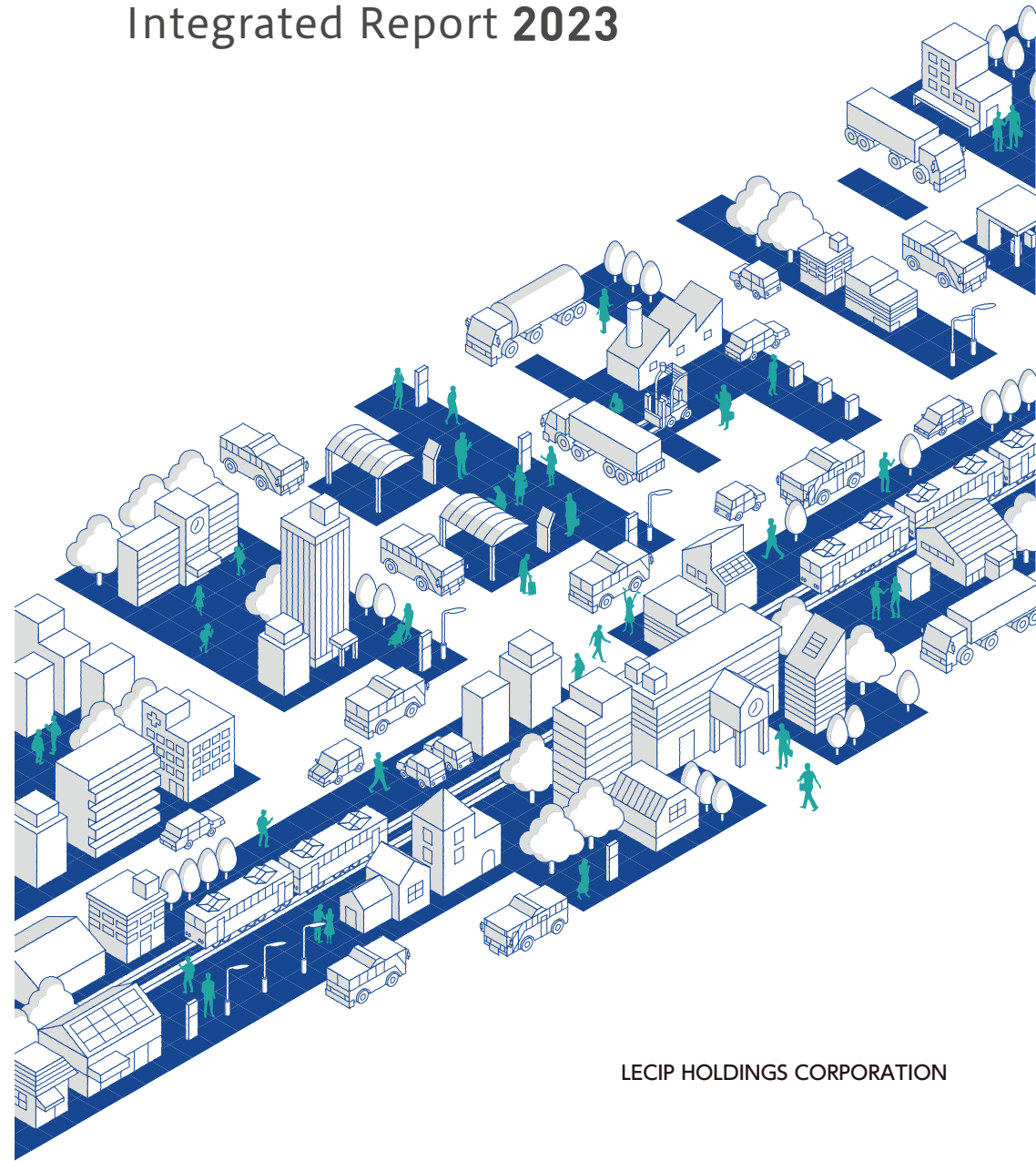


LECIP

Integrated Report 2023



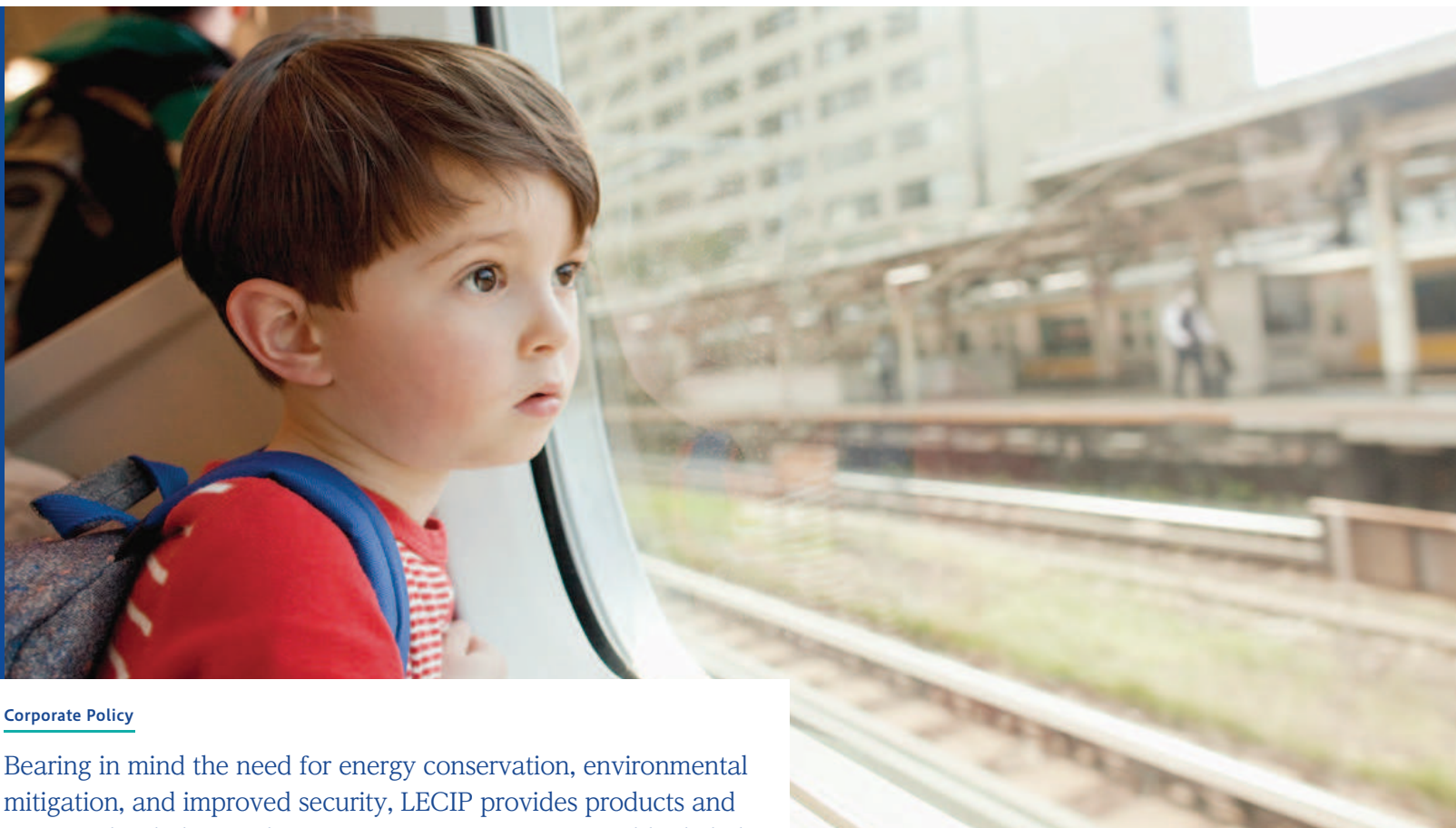
LECIP HOLDINGS CORPORATION

www.lecip.co.jp/hd/

1260-2 Kaminoho, Motosu City,
Gifu Prefecture 501-0401, Japan
TEL: +81-58-324-3121
FAX: +81-58-323-2597



LECIP HOLDINGS CORPORATION



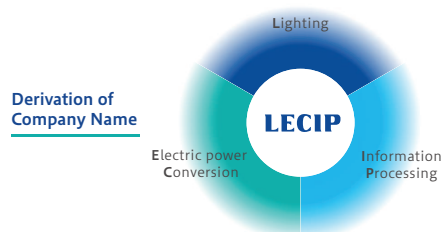
Corporate Policy

Bearing in mind the need for energy conservation, environmental mitigation, and improved security, LECIP provides products and services that help members of society enjoy a comfortable daily life.

The LECIP Group has specialized in meeting the demands of niche markets since its foundation in 1948. It is constantly working to create products that appeal to and satisfy customers.

From our humble beginnings, we have become a company that, more than any other enterprise in Japan, sells more equipment for unassisted bus and railcar drivers, as well as more onboard lighting systems, forklift battery recharging units, and many other key products.

The Group will strive to create new added value through relentless technological innovation, as it helps support a safe, secure, and optimal daily life for members of society.



LECIP is an acronym, formed from the first letters of the Company's three core business domains: lighting, electric power conversion, and information processing.

Scope of report

The LECIP Group's Integrated Report 2023 was produced and published to explain to the public how the Group is working to solve societal issues and improve sustainable corporate value through its business.

In preparing this report, we have referred to the International Integrated Reporting Framework, recommended by the IFRS Foundation, and the Guidance for Integrated Disclosure and Dialogue for Collaborative Value Creation formulated by the Ministry of Economy, Trade and Industry.

Information disclosure system

Financial information	Integrated report	Sustainability
Website: Investor relations information IR materials/stock information, etc. https://www.lecip.com/ir/index.htm	 Integrated report https://www.lecip.com/ir/html/pdf/integrated_report_2023_en.pdf	Website ESG-related information Please see the latest integrated report https://www.lecip.com/ir/html/pdf/integrated_report_2023_en.pdf

Reporting period

FY2022 (April 1, 2022–March 31, 2023)

* Partially includes activities prior to fiscal 2023 and after April 2023.

Reporting companies

LECIP HOLDINGS CORPORATION and its Group companies
<https://www.lecip.com/company/company09.htm>

Contact

Business Management Department, Administration
Headquarters,
LECIP HOLDINGS CORPORATION
E-mail: info@mb.lecip.co.jp

Website

<https://www.lecip.com>

Note regarding forward looking statements

This report contains projections based on forward-looking statements and plans. Please be aware that actual results and achievements may differ.

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History of the LECIP Group

Since its foundation, the LECIP Group has enjoyed steady growth. Not part of a conglomerate, it is free of any limits that might be imposed on it from outside and, to date, has undertaken on its own all facets of business—from development to manufacturing and sale.

As an independent entity, we remain firmly committed to creating new markets that emerge from the enhancement of advanced technologies. To this end, we will continue contributing to society by helping members of the public realize a comfortable daily life.

1948–1960s

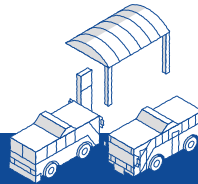


Initial period after foundation
Market entry led by transformer technology

- Entered the bus and railroad markets with fluorescent lighting based on transformer technology

The LECIP Group originally focused its business on technology to provide a sufficiently high voltage to light a fluorescent tube. We started doing business with the public transportation industry, which continues to this day, by providing the voltage required for fluorescent lighting on buses and railroads, both environments in which voltage was unstable.

1970s–1990s



Become a supplier of electronic devices for buses

- One-person (driver-only) operated buses
- Growth in sales of bus-related products

Routes that used driver-only buses, with no conductors, became popular in the 1960s. We developed new products such as fareboxes and fare display devices to replace the fare collection, ticket issuing, and guidance announcements that had traditionally been handled by conductors.

We also developed battery-powered forklifts at this time, leading to growth in LECIP's main business.

1995–2000s



IC card system debuts
System development strengthened

- Quickly adapt to cashless technology
- Became a top in Japan niche manufacturer

We were one of the first to adopt the contactless IC card system, which was advanced technology at the time. This greatly increased our market share when we launched our IC cross-modal ticket service in the Tokyo metropolitan area.

In 2001, the Company changed its name from Sanyo Electric Works to LECIP Corporation, and in 2005 it launched its initial public offering.

Since 2010–



Creating new value
Venturing into overseas markets

- Expanding overseas business as a new growth opportunity
- Helping solve societal issues; achieving sustainable growth

In 2016, we became the first Japanese manufacturer to deliver fareboxes in the United States. We plan to remain a company that continues to take on global challenges, and contributes to solving societal issues through our corporate policy of helping realize a comfortable daily life for everyone, even in a rapidly changing social environment.

Information processing

Lighting

Electric power conversion

October 1950

Launch sale of neon transformers.

October 1951

Develop fluorescent lighting for buses.

September 1960

Develop fluorescent lighting for vehicles.

September 1961

Develop fluorescent lighting for railcars.

Coil-type neon transformers



Fluorescent lighting for buses



Fluorescent lighting for truck cabins



January 1948

Found Sanyo Electric Works.

March 1953

Incorporates Sanyo Electric Works as a joint-stock company.

December 1968

Builds production facility in the Itonuki region of Motosu City, Gifu Prefecture.

September 1970

Develop fareboxes for buses.

January 1985

Develop forklift battery recharging units.

March 1988

Start delivering magnetic card system for buses.

April 1992

Start producing fluorescent lighting for the Shinkansen's Nozomi series train.

July 1993

Commence sale of electronic inverter neon transformers (Alpha Neon).



Digital fare display devices for buses



Automated farebox with a note and coin exchange function

Forklift battery recharging unit



March 1989

Establishes SANYO ELECTRONICS CO.,LTD. (now LECIP ELECTRONICS CORPORATION).

November 1995

Announce development of contactless IC card systems.

August 1999

Provide Hong Kong with a contactless IC card reader/writer.

March 2007

Deliver IC card readers for buses to integrate them into the cross-modal smartcard transit network in the Tokyo metropolitan area.

In-vehicle display of the on-bus computer (OBC) system used for intelligent transport systems.



Contactless IC card reader/writer

Farebox with real-time counting function and boarding ticket reading function



July 2016

Deliver an automated fare collection system for route buses in the United States.

October 2017

Develop the LIVU bus crewmember support system.

October 2020

Begin providing a ticket-purchasing smartphone application, QUICK RIDE.

November 2021

Develop a content management system.



Slim-profile farebox (LFZ model)

LF-7000 farebox for North America

LV-700 multi-payment terminal



Content management system

March 2010

Establishes LECIP INC. in the United States.

December 2012

Establishes LECIP (SINGAPORE) PTE LTD in Singapore.

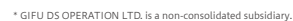
August 2013

Completes the acquisition of Arcontia International AB in Sweden.

October 2013

Establishes LECIP THAI Co., Ltd. in Thailand as a joint venture with the Thai company THAI INDUSTRIAL PARTS LTD.

Currently, we have five domestic and four overseas companies, and we are planning to expand.



Data on LECIP

Since the 2010s, we have been working hard to set up overseas bases, and we aim to expand our business in the United States and elsewhere.

Message from the President



Boosting business with
PRODUCTS + SERVICES

73 7 7
Makoto Sugimoto

President and CEO
LECIP HOLDINGS CORPORATION

Technological Adaptability Yields Top Market Share

Under its corporate policy, formulated in 2001, the LECIP Group is committed to providing products and services that make daily life comfortable and convenient. This it does through energy conservation, environment friendliness, and enhanced security.

