priority on human resources strategy as a foundation for business promotion

In the first policy, carrying out functional strategies for business promotion, we believe that we must place the greatest emphasis on human resources strategy. Electronics technologies are essential for all industries to create innovation going forward, and we continue to grow rapidly by providing diverse solutions in the midst of this trend. In order to ensure sustainable growth while meeting diverse industry needs going forward, securing and developing a diverse workforce is an absolute requirement.

Against this backdrop, we are actively promoting the empowerment of women and senior human resources, strengthening the employment of handicapped people and foreign human resources, and expanding mid-career recruitment. In particular, the rapidly increasing number of mid-career hires has brought in additional employees with a range of experiences, creating a chemical reaction in each department and generating many different growth opportunities. Still, we must always cherish our Daitron DNA and ensure it does not fade away. Whether new graduates or mid-career hires, we conduct systematic education and training to ensure that all Group employees share our concepts, our Management Philosophy, our Group Statement, our vision, and other elements forming the foundation of our Group's DNA.

## For securing and improving competitiveness over the medium to long term, IT strategy is an indispensable asset

Our core system has already been in place for over a decade, and we plan to begin development of the next core system during the next medium-term business plan (11M), and to implement and realize the benefits of the system during the medium-term business

plan that follows thereafter (12M).

The current core system was developed around our components business, based on the concept of how efficiently we could sell large quantities of high-mix, high-volume components while meeting customer demand. In recent years, however, the nature of our business has changed from supplying individual components to providing comprehensive solutions, e.g., system projects and large-scale projects in which we are responsible for the overall construction of the entire facility. In the next core system, we will pursue high productivity suited to this business model, while adding a DX perspective that will lead to further business model reform. We firmly believe that this will lead to securing and improving the competitiveness of the Group over the next 10 to 20 years.

## Supporting investment in future growth and measured returns to shareholders via financial strategy

Our financial strategy in 10M includes the following three financial indicator targets: an equity ratio of 50% or more, ROA of 6% or more, and ROE of 12% or more.

The equity ratio, which indicates financial soundness, improved by 2.7 percentage points to 41.1% for the year ended December 31, 2022 from 38.4% for the year ended December 31, 2021. In addition to the increase in accounts receivable and accounts payable due to rapid our performance growth, inventories have tended to expand to ensure we can continue to meet strong customer demand in a timely and accurate manner amid market shortages since two years ago of some electronic components, including semiconductors. Despite these circumstances, we have secured a healthy level of over 40% and will continue to work to reduce management costs and total assets with the goal of achieving 50%. With respect to assets, we believe we are efficiently managing inventories based on maintaining appropriate levels rather than excess inventory.

At the Group, we are aggressively making growth investments based on a foundation of financial soundness. Specifically, we are promoting personnel investments and expanding networks in Japan and overseas as foundations for growth. Within personnel investments, we are aggressively investing in both hiring and development in the aforementioned human resources strategy. As for expanding networks, we are taking particular action to grow our global business, the key to mid- to long-term growth, by progressively converting existing bases into local subsidiaries and establishing new local subsidiaries in Asia and Europe. Furthermore,

we are conducting local surveys toward launching new production sites (factories) overseas. This site development process always includes withdrawal criteria to prevent the risk of growing losses due to a delayed withdrawal decision.

Meanwhile, ROA and ROE, which indicate high capital efficiency, have already reached and exceeded their targets of 7.0% and 17.5%, respectively (both targets are for the fiscal year ending December 31, 2022). We will continue to improve capital efficiency by simultaneously promoting financial soundness and strengthening profitability.

Through the promotion of this financial strategy we intend to maximize the corporate value of us, which will lead to enhanced return of profits to shareholders and improved compensation of Group employees.

## Accelerating sustainability initiatives for the realization of a sustainable society through our business activities

In our second policy, enhancing corporate governance, we are making efforts to accelerate sustainability initiatives in particular. In order to address the mountain of diverse social and environmental issues, including climate change, we began by establishing a fundamental structure.

In fiscal 2022, we identified materiality (sustainability key issues) and established a Sustainability Committee. Subcommittee groups were then established for each of the five material issues, and each subcommittee set target KPIs and formulated action plans to achieve these. In fiscal 2023, we plan to conduct activities based on these KPIs and action plans, and at the end of the year, we will tally the results and identify areas for improvement to

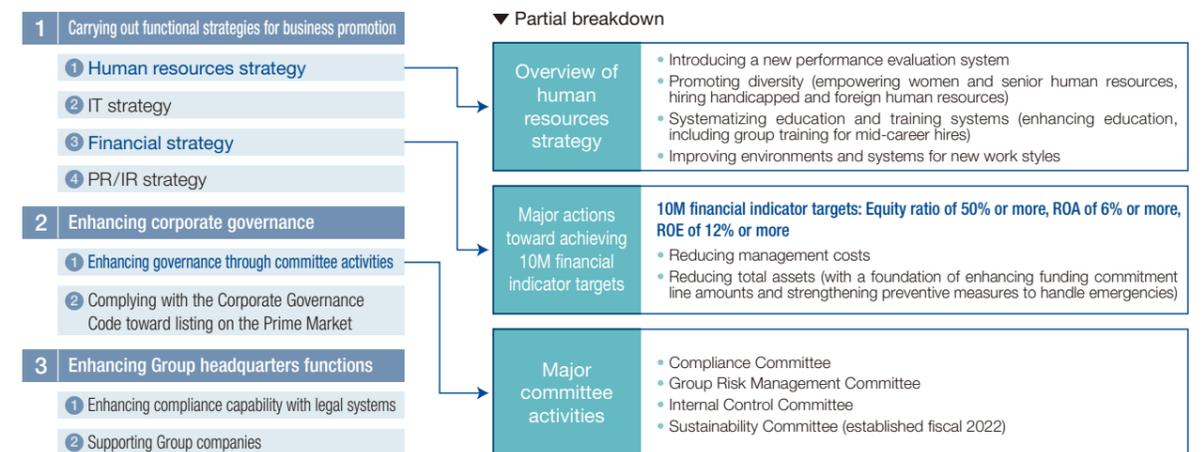


determine the appropriateness of each and make adjustments as necessary. Please note that KPIs and other information will not be released to the public until after this trial period.

It is beyond a shadow of a doubt that electronics technologies are key for reaching carbon neutrality. That is why we at Daitron Group, which aims to be a technology-based company in the electronics industry, recognize that we have a great mission to contribute to the realization of carbon neutrality through our business activities. Going forward, we will fulfill this mission by actively promoting sustainability management.

As we take these actions, we hope to have the understanding and support of all of our stakeholders.

### Overview of the Business Administration Policy in the 10th Medium-Term Business Plan (10M)



10M (Fiscal 2021 - 2023) Basic Strategic Policies ▶ **1 Promote business structure reform!**



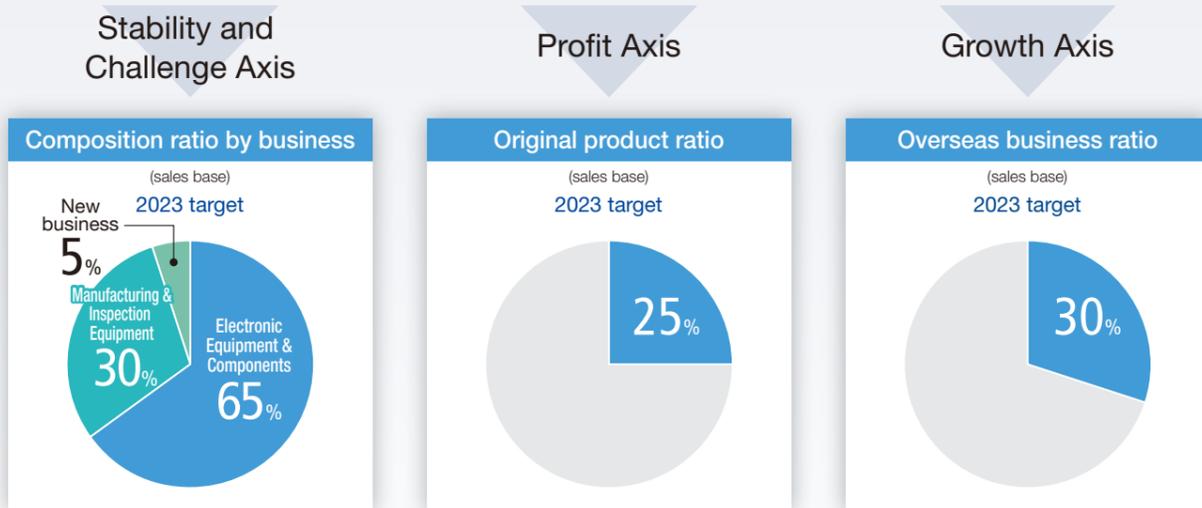
History of past 10 years

Pursued the three axes of “Stability,” “Profit,” and “Growth” based on the three KPIs (key performance indicators), or business structure related indices, aiming for a reform into a business structure that enables stable and sustained growth not affected by the business cycle or demand in the electronics industry including the silicon cycle

Future effort

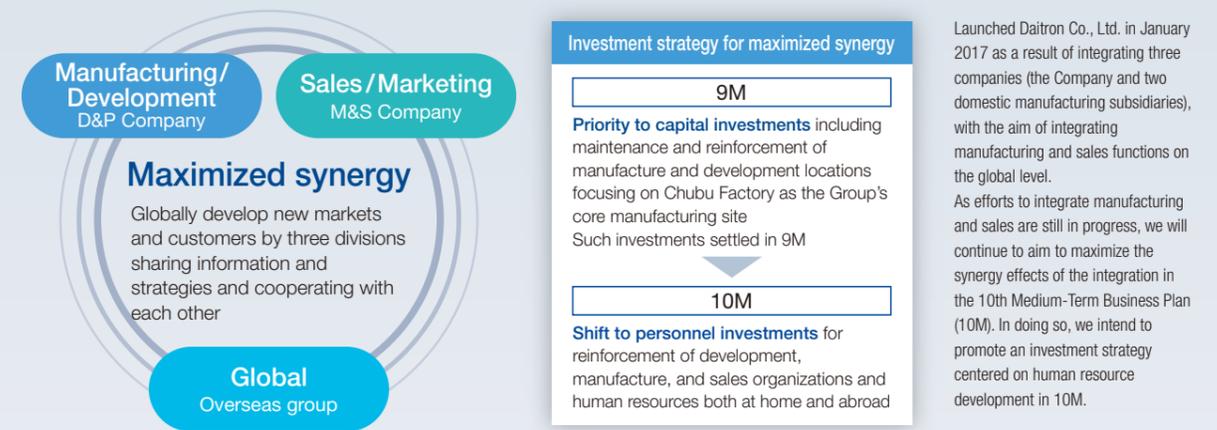
- To promote business structure reform continuously pursuing the three KPIs
- To establish an axis of “Challenge” as a “new target to further new business creation”

Three KPIs for business structure reform

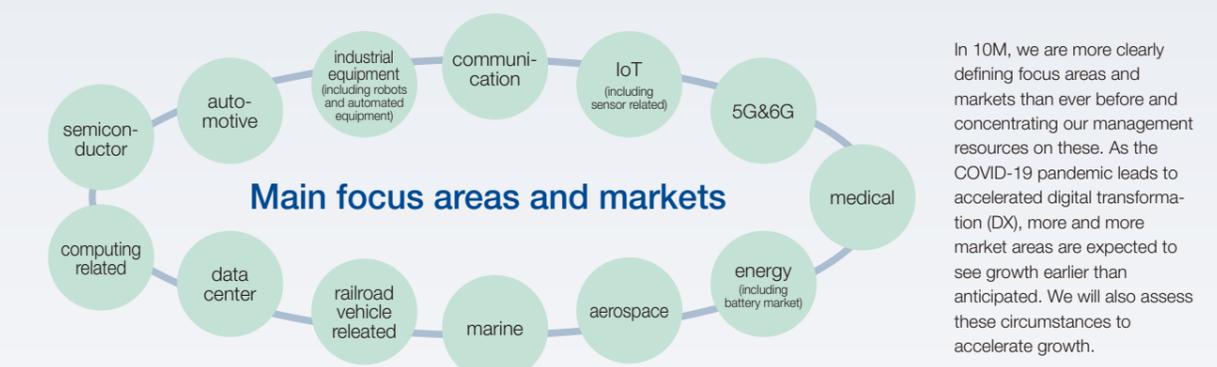


- **Composition ratio by business** ..... Sales composition ratio of 5% is set as a new KPI target measuring new business creation (net sales of the Green Facility Department, expanded from efforts through the previous medium-term business plan [9M], is the main business within the current “new business” category)
- **Original product ratio** ..... Target of 25% is set after changing tabulation method to include only Group original products and products developed collaboratively with partner companies (some imported products were classified as “Original Products” in the previous medium-term business plan [9M], but are now excluded)
- **Overseas business ratio** ..... Target of 30% is set, the same as in the previous medium-term business plan (9M)

10M (Fiscal 2021 - 2023) Basic Strategic Policies ▶ **2 Maximize the merger synergy!**



10M (Fiscal 2021 - 2023) Basic Strategic Policies ▶ **3 Define focus areas and markets to accelerate growth!**



10M (Fiscal 2021 - 2023) Basic Strategic Policies ▶ **4 Increase power toward sustained growth!**

- Increase marketing power!**
    - 1 Reinforcement and steady growth of domestic business
    - 2 Growth of overseas business
  - Increase manufacturing power!**
    - 3 Reinforcement of production system
    - 4 Reinforcement of original product business
  - Increase new business creation power!**
    - 5 Development of new business
  - Increase the power of corporate divisions!**
    - 6 Reform of business support function
- Continued on next page

# Increase marketing power!

One of the strengths of the Daitron Group having developed as an engineering trading company is the marketing power since its formation. We will aim for further growth in proposal power by newly capitalizing on DX in business support and technical support for customers, continuously placing importance on community-based sales, which is our forte. As for our location deployment, we are making steady progress to establish locations and expand our overseas business, a key element of our growth strategy for the future.