These three phrases, so relevant today, have been included in our corporate policy for more than 20 years. That has a lot to do with my career, which includes an assignment to Brazil during the 1980s. When I returned to Japan back then, I couldn't help feeling that this country, despite its developed and well-established social mechanisms, nevertheless had an extremely rigid, inflexible, and irrational society. In today's terms, one might say that I was keenly aware of various social issues.

In 1990, I became a director at LECIP HOLDINGS, before becoming president and representative director in 1993. All this time, I have been advocating three aspects of the LECIP Group's approach to running its business: the need for transparency, rationality, and attractiveness.

When we updated our management philosophy in 2001, we set out to help create a rational, flexible, safe, and secure society, in other words, to make daily life comfortable and convenient. I also believed that I, personally, would benefit from energy conservation, global environment friendliness, and security enhancement. Since then, as a representative of the LECIP Group, I have been working to communicate the direction and the value our philosophy provides.

Corporate Policy

Bearing in mind the need for energy conservation, environmental mitigation, and improved security, LECIP provides products and services that help members of society enjoy a comfortable daily life.

Over the 30 years since I took office as president, Japanese society has been undergoing dramatic shifts, due to a declining population, the effects of climate change, and the advance of digitalization.

Since the LECIP Group's main business is tied to public transportation, these changes present a major challenge to its corporate sustainability. In other words, it is no longer possible to achieve growth by developing our business as we have up until now.

Over the past three years or so, we have faced the harsh reality of rapid market contraction due to the COVID-19 crisis. So now we must adapt to the shrinking domestic market, provide greater support for streamlining at bus and railway companies facing labor shortages, and work to expand business in overseas markets.

Further, since our main source of earnings is skewed toward the automated fare collection (AFC)—primarily bus fareboxes—we recognize that we need to shift to a more comprehensive business structure.

The Group has a history of supplying fareboxes and other fare collection systems, and boasts an approximately 60% market share in bus fareboxes in Japan. Since it became possible to pay fares with IC cards, we have established a solid position supporting cashless fare collection by building and supplying IC card systems to domestic bus companies.

In 2020, we developed the QUICK RIDE smartphone ticket app and have been providing other new ticketing systems as well. We are the leading company when it comes to fareboxes and cashless payments. Our strength lies in our adaptability: our ability to provide a changing society with value in terms of hardware and software.

In light of these strengths, we formulated VISION2030, our long-term vision for 2030, and Challenge to the Next stage 2023



QUICK RIDE smartphone ticket app

(CN2023), our three-year, mid-term business plan for fiscal 2021 to 2023. They reflect the form we believe the Group should assume, and how it might provide further value in order to remain an essential part of a society with rapidly changing structures and values.

Growth Business Areas for VISION2030

Under VISION2030, we aim to utilize the manufacturing technology that the LECIP Group has cultivated, and provide new value derived from PRODUCTS + SERVICES. We will also help contribute to society by providing PRODUCTS + PRODUCTS, PRODUCTS + INFORMATION, and PRODUCTS + SERVICES, together with user-friendly seamless transportation systems, as well as peripheral technologies that support a decarbonized society together with safe and secure urban development. Achieving these ambitions comes down to three essential points.

The first point is the transformation of our business structure to PRODUCTS + SERVICES, that is, from a hardware-centered business structure to one that creates hardware-based systems and services incorporating software.

The second point is the cultivation of our Energy Management System (EMS) business. As the movement to reduce greenhouse gas emissions progresses worldwide, we will redefine our conventional industrial equipment business as a new growth driver. I am confident that the value created by these two major transformations will be appreciated in overseas markets.

The third point is the expansion of overseas business, which will be an important driver for achieving the sales and operating profit margin targets of VISION2030.

Business structural reform for PRODUCTS + SERVICES

The most important point in accomplishing our VISION2030 is the transformation of our business structure for PRODUCTS + SERVICES. It is an enormous challenge to figure out how to advance the services business while still manufacturing products. But we are already making progress on a number of initiatives.

One initiative is the content management platform (CMP), a cloud-based digital information distribution system, that we supply to the JR Expressway Bus Terminal at Tokyo Station. The CMP system collects scattered information on the cloud and distributes it to a large number of display devices in remote locations. At the JR terminal, it provides passengers with real-time information related to departures and arrivals.

The CMP system allows multiple companies and facilities to individually enter information from their respective locations and provide it to users. It has a wide range of applications, not limited to public transportation.

Another line of business we would like to bolster is the transit management system (TMS). The core product is the LECIP Intelligent Vehicle Unit (LIVU) crewmember support system, which utilizes location information to help overcome challenges such as the shortage of drivers, which is a serious problem in the bus and railway industries. We have succeeded in commercializing the system, and will work to increase sales.

In addition, I believe that the Group should take on the data analyst-like work of analyzing and visualizing data collected by the LIVU system and provide related solutions. In Japan, with the declining birthrate and aging population, public transportation will no doubt change to being supported not by a single company, but by local governments. That will make accurate and efficient transportation even more necessary for local communities and users.



Intelligent Vehicle Unit (LIVU)
crewmember support system

We at the LECIP Group aim to make the most of our product and system strengths, to combine the data obtained from the hardware and software that we provide to offer local communities optimal public transportation.

In April 2023, LECIP CORPORATION set up the Business Development Center as a new department in Tokyo. Although the Group conducts business primarily in the bus and railroad markets, this center will explore the possibility of applying its technologies and expertise in other markets.

In addition to cultivating new markets for CMP and other products, we will expand the QUICK RIDE business model and develop it into a multi-tiered business with sources of income other than commissions. In so doing, we will create new businesses beyond the bus and railroad markets and ensure we accomplish VISION2030.

Development of energy management system business

For many years, the LECIP Group has been providing power supply systems for industrial equipment, including rechargers for battery-powered forklifts, and uninterruptible power supplies that provide stable power during power outages. I believe that these technologies and expertise will form new growth drivers if we deploy them in expanding energy-related markets.

For example, should bus companies substantially expand their EV bus fleets, they will need mechanisms to complete recharging quickly so as not to interrupt their bus transit systems. The Group has the ability to provide business operators with an EMS that combines a TMS with our knowledge of rechargers. Since the global energy crisis is facing a historic turning point, I believe we should add to our knowledge base. To do so, it is crucial that we listen to what our customers say about the problems they are facing, and what anxieties they have regarding electrification.

We will engage in the EMS business from a long-term perspective, eyeing business in markets with potential for expansion, such as renewable energy and smart cities.

Expansion of overseas business

In response to the market contraction caused by Japan's declining population, the LECIP Group will work to grow its business by expanding overseas operations. We have been investing overseas since the 1980s, and have offices in the United States, Singapore, Thailand, and Sweden. The source of growth will be expansion of public transportation business in the United States, where immigration is expected to drive population growth.

In the railway business, we are supplying lighting systems for New York City subway cars, and if the option contract is exercised and delivery is completed, a maximum of 1,612 cars will be equipped with LECIP Group products by fiscal 2026.

Since the LECIP Group is essentially an unknown brand in the American market, we started delivering trial products for buses in 2016, to gain the confidence of potential customers.

In 2019, we began delivering the new LF-7000 farebox developed for the United States. In March 2023, we delivered a fare collection system to North County Transit District, a public transportation operator in San Diego, California. This marks the first full-scale adoption of our new LF-7000 farebox.

The LECIP Group is the only Japanese company to have delivered bus fareboxes to the United States, and although we have struggled to build up a track record, contracts such as the above have triggered an increase in the number of order inquiries we have received.



LF-7000 farebox for North America



Content management platform (CMP)

In May 2023, we won an order for fare collection systems for all 1,236 buses of the Metropolitan Transit Authority of Harris County, a public transportation operator in Houston, Texas.

Given the high number of people ineligible for credit cards in the US, we expect strong demand for cash-dedicated fareboxes. We thus intend to tap into the market with fareboxes and, after gaining information and making business connections, we hope to expand into the cashless business.

The LECIP Group has been doing business in the US for more than 10 years but, compared with Japan, the country is a much larger market and has a larger population. Thus, gaining name recognition and building up a steady track record are tough challenges.

That said, although we are still in the investment phase, we feel we are beginning to see results in railways and buses, and have high hopes for future business.

Please see page 15 for details

Organizational Changes and Human Resource Reforms

With an eye on the value sought through VISION2030, in May 2021 LECIP adopted a business unit configuration spanning four business domains. We did this after realizing that our ability to create the new value the Group aims to provide would be hindered under our legacy organization that had been built round separate divisions and departments for different functions.

The point of the business unit configuration is to create a high degree of business creativity by cross-cutting our organization. In the approximately two years since adopting that grouping, interpersonal communication has increased dramatically, and I sense that we are working together toward the same goals, and overcoming barriers between departments that make products and those that sell them.

Then in April 2023, we reorganized our production headquarters. We had long recognized the need for this, and at last separated design and manufacturing, which had been part of our production headquarters, setting them up as the independent development and manufacturing headquarters.

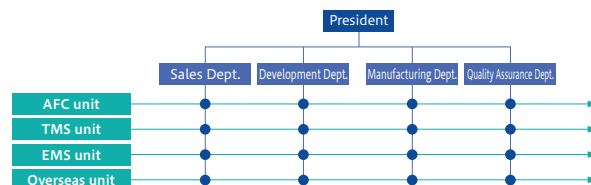
With these changes, we aim to make it easier to voice requests regarding design and pricing from the factory floor; hold frank discussions between our sales, development, manufacturing, and quality assurance departments; and, ultimately, make high-quality products at competitive prices.

I believe that the restructuring of our legacy organization and the adoption of the business unit configuration will enable the Group to both achieve the value it aims to provide society by 2030, and maximize sales and profits.

In addition, LECIP is preparing to start a new human resources system in fiscal 2024. If we are to take on the challenges of new creative businesses, we need to invest in human capital and revise our approach to human resource development.

To that end, in April 2023, we reorganized our human resources department, putting in place a new system that includes reskilling.

We will, for example, offer engineers reskilling as an option for internal mobility. Until now, our focus has been on the AFC business—



which supplies fareboxes and fare collection systems—for which we have employed a large number of engineers.

But, as the company plots a new course toward providing the value of PRODUCTS + SERVICES, the content of the AFC business will shift from products to services. Changes in the external environment also are expected to bring about changes in our business portfolio. Thus reskilled engineers will be able to shift from the AFC business to the TMS or EMS businesses that we are working to cultivate.

Please see page 27 for details

Getting Back on Track for Growth

In fiscal 2022, which was the halfway point of our CN2023 mid-term business plan, we focused on new lines of business, such as PRODUCTS + SERVICES and the cultivation of EMS business. However, we failed to produce any remarkable results and, even in our mainstay AFC business, sales were sluggish due to restrained capital investment in the bus industry.

In addition, the inability of price negotiations with customers to keep up with the surprisingly rapid rise in raw material costs had a major impact on earnings. As a result, fiscal 2022 consolidated results were: net sales of ¥14,253 million (up 1.3% year on year); an operating loss of ¥310 million (versus operating profit of ¥149 million in the previous fiscal year); an ordinary loss of ¥207 million (versus ordinary profit of ¥325 million in the previous fiscal year); and a net loss attributable to owners of the parent of ¥249 million (versus net profit attributable to owners of the parent of ¥53 million in the previous fiscal year).

For the LECIP Group to continue ongoing business development, it must secure an appropriate level of profit. We have been conducting price negotiations to gain the understanding of our customers, and we have begun to see results since the second half of fiscal 2022. In addition, we will further reduce costs and improve productivity.

By restructuring our organization and making our manufacturing division independent, the division head, who previously had been responsible for both manufacturing and development (design), will now be able to concentrate exclusively on manufacturing. This will put in place an environment that is even more cost-cutting than ever before.

In addition to raising productivity and improving profit margins, we aim to fast track the process of making fruitful such new businesses as PRODUCTS + SERVICES and EMS, and building an optimal business portfolio for continued growth.

In retrospect, the shrinkage of the market caused by the COVID-19 pandemic did put the brakes on growth at the LECIP Group, but we welcome such inevitable market changes, and are taking on the challenge of developing new systems and services. We will continue to provide products and services to help realize a safe and comfortable social infrastructure, and translate that into growth for the Group. We would like to ask our stakeholders for their continued guidance and encouragement.

Business Environment: Risks, Opportunities

We have identified risks and opportunities that affect the management of the LECIP Group. This we have done, based on predictions for social changes, in the interests of ensuring the continuity and sustainability of our business.

Social Issues and Value

The Group is continuing to deal with the risks and opportunities it faces resulting from the impact of external environmental changes. These include new lifestyles, due to the COVID-19 pandemic; the move to attain carbon neutrality; and responses to the UN's SDGs. In short, we respond to risks and turn opportunities into business.

In this way, the Group aims to remain a company that contributes to society by providing value as it helps solve societal issues and achieve a sustainable world. At the same time, this will ensure the Group's ongoing growth.

Predictions			
P olitics <ul style="list-style-type: none"> Changes in transportation policies and urban planning Acceleration of initiatives for transition to a sustainable society Measures to mitigate climate change; regulation of GHG emissions 		E conomy <ul style="list-style-type: none"> Changes in economic trends More new business models (such as servitization, subscriptions) Increased social attention to, and investment in, sustainability Higher material and energy prices, more uncertainty surrounding procurement all due to geopolitical and other factors 	
S ociety <ul style="list-style-type: none"> Japan's declining and aging population Changes in public transportation due to rural depopulation Expanding logistics market and labor shortage Diversification of values (sustainability) New lifestyles in light of the COVID-19 crisis 		T echnology <ul style="list-style-type: none"> Spread of cashless payment systems, driven by desire for alternatives to face-to-face and contact interactions Changes in mobility systems (electrification, commercialization of autonomous vehicles, spread of micro-mobility) Changes in business models due to technological innovation Advance of digitization 	

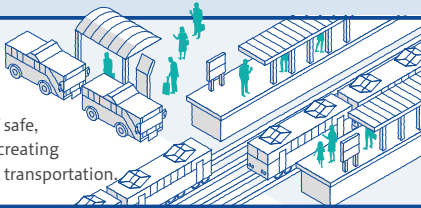
Risks and Opportunities

Shrinking Population: Declining Birthrate, Aging Citizenry	
Risks	Opportunities
<ul style="list-style-type: none"> Declining fortitude of business operators as demand for public transportation shrinks Shrinking existing domestic market due to population decline Decrease in labor force, difficulty in maintaining technological capabilities 	<ul style="list-style-type: none"> Increased investment in use of streamlined and driverless vehicles Increase in new transportation demand (where public transportation is poor)
Changes in Social Conditions	
Risks	Opportunities
<ul style="list-style-type: none"> Changes in demand structure reflecting economic, social changes Higher costs due to policy changes, tightening of export controls Supply chain disruptions 	<ul style="list-style-type: none"> Greater inbound demand as economy recovers Higher capital investment due to increased demand for public transportation abroad More need for logistics solutions
Climate Change, Carbon Neutrality	
Risks	Opportunities
<ul style="list-style-type: none"> Increase in environment-related costs Higher resource and energy prices Suspension of business activities due to natural disasters 	<ul style="list-style-type: none"> Promotion of public transportation as a low-carbon choice Growing need for automobile and industrial vehicle electrification New trading opportunities Increased investment in recharging and power storage to improve energy efficiency
Progress of Digitization	
Risks	Opportunities
<ul style="list-style-type: none"> Decline in demand for cash due to spread of cashless payments System failures due to cyberattacks or unauthorized use Shortage of digital human resources 	<ul style="list-style-type: none"> Spread and sophistication of mobility as a service Creation of new businesses through digitization Productivity improvement through digital transformation
Greater Sustainability Awareness	
Risks	Opportunities
<ul style="list-style-type: none"> Decline in employee engagement Reputational damage Loss of business opportunities due to delays in response 	<ul style="list-style-type: none"> Increase in sustainability-related business opportunities Greater competitiveness resulting from promoting sustainability More environmental, social, and governance investment

Value Provided to Society

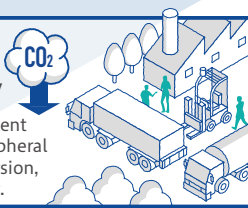
Easy-to-use, seamless transportation

We will contribute to the realization of safe, secure, and optimal transportation by creating systems that ensure sustainable public transportation.



Support for decarbonized society

We will contribute to the efficient use of energy by utilizing peripheral technologies for power conversion, power storage, and recharging.



Urban development

We will help contribute to creating cities where everyone can live safely and securely.



Material Issues

Please see page 18 for details

Provide convenient, sustainable transport systems



Help decarbonize society



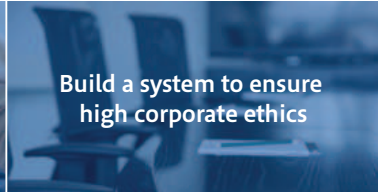
Sustainable manufacturing



Create motivating workplaces



Build a system to ensure high corporate ethics



VISION2030

The LECIP Group formulated a long-term vision it would strive to embody by 2030.

Its VISION2030 exists to ensure that the Group remains indispensable to the public, even amid sweeping societal changes.

Vision

The LECIP Group seeks to help provide a safe, secure, and optimal daily life for societies undergoing change by connecting technology and ideas.

Goal

Working hand in hand with our customers, the LECIP Group aims to deliver optimal systems that have the safety and security required by future generations by linking products, information, and services based on the manufacturing technologies that we have cultivated throughout our history.

Net sales: **¥30 billion** Operating profit margin: **10%**

Growth Business Areas

1 Business structural reform for PRODUCTS + SERVICES.

2 Development of energy management system business.

3 Expansion of overseas business.

The goal of our long-term vision is to provide a safe, secure, and optimal daily life for societies undergoing change by linking technology and ideas. The vision proclaims our aim to continue helping to provide a comfortable daily life for members of the public, despite the ongoing rapid societal changes.

With our focus on public transportation, we support societies by developing technologies tailored to the changing times and providing products and services that meet customer needs. Our way of thinking permeates the entire LECIP Group and shines through even in this era in which the emphasis is on sustainability.

Our major role in society will continue to be providing safe, secure and comfortable systems that help maintain and advance public transportation as infrastructure, as well as using our decades-deep knowledge of storage batteries to streamline energy infrastructure.

Further, we face the challenge of expanding our business in the United States, ASEAN member states, and European nations. This is in addition to our need to expand in Japan, where the population is decreasing due to the declining birthrate and aging population.

In response to this situation, we will provide society with value, by utilizing the manufacturing technologies that we have accumulated up till now, as well as by connecting physical objects, information, and services.

The pillars of growth that will allow us to realize the goals of our long-term vision are:

- (1) Business structural reform for PRODUCTS + SERVICES.
- (2) Development of energy management system business.
- (3) Expansion of overseas business.

By leveraging these pillars to expand the scope of our businesses, we aim to achieve net sales of ¥30 billion and an operating profit margin of 10% by FY2030.

Growth Business Areas

1 Reform of PRODUCTS + SERVICES

To make public transportation more convenient and comfortable, the LECIP Group provides value in areas such as stress-free payment, more efficient bus operation management, support for vehicle operation, and provision of optimal transfer information.

As part of these efforts, we aim to transform our business model into one that generates ongoing profit by transforming our business structure into one that adds value. This we will do by transitioning from a hardware-centered format to using hardware-based systems and services that incorporate software.

By leveraging our existing products, which command major market share in the bus and railroad markets, we will develop new markets to identify the problems and needs of our customers, and we will work to develop new products and services that streamline operations for businesses and enhance user convenience.

2 Energy management systems

The LECIP Group has been involved in business centered on power conversion technology such as power supply and charging.

Since the movement to attain carbon neutrality is accelerating on a global scale, we realize that we need to help address climate change-related risk through our business, as we have stated in our business policy.

In the interests of achieving a decarbonized society, we expect battery storage and charging technology to become more important. All this while we aim to meet the need for: the electrification of industrial vehicles and automobiles; use of renewable energy; and efficient operation of electric power.

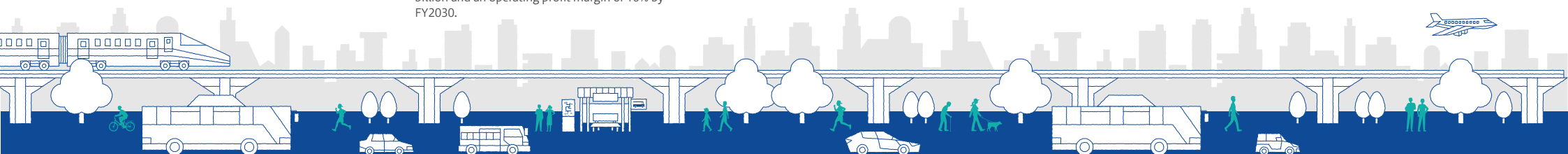
In response to these demands, in addition to existing products, we will work to build energy management systems and take on the challenge of cultivating new business areas.

3 Expansion of overseas business

For the LECIP Group to continue growing, we believe it essential to expand our business in the domestic market as also in overseas markets.

In particular, we will continue to carry out our bus- and railroad-focused business strategy centered on the US and ASEAN markets, where public transportation business is expanding. In these locations, we plan to develop infrastructure to cope with population growth. We will continue to partner with local companies and aim to expand our sales.

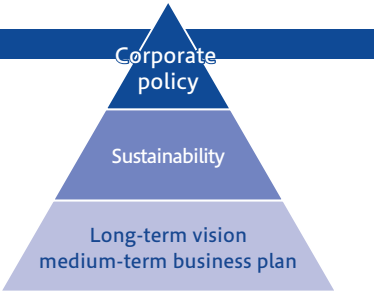
In addition, we will incorporate pioneering public transportation technologies we are using in Europe and Singapore, applying them to our domestic business so as to differentiate ourselves from other companies and enhance our market competitiveness.



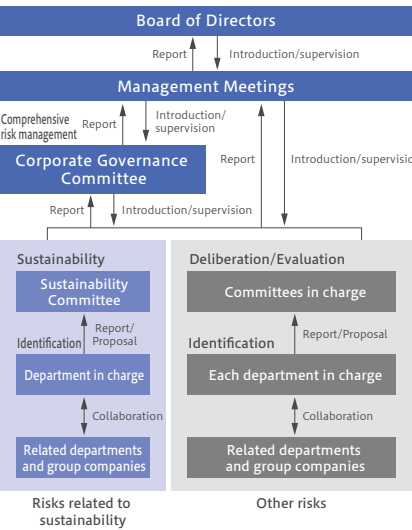
Sustainability Management

LECIP Group's Materiality

The LECIP Group has identified material issues and combined business strategies with sustainability issues and targets in an effort to improve corporate value and help realize a sustainable society based on its corporate policy. Based on these material issues, we will develop business based on our long-term vision and mid-term business plan, in an effort to help resolve societal issues by leveraging our strengths to create new value.



Promoting Sustainability



In April 2022, the LECIP Group established a Sustainability Committee chaired by a director to strengthen its sustainability promotion across the Group and to implement initiatives.

Members from all Group companies take part in committee meetings—held as required—at which specific activities are discussed and decided. The discussions focus on sustainability-related risks and opportunities considered important for the Group.

When it comes to major projects, the Sustainability Committee submits any significant findings to the Management Meetings and the Board of Directors, which incorporate them into management policies and decision making.

Identifying Material Issues

The Group implements the following process to identify and then analyze which material issues to tackle. The list of issues is revised as necessary.



Process of identifying material issues

List issues	Identify issues	Approach
The LECIP Group has created a wide-ranging list of issues to consider for sustaining our business activities and promoting sustainable growth. This it has done by referencing changes and trends in the environment surrounding the Group's business, as well as the SDGs, the Task Force on Climate-related Financial Disclosures (TCFD), and other international frameworks and guidelines.	From the list of issues, we selected those of the highest importance to the Group and our stakeholders. Through repeated discussions with key people in the Company about issues worthy of particular attention as contributors to solutions through the Group's business activities, we identified sustainability issues and targets.	We will ascertain the risks and opportunities presented by each issue and create business opportunities as we strive for solutions with the aim of creating both social and economic value. We will also periodically revise the issues as we monitor changes in internal and external environments.




Sustainability Issues and Targets (Material Issues)

Material Issues	Targets	Relevant SDGs
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Provide convenient, sustainable transport systems

<ul style="list-style-type: none">• Improve convenience of public transportation• Promote transition to cashless transactions• Help cut crewmember workloads	<ul style="list-style-type: none">• Expand bus location system lineup• Develop new non-cash ticketing system• Enhance functions; expand adoption of LIVU crewmember support system	 
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Help decarbonize society

<ul style="list-style-type: none">• Develop EMS business• Promote use of renewable energy• Lower product size/weight/CO₂• Reduce greenhouse gas emissions	<ul style="list-style-type: none">• Develop new products utilizing storage and charging technologies• Invest in in-house solar power generation facilities; convert company-owned vehicles to EVs• Design products that reduce environmental burdens• Reduce energy consumption by improving productivity• Reduce emissions by cooperating with suppliers (scope 1 and 2)	  
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Sustainable manufacturing

<ul style="list-style-type: none">• Reduce environment-damaging substances• Improve product quality• Establish relationships with suppliers• Coexist with local communities	<ul style="list-style-type: none">• Develop products based on environmental design guidelines• Use quality management systems to provide reliable products• Promote and realize green procurement guidelines• Interact with local residents for mutual understanding	  
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Create motivating workplaces

<ul style="list-style-type: none">• Develop human resources• Promote diversity and inclusion• Improve employee engagement	<ul style="list-style-type: none">• Employ and use diverse human resources• Enhance engineer training to develop engineers• Establish ideal working environments and systems	  
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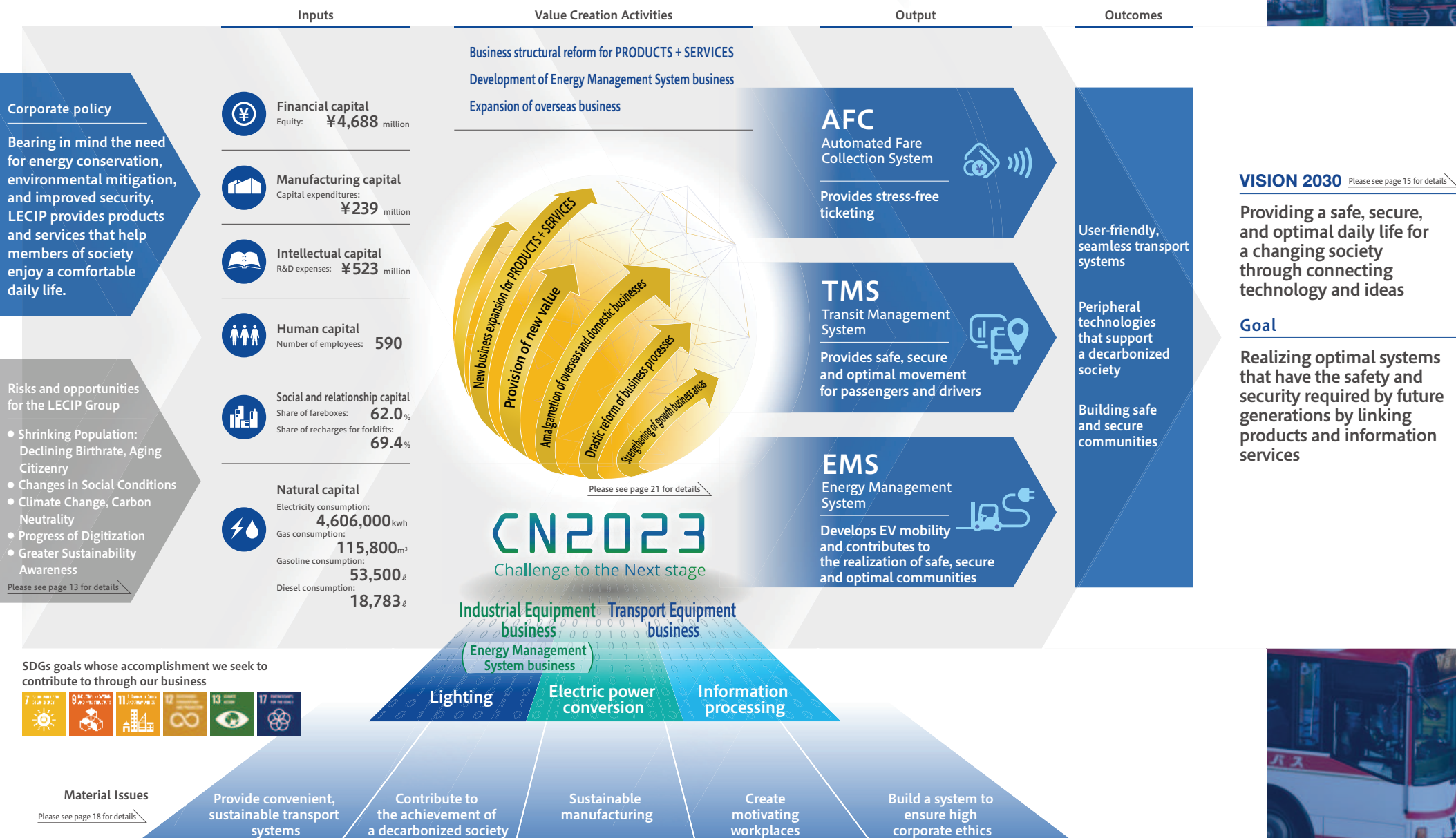
Build a system to ensure high corporate ethics

<ul style="list-style-type: none">• Fair and honest business activities• Strengthen corporate governance based on the Corporate Governance Code• Enhance information security	<ul style="list-style-type: none">• Establish rules, improve awareness of compliance• Respond to revisions of the Corporate Governance Code• Upgrade information security management systems (ISMSs)	
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Value Creation Process

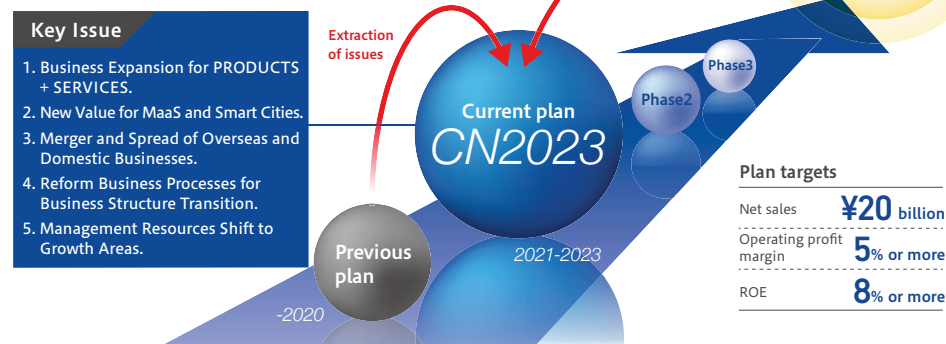
The Group believes its value lies in its efforts to resolve societal issues based on the corporate policy of helping members of society enjoy a comfortable daily life. We will use our understanding of the present situation and changes in the broader environment to craft a vision for the Company. By imagining the company we would like to be, and the society in which we want to exist, the Group will engage in appealing, distinctly LECIP-like business activities to realize our vision and thereby create new value.