## 1 Reinforcement and steady growth of domestic business

**Further strengthening and deepening of relations with focus customers**

- Strengthening of customer base: Response focusing on customers expected to grow and expand
- Deepening of relations with customers: By deployment of "All-Daitron" products

**Further strengthening of "locally based sales activities" and new development in promising areas**

- Personnel reinforcement at and promotion to sales offices of promising locations
- Examination of establishment of new locations in promising areas (such as Hokkaido and Shikoku)

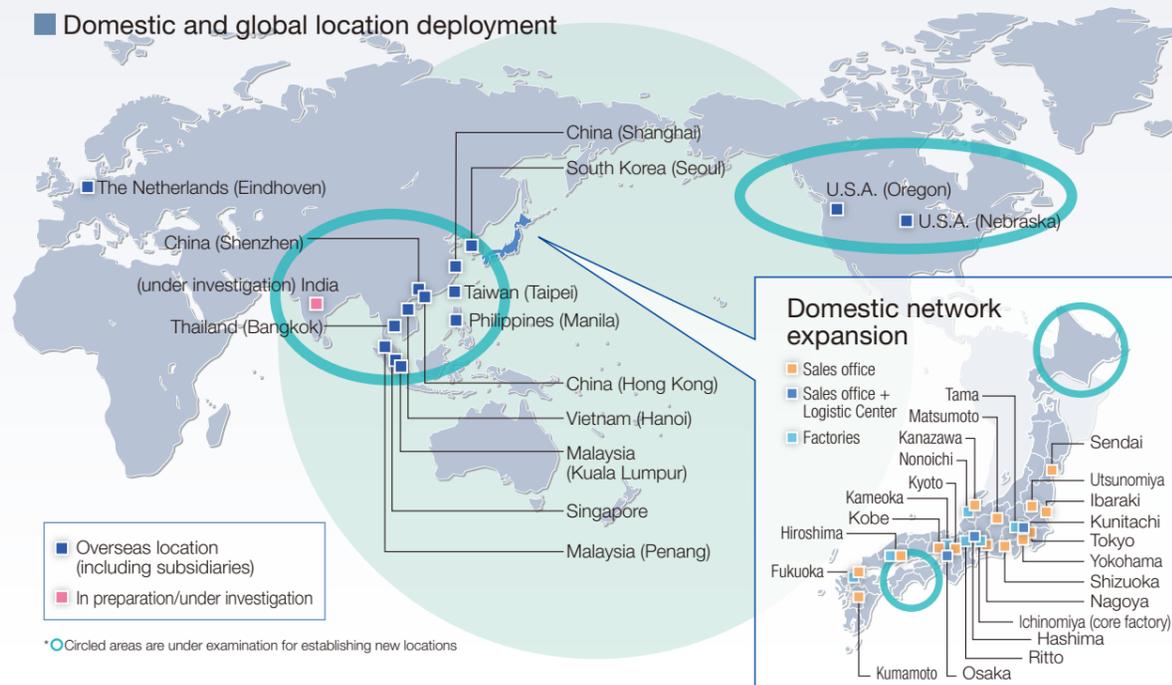
## 2 Growth of overseas business

**Selection of focus customers/markets to deepen/develop, and working more actively on them**

- Image business related in Southeast Asia
- Electronic merchandise related in China
- OLED market related in Korea
- Electronic parts business related in Europe and U.S.A., etc

Expanding overseas network	Sales location	Manufacturing location
<ul style="list-style-type: none"> <li>Examination of establishing new satellite offices in U.S.A. and China</li> <li>Making main Southeast Asian locations subsidiaries                             <ul style="list-style-type: none"> <li>Locally incorporating a subsidiary in Singapore</li> <li>Examining local incorporation of Hanoi and Manila Representative Offices</li> </ul> </li> <li>Newly establishing locations in the EU                             <ul style="list-style-type: none"> <li>Locally incorporating a subsidiary in The Netherlands</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Examination of establishing new satellite offices in U.S.A. and China</li> <li>Making main Southeast Asian locations subsidiaries                             <ul style="list-style-type: none"> <li>Locally incorporating a subsidiary in Singapore</li> <li>Examining local incorporation of Hanoi and Manila Representative Offices</li> </ul> </li> <li>Newly establishing locations in the EU                             <ul style="list-style-type: none"> <li>Locally incorporating a subsidiary in The Netherlands</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Examination of manufacturing location in Southeast Asia (candidate: Vietnam)                             <ul style="list-style-type: none"> <li>Examination toward the next medium-term business plan</li> </ul> </li> </ul>

### Domestic and global location deployment



# Increase manufacturing power!

We are actively working to enhance our original product business on the foundation formed by our production system, centered on our Chubu Factory, and our technology development system. In terms of production, we are strengthening our partnership with the new Daito-Tec Co., Ltd. factory in the pursuit of efficiency and profitability under the slogan of "all factories profitable" Meanwhile, in terms of development, we are making steady progress in preparations for focusing development on standard products to be rolled out worldwide.

## 3 Reinforcement of production system

**System strengthening focusing on Chubu Factory**

- Concentrated production mainly of products requiring advanced technologies and high quality (continuously from 9M)
- Construction of cooperation system with Daito-Tec Co., Ltd.

**Promotion of multifaceted cost-reduction measures**

- Pursuit of profitability by factory/product/business & partnership with the new Daito-Tec Co., Ltd. factory
- Continuous cost-reduction activities through promotion of "standardization"

**Strengthening of earnings structure**

- Expansion of OEM business
- Strengthening of online sales (agency operations)

## 4 Reinforcement of original product business

### Strengthening of systems centering on Chubu Factory technical divisions

**More emphasis on product/technology development**

- Strengthening of development of standard products for the global market, suitable for mass production/planned production
- Promotion of development for achieving challenges by segment

Electronic Components business	Component: underwater connectors	Image: successor of Kirari NINJA, IoT sensor	Power supply: Inverter transless UPS, next power supply development
<ul style="list-style-type: none"> <li>Expansion of original products in collaboration with partner companies</li> </ul>			

### Development and Production systems in Chubu Factory



### Example of electronic components business original product



Electronic equipment & components production site (in First Factory) | Manufacturing equipment production site (in Second Factory)



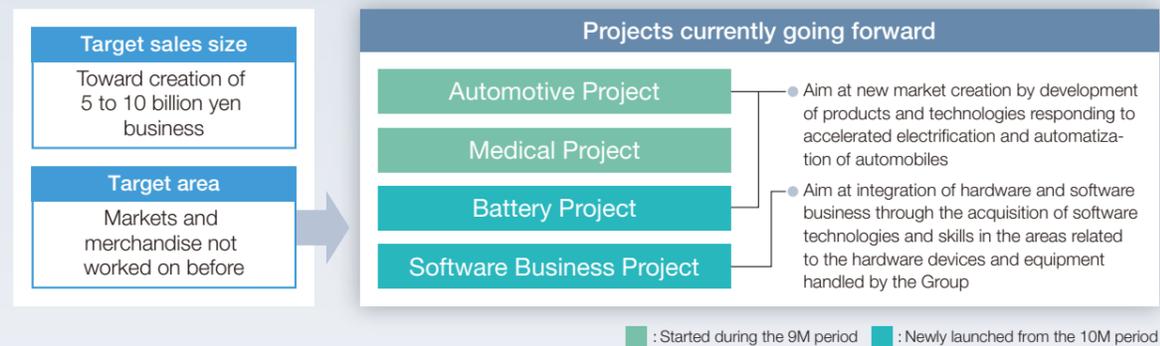
IoT sensor | Inverter transless UPS

# Increase new business creation power!

Based on our successes in the previous medium-term business plan (9M), we are further strengthening our efforts to create new businesses going forward. By identifying areas with growth potential and concentrating management resources on these, we are launching new business that will provide a new revenue base. Since the 10M period, we have launched battery and software projects and accelerated efforts to create new business by strengthening market research and sales promotion activities by subcommittees.

## 5 Development of new business

Promote cultivation of and groundwork for new business which is expected to provide a new revenue base

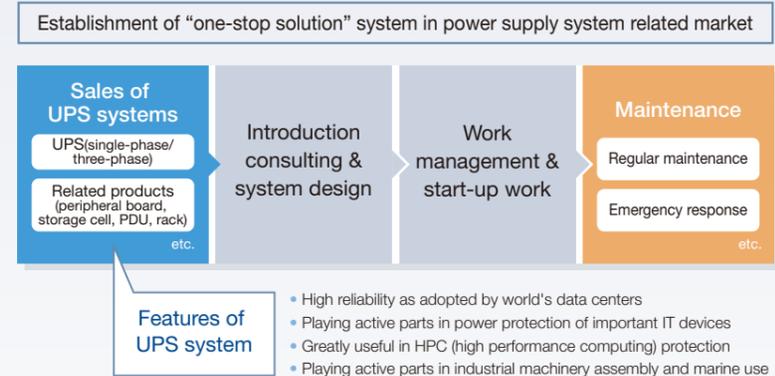


### Results from the Green Facility Department (GFD), a new business success case in the previous medium-term business plan (9M)

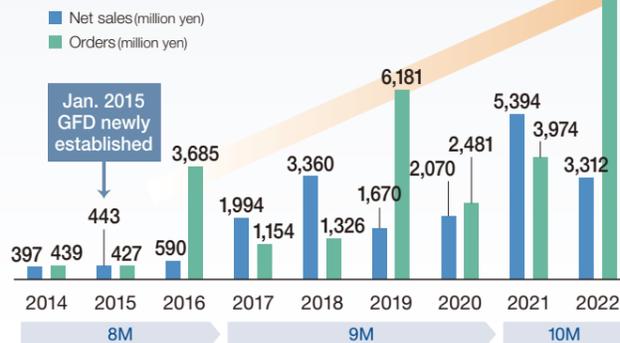
The Group, having noticed the growth potential of the power equipment related market, launched the Green Facility Department (GFD) in January 2015 and established a "one-stop solution" system for not only selling uninterruptible power supply (UPS) as a single item but also providing consistent services for UPS systems from system design to work management, startup work, and maintenance after introduction.

As a result, it has been successfully transformed into growth business demonstrating a steadily expanding in both sales and profit, with all changes affected by orders for large projects.

#### The GFD one-stop solution system



#### GFD Net sales/Orders change



\*From fiscal 2022, figures are calculated based on application of the Accounting Standard for Revenue Recognition

# Increase the power of corporate divisions!

Recognizing that a strong management base to support sustainable growth is essential, we are pushing forward with reforming the business support function. In strengthening human resource capabilities, we are systematizing and reviewing our education and training system as needed, with the aim of creating a corporate group in which a diverse range of human resources actively demonstrate their abilities. In enhancing corporate governance, we are also building and enhancing our sustainability management promotion system.

## 6 Reform of business support function

Strengthening human resource capabilities: Seek revitalization of the organization through diversity



### Main training and education programs

- New employee training (at employment, 3-month intermediate follow-up, 6-month follow-up)
- Young employee training (at their 3rd to 4th years)
- Training by rank (General Manager class, Section Manager class, and Assistant Manager class)
- New manager training
- Female manager training
- Management course change follow-up training
- Career design training
- Voluntary training
- Business Administration Division educational program (internal e-learning)
- Personal development (such as correspondence course, e-learning, TOEIC internal test)



New employees training (2019)

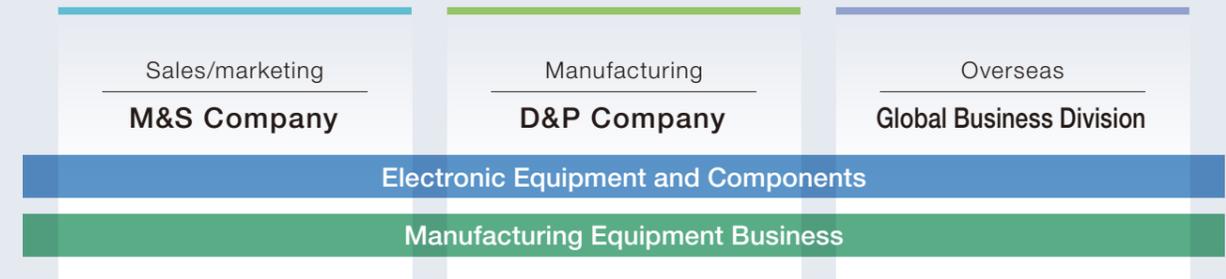
Employment data (most recent 3 years)	2020	2021	2022
New graduates	16	25	20
Mid-career hires	25	30	50

Strengthening corporate divisions: Building foundations eyeing the next era

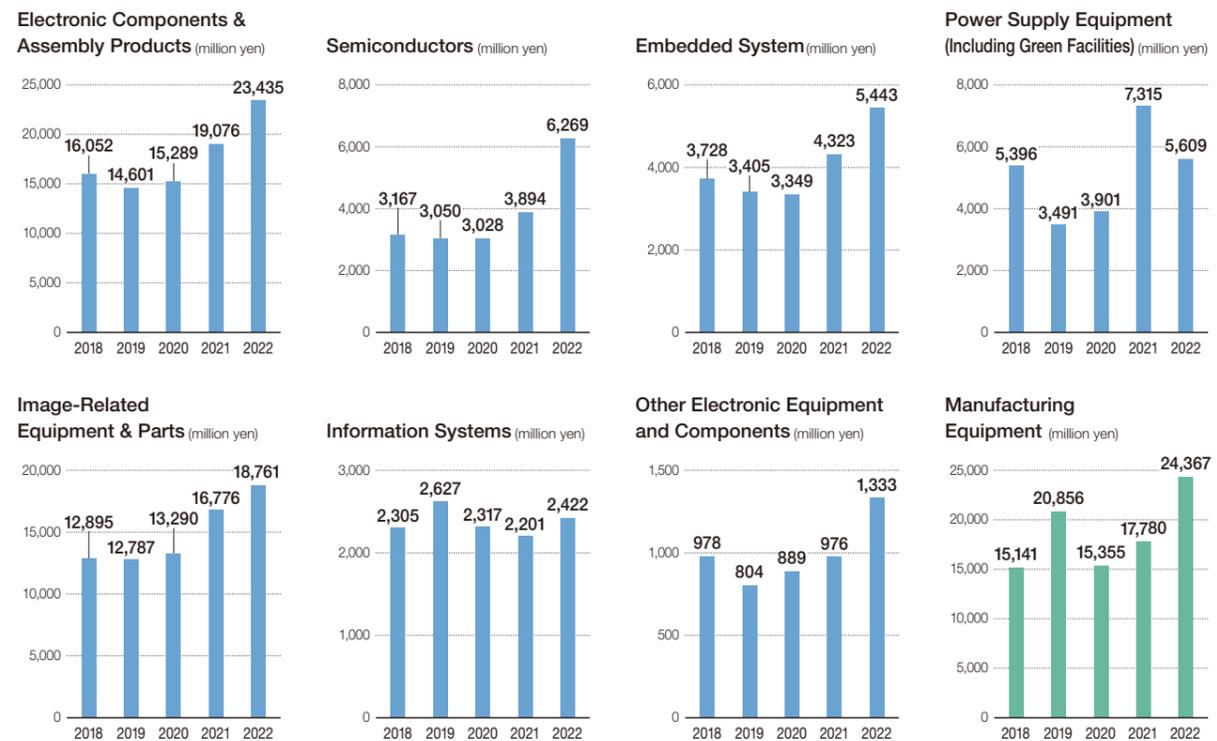
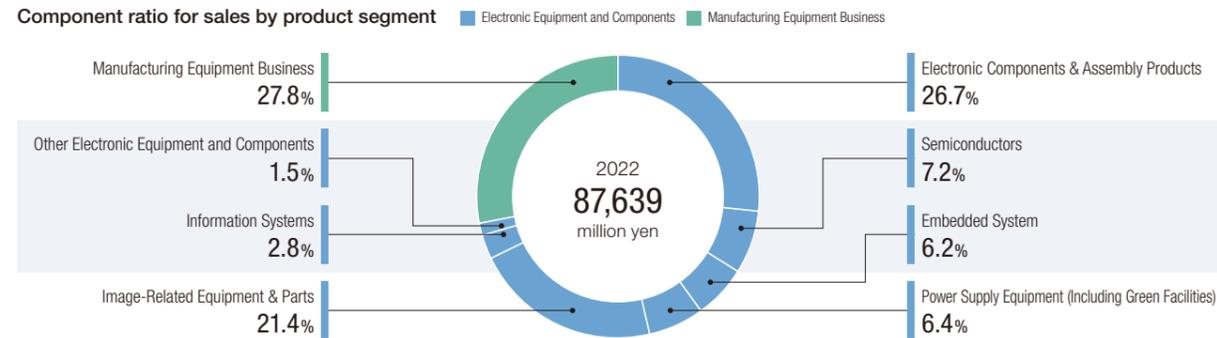


## We operate our two product segments through three organizations: two companies and one division.

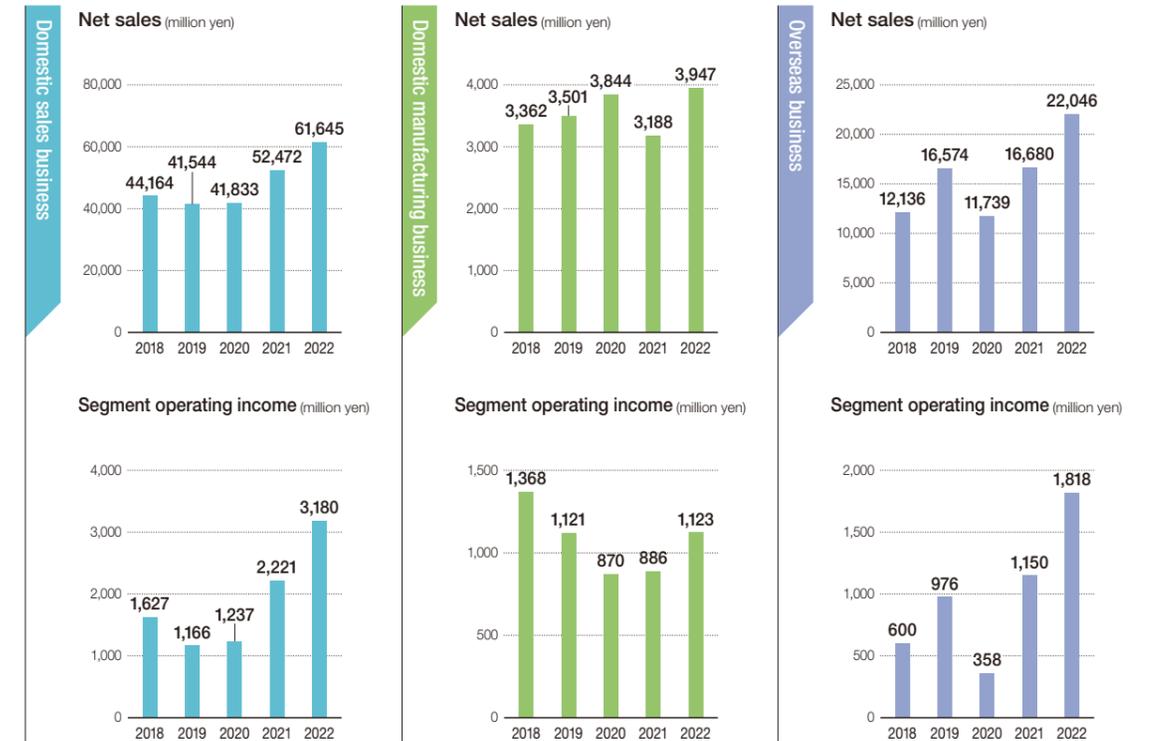
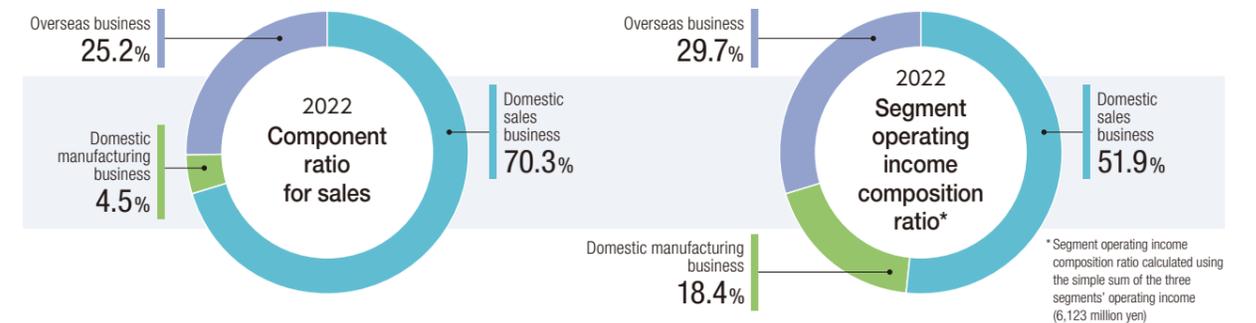
We operate two product segments: the Electronic Equipment and Components Business and the Manufacturing Equipment Business. Business operation is comprised of three organizations: M&S Company, which handles domestic sales and marketing, D&P Company, which handles domestic manufacturing, and Global Business Division. All three of these organizations provide comprehensive support across the two product segments mentioned above (see figure right). By taking a comprehensive approach, we are able to provide our clients with solutions that enhance the expertise emphasized by individual organizations, such as marketing, technology, and global development capabilities.



### Segment Information 1 Status by Product Segment



### Segment Information 2 Status by Business Segment



M&S Company



We will use the drastically changing business environment as an opportunity to cultivate new customers and businesses under the slogan of “Shifting to the Offensive.”

M&S Company President,  
Senior Managing Executive Officer  
Shinji Ikutani

Our business environment is undergoing rapid and drastic changes. Torrents of technological innovation have led to frequent technological disruption. In order to survive and thrive, we must constantly adapt to this technological innovation.

Our internal M&S (Marketing & Sales) Company focuses on the domestic market, developing products addressing a wide range of technologies demanded by customer companies by leveraging the marketing capabilities it has cultivated to date.

In fiscal 2023, we will proactively capture new customer needs, using the drastically changing business environment as an opportunity under the slogan of “Shifting to the Offensive.”

Our specific actions are as follows. First, with respect to customer cultivation, we will act to further deepen relationships with existing customers and enhance new customer cultivation. Our work to develop “All-Daitron” products has served as a highly-successful system to this end. We will continue to actively cultivate new customers by offering a wide range of products to all types of customers through collaboration across sales departments and by providing high-value-added original products (developed and manufactured by the D&P Company) in niche areas not covered by our suppliers.

Second, in terms of sales development, we will maximize our strengths in our combined manufacturing and sales approach. These strengths are area sales (i.e., community-based sales) and specialized sales (i.e., sales based on technical capabilities).

Third, with respect to cultivating new business, we are working to generate new earnings by promoting cross-divisional projects. Steady progress in automotive, medical, battery, software, and other projects has led to sales expansion.

We firmly believe that the biggest reason for our continued growth, even in the face of the COVID-19 pandemic that forced us to limit face-to-face sales, is the relationships of trust we have steadily built up with our clients since our founding. As President of M&S Company, I believe it is my mission to pass on our history and traditions to the next generation, and I will continue to take a hands-on approach to the next stage of development by practicing field orientation and visiting the various sites where we do business.

Going forward, I will continue my work to ensure our M&S activities exceed the expectations of our stakeholders.

Basic Strategic Policies for 2023



D&P Company



As the company responsible for Daitron Group’s technology development and manufacturing, we will maximize productivity and strengthen the development of original products.

D&P Company President,  
Managing Executive Officer  
Tsuneto Chihara

D&P Company is an internal company responsible for technology development and manufacturing. It was created in 2017 through the integration of our development and manufacturing divisions with Group manufacturing subsidiaries. Therefore, the D&P Company has accumulated an extremely broad range of technologies and expertise, and we believe that their organic and efficient integration will enable us to create extremely competitive and high-value-added technologies and products. In our efforts over these past five years, we have made steady preparations for the leaps forward that are ahead. We will continue to push forward with optimizing the three functions of technology development, manufacturing, and sales and marketing.

First, on the technology development side, we have established the Product Development Division directly under my purview as President of D&P Company. This department was established to help the Group achieve its goal of a 25% original product ratio (based on net sales). This will further strengthen the sharing of marketing and technology information, etc., and accelerate the development of original products. In addition, we have begun to work on the new technological fields of software development and system design, and we will strengthen the recruitment and training of engineers connected to these areas to build structures for each.

Second, on the manufacturing side, we have focused on efforts under the banner of expansion of production capacity at all factories. For example, we are engaged in reorganization and consolidation at factories according to their characteristics, such as mass production mainly for standard products and high-mix low-volume production mainly for customized products. Furthermore, we are promoting production outsourcing and collaboration among factories to maximize productivity for the entire Group. In addition, we are taking steps forward to secure and expand manufacturing space to enhance production capacity.

Third, on the sales and marketing side, we will further strengthen cooperation with M&S Company and the Global Business Division. In the domestic market, we will work closely with M&S Company to develop the more advanced technologies and products that customers require with greater precision to their needs. In addition, since the development of highly competitive original products is key to cultivating overseas markets, we believe it is essential to strengthen cooperation with the Global Business Division. Furthermore, we at D&P Company have launched full-fledged market expansion through starting up projects in focus market areas like vehicles and defense, where we even sell directly to customers.

Basic Strategic Policies for 2023



Global Business Division



In order to achieve an overseas business ratio of 50% or more as early as possible, we will promote business expansion to meet a wide range of global needs.

Division Manager - Global Business Division, Corporate Officer  
**Akio Tanaka**

Major focus areas for the Group include the markets related to semiconductors, electricity, and electronics. These are expanding not only in developed countries but also in developing countries all over the world, and this expansion trend is expected to continue going forward. Under these circumstances, we firmly believe that it is the mission of the Group, an organization oriented toward being a technology-based company, to actively expand our business to meet global needs, not only those within Japan's borders.

At the moment, we have set a short-term target of 30% for the overseas business ratio, which is one of our important KPIs. Looking ahead, however, we would like to aim for 50% or more and build a global management foundation capable of maintaining this level. Specifically, we will work to shape the type of commercial offerings and systems we should utilize, meaning product portfolio reform and system improvement.

Let me first discuss product portfolio reform.

The Manufacturing Equipment Business currently accounts for the majority of the sales mix in our overseas business. Therefore, we are working to pivot to a more stable profit structure by continuing efforts to increase sales in the Electronic Equipment and Components Business. As part of these efforts, we are working to expand our lineup of original products (developed and manufactured by D&P Company) for overseas markets and to increase

exports of commercial products from our main domestic suppliers (transactions with M&S Company).

Second is system improvement. We will strengthen our systems from three perspectives: global human resources, overseas locations, and internal collaboration systems. For global human resources, we will hire and train local human resources in a way mindful of diversity, cultivate candidates for executive positions, and so on. As for overseas locations, we will actively promote the establishment of new locations in growth markets. In fiscal 2022, we locally incorporated our Singapore branch, and in fiscal 2023, we have established a new locally incorporated subsidiary in The Netherlands. Both of these began operations in fiscal 2023. Going forward, we intend to consider locally incorporating our Hanoi (Vietnam) and Manila (Philippines) Representative Offices. With regard to internal collaboration systems, we will strengthen collaboration (personnel exchange, marketing information sharing, etc.) with M&S Company and D&P Company.

We currently conducts our overseas business across 14 overseas locations with employees in more than 10 countries. I recognize that it is my responsibility to create environments in which all employees can maximize their abilities based on mutual trust and respect for diversity.

It is my hope that you will look forward to our work as the Group takes on future challenges in doing business overseas.

Basic Strategic Policies for 2023

1 Product portfolio reform

- **Reforming profit structure**  
Growing net sales of the Electronic Equipment and Components Business to rectify a sales composition where over a majority is held by the Manufacturing Equipment Business
- **Enhancing the lineup of original products for overseas**  
(Collaboration with D&P Company)
- **Expanding exports of products from major domestic suppliers**  
(Collaboration with M&S Company)

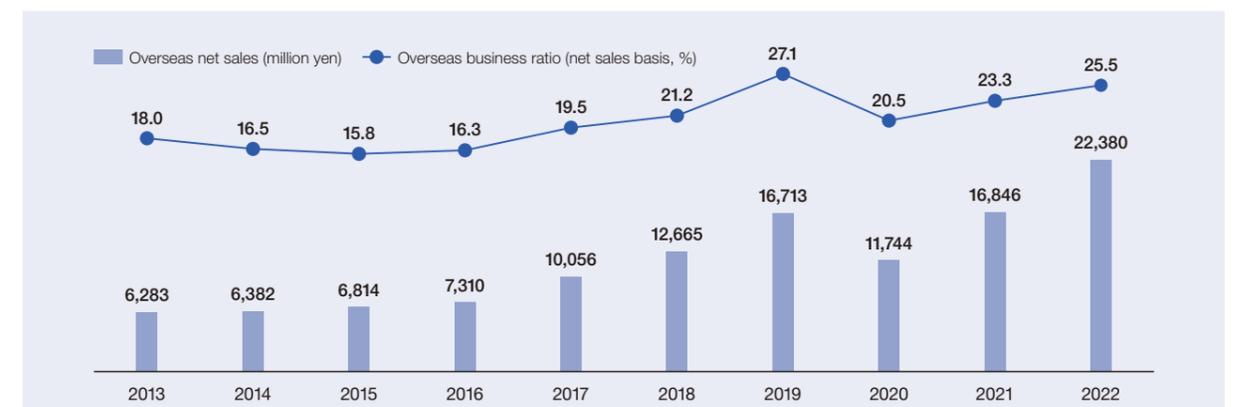
2 System improvement

- **Global human resources**
  - Diversity-minded hiring and training of local human resources
  - Cultivating local candidates for executive positions
  - Building workplace environments with mutual respect for diversity
- **Overseas locations**
  - Proactively establishing locations in growth markets (Singapore, The Netherlands, etc.)
  - Locally incorporating Representative Offices
- **Internal collaboration systems**
  - Collaborating (personnel exchange, marketing information sharing, etc.) with M&S Company and D&P Company

Overseas location deployment



Overseas net sales and overseas business ratio over time



Product Lines

Electronic Equipment & Components Market

 Daitron original products

**Electronic Components & Assembly Products**

[Major Products]  
connector, harness, PCB assembly, wiring

- general industrial equipment
- semiconductor manufacturing equipment
- medical-related equipment
- automotive equipment
- measuring equipment
- information communication equipment
- image-related equipment
- IoT-related equipment

etc.



underwater connectors



wires & harnesses



connectors

**Semiconductors**

[Major Products]  
analog IC, high-frequency IC, power discrete, image IC, optical devices

- general industrial equipment
- semiconductor manufacturing equipment
- measuring equipment
- OA equipment & household appliances
- image-related equipment
- medical-related equipment
- information communication equipment
- IoT-related equipment (infrastructure, production sites)
- automobile related equipment

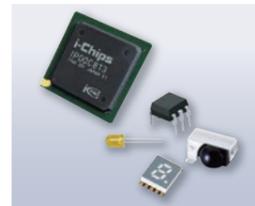
etc.