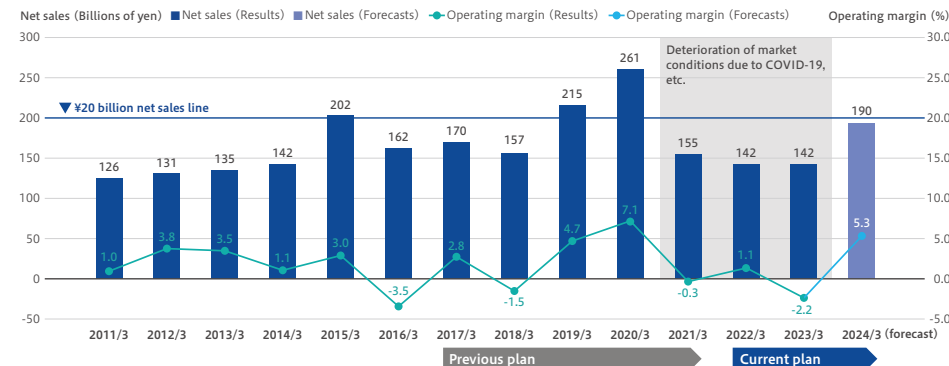
Medium-term Business Plan: Challenge to the Next stage 2023

The plan for realizing our long-term vision over the period from FY2021 to FY2030 is divided into three phases. The first phase is the medium-term business plan, Challenge to the Next Stage 2023.

This is the time when earnest investments must be made if VISION2030 and our structural business reform, PRODUCTS + SERVICES, are to be realized on time.



Progress of Medium-term Business Plan



	Plan Targets	FY2022 Results	FY2023 Forecasts
Net sales	¥20 billion	¥14.2 billion	¥19.2 billion
Operating margin	5% or more	-2.2%	5.3%

Factors behind FY2023 forecasts

- Sales growth factors**
- Growth in orders related to new banknotes
 - Growth in sales in North America (bus and railway markets)
- Profit growth factors**
- Improvement in profitability driven by sales growth
 - Promotion of activities to pass on cost increases to prices

Key Issue 1 Business Expansion for PRODUCTS + SERVICES

There must be a transition from a hardware-centered business structure to providing hardware-based systems and services that incorporate software and data. Further, investment in problem-solving businesses is needed as a means of transforming our business into a high-value-added model, capable of ongoing earnings generation.

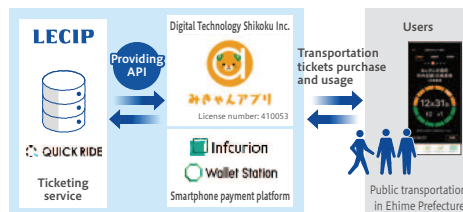
Topics Spread of the QUICK RIDE ticket purchase app

As one step to setting up a services business model, we have expanded sales and enhanced the functionality of the QUICK RIDE smartphone ticket app.

As of June 2023, it has been adopted by 28 bus and railway operators in Japan. This has contributed not only to greater customer convenience, but also to more efficient business by reducing the use of paper tickets.

In order to deploy our QUICK RIDE business, in February 2023 we provided QUICK RIDE API. This is a mobile ticket system based on QUICK RIDE and linked to the Mican App, which allows one to use a smartphone to pay at shops, public facilities, and other locations. The aim was to stimulate consumption by residents of Ehime Prefecture on the main Japanese island of Shikoku.

The service provides individual app operators with the various transportation ticket functions required by QUICK RIDE. We are working to create solution menus utilizing this service to meet the different needs of individual areas and business operators.



Key Issue 3 Merger and Spread of Overseas and Domestic Businesses

Aiming for further sales growth and to develop infrastructure in line with population growth, we will continue to focus on the bus and railway business as we implement our business strategy in the US and ASEAN. There, public transportation is expanding. In addition, we aim to improve competitiveness and added value by enhancing synergy effects by mutually incorporating market trends and technologies in Japan and overseas.

Topics Activities to increase orders for railcar lighting

Following delivery of lighting for New York City subway cars, we have been using the expertise in lighting systems for overseas railways that we acquired through this project. As a result, we have seen an increase in orders for overseas railway projects that we have obtained from Japanese rolling stock manufacturers. We will continue to work to improve our market recognition and build systems to support our overseas business.



Key Issue 4 Reform Business Processes for Business Structure Transition

We will conduct a fundamental review of our operations in order to improve productivity and profitability, and create new value.

Topics Price revision committee

We set up a price revision committee to reflect in our sales prices the risk of rising raw material prices, and to secure profits by reducing purchase prices. By sharing information from the sales, manufacturing, and procurement departments company-wide, we negotiate price revisions with business partners at the appropriate time.

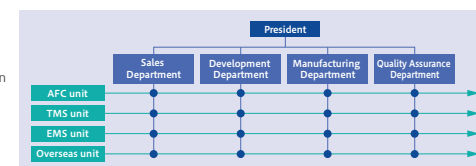
Key Issue 5 Management Resources Shift to Growth Areas

We will pursue expansion in growing areas of business by building systems that provide new value, and by strategically allocating management resources.

Topics Business unit structure

Aiming to provide new value unconstrained by conventional businesses or markets, we have come up with new business domain definitions based the value they provide.

We have positioned each business domain as a business unit and given the domains a cross-departmental organizational structure. Each unit formulates its own strategies and conducts activities to realize its vision.



Key Issue 2 New Value for MaaS and Smart Cities

In order to provide comfortable and sustainable lifestyles, increasingly efforts are being made to realize smart cities and mobility as a service (MaaS) by integrating various forms of transportation and transportation-related services into a single, comprehensive, on-demand mobility service.

Leveraging our accumulated expertise, we will introduce new products. These will focus on cashless system-related products and bus location systems in the transportation equipment market, as well as high-efficiency recharging and IoT-conversion in the industrial equipment market.

Topics Meeting cashless payment needs

Demand for cashless payments in public transportation is growing. This is being driven by efforts to meet new lifestyle requirements and the recovery in tourism demand.

We are coming up with ideas tailored to individual needs and targets, including cost and operation. By providing a variety of payment methods, we find that demand is growing not only for transportation IC cards, but also for credit cards and QR codes.



Financial Strategies

We aim to improve corporate value through long-term strategic investment.

In fiscal year 2022, COVID-19 has had a major impact on the LECIP Group's mainstay public transportation market, and we have fallen far short of our initial targets. Nevertheless, under our VISION2030, we will continue to implement activities aimed at our PRODUCTS + SERVICES business transformation plan, and aim to grow operating profit and achieve ROE of at least 8%. To this end, we will work to enhance our corporate value by pursuing profitability in our existing domestic businesses, while working to achieve profitable operations in overseas business, and providing support through ongoing growth investment.



Norihiro Shinagawa
Director and Executive Officer (in charge of administration) and General Manager of Administration

Looking Back on Fiscal 2022

Impact of the business environment and financial overview

In fiscal 2022, there were a number of signs of recovery in Japan, such as it being left to individuals to decide whether to wear a mask to protect themselves against being infected by COVID-19. But economic activity nevertheless has failed to recover to pre-pandemic levels, due to soaring resource prices associated with geopolitical risks in Europe, as well as supply shortages of semiconductors and other electronic components. Against this backdrop, those companies in the transportation equipment business have continued to cut costs and revise their investment plans and, as in the previous fiscal year, the LECIP Group's net sales fell far short of what had been planned.

Further, although we carried out price revisions for our industrial equipment, in response to soaring material prices, we were unable to achieve sufficient cost pass-through during the year, and were left with unfinished business at the profit level.

Maintaining financial soundness

The LECIP Group's main business is transportation equipment, a segment subject to seasonal fluctuations in net sales, which rise at the end of a fiscal year because the public transportation sector represents the bulk of our business. In an effort to stabilize funds in response to these risks, we maintain a balance between short-term and long-term interests as we raise capital.

LECIP HOLDINGS CORPORATION manages and raises funds for Group subsidiaries. It distributes them to the main domestic subsidiaries through a cash management system in a bid to unify and streamline the system.

In light of the COVID-19 pandemic, foreign exchange risks, and other facets of the current economic situation, during fiscal 2022 we raised our ratio of cash and deposits on hand to prepare

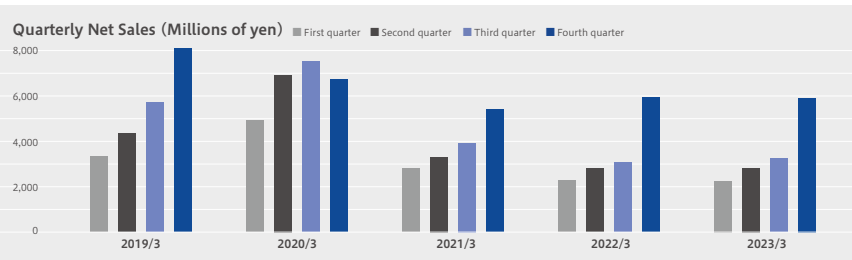
As a result, in the fiscal year ended March 31, 2023, consolidated net sales came to ¥14,253 million. We thus recorded a consolidated operating loss of ¥310 million, a figure that came in significantly lower than our Group medium-term business plan CN2023 (Challenge to the Next Stage 2023) targets of ¥20 billion in net sales, 5% in operating profit margin, and 8% ROE.

However, there is some cause for optimism for fiscal 2023 (ending March 31, 2024). This includes the anticipated demand for updating facilities in preparation for the issuance of new currency notes in July 2024, as well as signs of, and then anticipated growth in, the production of buses in Japan. We will seize every opportunity to steadily promote activities aimed at achieving our CN2023 medium-term business plan profit targets, as we work to accomplish our VISION2030.

for emergencies. As the economy recovers, we will study effective uses of cash on hand and allocate funds to investment activities as necessary.

Cash and Deposits, Interest-bearing Debt and D/E ratio

	2019/3	2020/3	2021/3	2022/3	2023/3
Cash and deposits (Millions of yen)	2,169	2,194	3,333	4,094	3,179
Interest-bearing debt (Millions of yen)	5,742	2,861	5,764	4,521	5,479
D/E ratio (Times)	1.68	0.56	1.17	0.95	1.17
Equity (Millions of yen)	3,427	5,078	4,912	4,775	4,688



Financial Strategies

Progress of long-term vision and medium-term management plan

The LECIP Group has formulated a long-term vision, VISION2030, to enhance its corporate value, and its medium-term business plan, CN2023, is the first phase of that vision.

VISION2030 aims to solve social issues through user-friendly, seamless transportation systems; peripheral technologies that support a decarbonized society; as well as safe and secure urban development. Our current medium-term business plan is positioned as the investment phase by which we plan to achieve our long-term vision.

The pandemic has wrought substantial damage on the public transportation industry, and significantly impacted the LECIP Group's sales and profits. Yet, even amid these trying circumstances, we are still investing in future growth areas to ensure profits not only in the short term, but also over the longer term.

With our investment plan for research and development, we will continue to invest mainly in systems development. This will help us achieve our business structural reform for PRODUCTS + SERVICES, and develop business in the area of energy management systems.

In fiscal year 2022 we introduced the LV-700 cashless fare collection device that accepts credit card payments, and the content management cloud platform (CMP) that can deliver real-time guidance and advertising videos on a single screen.

We also have developed and are promoting contactless charging-related products for automated guided vehicles/forklifts (AGVs/AGFs), and equipment that detects whether children have been left alone in a vehicle.

Under our capital investment plan, we continue to invest in improving operational efficiency and production capacity with the aim of fundamentally reforming operational processes in line with changing business models.

Sustainability management

The LECIP Group has identified material issues and linked business strategies to targets, in an effort to improve corporate value and help realize a sustainable society based on its corporate policy. Through strategic investments based on these strategies and targets, we will promote sustainability management by providing products and services that contribute to solutions for societal issues.

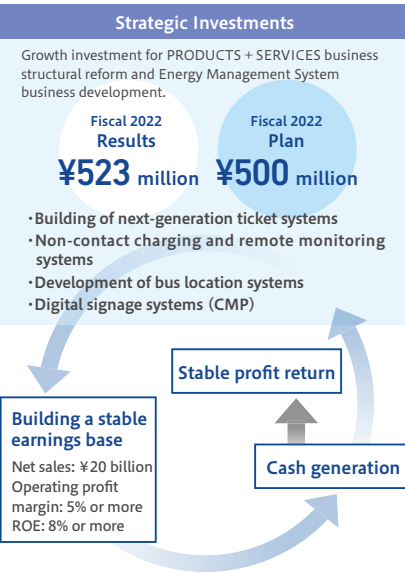
In terms of environmental measures in particular, we recognize the need to reduce greenhouse gas emissions as an urgent issue for companies, and our efforts have begun with us

Shareholder Return Policy

Based on its recognition that returning profits to shareholders is a key responsibility of business management, the LECIP Group has a basic policy of maintaining stable shareholder returns. This is based on the consideration of factors such as earnings performance, financial conditions, and the need to secure a certain amount of internal reserves for future growth. Although we recorded a loss for the fiscal year ended March 31, 2023, we decided to pay an annual dividend of ¥5 per share, in line with our policy of emphasizing long-term, stable dividends.

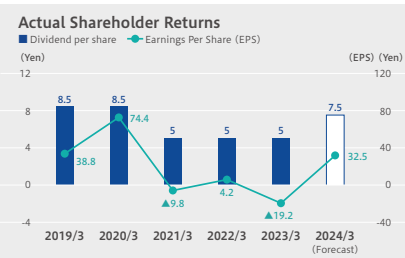
For the fiscal year ending March 31, 2024, we anticipate stronger earnings and so plan to pay an annual dividend of ¥7.5 per share. We will continue to aim for increased shareholder returns by accomplishing our medium-term management plan.

To ensure that these upfront investments do not lead to increased costs and affect business performance, we will continue to improve profitability by promoting cost reductions, obtaining return on our investments, and streamlining business operations.



having set scope 1 (direct) and scope 2 (indirect) emission reduction targets for our capital investments. We aim to contribute to scope 3 (other indirect) emission reduction by developing products that require less energy and use renewable energy.

Disclosure of non-financial information, such as human capital, is now not only required, but growing in importance. We recognize human capital as an important factor for growth, and will promote initiatives in response to future societal needs.



Business Overview

Transportation Equipment

LECIP is a comprehensive manufacturer of mechanisms for use on buses and railways. We enhance passenger convenience by providing tangible and intangible support for products and services used in the operation of public transportation.

Further, we manufacture and market lighting systems for buses, trains, trucks, and passenger cars.