Analog ICs



Gallium nitride (GaN), silicon carbide (SiC)



imaging IC/LED, optical elements

**embedded system**

[Major Products]  
embedded system

- measuring equipment
- image processing equipment
- semiconductor-related equipment
- machine control equipment
- IoT (infrastructure, production site, deep learning)
- medical-related equipment
- information communication equipment
- automotive equipment
- robot control related

etc.



industrial custom PCs



display systems



embedded single-board computers

**Power Supply Equipment**

[Major Products]  
switching power supply, uninterruptible power supply (UPS), transformer, battery pack

- measuring equipment
- semiconductor-related equipment
- medical-related equipment
- automotive equipment
- IoT-related equipment
- audiovisual equipment
- information communication equipment
- server related
- analyses-related equipment
- other FA equipment

etc.



switching power supply



Lithium-ion battery



uninterruptible power supply (UPS)

**Image-Related Equipment & Parts**

[Major Products]  
CMOS camera, lens, light, image processing equipment, software

- semiconductor-related equipment
- robot
- electronic parts production facility
- medical-related equipment
- automotive equipment
- automated logistics, carrier device
- IoT-related equipment
- other FA equipment

etc.



image-related equipments



CMOS cameras



vessel engine interior automatic photographing equipment "Kirari NINJA-DS"

**Information Systems**

[Major Products]  
video transmission system, authentication devices (RFID, IC card, vein authentication)

- settlement terminal market
- security market
- authentication system market
- network equipment
- image information system
- medical-related equipment

etc.



video/audio conferencing systems



Web conferencing devices



contactless IC card systems

Manufacturing Equipment Market

 Semiconductor/ FPD manufacturing equipment  Electronic components manufacturing equipment  Daitron original products

**LSI manufacturing equipment**

[Major Applications]

- LSI, mask, oxide device
- ceramic device
- compound communication device
- power device
- sensor device

etc.



spin cleaner



chip sorting machines



fully automatic wafer tape mounters

**Electronic Materials Manufacturing Equipment**

[Major Applications]

- silicon wafer
- quartz wafer
- compound wafer
- optical fiber/optical lens
- oxide wafer
- hard disk negative
- SiC wafer
- sapphire wafer

etc.



single wafer washing system



wafer edge grinding machine



one surface wafer polishing machine

**Optical Device Manufacturing Equipment**

[Major Applications]

- LD (red, green, blue, short-wave length, long-wave length)
- LED (red, blue, purple)

etc.



aging equipment



scribing/breaking equipment



automatic visual inspection system DAVI Series

**FPD Manufacturing Equipment**

[Major Applications]

- LCD panel
- LCD panel color filter
- touch panel
- organic EL
- EL backlight
- cover glass
- optical film

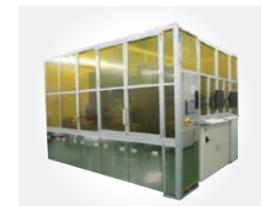
etc.



organic EL evaluation system



cover glass processing equipment



imaging inspection equipment

**Energy Device Manufacturing Equipment**

[Major Applications]

- lithium ion battery
- solar battery
- all-solid-state battery
- fuel cell

etc.



electrode sheet inspection equipment



electrode coating & drying furnace



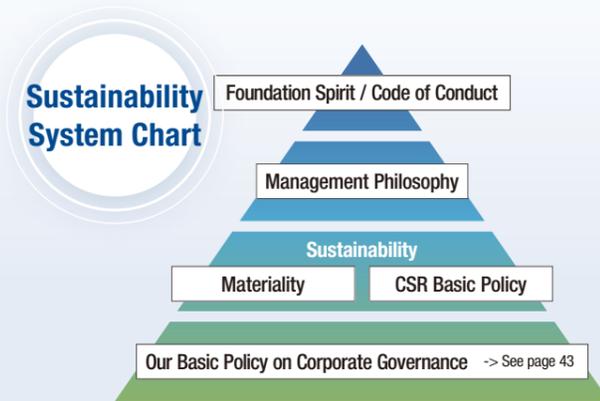
electrolyte leak inspection equipment

**Other manufacturing equipment**

[Major Applications]

- medical
- automotive
- automation, labor saving
- communication device
- MEMS device
- environmental, clean products

etc.



We established the Management Philosophy in 1993, which spells out our responsibilities for corporate ethics, global environment and social contribution, not to mention compliance with laws and regulations. Our sustainability is organized in this management philosophy and its origins, the "Founding Spirit" and "Code of Conduct" at the top. In addition, we decided to continually pursue the "Basic CSR Policy" established in 2011, and specified "Materiality" in February 2022.

As the basis of the sustainability system, we positioned the corporate governance system that governs all our activities and have established the "Basic Policy on Corporate Governance".

### Daitron's Idea of Sustainability

We at Daitron Group work to improve our own corporate value to provide a variety of value for the electronics and other industries as well as the entire society beyond by promoting management putting emphasis on a long-term perspective, starting with the Management Philosophy, Group Statement, and the Long-Term Vision, which sets out the corporate image we aim for.

Daitron Group, seeking to continuously promote its business activities directly connected to sustainability as a public instrument, has recently identified our key issues as Materiality, in addition to the Basic CSR Policy. Through aggressive business activities based on the healthy and strong management foundations, we are working toward creation of the five items of value ("Five Values"): partner value, human value, social value, environmental value, and economic value, determined to contribute toward the accomplishment of the SDGs (sustainable development goals).

In May 2022, we established the Sustainability Committee to pursue action on material issues and other sustainability initiatives.

## Materiality (sustainability key issues) 1 Each material issue and SDGs

We at Daitron Group believe that the pursuit of the five material issues identified as its Materiality will lead us to contribute to the accomplishment of many goals included in the SDGs. By more deeply involving ourselves in the accomplishment of more goals in the course of promoting the sustainability management, we will multilaterally contribute to the realization of a sustainable society.



\* About "Partner"  
The term "partner" refers to both "customer" and "supplier." The Group is promoting the building of deeper and more multiple relationships of trust with its partners and the strengthening of its partner base, with its best customers becoming its most important suppliers (and vice versa).

## Materiality (sustainability key issues) 2 Primary Efforts and Focus Themes

In pursuit of the five material issues toward further progress, the directions of the efforts are defined based on the Primary Efforts and Focus Themes, and by setting representative KPIs in each issue in the following step to objectively assess the progress of the efforts at Materiality which will lead us to the next step.

Category	Materiality	Primary efforts and Focus theme
Partner value creation	To work for the creation of diverse partner value as an engineering trading company with the manufacturing function	<ul style="list-style-type: none"> <li>Reinforcement of manufacturing function (= enhancement of technological, developmental, and manufacturing technological capabilities)</li> <li>Reinforcement of trading function (= enhancement of marketing power, partner base, and sales capabilities)</li> <li>Development of new markets and new customers (= creation of sustainable new partner value)</li> <li>Contribution to the introduction of ICT and automation across industry to support improvements in productivity and efficiency</li> </ul>
Human resource value creation	To promote a human resource strategy making much of diversity to contribute to the innovation creation of the industry	<ul style="list-style-type: none"> <li>Diversity-minded adoption and utilization of human resources</li> <li>Establishment of personnel and education/training systems which lead diversity to innovation</li> <li>Respect for human rights of all employees, and support for the realization of society respectful of human rights</li> <li>Creation of a satisfying workplace (safe work environment, work-style reform, and career-path system)</li> </ul>
Social & environmental value creation	To contribute to the creation of social and environmental value, making full use of most-advanced electronics technologies	<ul style="list-style-type: none"> <li>Contribution to ICT infrastructure, air, sea and land infrastructure, and the energy industry to support the convenient, safe and secure lives of people</li> <li>Contribution to environmental load reduction through provision of electronics technologies to a wide area of industry</li> </ul>
Economic value creation	To continually work to create high added value one step ahead for maximized economic value	<ul style="list-style-type: none"> <li>Continuous devotion to the development of high added value products and services toward creation of value one step ahead</li> <li>Promotion of business offering more comprehensive solution as the basics for the above purpose</li> <li>Contribution to not only the Group's own improved earnings but also industry-wide maximized economic value through the development and distribution of high added value products and services</li> </ul>
Management foundations establishment	To build healthy and strong management foundations as the bases for creating the Five Values	<ul style="list-style-type: none"> <li>Reinforcement of corporate governance, compliance, and risk management systems</li> <li>Securing of sound financial bases (improved equity ratio and reduced management costs)</li> <li>Enhancement of the BCP (business continuity plan) and supply chain management</li> <li>Thorough reinforcement of environmental management systems and quality management systems</li> </ul>

### CSR Basic Policy

#### Environmental Policy

Based on our Environmental Philosophy, we will promote, and continuously improve, environmental management system activities in accordance with the Action Guidelines to reduce environmental impacts of our business operations ranging from design, manufacture, and sales of products to related services and achieve harmony with the global environment.

#### Quality Policy

We will establish an effective quality management system for the purpose of providing products and services meeting the expectations and needs of customers.

#### Human Rights Policy

We will assist in the realization of a society in which respect is given to human rights. In order for that, we are determined to exert efforts to fulfill the responsibility for respecting human rights while making contributions to society through business activities.

#### Labor Policy

We will respect the human rights of all employees and treat them with respect of their dignity in a manner to win international understanding.

#### Safety and Health Policy

We will seek to provide employees with safe and sanitary working environments for the purpose of minimizing occupational injuries and diseases, and improving the retention rate and morale of employees in addition to the quality of products and services.

#### Business Ethics

We will observe the highest level of business ethics to fulfill its social responsibility and achieve success in the market.

#### Social Contribution

In 2001, the late Mr. Zenshiro Takamoto, the Company's founder, established the Daitron Welfare Foundation to sponsor handicapped employment supporting institutions, etc. as well as research organizations studying how to help the handicapped participate in society and improve their lives. The Company is actively supporting these social action activities in sympathy with them including contributions to this Foundation.

## Environmental Initiatives

### Environmental Policy

#### Environmental Philosophy

Based on the recognition that creating a people-friendly and earth-friendly environment is one of our top priority issues, we will contribute to global environment protection by reducing environmental burdens through development, production, and sales of every product and related service.

#### Environmental Policy

Based on our Environmental Philosophy, we will promote, and continuously improve, environmental management system activities in accordance with the Action Guidelines shown below to reduce environmental impacts of our business operations ranging from design, manufacture, and sales of products to related services and achieve harmony with the global environment.

#### Environmental Protection

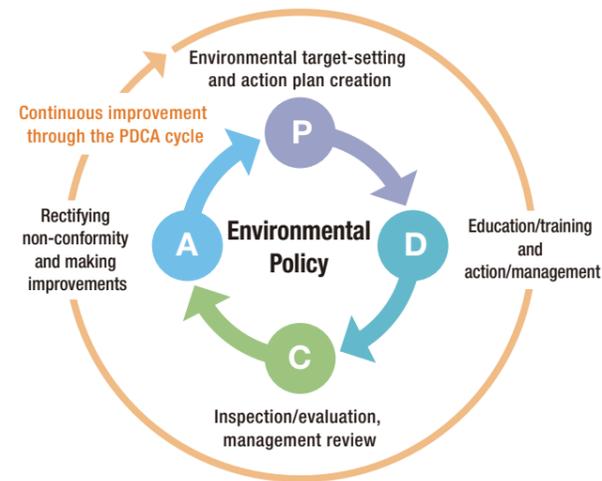
In accordance with our basic environmental policy, we have acquired ISO 14001 certification and established an environmental management system to prevent environmental pollution, promote energy conservation, reduce waste, implement recycling, conduct green procurement, and promote the management of chemical substances found in products.

### Environmental Management System

With the aim of resolving environmental issues through our business activities, we have established and maintains and operates an environmental management system with our Environmental Policy at its core, while adding fair and objective inspections and evaluations by an external inspection organization (ISO 14001).

We conduct internal audits every year to ensure that the environmental management system is operated appropriately and efficiently based on the PDCA cycle, and that continuous improvements are made.

In addition, to ensure that all employees always act in an environmentally conscious manner, we have established and rigorously enforce the Action Guidelines. These guidelines establish a number of important actions, including compliance with environmental laws and regulations in all processes from design and manufacturing to procurement and sales of materials, as well as promotion of educational activities including those related to the environment. We believe that it is our social responsibility to proactively address environmental issues, protect the environment while balancing socio-economic needs, and contribute to the creation of a sustainable society.



### Acquisition of ISO14001

Of our locations, those listed on the right have obtained ISO 14001 certification, the international standard for environmental management systems. These locations are regularly audited by an external assessment organization to ensure these systems' effectiveness is maintained.

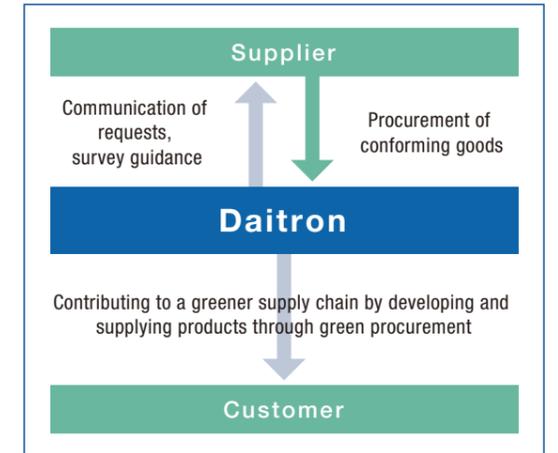
<p><b>Scope of ISO 14001 certification applicability</b> (as of December 2022)</p>	<ul style="list-style-type: none"> <li>● <b>Head Office</b></li> <li>● <b>M&amp;S Company: Acquired at a total of 16 places of business</b></li> <li>● <b>D&amp;P Company</b></li> </ul> <p>Equipment Business Operation: Kameoka Factory, Chubu Factory, Chubu Factory Kanazawa Office, Tama Factory</p> <p>Parts business Operation: Wire Harnesses Factory, Specialized Equipment Factory, Equipment Factory, Component Business Division</p> <ul style="list-style-type: none"> <li>● <b>Global Business Division</b></li> </ul>
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### Sustainable Procurement

#### 1 Green procurement

Based on our Environmental Philosophy and Environmental Policy, we have prepared the Green Procurement Guidelines and are promoting green procurement activities for all materials and equipment we procure. The purpose of this policy is to provide customers with environmentally-friendly products and goods and to contribute to global environmental protection based on a recycling society. It does this by setting forth standards for procurement from our suppliers, ensuring compliance with laws, regulations, and other requests agreed upon by the Company, and making them aware of the need to reduce their environmental burden. Our requests for suppliers cover all processes, from material procurement to manufacturing and delivery, such as indicating prohibited substances and preventing their attachment, mixing, or misuse; minimizing packaging, wrapping materials, cushioning materials, etc. during shipment; and ensuring traceability management.

These guidelines were first published on January 1, 2017, and have been revised periodically since then.



#### 2 Responsible mineral sourcing

In material procurement, we strive to select suppliers that are appropriate not only in terms of the environment but also in terms of human rights and other aspects. For example, there is a global concern that the mineral resources mined in the Democratic Republic of the Congo and its neighboring countries are providing a source of funds to armed groups causing human rights abuses and environmental destruction. Global supply chain traceability investigations have been conducted by U.S. listed companies and others since 2013 to confirm whether or not their supply chains contain such conflict minerals. We are actively cooperating with these investigations as a member of supply chains.

### Status of Environmental Education and Training Programs

To promote efforts for global environmental protection through all of our business activities, including product development, production, sales, and service provision, we conduct environmental education and training to ensure that all employees understand our Environmental Policy and act based on this policy in the performance of their duties.

For example, twice a year, M&S Company provides a curriculum on matters such as the environment, quality, and related regulations in its training programs for new graduate and mid-career hires, as well as for employees who have been transferred.



Environmental bulletin board

### Initiatives for Environmental Burden Reduction

We believe that reducing the environmental burden of our business activities is a major corporate responsibility. As part of our efforts to reduce environmental burden, we are working to reduce CO<sub>2</sub> emissions by switching to LED lighting, hybrid vehicles for sales and company vehicles, and high-efficiency air conditioning equipment, and to reduce waste by reusing packaging materials and separating recyclable resources such as metals and cardboard. At present, efforts are still based on individual standards for each business unit, but we hope to establish standards, set KPIs and targets, and disclose progress as soon as possible as a Company-wide effort.



Chubu Factory

## Human Rights Policy / Labor Policy

### Human Rights Policy

We will assist in the realization of a society in which respect is given to human rights. In order for that, we are determined to exert efforts to fulfill the responsibility for respecting human rights while making contributions to society through business activities.

### Labor Policy

We will respect the human rights of all employees and treat them with respect of their dignity in a manner to win international understanding.

## Efforts to Revitalize the Organization Through Diversity

In order to create a corporate group in which employees can choose a variety of work styles according to their own circumstances, we have set strengthening human capabilities as a main issue in our 10th Medium-Term Business Plan (10M), and are focusing on efforts to revitalize the organization through diversity. Specifically, these efforts range from reviewing the underlying personnel evaluation system to developing a human resources education and development system and workplace environment that empowers diverse human resources (for details, see page 26).

In this area, we have a particular focus on work styles as a prerequisite for supporting diversity. With the aim of work style reform, we have launched the Workplace Reform Project to provide systems enabling people to enjoy rewarding work and an efficient working environment without time or place restrictions. As of fiscal 2022, the project is currently in Phase 2, a two-year implementation phase following its one-year study phase in fiscal 2021. In this project, three subcommittees—the Human Resources System Subcommittee, the IT, Operations, and Infrastructure Subcommittee, and the Workplace Environment Subcommittee, are primarily engaged in activities on the following topics.

### Major activities in the Workplace Reform Project

Subcommittee name	Working group name	Major activity topics
Human Resources System Subcommittee	Childcare and Long-Term Care	<ul style="list-style-type: none"> <li>Formulating and implementing action plans to obtain Kurumin certification</li> <li>Detailed system design for extending the applicable period for shortening working hours</li> <li>Establishing initiatives/operational methods to encourage male employees to take paternity leave</li> <li>Activities to promote awareness of systems related to long-term care</li> </ul>
	Recruitment of Handicapped Human Resources	<ul style="list-style-type: none"> <li>Establishing a system enabling recruitment activities using the same scheme as that for new graduates and mid-career hires</li> <li>Visualizing degree of achievement for the legally mandated employment rate in each division</li> <li>Visiting offices and factories to raise awareness</li> </ul>
	Work Systems	<ul style="list-style-type: none"> <li>Formulating and disseminating detailed operational plans for staggered work and work from home (revision of work rules)</li> </ul>
	Long Working Hours	<ul style="list-style-type: none"> <li>Examining possible measures against overtime work in excess of 45 hours with department managers where this overtime occurred</li> </ul>
IT, Operations, and Infrastructure Subcommittee	IT Infrastructure and Communications	<ul style="list-style-type: none"> <li>Establishing a work environment for working from home</li> <li>Increasing data transfer speed between locations</li> <li>Supporting wireless communication at places of business</li> <li>Encouraging utilization of VPN connections on smartphones</li> </ul>
	Paperless	<ul style="list-style-type: none"> <li>Examining introduction of electronic seals</li> <li>Examining the creation of PDF versions of core business system forms</li> </ul>
	Visualization of Work	<ul style="list-style-type: none"> <li>Supporting work visualization through tools</li> </ul>
	Digitization of Manuals and Stored Forms	<ul style="list-style-type: none"> <li>Digitizing and sharing customer-specific work manuals</li> <li>Exploring digitization of stored paper forms and review of storage methods</li> </ul>
Workplace Environment Subcommittee	—	<ul style="list-style-type: none"> <li>Verifying seven proposals for consideration and introducing mechanisms for proposal actions found to be effective                             <ol style="list-style-type: none"> <li>Use of car sharing/rental</li> <li>Converting to satellite offices through integrated use of our locations in the Tokyo metropolitan area</li> <li>Using satellite offices outside the Tokyo metropolitan area</li> <li>Increasing individual Web conferencing booths</li> <li>Printing sales materials at other internal locations</li> <li>Developing work using fax communication</li> <li>Using individual booths provided by public transportation</li> </ol> </li> </ul>

## Diversity & Inclusion

Based on our Human Rights Policy and Labor Policy, and in the interest of strengthening our competitiveness as an organization, we are advancing a human resources strategy that emphasizes diversity.

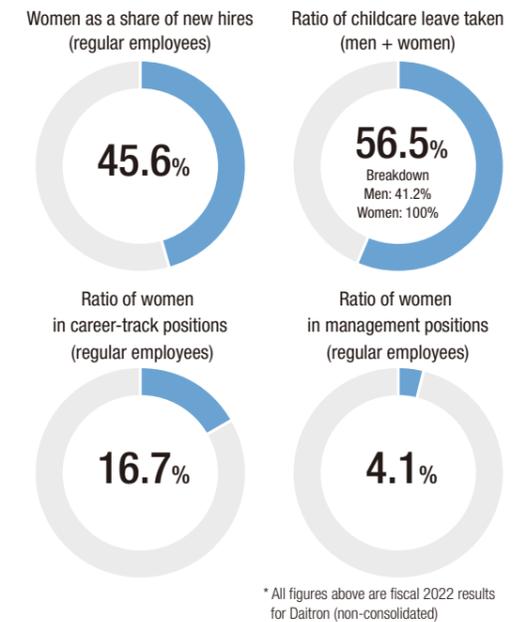
### 1 Empowering women

Our goal is to create an environment that empowers all employees, regardless of gender and whether or not they are raising children or caring for family members, and to create an environment in which employees can balance work and childcare. To this end, we have identified issues we are facing, formulated targets and concrete action plans, and are taking actions accordingly.

The following are our results for fiscal 2022 in this area. First, in terms of recruitment, women accounted for nearly half of all new hires (regular employees) at 45.6%.

Next, with regard to balancing work and childcare, the ratio of employees taking childcare leave (men + women) is 56.5%. By gender, the ratio is 100% for women, while men were less than half, at 41.2%. We will continue our work to increase the ratio of men taking childcare leave.

Furthermore, in terms of promoting women the ratio of women in career-track positions (regular employees) is 16.7% (versus 11.0% as of March 31, 2021), and the ratio of women in management positions (regular employees) is 4.1% (versus 4.1% as of March 31, 2021). We had set a target of increasing the ratio of women in career-track positions to at least 15% by March 31, 2026, but exceeded this level by the end of March 31, 2022. Going forward, we will continue with support measures to improve these figures, such as follow-up training for career-track courses. However, the ratio of women in management positions remains unchanged from when our most recent plan was initially formulated, despite setting a target of 10% or more by March 31, 2026. We will be proactive in management training and other support measures to achieve this target.



### 2 Diversity employment and empowerment

We recognize that a strong management foundation is essential for sustainable growth, and that the core of this foundation is our human resource base. With this in mind, we are taking actions to revitalize the organization by securing diversity in our human resources. Specifically, we are encouraging the employment of foreign human resources and experienced workers, and focusing on empowering senior and handicapped human resources. The specific results of our efforts in this area are to be disclosed as we build up a steady track record.

## Health Management

We aim to maximize the vitality of the organization and ultimately maximize corporate value by working to maintain and improve the health of all officers and employees in accordance with its Management Philosophy.

The basic system for health management where we have begun efforts is collaborative health, an efficient and effective path toward better health for employees and their families. As a basis for this, we are striving to understand health issues in terms of both mental and physical health (by accumulating health-related data on all employees), aiming for a 100% regular health checkup rate and a 100% stress checkup rate. In addition, in cooperation with industrial physicians, we have established a dedicated consultation service (all via a third-party organization, ensuring privacy) for general health, mental health counseling, and harassment. In addition, as an effort toward better health and work styles for our employees, we have introduced a self-reporting system. Once a year, employees are asked to report directly to their company on the quantity and quality of work they are currently responsible for, interpersonal relationships in the workplace, any transfer requests they may have, skill development, and opinions about the company. These items are then promptly and appropriately addressed.



### Safety and Health Policy

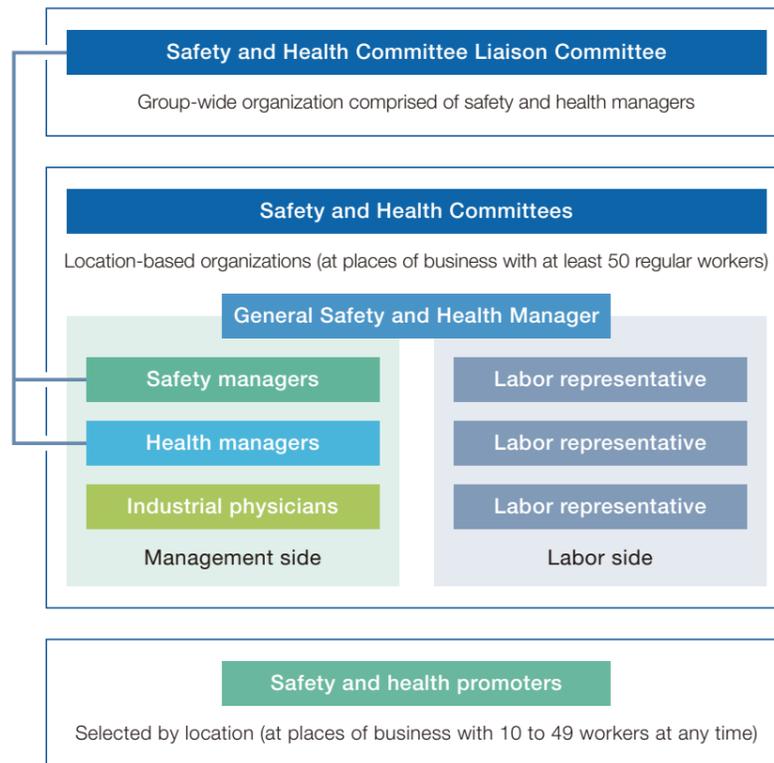
We will seek to provide employees with safe and sanitary working environments for the purpose of minimizing occupational injuries and diseases, and improving the retention rate and morale of employees in addition to the quality of products and services.

### Safety and Health Management System

We recognize that providing our employees with a safe and sanitary work environment is our responsibility as a company and one of the most important issues in management.

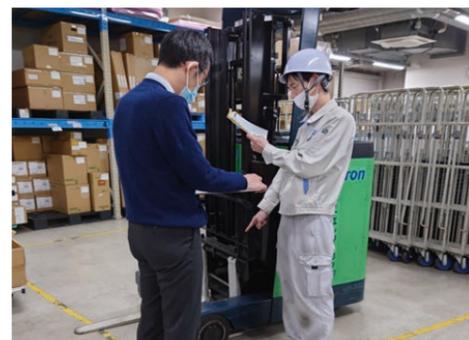
From this perspective, under the Safety and Health Policy, Safety and Health Committees play a central role in studying and implementing measures to prevent occupational accidents, as well as conducting surveys and deliberations on important matters to this end.

These Safety and Health Committees are set up at all of our places of business with at least 50 workers, holding regular monthly meetings. Committees consist of equal numbers of members from the management and labor side. In addition, we have established the Safety and Health Committee Liaison Committee as a Group-wide organization to identify management items related to occupational safety and health. This liaison committee encourages actions to ensure compliance with laws and regulations and to improve the working environment.



### Site Patrols

Each location's Safety and Health Committee (sites with 50 or more employees) or its Safety and Health Promoter (sites with less than 50 employees) conducts site patrols to ensure safety and health at each location. These patrols simultaneously serve to identify and report challenges toward minimizing future occupational accident risk to head office divisions.



Site Patrols

### Quality Policy

We will establish an effective quality management system for the purpose of providing products and services meeting the expectations and needs of customers.

### Quality Management System

We recognize that one of our major missions is to contribute to society and our customers through relentless efforts to improve the quality of our products. To this end, we are working on our quality management system to ensure our quality standards always exceed our customers' expectations.

As with our environmental management system, we conduct internal audits every year to ensure that the quality management system is operated appropriately and efficiently based on the PDCA cycle, and that continuous improvements are made.

We also focus on activities to familiarize all employees with our Quality Policy and to raise awareness about being proactive with regard to our quality management system.



### Acquisition of ISO 9001 and JISQ 9100

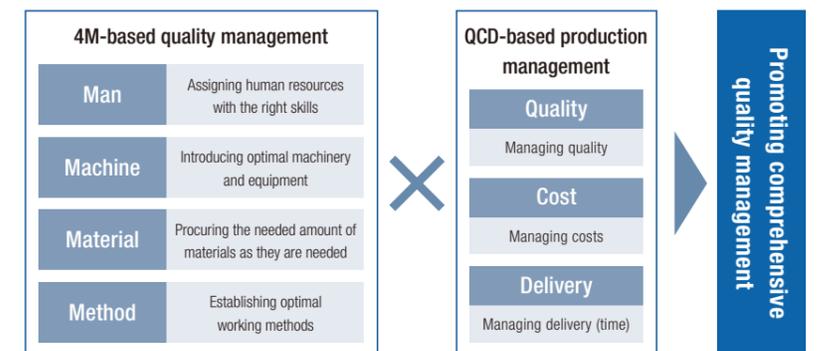
In order to establish an effective quality management system, comply with laws and regulations, and ensure the achievement of quality standards, we obtained ISO 9001 certification, the international standard for quality management systems, in April 1998, and have been periodically audited by an external assessment organization since then. In addition, the Specialized Equipment Factory within the parts business has acquired certification under JISQ 9100 (for aerospace), a quality management system standard with additional requirements specific to aviation, space, and defense.

#### Scope of ISO 9001 certification applicability (as of December 2022)

- **M&S Company**
    - Quality and Environment Promotion Office
    - Tama Sales Office, Tokyo Electronics Sales Office, Nagoya Electronics Sales Office, Osaka Electronics Sales Office, Tokyo Machinery Sales Office, Osaka Machinery Sales Office
    - Purchasing Section: Tokyo Center, Osaka Center
  - **D&P Company**
    - Equipment business: Kameoka Factory, Chubu Factory, Chubu Factory Kanazawa Office, Tama Factory
    - Parts business: Wire Harnesses Factory, Specialized Equipment Factory\*, Equipment Factory, Component Business Division
- \* Has also acquired JISQ 9100 certification (for aerospace)

### Promoting Comprehensive Quality Management Based on the 4Ms and QCD

In order to ensure the optimum level of quality demanded by our customers, we must ensure that the various quality control tasks occurring at production sites are properly executed. At our production sites, we promote comprehensive quality management through a combination of quality management based on the 4Ms and production management based on QCD, as shown in the figure on the right.