LECIP started out making onboard systems primarily for buses. However, since buses are part of the overall public transportation market, we have applied our accumulated expertise to expand our product lineup, which now serves the railway and automobile markets as well.

We stand by our customers and take pride in being their preferred supplier of products and services. Aiming to create business comprising not merely conventional products, but also what we call PRODUCTS + SERVICES, we provide solutions to the issues faced by individual business operators. In this way, we contribute to the realization of sustainable transportation systems, as well as safe and secure urban development.



Motoaki Kitano

Director, Executive Officer
in charge of sales,
General Manager of
Sales Headquarters

Industrial Equipment business

(Energy Management Systems business)

In addition to providing industrial power supply-related equipment and rechargers based on inverter technology, our subsidiary LECIP ELECTRONICS CORPORATION mounts printed circuit boards for automotive electrical components and industrial equipment.

Since early on, the LECIP Group has been involved in the electrification of industrial equipment, such as forklift battery rechargers. We believe both the electrification of industrial equipment and the effective use of renewable energy will continue to expand in line with efforts to achieve carbon neutrality. For this reason, we plan to use the Group's charging and storage technology to help achieve a sustainable society.



Koji Iwasa

Director, Executive Officer
in charge of development,
General Manager of
Development Headquarters

Business Environment

Risks

- Decrease in demand—due to consolidation of regional transportation reflecting the declining birthrate and aging population
- Fewer people using public transportation—due to lifestyle changes
- Intensifying domestic price competition
- Specification changes—due to the growing number of EV vehicles

Opportunities

- Demand for capital investment—due to the issuance of new banknotes
- Popularization of cashless payments
- Rising investment in efficiency and unmanned operation
- Public support for maintaining and revitalizing public transportation

Strengths (competitive advantages)

As a comprehensive supplier of electrical equipment for buses

- Wide range of systematically linked products
- App development—reflecting our expertise in vehicle operation and fare data

With a major share in the driver-only railway market

- Track record in the railway industry where reliability is required
- Sales channels leverage major market share; sales leverage our track record

Having expertise in development to meet overseas specifications

- Know-how in exporting railway infrastructure abroad
- Developmental framework with a global perspective

Strategies

Bus market

- Capture demand for updating payment systems that will accompany the issuance of new banknotes
- Expand sale of transportation management system products (bus location systems, passenger information system-related products)
- Utilize data to establish a stable earnings base

Railway market

- Expand into markets other than the driver-only market (such as for multiple train formations)
- Use horizontal deployment of products for the bus market

Automobile market

- Develop market for products created for the bus and railway markets
- Strengthen framework for supply chain development; increase project order deliveries (of railway vehicle lighting, automated fare collection systems)

FY2022 Results

Bus market

- Sales of color LED destination sign and LIVU driver assistance systems grew
- Capital investment restraint continues due to the pandemic

Railway market

- Sales of LED lighting for railcars grew in North America

Automobile market

- Sales of LED lighting for passenger cars increased



Key Points for FY2023 (ending March 31, 2024)

We anticipate nationwide demand for replacement of fareboxes when new banknotes are issued in the first half of calendar 2024.

We will expand the sale of products, such as bus location systems, as capital investment increases, seeing it as an opportunity to expand sales.

Overseas, we plan to boost sales of fare collection systems for buses in California, and of lighting for New York City subway cars.



Business Environment

Risks

- Soaring purchase price of iron, copper, and other metals
- Intensifying price competition with overseas manufacturers
- Replacement of lead-acid batteries with lithium-ion batteries
- Rapidly changing market environment; emergence of new technologies and standards

Opportunities

- Growing need for electrification to achieve carbon neutrality
- Steady demand for forklifts in the logistics market accompanying growth in e-commerce
- Demand for wireless charging due to growth in automated guided machinery (for both automated guided vehicles [AGVs] and forklifts [AGFs])
- Onshoring of production bases in Japan

Strengths (competitive advantages)

Major market share in forklift battery rechargers

- Sales activities leveraging name recognition and sales channels in the Japanese market

Power conversion technology

- Charging, inverter, and storage technologies
- Transformer-related design and assessment, and manufacturing technologies

Expertise in automotive product development and production

- High-quality and highly reliable board mounting capabilities cultivated in the onboard equipment market
- High safety and durability based on dustproofing and waterproofing technologies

Strategies

Power supply solution market

- Enhance added value by expanding our product lineup
- Boost sales of contactless rechargers for AGVs and AGFs
- Do feasibility studies on new business focusing on carbon neutrality
- Reduce costs by revising production systems

Eco-lighting and high-voltage solutions market

- Conduct concentrated sales activities with emphasis on profitability

Energy management system (EMS) market

- Expand sales outside the Group
- Set up an integrated system for receiving orders, to include procurement and design

FY2022 Results

Power supply solution market

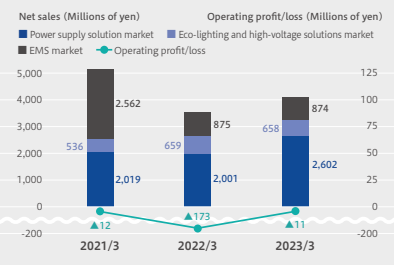
- Greater forklift battery recharger sales due to a booming logistics market
- Growth in sales of uninterruptible power supplies

Eco-lighting and high-voltage solutions market

- Growth in sales of transformers for combustion equipment
- Drop in LED power supply sales due to decline in store signage renewals

EMS market

- Higher sales of circuit board mounting for automobiles
- Decreased sales of circuit board mounting for industrial equipment



Key Points for FY2023 (ending March 31, 2024)

Given the booming logistics market, we expect demand for forklift battery rechargers to remain firm, and aim to secure profits by proceeding with price revision negotiations.

Thanks to the trend in the onshoring of production, we now are receiving more inquiries about sales of automotive circuit board mounting, and so will continue to outfit our production lines to make increased sales possible.




A Culture of Motivated Human Resources

Under its VISION2030, the LECIP Group is pursuing structural transformation to a PRODUCTS + SERVICES line of business.

Our goal is to create a Company culture where individuals can shine and grow. Having diverse teams is key to meeting diverse customer needs. In addition, making the most of one's abilities leads to job satisfaction and employee happiness.

Our structural transformation will do two things. First, it will provide products and services as required by customers responsible for social infrastructure. Second, it will make available solutions that help answer customers problems, while at the same time developing new businesses based on latent customer needs and societal demands.

We will make use of our accumulated technological capabilities and knowledge, as well as our organizational ability to work closely with our customers. This way, we will find optimal solutions, as we develop human resources and organizations that offer and can deliver new value from the perspective of customer success.



Hiroko Mitsui
Managing Director,
Deputy General Manager
of Administrative
Headquarters,
Manager of Business
Development Center

Approach

The LECIP Group aims to transform its business structure to continue providing products and services required by the age we live in, to ensure travel convenience, and to remain a company that is seen as indispensable, even in an ever-changing social environment.

Human capital will play a vital role if we are to realize our corporate transformation. By enhancing employee education and recruiting mid-career and overseas staff, we have been working hard to foster a corporate culture in which employees with various backgrounds can play an active role.

The Group will continue working to create an in-house environment and develop human resources in such a way that its diverse human resources can demonstrate their abilities and play an active role.

Strategy

Based on the idea that a company is made up of people, we will cultivate diverse and professional human resources and put in place an internal environment that supports them in a manner that is linked to our corporate policy and management strategy.



Initiatives to Motivate Employees

Major Item	Minor Item	Current Initiatives	Step-up Items
Fluidity	Hiring	Referrals (recruitment)/alumni activities	System of human resources
	Maintenance	Pulse surveys, racking up expertise	
	Succession	Succession plan development	
Cultivation	Leadership	Management capability reinforcement	
	Cultivation	New staff training: specialized training; literacy education (online); reskilling	
	Skills and Experience	Culture of career autonomy; internal recruitment	
Engagement	—	Idea-sharing activities	Revision and dissemination of action guidelines
	—	One-on-one meetings	
Diversity	Diversity	Developing work environment in which diverse employees can work comfortably	Improvement in ratio of male employees taking childcare leave
	Non-discrimination		
	Childcare leave		
Health and safety	Mental health	Mental health checks	Health management to reflect pulse survey results
	Physical health	Statutory periodic medical checks; Health and Safety Committee set up	
	Safety		
Labor practices	Labor union relations	Improving labor contracts and labor management	Recruitment, training, engagement, diversity Measures to support health and safety
	Wage fairness		
	Welfare system		
	Labor practices		
Compliance	Forced labor		
	—	Compliance training	

Supporting Sustained Growth

To enhance the overall strength of the LECIP Group, we will cultivate human resources in an environment where all employees can exercise their abilities to the fullest. In line with our management strategy, we also will promote reskilling to secure human resources who can play an active role in the Group's development.

1 Developing Customer-oriented Products

In April 2023, the LECIP Group set up the Business Development Center to replace our Community Business Development Headquarters. This reflects our intention to transform the Group from a reactive business model, which simply takes in orders, to a customer-oriented business model, which creates new products and services based on market and customer feedback.

The center has Marketing Office that collects information on latent market needs; DX Solution Development Department that develops digital seeds; and Business Integration Department that integrates new and existing businesses.

In addition to assigning many young employees to each department, we are working both to create an organizational culture that allows free and open discussion, and to develop core human resources.

Last fiscal year, we held a Customer Creation Workshop over several months at what was then still the Community Business Development Headquarters, where we provided hands-on instruction in marketing and idea generation.

Business Development Center

Marketing Office

DX Solution Development Department

Business Integration Department

2 Supporting Competitiveness

To maintain Business Integration Department ongoing growth, we conduct education in three stages: new employee education, literacy education, and specialized education.

For new employees, six months of basic training is provided by internal and external instructors at the Gifu Head Office.

For literacy education, we use online teaching materials and select items that each student wants to learn.

In terms of specialized education, we conduct reskilling focusing on cultivating IT staff. This is in addition to the education and training planned for each department.

New employee training

In new employee training, we provide basic education, covering from business manners to technical items. This enables employees to work in the areas of humanities or science.

In manufacturing-related tutoring, at the end of new employee training, we invite lecturers from Gifu University who specialize in so-called design thinking to conduct a program that looks at new products and services from a customer perspective.

At the conclusion of manufacturing training, all employees and the president participate in a technology presentation. Products and services that they have come up during training are presented, and participants have the opportunity to receive candid feedback.

The knowledge gained through this training allows new employees to acquire the ability to solve problems, develop products, and make proposals, taking into consideration a customer's point of view.



Reskilling

The LECIP Group provides reskilling for engineers to improve their IT skills. The software engineering skills of our staff have traditionally been those that enable the stable operation of embedded software and on-premises (in-house) servers. Now, however, we need engineers who can work with smartphone apps, cloud technology, and changing trends.

Literacy education

We have introduced two online learning systems, which each employee can use to advance their chosen field of learning. The systems are popular for IT-related courses such as programming, cloud servers, and network basics. But they are also being used in other areas, such as English and accounting.

	FY2021	FY2022
New employee training days per person	100 days	90 days
Education and training plan implementation rate	51.6%	59.2%
Online course self-learning rate	11.7%	25.1%
Participants in reskilling courses	—	16 persons

A Culture of Motivated Human Resources

Diversity and Inclusion

We believe that a workplace contributes to innovation if its staff, with diverse personalities and backgrounds, can exercise their individual abilities and play an active role. We will promote the design of an attractive system and the fostering of a corporate culture that will keep the LECIP Group an attractive choice for outstanding potential human resources.

1 Securing Diverse Human Resources

We actively utilize mid-career hires for the purpose of acquiring human resources in line with our management strategies and creating new value born from diverse values and backgrounds. We operate a fair evaluation system according to ability, regardless of career.

Mid-career hires

Since the beginning of 2010, the LECIP Group has significantly increased the number of people it hires mid-career. These individuals are helping the Group accelerate development of transportation management system-related business and overseas expansion as new growth drivers.

In recent years, we have been hiring skilled and experienced employees regardless of the businesses at which they formerly worked or their occupations. The ratio of our mid-career hires and mid-career employees to managerial employees now exceeds 50%. Based on our growth strategy, we will continue to recruit the human resources necessary for each of our businesses to grow.

2 Working Environment

We promote the creation of a workplace where Group employees can exercise their abilities regardless of gender or lifestyle. To ensure this works smoothly, we plan to put together a flexible staffing system that can respond to changes in work styles and values.

Employees raising children

In 2009, we opened an in-house daycare center, Waku Waku Hiroba, at our head office. It remains open to this day. In this way, we are providing an environment in which highly skilled and experienced female employees can put to use their abilities while raising children and without having to resign.

Currently, we have a system of reduced working hours, available to mothers until a child reaches the age of three. We are considering revising the system to make it easier to use.

Childcare leave for male staff

The rate of childcare leave taken by the Group's male employees remains low, having been only 10% (1 person) in fiscal 2022. We hope to increase the rate to at least 50% by fiscal 2025. In April this year, we set up a system allowing up to five days to be taken as special leave for a spouse's childbirth and childcare.

Other programs

Since 2017, the LECIP Group has introduced a teleworking and flextime system for childcare, nursing care, and work efficiency. Since the number of users increased due to the pandemic, and even now when the crisis seems to be subsiding, use of these options has become well established, especially in technical departments.

	FY2018	FY2019	FY2020	FY2021	FY2022
Staff taking childcare leave	6 persons	10 persons	3 persons	5 persons	4 persons
Post-childcare leave return rate	100.0%	100.0%	90.9%	100.0%	100.0%
Men taking childcare leave	0.0%	8.3%	0.0%	0.0%	10.0%
Users of in-house daycare center	7 persons	8 persons	6 persons	5 persons	3 persons
Paid vacation usage rate	52.2%	55.7%	56.8%	64.5%	75.4%
Average monthly overtime	20 hrs 40 min	23 hrs 54 min	18 hrs 27 min	20 hrs 12 min	17 hrs 54 min



Improving Employee Engagement

For the LECIP Group to maintain ongoing growth, we believe it necessary for each employee to grow independently. We encourage employees to think about what they can do for the development of the Company and what kind of individuals they want to become. They should choose their own careers and ways of working to maximize their abilities.

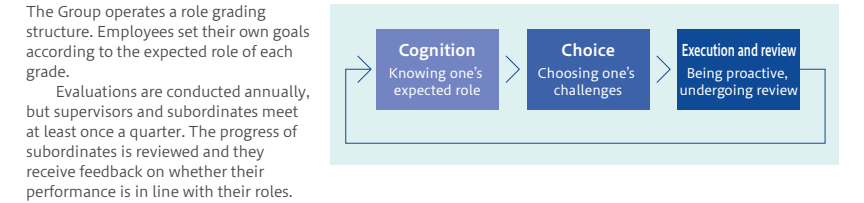
1 Our Vision and Career Autonomy

We are engaged in activities that combine the vectors of the Company's direction and our employees' own careers. To improve employee engagement, we are telling them about the Group's purpose, vision, and strategies, to give staff a chance to think about what their own department and they themselves might do to help realize these goals.

Policy sharing workshop

Since fiscal 2018, we have held workshops to share our vision and action guidelines in order to improve employee engagement. At these workshops, team members from across departments hold discussions and incorporate bilateral communication methods to deepen their understanding of the Group's vision and code of conduct. This, in turn, leads to autonomous actions and growth.

Management by objectives framework



2 Mental Management

Given diversification and other major changes in human resources, some employees may feel confused or uneasy. For the benefit of such employees, we are building a system that will allow each workplace and the Company as a whole to respond.

One-on-one meetings

The Group recommends holding one-on-one meetings between superiors and subordinates to encourage autonomous employee growth. Such meetings are held approximately once every three months at each workplace. In conducting these meetings, we aim to improve the reach and quality of one-on-one meetings by providing video guidance to superiors and subordinates.

Pulse surveys

Since January this year, we have been conducting pulse surveys on a trial basis. Employees of certain development departments were asked about their work, work environment, and physical condition. Since April, we have been expanding the scope of these surveys.

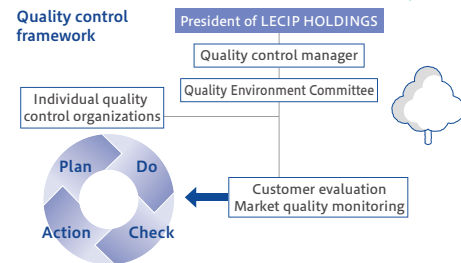
Now, based on survey results, we are ascertaining organizational issues and individual circumstances, and working to improve workplaces and prevent turnover. We plan to use the results of the pulse surveys as materials for studying health management-related measures.

Stakeholder Relations

Customer Relations

The LECIP Group aims to provide products and services that contribute to realize a comfortable and secure daily life, while helping to realize energy conservation, environmental friendliness, and enhanced security worldwide.

Quality policy
 We operate a quality management system and provide products that satisfy customers.



Quality System Operation

The LECIP Group has established a quality system based on ISO 9001 and IATF 16949, which apply to quality management standards and automotive industry regulatory requirements, respectively. It strives to develop products that meet what customers see as being high quality standards.

The Quality Environment Committee regularly monitors the market and customer satisfaction as a means of supervising corporate activity. We promote

Group-wide understanding of the current business environment and how we plan to devise improvements and implement them in each department.

In addition, for review, we report annual activity status to the President, clarify policies for the next term, and provide feedback to quality improvement activities and thereby work to raise quality levels.

Relations with Business Partners

Helping to realize a sustainable society cannot be limited to in-house activities, but must be conducted in concert with our upstream business partners. This requires that regular two-way communication be maintained and information and values shared. Our business activities are designed to attain five shared objectives related to quality, cost, delivery, safety, and the environment.

Carbon Neutrality Initiatives

We are achieving reductions in fuel combustion (Scope 1) and power consumption (Scope 2) in corporate activities throughout the supply chain by maintaining close communication with our business partners.

We will set a common goal of zero in-house consumption of combustible fuel, and work together to transition to renewable energy sources.

Further, we will request improvements in production and power saving awareness, and conduct feasibility studies on switching to renewable energy. In addition, to reduce CO₂ emissions caused by the materials in LECIP products, we will build a framework for technological cooperation. This will allow us to negotiate with suppliers for the use of both raw materials with lower CO₂ emissions and resin materials.

To reduce the use of chemical substances, we will work with our business partners to promote the use of materials that have less environmental impact. At the same time, we will strengthen our cooperative framework to create products that are user and environment friendly.

Procurement policy
 As we communicate and work with our business partners, we aim to build a cooperative system to improve quality, reduce environmentally hazardous substances, and achieve carbon neutrality.

Green Procurement Guidelines

The LECIP Group, in cooperation with our parts suppliers, has created and is promoting green procurement guidelines. Accordingly, we will encourage the development of products that do not contain substances that are harmful to the environment, and are working to introduce products that are people and environment friendly, as well as safe to use.

In addition, by putting together an environmental data management system in-house, we have established a framework that enables us to provide environmental data to our customers as well.

Quality Improvement

In seeking the understanding and cooperation of our business partners, we are working to improve the quality of our products, beginning with upstream parts. Based on information received from the Group and the market regarding the quality of our products, we conduct ongoing quality improvement activities, while providing feedback not only to the Group, but also to the quality control departments of our business partners.

Community Relations

As a member of the communities in which we operate, we promote partnerships and offer support. This involves factory tours; providing work experience placements for students; engaging in environmental conservation; interacting with community members, and more.

Factory Tours

We invite students from nearby elementary and junior high schools, as well as business partners personnel, to attend exhibitions, take factory tours, and participate in work experience programs.

Bearing in mind that children will lead the next generation, we contribute to their education by showing them manufacturing sites for products and goods intimately connected to everyday life.



Environmental Conservation and Cleanup Activities

It is thanks to the understanding and cooperation of local residents that we are able to conduct our business activities. So, to express our gratitude and as one of our environmental conservation and community contribution activities, we conduct neighborhood cleanups around our factories.



Usuzumi Zakura Viewing

We open our Gifu Prefecture head office property to members of the public, allowing them to see the illuminated 50-year-old Usuzumi Zakura cherry tree in bloom. The tree has been carefully cultivated from roots donated from the Usuzumi Zakura cherry tree—a designated Natural Treasure—in the prefecture's Motosu City.

In 2010, we first opened the site to the public in response to requests from employees who wanted local residents to see the beautiful cherry blossoms. At the public opening in March 2023, more than 130 people gathered to view the tree.



Dialogue with shareholders

We believe that it is important to engage in constructive dialogue with shareholders and investors, so as to achieve sustained growth and increase corporate value over the medium to long term. We disclose, in a timely manner, information necessary for investment decisions to be made. The information we provide is easy to understand and transparent, so that our customers can gain a deeper understanding of the Group.

In fiscal 2022, we held results briefings twice, issued shareholder reports twice, and held individual meetings with institutional investors.

Disclosure policy
 We disclose information as required by the Companies Act, the Financial Instruments and Exchange Act, and the timely disclosure rules stipulated by stock exchanges.
 In addition, even if the information does not fall under the timely disclosure rules, we provide information that leads to a deeper understanding of our Company and ensures transparency.


Environmental Initiatives

Reflecting its corporate policy, the LECIP Group addresses the need to realize both an ecologically sound environment and a sustainable society. To this end, it seeks to create appealing products and services.

Meanwhile, since we coexist with local communities and society, in addition to reducing our own environmental footprint, we will continue to support environmental conservation.

We have worked to protect the environment by supplying eco-conscious, highly appealing products ever since we established our environmental policy in April 1999. At the time, we were still operating under the name Sanyo Electric Works—which we used from 1948 until the name was changed to LECIP Corporation in 2002.

To this day, we continue to strive to protect the environment and, in view of recent extreme weather events, I believe the need to do so has become urgent. The Group is working to reduce CO₂ emissions resulting from its corporate activities. The need to reduce fuel combustion and power consumption goes without saying, and we will implement initiatives to do so in upstream processes by enhancing communication with our upstream supply chain business partners. Plans are afoot to reduce CO₂ emissions throughout the entire supply chain by developing low-power, high-efficiency energy conversion equipment to help customers do so.



Toru Tanaka
Managing Executive Officer (in charge of quality),
General Manager of Quality Assurance Headquarters

Environmental Policies

- Basic policy**

The LECIP Group will continue working to conserve the environment while striving to coexist with local communities and the rest of society. It will focus on producing eco-friendly, highly appealing products and services in a bid to encourage recycling, which is important in today's society.
- Action policy**

 - (1) We will comply with environment-related laws and regulations, set specific environmental objectives and targets, implement them, and review them to ensure our work in environmental conservation remains ongoing.
 - (2) All employees share the philosophy behind our environment-related activities. We disseminate information and raise awareness, so that all our staff will attain a deep understanding of the relationship between their daily work and the environment, and reflect this in their activities.
 - (3) We will cooperate and collaborate with local residents and business partners involved in environmental conservation, and publicize our efforts in that direction.

Initiatives

As part of the Group's environmental efforts, we have two major goals. The first goal is to set environmental targets. We will arrange environmental management programs each fiscal year in a bid to help realize the decarbonization of society by 2050; and we already are working to help achieve carbon neutrality by 2050.

Second, we will work to reduce to zero those substances in our product development cycle that are harmful to people and damage the environment.

Reduction of greenhouse gasses (CO₂)

We have set up environmental management programs for each fiscal year since fiscal 2021 and have introduced initiatives to reduce the Group's fuel combustion (Scope 1) and consumption of purchased electric power (Scope 2), as well as to expand its use of renewable energy (Scope 2). We continue to aim for carbon neutrality by fiscal 2050.

Further, to mitigate Scope 3 emissions (Scope 1 and Scope 2 emissions of end users), we will work with our business partners to build a cooperative framework to help them reduce fuel combustion and power consumption. We will contribute to reducing CO₂ emissions throughout the supply chain by using less power consuming materials in our products.

Green procurement

We will revise the LECIP Group-wide green procurement guidelines (updated in fiscal 2022), expand the scope of substances subject to management, build a cooperative framework with our business partners, and work to manage and reduce the amount of environment-harming substances we use.

We devised the green guidelines based on Japanese laws and regulations, environmental laws and regulations of other countries, and environmental requirements of industry groups. It is our aim to manage and reduce the use of substances that harm the environment to levels that meet international standards.

Based on environment-related data that we have compiled, when developing new products we do not use materials or parts that contain substances harmful to the environment.

Carbon Neutrality

Based on the long-term VISION 2030, formulated in April 2021, the Group is using its manufacturing technology to provide new value in the form of PRODUCTS + SERVICES. By combining products, software, and services we aim to help realize sustainable and convenient travel, since we see risks related to climate change as a key challenge facing society.

Basic Policy

While maintaining our growth strategy, by 2050 the Group intends to achieve zero use of combustion fuel and, instead, switch to electricity generated from renewable energy sources. In addition, through the purchase of J-credits (available only in Japan; generated from GHG emission reduction/removal activities), we support global efforts to attain carbon neutrality, which we aim to achieve ourselves.

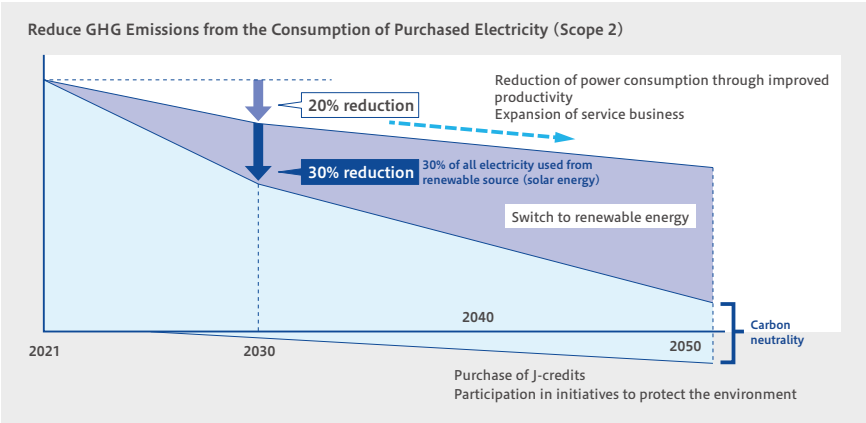
Fiscal 2030 targets (Toward achieving carbon neutrality in Fiscal 2050)

Our first CO₂ reduction plan had fiscal 2030 targets that were calculated based on fiscal 2021 figures.

1. Fuel combustion (Scope 1):	50% reduction for all fuels.
2. Power consumption (Scope 2):	20% cut in power consumed for corporate activities.
3. Switch to renewable energy (Scope 2):	30% of all electricity used should come from renewable sources.

Roadmap

Aiming to become carbon neutral by 2050, we formulated our first action plan for activities to be carried out each fiscal year through 2030.



- Action policy**
- Fast track electrification of fuel combustion process
 - Reduce purchased electricity by cutting electricity consumption, switching to renewable energy sources

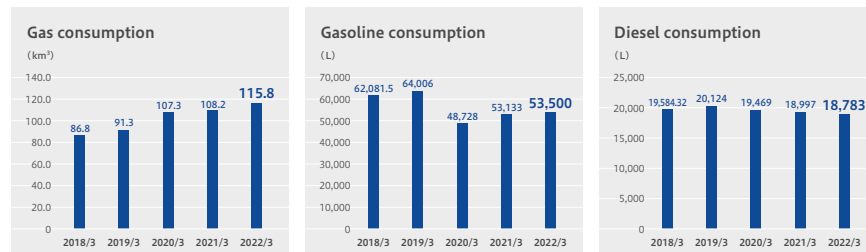
Environmental Initiatives

CO₂ Reduction Initiatives

Fuel Consumption

Our gas consumption for heating and cooling increased until the end of fiscal 2022, as windows were kept open for air to circulate and help prevent the spread of COVID-19. From this fiscal year, however, we plan to reassess operation methods and update our gas-powered air conditioning to reduce gas consumption.

In fiscal 2022, we replaced a number of company-owned vehicles with hybrid and electric models. This fiscal year, we will continue to promote both changing company-owned vehicles to electric models and reducing fuel consumption.



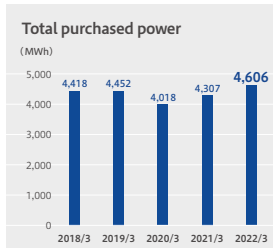
Power Consumption

In terms of equipment, in fiscal 2022, we identified equipment that consumed a great deal of power, such as circuit board manufacturing and reliability testing equipment. We have been moving to update this equipment to reduce power consumption.

In addition, we have started studying buildings that prioritize effective operating times for each equipment component; equipment efficiency; and air conditioning efficiency. We aim to transform our factories into more eco-friendly facilities.

On the production side, we aim to reduce power consumption by both improving takt times (according to which the pace and rhythm of the manufacturing process is set and aligned with customer demand) and reducing market defect rates.

By improving productivity, we plan to reduce the amount of fuel and electricity used in all corporate activities, and work on reforms to create a comfortable and rewarding work environment.



Renewable Energy

Aiming to improve our renewable energy rates, following the solar panels (140 MWh/year) introduced in FY2019, we will introduce 240MWh/year solar power generation systems in FY2023.

To achieve carbon neutrality, we plan to increase 13-fold the current capacity of 140MWh/year power generation facilities. To do so, we will make the most effective use of the head office factory; consider the introduction of solar power generation systems, including on exterior walls and ceilings; and introduce renewable energy through technological innovation.



Business Opportunities in a Decarbonized Society

The Energy Management System, which is part of our Industrial Equipment business, focuses on energy conversion. In response to the trend to electrification, we are working to develop completely new products and services that improve conversion efficiency and increase output.

Then, in response to the expected growth in demand for electric buses, we are developing systems that combine the battery management technology we have cultivated in the recharger field with the knowledge we have cultivated in the bus market. We aim to provide systems that enable efficient and systematic recharging and operation of electric buses.

Meanwhile, in terms of hardware products, we are working to reduce CO₂ emissions. We are developing products that consume less power, as we reduce the materials used and switch to materials with lower CO₂ emissions. With these new products on the market, the amount of electricity used by companies that employ the products will be cut, helping to achieve carbon neutrality throughout the supply chain.



Climate Change-related Information Based on TCFD Recommendations

In October 2021, we endorsed the recommendations of the Task Force on Climate-related Financial Disclosures, an advisory body set up by the G20 to address concern about the insufficient disclosure of climate-related risks and opportunities for businesses. We will continue to disclose information regarding the following four items.