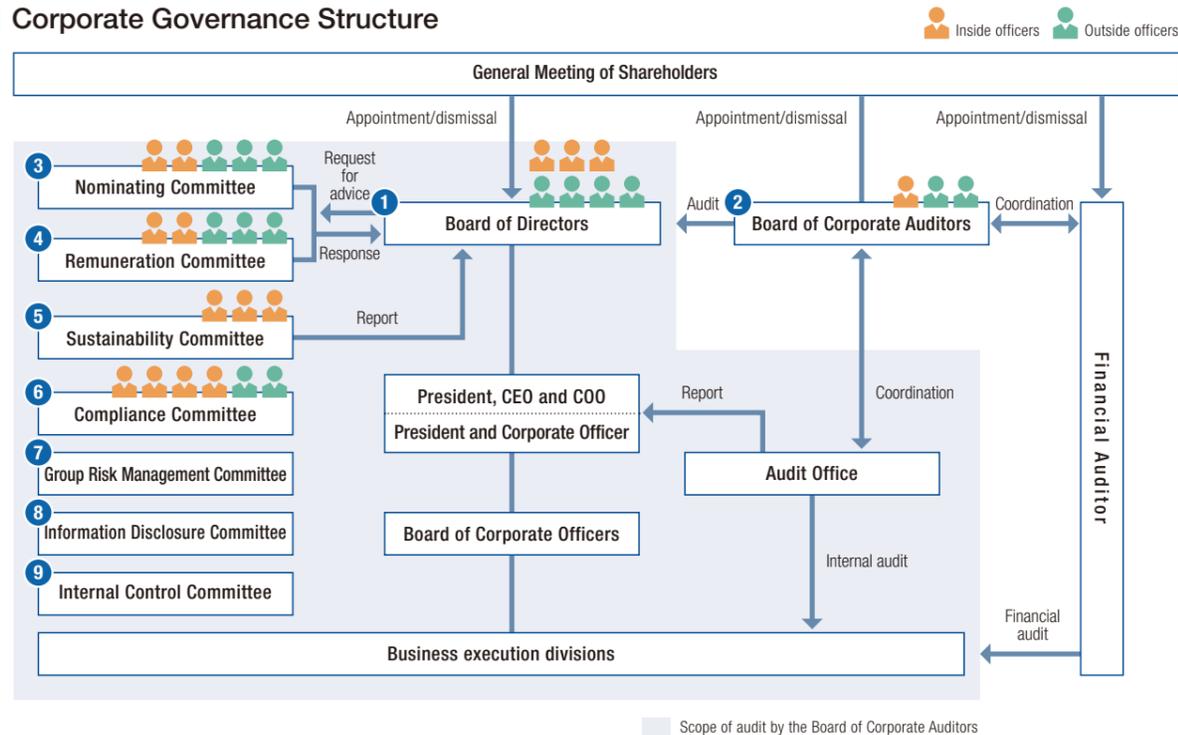
### Our Basic Policy on Corporate Governance

Amid this rapidly changing business environment surrounding corporations with the increasing globalization of the world economy, for corporate health and sustainable growth we are aware that improving the management system and enhancing corporate governance from the shareholders-oriented standpoint are among the most important challenges for us.

The key elements of our corporate governance principles include building good relationships of trust with all the stakeholders, ensuring timely and proper information disclosure and management transparency for shareholders, and following effective and healthy operating procedures, all of which are based on the Management Philosophy.

Compliance and Corporate Ethics	Timely Disclosure and Information Management	Risk Management
<p>We established the Compliance Committee to formulate basic compliance policies and manuals that provide for the codes of ethics focusing on compliance with external relevant laws and regulations as well as internal rules of the Company. With this system implemented we are strengthening internal governance and promoting compliance activities for sound and smooth operation of the whole Group.</p>	<p>We have created the Information Disclosure Committee for securing timely and appropriate disclosure of important corporate information while keeping it true, complete and accurate, which system has made possible a fair and quick decision on when and what information should be disclosed. We also have set up the information security rules and personal information protection rules for thoroughgoing information management.</p>	<p>We regard risk management as a matter of extremely high priority in business administration and have established the Risk Management Committee, which is designed to work together with the Compliance Committee for the purpose of improved corporate value and reliability. Their mission is to prevent diverse possible risks that could seriously affect our business administration, to quickly and properly cope with each situation so that it would not damage the stakeholders' interests, and consequently to conserve management resources. Under this system administrators in charge of carrying out these activities are designated from each section, who are required to report promptly on the occurrence of any important issue concerning risk management.</p>

### Corporate Governance Structure



### Outline of Important Organizations in the Corporate Governance Structure

#### 1 Board of Directors

In principle, the Board of Directors meets once a month on a regular basis, and extraordinary meetings are held as necessary when important matters arise. Participants of Board meetings are fully informed and act in good faith and with due diligence in the best interests of the Company and its shareholders. In addition, the Company's Board of Directors always keeps abreast of business conditions at the group level and makes prompt decisions on medium- and long-term management issues and important matters to maximize the Group's corporate value, including to strengthen the Group's comprehensive capabilities and further reinforce the entire Group's corporate governance.

#### 2 Board of Corporate Auditors

The Company's Board of Corporate Auditors currently consists of three Corporate Auditors, including two outside Corporate Auditors, and in principle meets once a month to receive reports on important matters related to auditing, and to discuss and make resolutions on the same. In addition, Corporate Auditors attend meetings of the Board of Directors and other important meetings to audit and supervise the status of Directors' performance of their duties, and exchange opinions with the internal audit department and financial auditor to improve audit functions.

##### ▶ Group Corporate Auditor Liaison Committee

The Group Corporate Auditor Liaison Committee, consisting of Corporate Auditors (including Outside Corporate Auditors) of the Company and its subsidiaries, meets regularly to exchange information and opinions on audits of Group companies in accordance with audit policies, thereby establishing a system handling corporate governance of the entire Group.

#### 3 Nominating Committee

We established the Nominating Committee as a voluntary advisory body to the Board of Directors for the purpose of deliberating and proposing to the Board of Directors related to the nomination and dismissal of officer candidates.

#### 4 Remuneration Committee

We established the Remuneration Committee as a voluntary advisory body to the Board of Directors for the purpose of deliberating and proposing to the Board of Directors on matters related to remuneration structure and system policies for officers.

#### 5 Sustainability Committee

We established the Sustainability Committee to address materiality (key issues) surrounding the Group's sustainability and to promote and oversee activities aimed at the sustainable growth of society and the Group's business activities and the enhancement of corporate value over the medium to long term. This committee examines specific measures to address materiality, sets target indicators, supports and monitors activities to achieve targets, and reports and makes recommendations to the Board of Directors on the results of these examinations and the progress of activities.

#### 6 Compliance Committee

We established the Compliance Committee to build a compliance system rooted in high ethical standards, centered on compliance with relevant external laws and regulations as well as internal rules of the Company, and to strengthen internal governance and promote compliance activities for the sound and smooth corporate management of the Group. In addition, for the purpose of preventing the occurrence and expansion of internal misconduct, we have established the Daitron Group Compliance Hotline, an internal reporting and consultation service. We have assigned a third-party organization as the information provider for this service in an effort to detect violations of laws and regulations and to uncover potential violations before they occur.

#### 7 Group Risk Management Committee

We regard risk management as a matter of extremely high priority in business administration and have established the Risk Management Committee for the purpose of improved corporate value and reliability. Its mission is to prevent diverse possible risks that could seriously affect our business administration, to quickly and properly cope with each situation so that it would not damage the stakeholders' interests, and consequently to conserve management resources. Under this system administrators in charge of carrying out these activities are designated from each section, and are required to report promptly on the occurrence of any important issue concerning risk management.

#### 8 Information Disclosure Committee

We have created the Information Disclosure Committee for securing timely and appropriate disclosure of important corporate information while keeping it true, complete, and accurate. This system has made possible a fair and quick decision on when and what information should be disclosed. We also perform practical inspections to ensure that there are no omissions in disclosure content.

#### 9 Internal Control Committee

The Internal Control Committee operates, maintains, and evaluates internal control over financial reporting, and reports the results of internal control evaluations and other information to the President, CEO and COO in a timely manner, including when financial results are announced.

### Organizational Memberships (◎ indicates the chairperson, while ○ indicates members)

Position	Name	Board of Directors	Board of Corporate Auditors	Group Corporate Auditor Liaison Committee	Nominating Committee	Remuneration Committee	Sustainability Committee	Compliance Committee
Chairman and Director	Isayuki Mae	◎			○	○	○	◎
President, CEO and COO	Shinsuke Tsuchiya	○			○		◎	○
Senior Managing Director	Hajimu Mouri	○		○		○	○	○
Director (Outside)	Yasutoshi Kimura	○			◎	○		
Director (Outside)	Toru Wada	○			○	◎		
Director (Outside)	Akihiko Imaya	○			○			
Director (Outside)	Kazutoshi Hosoya	○						
Standing Corporate Auditor	Minoru Ujihara		◎	◎				○
Corporate Auditor (Outside)	Noriko Kitajima		○	○		○		○
Corporate Auditor (Outside)	Satoshi Nakayama		○	○				○

Director Skill Matrix

Position	Name	Specialization/Experience						
		Corporate management	Finance/ accounting	Overseas business	Legal affairs/ Risk management	Personnel/ HR development	R&D	Sales
Chairman and Director	Isayuki Mae	●		●				●
President, CEO and COO	Shinsuke Tsuchiya	●		●				●
Senior Managing Director	Hajimu Mouri		●		●	●		
Outside Director	Yasutoshi Kimura	●	●					
Outside Director	Toru Wada				●			
Outside Director	Akihiko Imaya	●					●	
Outside Director	Kazutoshi Hosoya	●					●	

\*The above table does not show all skills possessed by each individual.

Outside Officers

Our company have four Outside Directors and two Outside Corporate Auditors. The Outside Directors and Outside Corporate Auditors meet the criteria for independence set forth by the Tokyo Stock Exchange, and the Company designates all of its Outside Directors and all of its Outside Corporate Auditors as independent directors and corporate auditors.

Outside Director <b>Yasutoshi Kimura</b>	Yasutoshi Kimura has extensive experience and highly professional knowledge as a certified public accountant and tax accountant, and the Company believes that he will be able to provide beneficial opinions about the Company's management, and has therefore appointed him as an Outside Director. Note that as of December 31, 2022, he holds 6,000 shares of Company stock. However, the Company has judged that there are no concerns of conflict of interest with him. He also serves as head of the Kimura CPA Office and Outside Director (Audit Committee Member) of sinops Inc. However, there are no particular relationships between the Company and either of these organizations.
Outside Director <b>Toru Wada</b>	Toru Wada has extensive experience and highly professional knowledge about corporate legal affairs as a certified public accountant, and the Company believes that he will be able to provide beneficial opinions about the Company's management, and has therefore appointed him as an Outside Director. Note that as of December 31, 2022, he holds 1,000 shares of Company stock. However, the Company has judged that there are no concerns of conflict of interest with him. He also serves as Joint Partner of Phoenix Law Offices and Outside Corporate Auditor of OUG Holdings Inc. However, there are no particular relationships between the Company and either of these organizations.
Outside Director <b>Akihiko Imaya</b>	Akihiko Imaya has extensive experience and advanced knowledge in corporate management from his past experience as a manager of a group of companies operating globally, and the Company believes that he will be able to provide beneficial opinions about the Company's management, and has therefore appointed him as an Outside Director.
Outside Director <b>Kazutoshi Hosoya</b>	Kazutoshi Hosoya has advanced professional knowledge in manufacturing from his many years as a manager of a global manufacturer in a business field similar to that of the Company's, and the Company believes that he will be able to accurately assess the management environment and industry trends of the Group and provide useful opinions and suggestions, and has therefore appointed him as an Outside Director.
Outside Corporate Auditor <b>Noriko Kitajima</b>	Noriko Kitajima has highly professional knowledge about corporate legal affairs and other topics as an attorney at law, and the Company has determined she has the ability to provide meaningful checks and balances on the Company's decision-making, and has therefore appointed her as an Outside Corporate Auditor. She also serves as Joint Partner of Phoenix Law Offices, Outside Director (Audit Committee Member) of SANKYO KASEI CORPORATION, and Outside Audit & Supervisory Board Member of Daiei Kankyo Co., Ltd. However, there are no particular relationships between the Company and either of these organizations.
Outside Corporate Auditor <b>Satoshi Nakayama</b>	Satoshi Nakayama has highly professional knowledge about finance and accounting as a certified public accountant, and the Company has determined that he has the ability to provide meaningful checks and balances on the Company's decision-making, and has therefore appointed him as an Outside Corporate Auditor. He also serves as head of Satoshi Nakayama CPA Office and Representative of Kyo-Risshi Audit Corporation. However, there are no particular relationships between the Company and either of these organizations.

Status of Attendance at 2022 Meetings of the Board of Directors and Board of Corporate Auditors

	Yasutoshi Kimura	Toru Wada	Akihiko Imaya	Kazutoshi Hosoya*1	Shunsaku Yagi*2	Noriko Kitajima	Satoshi Nakayama*1
Board of Directors (17 meetings)	16	15	17	—	17	17	—
Board of Corporate Auditors (14 meetings)	—	—	—	—	14	14	—

\*1 Took office March 2023  
\*2 Resigned from office March 2023

Effectiveness Evaluation of the Board of Directors

As part of its efforts to strengthen corporate governance, the Company conducts evaluations of the effectiveness of its Board of Directors.

Overview of Effectiveness Evaluation

In December 2022, the Company's Board of Directors conducted a self-evaluation using the Board of Directors Effectiveness Evaluation Questionnaire for all Directors and Corporate Auditors, including outside officers (nine Directors and Corporate Auditors in total). Based on the aggregated results, an analysis was conducted and awarenesses were shared about the current status of the Company's Board of Directors, and future initiatives to enhance the Board's effectiveness were discussed.

Overview of Evaluation Results and Future Initiatives

Based on the aggregated results and analysis of the responses to the Board of Directors Effectiveness Evaluation Questionnaire (38 items in total), it was determined that the effectiveness of the Company's Board of Directors has been adequately secured. In addition, as for the initiatives from the previous fiscal year's effectiveness evaluation:

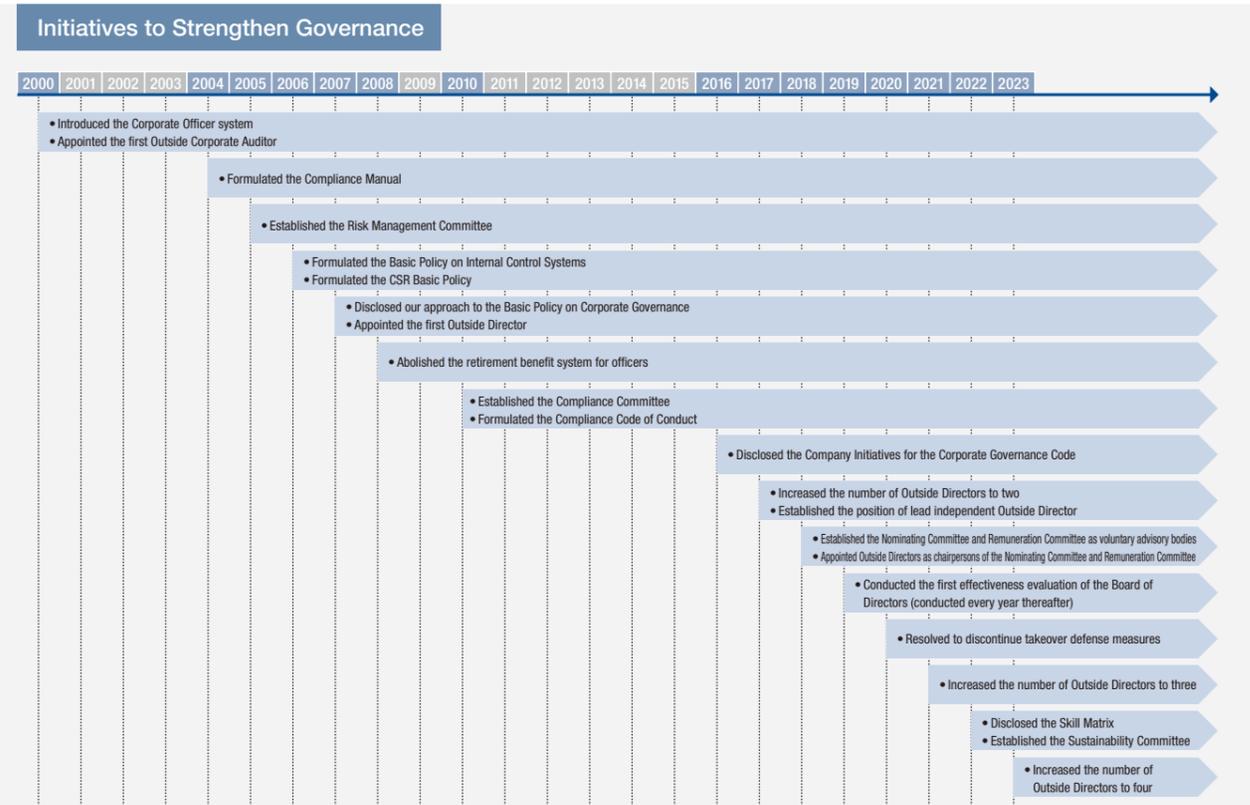
- Enhancing discussions to ensure gender, nationality, and other diversity in the composition of the Board of Directors
  - Enhancing training opportunities for individual Directors and Corporate Auditors and improving their knowledge of the Company,
- It was decided to retain these as initiatives for further improvement of the effectiveness of the Board of Directors since sufficient improvement could not be claimed as of the evaluation despite ongoing discussions.

Future Action

Based on the results of the effectiveness evaluation, the Company's Board of Directors will discuss and consider the initiatives listed in the Overview of Evaluation Results and Future Initiatives, and will proceed with efforts to further improve the effectiveness of the Board of Directors. We will continue to evaluate the effectiveness of the Board of Directors and analyze the results annually to continue said effectiveness and strengthen corporate governance.

Director and Corporate Auditor Training

The Company encourages Directors to participate in external seminars for the purpose of self-development, etc. and to build personal networks outside our organization. The Company bears the costs of such seminars in accordance with internal regulations. In addition, for the purpose of training Directors, Corporate Auditors, and senior management, the Company has a policy of inviting outside lecturers to address the annual Group Joint Board of Officers and Group Corporate Auditor Liaison Meeting.



## Officer Remuneration

The Company's Board of Directors, at a meeting held on February 12, 2021, resolved to adopt a policy regarding the determination of the details of individual Director remuneration. The Remuneration Committee was consulted in advance on the details of the resolution to be adopted by the Board of Directors and delivered its report to the Board of Directors.

The Board of Directors has also confirmed that the method of determining the details of remuneration for individual Directors for the current fiscal year and the details of remuneration determined are consistent with the aforementioned determination policy and that the report from the Remuneration Committee has been respected. Therefore, it has determined that the remuneration for individual directors for the current fiscal year is consistent with the determination policy.

The Company's basic policy is to set an appropriate level of remuneration for each Director based on his or her duties in a compensation linked to shareholder benefit so as to sufficiently function as an incentive for the sustainable improvement of corporate value. Here, the Board of Directors is given the authority to determine the amount of remuneration for the Company's officers and the policy regarding the determination of the method of calculation thereof.

The remuneration of officers consists of base remuneration as fixed remuneration and bonuses as performance-linked remuneration, taking into consideration that they are responsible for improving business performance in each fiscal year and for improving corporate value over the medium to long term.

### Details of General Shareholders Resolutions on Officer Remuneration

The maximum amount of remuneration for Directors is 500,000,000 yen per year (not including employee salary portions) as resolved at the Extraordinary General Meeting of Shareholders held on September 20, 1991. The number of Directors as of the close of this General Meeting of Shareholders was 13. The maximum amount of remuneration for Corporate Auditors is 50,000,000 yen per year as resolved at the Annual General Meeting of Shareholders held on March 31, 1999. The number of Corporate Auditors as of the close of this General Meeting of Shareholders was 2. The Company resolved to abolish the retirement benefit system for officers as of the conclusion of the 56th Annual General Meeting of Shareholders held on March 28, 2008, and to pay retirement benefits to Directors and Corporate Auditors who continue to hold office after the conclusion of said meeting at the time of their respective retirements, corresponding to the lengths of their periods of service until the system's abolishment.

### Total Remuneration by Officer Category, Total Remuneration by Type, and Number of Eligible Officers

Officer Category	Total Remuneration (thousand yen)	Total Remuneration by Type (thousand yen)				Number of Eligible Officers
		Fixed Remuneration	Performance-Linked Remuneration	Retirement Benefits	Non-Financial Remuneration	
Directors (excluding Outside Directors)	184,660	108,240	76,420	—	—	3
Corporate Auditors (excluding Outside Corporate Auditors)	16,760	10,680	6,080	—	—	1
Outside officers	46,400	34,800	11,600	—	—	5

(Note) The above performance-linked remuneration shows the amount of officers' bonuses for fiscal 2022.

## Cross-Shareholdings

It is the Company's policy to hold shares of partner companies when it is judged that said holdings assist the Company in achieving objectives such as maintaining and strengthening business relationships and creating synergies in order to improve its corporate value over the medium to long term, and to sell shares that fall out of the scope of this policy.

In addition, the Company shall provide specific explanations regarding such information as the purpose of cross-shareholdings.

The Board of Directors regularly reviews the status of transactions, risk/return assessments, and eligibility of major cross-shareholdings, and examines whether to maintain or sell said holdings.

With respect to the exercise of voting rights for cross-shareholdings, the Company does not provide unconditional agreement to all proposals by the company in question, but decides whether to exercise its voting rights in approval or disapproval based on whether or not it is deemed to contribute to the improvement of the Company's corporate value.

## Compliance with the Corporate Governance Code

With regard to the following Corporate Governance Code items for which we are not in compliance, we have disclosed four reasons for non-compliance and will continue to examine the optimal corporate governance for the Company.

### Supplementary Principle 3-1-3: Full Disclosure

We have established a Sustainability Committee chaired by the President, CEO and COO to identify the Company's key issues (materiality) for the realization of a future sustainable society and to steadily promote initiatives toward this end, and are currently discussing specific activities and notable KPIs. We will disclose the progress of these initiatives at a future date. With regard to disclosure of investments in human capital and intellectual property, etc., and disclosure based on a framework equivalent to the TCFD in climate change-related matters, we will collect and analyze the necessary data through the activities of the Sustainability Committee, and make every effort to disclose such data after evaluation.

### Supplementary Principle 4-1-2: Roles and Responsibilities of the Board (1)

The business environment in the electronics industry surrounding the Company is changing very rapidly, making it difficult to set specific sales and profit targets in our medium-term business plan. For this reason, we only announce single-year sales and profit targets, but we set and announce target indicators (ROE, original product sales ratio, etc.) in our medium-term business plan. In addition, we also disclose our business and strategic policies and measures for implementing our medium-term business plan, and the progress of these policies and measures are disclosed in our business reports, Investors Guides (which will be replaced by Integrated Reports from fiscal 2023), and on our website, as well as at financial results briefings and other meetings. If these are not achieved, we will analyze the causes and the status of our responses and explain these to shareholders, and reflect the results of the analysis in our management plans for the next and subsequent fiscal years.

### Supplementary Principle 4-2-1: Roles and Responsibilities of the Board (2)

All remuneration for the Company's Directors and Corporate Officers is paid in cash and consists of monthly compensation as fixed compensation and officers' bonuses as performance-linked compensation. In addition, although the Company has not introduced remuneration using its own shares, it has introduced an officer stock ownership plan, which we believe fulfills certain functions as an incentive to improve business performance, increase corporate value, and raise the share price of the Company. The amount of remuneration is determined by the Board of Directors based on the results of deliberations by the Remuneration Committee, taking into consideration the Company's business performance, business details, and economic conditions, within the maximum amount of remuneration for Directors as resolved at the General Meeting of Shareholders.

### Principle 4-11: Preconditions for Board and Kansayaku (Auditor) Board Effectiveness

The Company's Board of Directors consists of individuals with professional expertise and abundant experience in the fields of management, finance and accounting, marketing, personnel and human resource development, legal affairs and risk management, and research and development. In addition, we have appointed Directors with overseas work and management experience, and our understanding is that the Board of Directors is composed in a way that is both diverse and appropriately sized to effectively fulfill the roles and responsibilities of a board of directors. At this time, the Company has not appointed any female Directors and is aware that this is an issue to be addressed in the future. In addition, the Company has appointed attorneys at law, certified public accountants, and other professionals as its Corporate Auditors, who have appropriate knowledge of financial, accounting, and legal matters. Each Director engages in active discussions at Board of Directors meetings, and the Board functions effectively.

## Basic Approach to and Status of Internal Control System

### Basic Policy and Status of Internal Control System

The Group's basic policy for strengthening corporate governance is as follows.

- Building good relationships of trust with all the stakeholders
- Ensuring transparent and sound management
- Appropriate risk management
- Timely and proper information disclosure

### Status of Internal Control System

We have established and are operating an internal control system as a framework and process for the control of business operations in order to ensure sound and efficient corporate management based on the above basic policy, and in particular, we recognize the following items as our top priorities and are working to address these.

- Formation of an organization and culture for the prevention of misconduct and compliance with laws and regulations, and the maintenance of their effectiveness
- Establishment of a system to reasonably identify, evaluate, and appropriately manage foreseeable risks in corporate management
- Formation of an organization and culture for ensuring the reliability of business reports and disclosure information, and the maintenance of their effectiveness

Through these efforts, we have established and are operating an internal control system in order to fulfill the responsibility and trust we have toward our stakeholders with regard to social responsibility for corporate behavior and social requirements on corporate ethics.

(2023年4月1日現在)

Director



Chairman and Director  
**Isayuki Mae**

Apr. 1978 Joined the Company  
Jan. 2000 General Manager of International Electronics Sales Dept., International Operation  
Mar. 2001 Director  
Jan. 2002 General Manager, International Operation  
Apr. 2003 Senior Corporate Officer  
Dec. 2004 Vice General Manager of Electronics Operation  
Head of Business Strategy Office  
Apr. 2007 Deputy General Manager of Marketing & Sales Division  
Jan. 2009 General Manager of Group Business Strategy Division  
General Manager of Business Planning Dept.  
Apr. 2009 Managing Director  
Mar.2011 Appointed to President & CEO  
Mar.2013 President and Corporate Officer  
Chief Operating Officer  
Jan.2017 President, M&S Company  
Mar.2021 Chairman and Representative Director  
Apr. 2021 Chief Executive Officer  
Mar.2023 Chairman and Director (to present)  
(Significant concurrent positions outside the Company)  
Director, Chairman, Daitron Inc.



President, CEO and COO  
**Shinsuke Tsuchiya**

Apr. 1984 Joined the Company  
Apr. 2006 President, Daitron Inc.  
Mar. 2013 Corporate Officer  
Deputy General Manager of Marketing & Sales Division  
General Manager of Overseas Business Development Dept.  
Jan. 2014 General Manager of Machinery Operation  
Head of Machinery Business Promotion Office  
Mar. 2015 General Manager of Overseas Business Operation, Marketing & Sales Division  
Jan. 2017 General Manager of Overseas Business Operation, M&S Company  
Jan. 2018 General Manager of Overseas Business Division  
Mar. 2019 Director  
Apr. 2019 Senior Corporate Officer  
Mar. 2021 President and COO (to present)  
Apr. 2021 President and Corporate Officer (to present)  
Chief Operating Officer (to present)  
Apr. 2023 Chief Executive Officer (to present)



Senior Managing Director  
**Hajimu Mouri**

Apr. 1983 Joined the Company  
Dec. 2003 General Manager of System Administration Dept.  
July 2009 Head of Audit Office  
Apr. 2011 General Manager of Finance Dept., Business Administration Division  
Mar. 2013 Corporate Officer  
Deputy General Manager of Business Administration Division  
Mar. 2015 Senior Corporate Officer  
General Manager of Business Administration Division (to present)  
Jan. 2017 Corporate Officer  
Jan. 2019 General Manager of Personnel and General Affairs Dept., Business Administration Division  
Mar. 2019 Director  
Apr. 2019 Senior Corporate Officer  
Apr. 2021 Senior Managing Executive Officer (to present)  
Mar. 2023 Senior Managing Director (to present)



Outside Director  
**Yasutoshi Kimura**

Nov. 1973 Joined Tohatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)  
Sep. 1977 Registered as a certified public accountant (to present)  
July 1991 President and Representative Director of Tohatsu Consulting Co., Ltd. (Currently ABeam Consulting Ltd.)  
July 1995 Senior Partner of Tohatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
Sep. 1999 Established KIMURA Certified Public Accountants., Director (to present)  
Mar. 2000 Outside Corporate Auditor of the Company  
Mar. 2007 Outside Director of the Company (to present)



Outside Director  
**Toru Wada**

Apr. 1985 Registered as attorney-at-law (to present)  
Mar. 1989 Established Toru Wada Law Firm, Director  
Feb. 2003 Established and co-chaired Phoenix Law Offices (to present)  
Mar. 2003 Outside Corporate Auditor of the Company  
Mar. 2017 Outside Director of the Company (to present)



Outside Director  
**Akihiko Imaya**

Apr. 1981 Joined Sharp Corporation  
Jan. 2002 General Manager of System LCD Division, Mobile LCD Business Dept.  
May 2005 General Manager of Mobile LCD Business Dept.  
Sep. 2008 General Manager of Mobile Business Development Dept.  
Apr. 2009 General Manager of Personal Solution Business Development Dept.  
Apr. 2013 Executive Officer  
Oct. 2016 General Manager of Structural Reform Dept., Display Device Company  
Feb. 2018 Vice President, Display Device Company  
Mar. 2021 Outside Director of the Company (to present)



Outside Director  
**Kazutoshi Hosoya**

Apr. 1979 Joined Hioki E.E. Corporation  
Mar. 2005 Executive Officer, Director of ATE Dept.  
Dec. 2006 Executive Officer, Director of R&D Dept.  
Feb. 2011 Director, Executive Officer, Director of R&D Dept.  
Jan. 2013 Director, Managing Director  
Executive Officer, Director of R&D Dept.  
May 2013 Director, Managing Director  
Executive Officer, Director of R&D Dept. and Head of Corporate Planning Office  
Jan. 2017 Appointed to President  
Jan. 2021 Director  
Feb. 2021 Special Advisor to the Company  
Mar. 2023 Outside Director of the Company (to present)

Corporate Auditor



Standing Corporate Auditor  
**Minoru Ujihara**

Apr. 1981 Joined the Company  
Dec. 2004 General Manager of Accounting Dept.  
Apr. 2007 Head of Audit Office  
Apr. 2012 General Manager of Business Administration Dept., Marketing & Sales Division  
Jan. 2013 General Manager of Business Management Dept., Business Administration Division  
July 2014 General Manager of Management System Dept., Business Administration Division  
Mar. 2015 Deputy General Manager of Business Administration Division  
Mar. 2019 Standing Corporate Auditor of the Company (to present)



Outside Corporate Auditor  
**Noriko Kitajima**

Oct. 2000 Registered as attorney-at-law (to present)  
Joined Takahiko Inoue Law Office  
Jan. 2012 Co-Chairman of the same law firm (to present)  
Mar. 2017 Outside Corporate Auditor of the Company (to present)



Outside Corporate Auditor  
**Satoshi Nakayama**

Oct. 1987 Joined Tohatsu Awoki & Sanwa (currently Deloitte Touche Tohmatsu LLC)  
Aug. 1991 Registered as a certified public accountant (to present)  
June 2007 Partner of Deloitte Touche Tohmatsu (currently Deloitte Touche Tohmatsu LLC)  
July 2020 Established Satoshi Nakayama Certified Public Accountant Office, Director (to present)  
Established Kyorishi Audit Corporation, Senior Partner (to present)  
Mar. 2023 Outside Corporate Auditor of the Company (to present)

Corporate Officer System

The Company has introduced a corporate officer system to vitalize the Board of Directors by separating decision-making and supervisory functions from business execution. The following are our nine corporate officers.