1. Governance

- At least once a year, an internal body under the Board of Directors, reports problems and responses regarding climate-related issues which are then discussed by the Board
- Our Sustainability Committee, chaired by a director, shares information about climate-related business risks and opportunities, considers countermeasures, determines policy for corporate information disclosure, and manages progress
- The Quality Environment Committee, chaired by the executive officer in charge of quality, focuses on Group-related quality and environmental issues

2. Strategies

- We assess and categorize of the impacts of climate change on our business activities, focusing our analysis on the Transport Equipment and Industrial Equipment (Energy Management System) business of domestic group companies with the target year of 2030.
- In the Transport Equipment business, personal vehicle ownership will be increasingly restricted and drive down automobile production volumes, but public transportation will be promoted as a replacement, and demand for more convenient public transportation will rise. In the Industrial Equipment business, the increasing need for electrification will cause demand for energy-saving products and highly efficient power conversion to skyrocket, which we have identified as an opportunity
- Addressing opportunities and risks in our medium-term business plan and Long-Term Vision-related business strategies

Risk and Opportunity		Impact
Risks	Changes in policy/laws and regulations	<ul style="list-style-type: none"> Introduction of carbon taxes will cause rise in procurement (e.g., of raw materials) and distribution costs Clients' capital investments will slow as fuel prices rise and ownership of fossil fuel-using vehicles is increasingly restricted Purchases of green electricity will drive up energy procurement costs
	Ever-changing client behavior	<ul style="list-style-type: none"> Changes in clients' environmental awareness will cause rise in demand for eco-friendly (energy- and resource-saving) products; delayed responses will result in lost opportunities
	Intensification of extreme weather events	<ul style="list-style-type: none"> Distribution network disruptions will compromise procurement and production capacity Extreme weather events will cause factory shutdowns
Opportunities	Promotion of electrification	<ul style="list-style-type: none"> The ongoing electrification of automobiles and industrial vehicles (forklifts, AGVs) will prompt the replacement of existing products and expand business opportunities for EV-related products Demand for better energy-efficient rechargers will rise, the need for more efficient operation will grow
	Promotion of public transportation	<ul style="list-style-type: none"> Increasing ridership rooted in the promotion of public transportation will drive up capital investment MaaS-related business opportunities will expand Public funds will be used to maintain/enhance public transportation networks The need for efficient public transportation (cashless transactions, reduced operation and management workloads) will increase

Note: Scenario analysis based on information from the International Energy Agency, the Intergovernmental Panel on Climate Change, and other sources.

3. Risk Management

- Departments in charge of climate change-related matters will work with other internal departments and Group companies to fully understand the circumstances, report them, and make recommendations to the Sustainability Committee and other internal bodies
- Identified risks and opportunities will be reported to the Board of Directors through Management Meetings at least once a year
- The Sustainability Committee and other internal meeting bodies will report and make recommendations to the Corporate Governance Committee as necessary
- The Board of Directors will carry out the required supervision based on reports it receives from the Sustainability Committee and other internal bodies regarding the status of, and response to, comprehensive and climate change-related risk management

4. Indicators and targets

- We have established reduction targets to meet by FY2030 as milestones on the path toward achieving carbon neutrality by FY2050
- We aim to reduce GHG emissions in Scopes 1 and 2 by FY2030

Corporate Governance

Basic Approach to Corporate Governance

The LECIP Group recognizes that our priority management issues are to respect the interests of our customers, shareholders, and all other stakeholders, as well as to enhance corporate governance.

To do so, the Group must provide society with products and services that help allow for comfortable day to day living through energy conservation, environmental mitigation, and improved security.

Basic Policies of Corporate Governance

- (1) Ensure shareholder rights and equality**
We will ensure the substantial rights and substantive equality of all shareholders in part by creating a proper environment for exercising those rights at the General Meeting of Shareholders.
- (2) Cooperate with stakeholders**
We will achieve sustainable growth and create medium- to long-term corporate value by fostering a corporate culture and climate of respect for stakeholders, as well as through cooperation with customers, shareholders, employees, suppliers, communities, and other stakeholders.
- (3) Disclose pertinent information and ensure transparency**
We will establish a foundation for constructive dialogue with shareholders by proactively and fully disclosing and providing not only financial information, but also management policies, management issues, business activity status updates, CSR activities, and other useful information about the Company.
- (4) Execution of duties by the Board of Directors**
The Board promotes the Company's business strategies to

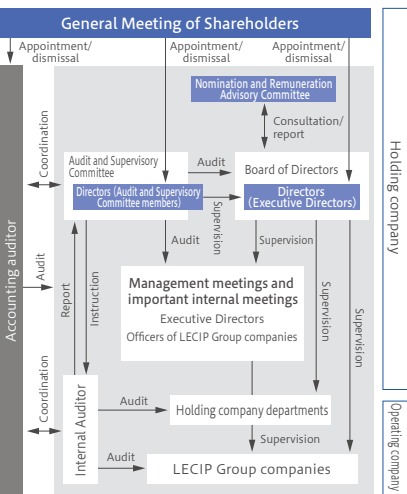
Our initiatives are based on the five basic policies listed below.

We use the holding company format and make every effort to strengthen Group-wide governance by managing and supervising member companies in addition to providing guidance in line with Group management strategies.

create leading products in each business segment by gathering management resources in our three core business domains: lighting, electric power conversion, and information processing. To actualize the strategies, the Board strives to increase profitability, capital efficiency, and more. This it does by promoting sustainable growth and the medium- to long-term improvement of corporate value, while fulfilling its roles and responsibilities. These involve creating supportive environments for appropriate risk-taking by management and executives, as well as effectively supervising management and directors.

(5) Engage in dialogue with shareholders
Using briefings that grab the attention of investors, as well as carrying out other IR activities—such as publishing annual reports, communicating with shareholders, and disseminating information through mass media—we promote constructive dialogue between the Company and shareholders. In this way seek to earn shareholders' understanding of our management strategies and plans, achieve sustainable growth, and improve our medium- to long-term corporate value.

Corporate Governance System



In an effort to further strengthen the Board's supervisory functions, we set up an Audit and Supervisory Committee mostly comprising outside directors, and gave directors who are also Audit and Supervisory Committee members the right to vote on resolutions of the Board of Directors.

In addition, the Board was given wide-ranging authority to make decisions on the execution of operations, in order to expedite management decision-making and increase efficiency. We transitioned to being a company with an audit and supervisory committee in June 2016, with a view to further improving corporate value.

The Group's holding company structure unifies common, indirect, Group-wide operations—such as HR, general affairs, accounting—and strengthens governance through the management and supervision of Group companies, while at the same time providing guidance in line with Group management strategies.

We have set up a Nomination and Remuneration Advisory Committee, under the Board of Directors, to nominate Representative Directors, Directors, and Executive Officers. It also enhances the impartiality, objectivity, and accountability of the Board concerning the remuneration of directors and other matters. This committee comprises at least five members, a majority of whom are independent outside directors.

Directors (as of June 23, 2023)

		
President and CEO Makoto Sugimoto	Managing Director Hiroko Mitsui	Director Haruo Nagano
		
Director Norihiro Shinagawa	Director Koji Iwasa	Director Motoaki Kitano
		
Director, Audit and Supervisory Committee Member (outside company) Kiyoyuki Kimura	Director, Audit and Supervisory Committee Member (outside company) Kazuhiro Naiki	Director, Audit and Supervisory Committee Member (outside company) Miwa Yamaguchi

Skills matrix

Our skills matrix combines skills and diversity, including the knowledge, experience, and abilities of each director, so that the Board might properly exercise its supervisory functions.

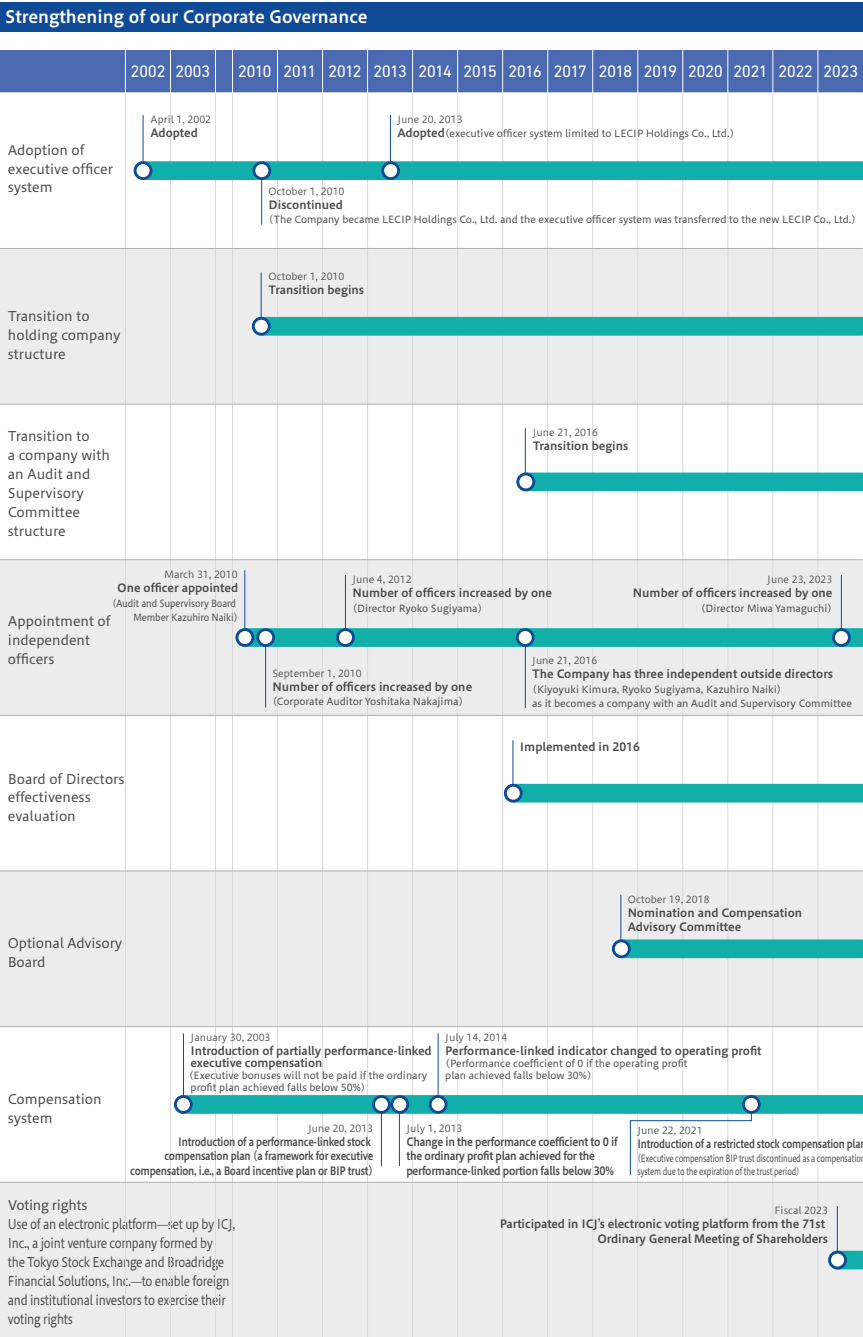
Given the Company's management strategy, the matrix makes it easy to: compare the knowledge, experience, and skills of directors as is required;

disclose whether the composition of the Board is, on the whole, well-balanced; and reveal whether the appointed directors are appropriate.

The LECIP Group nominates director candidates with due consideration for balance of knowledge, experience, and ability, as well as diversity. The skills matrix for each LECIP Group director is as follows.

	Management	Finance / accounting	Legal affairs / risk / compliance	Global	Sales / marketing	IT / digital	Sustainability / diversity	Personnel / labor affairs	Research / development
Makoto Sugimoto	●	●		●	●	●	●	●	
Hiroko Mitsui	●			●	●	●	●	●	
Haruo Nagano	●			●		●			●
Norihiro Shinagawa	●	●	●	●		●	●	●	
Koji Iwasa	●		●	●	●	●			●
Motoaki Kitano	●				●	●			
Kiyoyuki Kimura			●						
Kazuhiro Naiki		●							
Miwa Yamaguchi	●				●	●	●		

Corporate Governance



Strategic Shareholdings

1. Policy on strategic shareholdings

The LECIP Group may strategically hold shares of other publicly listed companies only if it has judged the holding of such shares to be necessary for improvement of its medium- to long-term corporate value, based on such factors as their importance from the perspective of business strategy and relationships with business partners.

The Company shall review the rationale for such holdings in a timely manner, and reduce any holdings that lack major strategic benefits or are inconsistent with the its capital policies.

The Board conducts annual assessments of these holdings, checking their specific benefits and making sure they are consistent with the risk-benefit evaluations based on the cost of capital and other factors. The Company will disclose an overview of its assessments.

Through the assessments carried out at the Board meeting in May 2023, the LECIP Group confirmed that it has sufficient rationale for all of its strategic shareholdings. That said, we will reduce any share holdings should they come to lack sufficient strategic benefits or be inconsistent with our capital policies, based on such factors as their importance to business strategy and relationship to business partners.

2. Standard on exercising voting rights for strategic shareholdings

In exercising voting rights related to strategic shareholdings, the Company reviews individual proposals and, rather than making uniform judgments on whether to approve or reject a given proposal based on formulaic standards, it makes such determinations from the perspective of whether a proposal will lead to medium- to long-term growth in corporate value, based on sufficient consideration of the relevant investee's management policy, strategies, and other factors.

Independence of Outside Directors

Criteria for determining independence

In addition to the independence standards stipulated by the Tokyo Stock Exchange, the LECIP Group judges persons who meet any of the following criteria to lack independence.

- A person who is a major business partner of the Company or a subsidiary of the Company (hereinafter referred to as "the Group"),¹ or an executive thereof.
- Major business partners of the Group² or their executives.
- Consultants, accounting experts, or legal experts who receive a large amount of cash³ or other assets from the Group, other than executive compensation (if the person receiving such assets is a corporation, union, or other organization, this item refers to a person who belongs to such organization).
- A person to whom any of the following three items have recently applied:⁴
 - Persons listed in (1), (2), or (3).
 - An executive or non-executive director of the Company's parent company.
 - An executive of the Company's sister company.
- A close relative of a person matching any of the following five descriptions (excluding immaterial persons).
 - Persons listed in (1) to (4) above.
 - An executive of the Company's subsidiary.
 - An executive or a non-executive director of the Company's parent company.
 - An executive of the Company's sister companies.
 - A person who matched ii. within the past three years, or an executive of the Company.
- Any other person who may have a conflict of interest with general shareholders.

Notes:

- "Person who is a major business partner" refers to parties whose transaction amount in the most recent fiscal year is 2% or more of the annual consolidated total sales of the said person.
- "Major business partner" refers to a business partner whose transaction amount in the most recent fiscal year is 2% or more of the annual consolidated total sales of the Group.
- "Large amount of cash" means when the total value exceeds an average of ¥10 million over the past three years.
- "Recently" refers to any point in the past three years.

Nomination and Compensation Advisory Committee: Concept, Authority, Roles, and Independence

The LECIP Group has established a Nomination and Remuneration Advisory Committee under the Board of Directors to nominate representative directors, directors, and executives, as well as to enhance the functional impartiality, objectivity, and accountability of the Board regarding director remuneration and other matters.

This committee comprises at least five members, a majority of whom are independent outside directors.

The committee discusses the following matters on inquiries from the Board, providing it with advice and recommendations.