Position	Name	Responsibility
President and Corporate Officer	Shinsuke Tsuchiya	Chief Executive Officer and Chief Operating Officer
Senior Managing Executive Officer	Shinji Ikutani	President, M&S Company
Senior Managing Executive Officer	Hajimu Mouri	General Manager of Business Administration Division
Senior Corporate Officer	Tsuneto Chihara	President, D&P Company
Corporate Officer	Kazuhiro Tanimori	General Manager of Equipment Business Operation, D&P Company
Corporate Officer	Hiroshi Kurata	General Manager of Procurement Department, M&S Company
Corporate Officer	Shinji Oka	General Manager of Green Facility Department, M&S Company
Corporate Officer	Takayuki Mio	General Manager of Parts Business Operation, D&P Company
Corporate Officer	Akio Tanaka	Division Manager - Global Business Division



Outside Director  
Yasutoshi Kimura

**As a technology-based company making rapid advances, we look toward growth investments and a focus on cultivating products forming the core of our next generation**

Daitron's business environment may appear to have been favorable for the past several years. However, my feeling is that, unless we expand to at least five times our current scale, we are in danger of being swallowed up by today's

trends if we wish to maintain our presence as a trading company over the long term. On the other hand, one of our strengths as an electronics trading company is that we also have a manufacturing unit, which also ensures high gross profit margins. However, our manufacturing unit's product lineup looks to have been largely unchanged in the past two decades or so. Of course, if we look more closely, we can see a few new products, but not enough to become a supporting backbone.

Thus, we are looking ahead to the next generation of

core products, as the manufacturing unit's current mainstay products approach a stage of some maturity. The manufacturing unit is where we likely need to invest a certain amount of resources with a clear intention and new priority. Therefore, as a technology-based company that is making rapid advances, we hope that through upfront investment in areas such as human resources and facilities, we will be able to cultivate products forming the core of our next generation.



Outside Director  
Toru Wada

**A bright outlook toward a new stage for Daitron**

When Daitron was Daito Electron, I once wrote an article titled "My View of Daito Electron" in which I listed the following three expectations for the Company. The first was the transformation from a family-owned or owner-operated company to a truly publicly-traded company. The second was the enhancement of the integrated manufacturing and sales system, and the third was the emphasis on cash flow.

In the years that have passed since then, significant progress has been made in all respects. With respect to my first expectation, the passive behavior of our officers and employees has been eliminated, and they have begun to show more initiative and proactivity. This has contributed to the expansion of our business performance and scope of business. In the future, I look forward to seeing greater activity that is both proactive and demonstrates ownership, especially in terms of expanding new and overseas businesses. With respect to my second expectation, the

manufacturing subsidiary merger has had a positive effect, and manufacturing and sales have become more coordinated and cooperative. Going forward, I would like to see the manufacturing unit further enhanced through continued efforts to hire talented personnel and further promote research and development, among other measures. Third, we now report on our cash conversion cycle monthly, and accounts receivable and inventories are well managed. Regardless of the scale that we reach in net sales, I would like the Company not to lose its focus on cash flow.



Outside Director  
Akihiko Imaya

**Growing expectations on future strategic execution as Daitron's importance as a technology trading company continues to grow**

Looking at changes in the business environment of the global electronics industry, in the medium- to long-term, the industry is beginning to seek new management guidelines that pursue socially inclusive sustainability, rather than 20th-

century economic guidelines pursuing capital efficiency. In the short term, the spread of COVID-19 and geopolitical changes have created an urgent need to restructure supply and engineering chains. We believe that these changes have increased Daitron's importance as a technology trading company. In addition to the ability to collaborate and build partnerships that we have accumulated as a trading company, we will be required to practice our Management Philosophy of balancing customer satisfaction and employee satisfaction. We have completed our preparations

for future advances in management in terms of both management philosophies and management strategies, and I look forward to our execution of the latter.

My hope is to contribute to the enhancement of corporate value by sharing and discussing with Daitron's management team the knowledge I have gained from experience in the display device business, enabling me to foresee what kind of financial impact the current policy decisions and mechanisms in the field will have in the future.



Outside Director  
Kazutoshi Hosoya

**Expectations on becoming a company with sustainable growth that can adapt to risks in times of transition and grow by seizing opportunities with certainty**

My 44 years working at electrical equipment manufacturers has given me operational experience in engineering, development, manufacturing, and sales units.

I have also been involved in the execution of company

management, where in the last few years I have felt changes giving me the sense that we are at a turning point in history.

The world is becoming increasingly divided due to globalization, and social and economic impacts are growing. Furthermore, in this historic turning point, and furthermore a time of transformations like DX, GX, EX, and SX, the impact on business activities and the diversity of what is required of a company are also presenting difficulties for management.

Beyond that, changing times can present both risks and great opportunities for companies. I believe that Daitron's recent

performance is linked to the growth trend of the electronics industry, and that its Management Philosophy, Group Statement, and Long-Term Vision are beginning to manifest. I am confident that the organization can translate this into solid steps toward growth through further strategic activities. As a new independent outside director, I hope to understand Daitron's "three actuals" (site, product, and situation), add principles, and even engage in the right kind of discussions with the management team to contribute to creating and improving customer value and maximizing corporate value.

(Unit: Million yen)

	2012	2013	2014		2015	2016	2017	2018	2019	2020	2021	2022
<b>Consolidated management performance<sup>*1</sup></b>												
Net sales	36,067	34,899	38,702		43,214	44,932	51,684	59,662	61,621	57,418	72,341	87,639
Cost of sales	28,168	27,428	30,405		33,744	34,879	40,193	46,843	49,138	45,941	58,060	70,052
Gross profit	7,898	7,470	8,297		9,469	10,052	11,490	12,818	12,482	11,476	14,281	17,587
Gross profit ratio (%)	21.9	21.4	21.4		21.9	22.4	22.2	21.5	20.3	20.0	19.7	20.1
Selling, general and administrative expenses	7,552	7,332	7,522		7,927	8,141	8,968	9,272	9,276	9,072	10,084	11,535
SG&A to net sales ratio (%)	20.9	21.0	19.4		18.3	18.1	17.4	15.5	15.1	15.8	13.9	13.2
Operating income	345	138	774		1,542	1,910	2,522	3,546	3,205	2,403	4,196	6,051
Ordinary income	466	252	861		1,537	1,863	2,583	3,592	3,220	2,436	4,325	6,210
Net income attributable to owners of parent	182	-77	641		1,131	1,217	1,867	2,274	2,171	1,610	2,953	4,237
Depreciation expense	381	414	272		233	231	278	272	348	337	322	327
Capital Investment	348	99	143		180	1,163	339	907	227	140	428	412
Research and development expense	161	129	141		139	167	150	166	150	146	93	150
<b>Consolidated financial position</b>												
Total assets	23,622	23,766	27,312		28,681	32,068	35,383	43,114	45,757	46,247	58,454	63,202
Net assets	11,525	11,630	12,161		13,179	13,914	15,492	16,977	18,765	19,798	22,455	26,012
Total interest-bearing debt	1,610	1,321	1,202		1,122	1,609	902	697	544	374	467	583
<b>Per-share information (consolidated)</b>												
Earnings per share (yen)	16.49	-6.94	57.74		101.91	109.62	169.15	205.25	195.86	145.24	266.18	381.78
Net assets per share (yen)	1,032.90	1,047.04	1,094.87		1,186.64	1,252.94	1,397.97	1,530.94	1,691.87	1,784.66	2,023.23	2,342.79
<b>Consolidated cash flows</b>												
Cash flows from operating activities	-762	288	722		447	1,472	-53	5,502	2,377	3,065	2,796	-275
Cash flows from investing activities	-218	-110	-123		15	-1,171	-292	-876	-313	-156	-371	-237
Cash flows from financing activities	-652	-434	-182		-278	201	-1,286	-758	-816	-762	-672	-1,004
Period-end cash and cash equivalents	5,718	5,581	6,092		6,251	6,727	5,094	8,923	10,150	12,260	14,183	12,882
<b>Dividends</b>												
Payout ratio (consolidated, %) <sup>*1</sup>	60.6	—	26.0		24.5	27.4	26.6	26.8	30.6	34.4	30.1	30.1
Annual dividends (yen)	10	5	15		25	30	45	55	60	50	80	115
<b>Main Management Indices</b>												
Return on equity (ROE) <sup>*2</sup> (%)	1.6	-0.7	5.4		8.9	9.0	12.7	14.0	12.2	8.4	14.0	17.5
Return on assets (ROA) <sup>*2</sup> (%)	0.7	-0.3	2.5		4.0	4.0	5.5	5.8	4.9	3.5	5.6	7.0
Debt-to-equity (D/E) ratio (times)	0.14	0.11	0.10		0.09	0.12	0.06	0.04	0.03	0.02	0.02	0.02
Shareholders' equity/Total assets (%)	48.8	48.9	44.5		45.9	43.4	43.8	39.4	41.0	42.8	38.4	41.1
<b>Other</b>												
Period-end share price (yen)	347	389	627		793	936	2,335	1,227	1,906	1,576	2,146	2,282
Number of consolidated employees	655	651	638		644	666	763	795	823	855	893	942
Number of consolidated subsidiaries	11	11	11		11	11	9	9	9	8	9	10
<b>KPIs for business structure reform</b>												
Composition ratio by business												
Electronic Equipment and Components (%)	69.9	79.5	79.4		73.6	75.6	78.2	74.6	66.2	73.3	75.5	72.2
Manufacturing Equipment Business (%)	30.1	20.5	20.6		26.4	24.4	21.8	25.4	33.8	26.7	24.5	27.8
Original product ratio <sup>*3</sup> (%)	23.2	22.2	22.4		24.8	24.0	24.2	26.0	21.9	18.3	15.8	16.0
Overseas sales ratio (%)	20.2	18.0	16.5		15.8	16.3	19.5	21.2	27.1	20.5	23.3	25.5

\*1 From fiscal 2022, figures are calculated based on application of the Accounting Standard for Revenue Recognition

\*2 Shareholders' equity and total assets are calculated using the averages of those at the beginning and at the end of the period, respectively

\*3 From fiscal 2021, the definition of original products has been changed

Company Information (as of April 1, 2023)

Trade Name	Daitron Co., Ltd.	
Established	June 24, 1952	
Representative	Shinsuke Tsuchiya, President	
Capital	2,200,708,560 Yen	
Number of Employees	942 (consolidated) *As of December 31, 2022	
Business Place	Head Office Headquarters Sales Offices	Osaka Tokyo Sendai, Utsunomiya, Ibaraki, Tokyo, Kunitachi, Yokohama, Matsumoto, Shizuoka, Nagoya, Kanazawa, Kyoto, Osaka, Kobe, Hiroshima, Fukuoka, Kumamoto
	Representative Offices Logistics Center Factories	Manila (Philippines) /Hanoi (Vietnam) Kunitachi, Hashima, and Osaka Tama, Ichinomiya, Nonoichi, Ritto, and Kameoka
Business Line	Manufacturing and sales of electronic components & assembly goods, semiconductors, embedded systems, power supply equipment, image-related equipment & components, information systems, semiconductors & FPD manufacturing equipment, electronic components manufacturing equipment, etc. Import/export of the above products	
Number of Group Companies	consolidated 11 (overseas 10)	



▲Head Office

Stock Information (as of December 31, 2022)

Stock Information

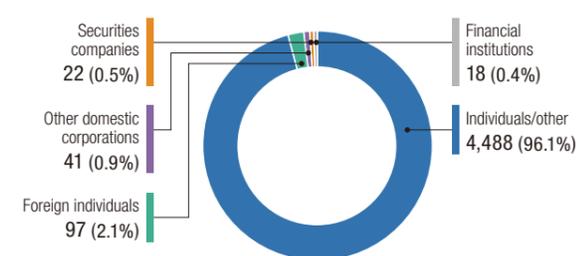
Total number of authorized shares	40,000,000
Total number of issued shares	11,155,979
Number of shareholders	4,666

Major shareholders

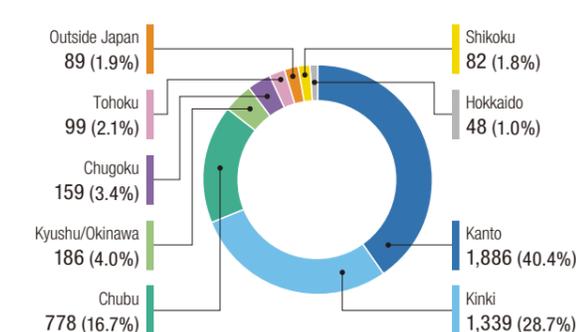
Shareholder name	Number of shares held (thousands of shares)	Shareholding ratio (%)
The Master Trust Bank of Japan ,Ltd. (Trust account)	1,012	9.12
Public Interest Incorporated Foundation Daitron Welfare Foundation	1,000	9.00
Custody Bank of Japan, Ltd. (Trust account)	923	8.31
Yasuyuki Ohmori	400	3.60
Mizuho Bank, Ltd.	399	3.59
Daitron Employee Shareholding Association	396	3.57
MUFG Bank, Ltd.	363	3.27
Daitron Partner Shareholding Association	218	1.96
Nippon Life Insurance Company	181	1.63
Yoshiki Sasaki	180	1.62

\*Shareholding ratios are calculated excluding treasury shares (55,427)

Shareholder distribution by type



Shareholder distribution by region



Group Companies Information (as of April 1, 2023)

Company Name	Capital	Investment Ratio	Business Line
DAITRON INC.	4,000,000 USD	100%	Manufacture, sales, and import/export of electronic equipment/components for North American markets, sales and import/export of semiconductor manufacturing equipment for North American markets
DAITRON MALAYSIA SDN. BHD	2,500,000 MYR	100%	Sales and import/export of electronic equipment/components and manufacturing equipment for Malaysian and South-East Asian markets
DAITRON (H.K.) CO., LTD.	3,800,000 HKD	100%	Sales, procurement, and import/export of electronic equipment/components for Hong Kong and South Chinese markets
DAITRON (SHANGHAI) CO., LTD.	550,000 USD	100%	Sales and import/export of electronic equipment/components and manufacturing equipment for Chinese markets
DAITRON (KOREA) CO., LTD.	1,500,000,000 KRW	100%	Sales, procurement, and import/export of electronic equipment/components for South Korean and East Asian markets
DAITRON (THAILAND) SDN. BHD	2,000,000 THB	DAITRON MALAYSIA SDN. BHD 49% A domestic Thai company (Japanese-affiliated financial institution) 51%	Sales and import/export of electronic equipment/components and manufacturing equipment for Thai and South-East Asian markets
DAITRON (SHENZHEN) CO., LTD.	500,000 RMB	DAITRON (H.K.) CO., LTD. 100%	Sales and import/export of electronic equipment/components for South Chinese markets
Daito-Tec Co., Ltd.	10,000,000 JPY	100%	Manufacture and sales of electronic equipment/components
DAITRON (TAIWAN) CO., LTD.	20,000,000 TWD	100%	Sales and import/export of electronic equipment/components and manufacturing equipment for Taiwanese markets
DAITRON (SINGAPORE) PTE. LTD.	500,000 SGD	100%	Sales and import/export of electronic equipment/components and manufacturing equipment for Singaporean and South-East Asian markets
DAITRON (NETHERLANDS) B. V.	700,000 EUR	100%	Sales and import/export of electronic equipment/components and manufacturing equipment for European markets

For an updated list of Group companies, please visit our website.  
<https://www.daitron.co.jp/en/company/network/group.html>





**DAITRON CO., LTD.**

[For inquiry concerning our IR activities]

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