- Proposals for the General Meeting of Shareholders regarding the appointment and dismissal of directors.
- Appointment and dismissal of the president (CEO) and succession plan.
- Appointment and dismissal of representative directors other than the president and CEO.
- Appointment and dismissal of executives.
- Criteria for independence of independent officers.
- Establishment, change, or discontinuation of basic policies, rules, procedures, etc. necessary for resolutions of the preceding items.
- Other matters deemed necessary by the Nomination and Compensation Advisory Committee regarding each of the preceding items.
- Policies for determining individual remuneration packages for directors and executive officers (including the selection of performance indicators used to assess performance-linked remuneration and criteria for granting stock-related remuneration, etc.).
- Details of remuneration for individual directors and executives.
- Establishment, change, or discontinuation of basic policies, rules, procedures, etc. necessary to resolve the preceding two items.
- Other matters deemed necessary by the Nomination and Compensation Advisory Committee regarding remuneration, etc. for directors and important employees.

Corporate Governance

Management

We work to ensure rigorous compliance, ongoing risk management, and swift, proper disclosures based on our basic corporate governance policy: the promotion of business management that is fair and transparent.

Internal control

To ensure the proper execution of operations based on the Companies Act, we established a Basic Policy for Developing an Internal Control System, and are working to develop such a system for the entire Group.

Each fiscal year, we draft basic plans according to which we carry out activities, as well as create and disclose reports on internal controls. This we do with

Risk management

The Group makes every effort to gather and share information internally to prepare for emergencies.

In a bid to minimize the damage by having organizational systems at the ready, we have prepared a crisis management manual. This is necessary since we constantly face the risk of an earthquake or other major disaster.

Information security

As management assets in and of themselves, the information assets owned by the LECIP Group are critical to the continuity of the Company. Ensuring the confidentiality, integrity, and availability of this information is a key management issue.

In terms of customer relations, information security incidents and accidents can destroy trust, cost business opportunities, and have other major negative impacts. With the recognition that data operating systems, computer equipment, networks, and other

Compliance

The LECIP Group has established regulations pertaining to compliance, in order to clarify the Company's stance toward, and means of complying with, laws and regulations. It also has rules regarding employee stance. Additionally, to promote compliance, we expend every effort to inform our officers and employees of the details of relevant laws and regulations, our own compliance regulations, and our code of compliance.

Business continuity plan (BCP)

We regularly review action plans, procedures, and more to increase the certainty of our business continuity and position ourselves to resume business by the target recovery time after a disaster, accident, or other unforeseeable event. We minimize the risk of our IT infrastructure experiencing a crash and ensure that we can swiftly implement recovery measures by backing up our data in several ways, including storing

Protecting personal information

The LECIP Group has a Personal Information Protection Principles, which it has published on its website, together with a document titled "Reason for Using Personal Information." We undertake safety measures to prevent the loss and leakage of personal information. Given the importance of the 12-digit ID number assigned to each resident of Japan, and other specific personal information, we have set up control

the following goals: developing and operating a system to ensure the effective implementation of audits by the Audit and Supervisory Committee; devising an internal control evaluation system; setting up systems to create and maintain the necessary internal controls; and improving operational efficiency by establishing and evaluating internal controls.

In addition, to ensure rigorous compliance with laws and regulations and to prevent disputes with other companies, our legal affairs department gathers information on legal revisions, reviews agreements before they are concluded, researches the intellectual property rights of other companies, conducts compliance training, and makes other efforts to reduce the Company's legal risks.

information systems are information-related assets, the transportation equipment manufacturing company LECIP CORPORATION (for a portion of its business segments) and LECIP ENGINEERING CORPORATION have established and introduced, and continue to operate, monitor, review, maintain, and improve information security management systems based on ISO/IEC 27001, thereby working to fulfill the Group's corporate social responsibilities.

In conjunction with our earnest efforts to expand business overseas, we proactively promote the establishment of internal regulations for compliance in overseas business and compliance training for employees at our subsidiaries abroad and at departments involved in overseas matters. This we do so that they will comply with local and international laws and regulations and take actions that are appropriate.

emails and other data on the cloud, ensuring the redundancy of wiring, supplying server rooms with electricity generated by in-house systems, outfitting those rooms with gas-fire extinguishing systems, and storing data remotely. We also conduct yearly drills to practice confirming the safety of employees in the aftermath of a disaster.

zones to ensure the information is handled properly, keeping a record of when it is used and managing it strictly according to legal requirements.

LECIP CORPORATION earned PrivacyMark certification in April 2022. We intend to make every effort to increase the rigor of our protection and use of personal information.

Messages from Outside Directors

Please allow us to tell you, from the perspective of outside directors, about what we believe to be the roles that LECIP should fulfill to attain sustainable corporate growth and ensure the medium- to long-term improvement of corporate value, at a time when we see drastic changes in society and the business environment.



Outside Director,
Audit and Supervisory
Committee Member
Kiyoyuki Kimura

he LECIP Group plays an important role in that part of the social infrastructure known as public transportation. Creating superior products brings convenience to the lives of citizens, benefiting society as a whole and leading to corporate growth. As a company, we have an important duty to develop our employees' capabilities and to make each employee feel motivated. Companies are also being called on to contribute to global societal issues, such as the UN's SDGs.

Against this background, LECIP has formulated long-term targets and prospects, such as VISION2030, and is aiming for growth, supported by the crucial strengthening of governance.

As an outside director, I will provide an objective external perspective, while as a lawyer, I will provide supervision to ensure proper operations from a legal perspective. At the same time, I will work to increase further the corporate value of the Group, which exists to help society.



Outside Director,
Audit and Supervisory
Committee Member
Kazuhiro Naiki

The changes in the environment surrounding the LECIP Group include a range of societal issues, such as eliminating poor public transportation, preparing for natural disasters, dealing with labor shortages, and realizing a decarbonized society.

I believe that companies must contribute to the advancement of society by proactively and resolutely making upfront investments and introducing business developments geared to resolving these social issues. I am confident that the Group will work to solve these issues through the provision of value, such as user-friendly seamless transportation systems, peripheral technologies that support a decarbonized society, and safe and secure urban development.

In addition to the revision of the Corporate Governance Code, which went into effect in June 2021, the Disclosure Ordinance was amended in January 2023. With these developments, the demand for stronger governance is increasing, as disclosure is required in ever more matters. These include the activities of the Board of Directors and various committees; initiatives related to the effectiveness of internal audits; and an explanation of strategic shareholdings.

As an outside director, I aim to play a leading role in proactively making proposals at meetings of the Board, the Audit and Supervisory Committee, and the Nomination and Compensation Advisory Committee. At the same time, I will keep an eye on the level of corporate governance, which is becoming stricter by the year, as well as on forthcoming developments. I hope that this will help lead to the sustainable growth of the LECIP Group and the improvement of its corporate value over the medium to long term.



Outside Director,
Audit and Supervisory
Committee Member
Miwa Yamaguchi

In these turbulent times, the environment surrounding the LECIP Group remains challenging, but I believe that risks present opportunities. Now is, thus, a good time to push through the Company's first pillar of growth: business structural reform for PRODUCTS + SERVICES.

This endeavor requires the growth of each and every employee. As a company, we respect diversity, and we need to build an environment that encourages the undertaking of challenges. Human resources are more important than ever in the age of AI utilization. Although some people these days say that Japan's national strength is declining, I am confident that the LECIP Group, which has supported social infrastructure for so long, will make use of its strengths to accomplish its VISION 2030. And in so doing, it will contribute to the formulation of solutions for various domestic and international issues related to the UN's SDGs, while boosting Japan's competitiveness.

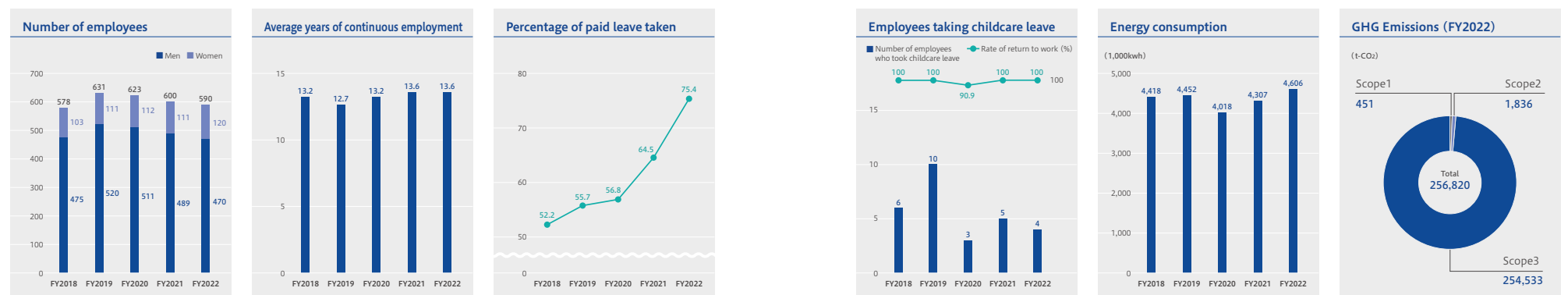
As an outside director, I will make objective proposals regarding challenges and possibilities, and work to strengthen governance based on my experience in the fields of sales, marketing, and IT.

Financial Highlights

	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Profit and loss											
Net sales (Millions of yen)	13,480	14,157	20,215	16,203	16,985	15,749	21,538	26,051	15,553	14,075	14,253
Operating profit (Millions of yen)	477	151	603	(571)	483	(235)	1,021	1,854	(40)	149	(310)
Ordinary profit (Millions of yen)	526	164	779	(649)	354	(248)	1,030	1,830	35	325	(207)
Net profit (Millions of yen)	292	(98)	227	(1,378)	50	(454)	438	891	(124)	53	(249)
Financial position											
Total assets (Millions of yen)	9,791	12,677	14,431	13,173	13,048	12,465	16,445	14,791	15,129	14,449	14,856
Net assets (Millions of yen)	4,755	4,614	4,637	3,277	3,499	2,985	3,427	5,078	4,912	4,775	4,688
Cash flows											
Cash flows from operating activities (Millions of yen)	248	(560)	(292)	324	1,135	487	125	2,876	(1,130)	2,300	(1,494)
Cash flows from investing activities (Millions of yen)	(136)	(1,052)	(722)	(555)	(387)	(326)	(452)	(685)	(481)	(138)	(222)
Cash flows from financing activities (Millions of yen)	(416)	1,293	1,306	402	(59)	(187)	1,005	(2,239)	2,747	(1,415)	781
Related information											
Capital investments (Millions of yen)	218	537	652	488	306	492	770	916	337	289	239
Depreciation (Millions of yen)	353	786	585	528	384	473	534	514	433	476	477
Research and development expenses (Millions of yen)	243	323	408	395	445	691	761	854	506	576	523
Index											
Equity ratio (%)	48.6	36.4	32.1	24.9	26.8	24.0	20.8	34.3	32.5	33.0	31.6
Return on equity (ROE) (%)	5.8	(2.1)	4.9	(34.8)	1.5	(14.0)	13.7	21.0	(2.5)	1.1	(5.3)
Earnings per share (EPS) (Yen)	23.4	(9.1)	20.8	(125.3)	4.6	(40.9)	38.8	74.4	(9.8)	4.2	(19.2)
Book-value per share (BPS) (Yen)	438.7	422.2	422.3	297.0	315.5	267.6	301.9	398.6	385.2	371.6	346.6

* In the fiscal year ended March 31, 2020, a capital increase involving the new issuance of 1,380 thousand shares was conducted.

Non-financial Highlights



Consolidated Financial Statements

Consolidated balance sheet (Thousands of yen)

	As of March 31, 2022	As of March 31, 2023		As of March 31, 2022	As of March 31, 2023
Assets			Liabilities		
Current assets	11,282,458	11,826,072	Current liabilities	8,419,649	9,106,306
Cash and deposits	4,094,941	3,179,471	Notes and accounts payable - trade	1,183,455	1,367,662
Notes receivable - trade	592,576	606,871	Electronically recorded obligations - operating	1,512,855	1,634,081
Accounts receivable - trade	2,762,281	3,025,629	Short-term borrowings	3,205,615	4,074,400
Merchandise and finished goods	839,266	1,213,207	Current portion of long-term borrowings	437,201	515,564
Work in process	537,168	612,770	Lease liabilities	110,494	103,773
Raw materials and supplies	1,908,013	2,642,259	Accounts payable - other	384,776	416,272
Income taxes refund receivable	2,519	88,871	Income taxes payable	286,532	20,289
Other	545,692	456,991	Advances received	124,577	189,274
Non-current assets	3,167,510	3,030,416	Provision for bonuses	315,473	316,890
Property, plant and equipment	1,535,570	1,435,168	Provision for product warranties	60,355	53,268
Buildings and structures	3,367,689	3,369,428	Provision for loss on orders received	116,569	—
Accumulated depreciation	(2,560,579)	(2,617,146)	Other	681,742	414,829
Buildings and structures, net	807,109	752,282	Non-current liabilities	1,255,023	1,061,214
Machinery, equipment and vehicles	1,131,578	1,207,082	Long-term borrowings	499,133	586,344
Accumulated depreciation	(946,246)	(997,386)	Lease liabilities	231,439	162,536
Machinery, equipment and vehicles, net	185,332	209,695	Deferred tax liabilities	3,900	9,454
Tools, furniture and fixtures	3,463,441	3,433,647	Provision for Employee Stock Ownership Plan Trust	201,626	—
Accumulated depreciation	(3,319,860)	(3,326,091)	Provision for Management Board Incentive Plan Trust	102,866	80,268
Tools, furniture and fixtures, net	143,581	107,556	Retirement benefit liability	35,830	35,170
Land	110,915	110,915	Other	180,228	187,440
Leased assets	641,330	601,308	Total liabilities	9,674,672	10,167,520
Accumulated depreciation	(360,247)	(382,794)	Net assets		
Leased assets, net	281,083	218,513	Shareholders' equity	4,626,863	4,582,361
Construction in progress	7,548	16,360	Share capital	1,190,955	1,190,955
Right-of-use assets	—	19,842	Capital surplus	1,211,976	1,218,003
Intangible assets	587,885	467,775	Retained earnings	2,773,271	2,454,912
Investments and other assets	1,044,054	1,127,472	Treasury shares	(549,340)	(281,510)
Investment securities	558,180	667,638	Accumulated other comprehensive income	148,433	106,606
Deferred tax assets	301,763	278,253	Valuation difference on available-for-sale securities	120,417	194,419
Other	230,411	226,680	Foreign currency translation adjustment	28,015	(87,812)
Allowance for doubtful accounts	(46,300)	(45,100)	Total net assets	4,775,296	4,688,968
Total assets	14,449,969	14,856,489	Total liabilities and net assets	14,449,969	14,856,489

Consolidated statement of income (Thousands of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	14,075,755	14,253,591
Cost of goods sold	10,121,386	10,543,874
Gross profit	3,954,368	3,709,716
Selling, general and administrative expenses	3,804,572	4,019,821
Operating profit (loss)	149,796	(310,104)
Non-operating income		
Dividend income	11,094	13,253
Foreign exchange gains	144,273	111,587
Subsidy income	40,023	5,600
Reversal of allowance for doubtful accounts	1,150	1,200
Other	13,503	11,211
Non-operating expenses		
Interest expenses	28,904	28,944
Levy for employing disabled persons	4,200	4,150
Loss on sale of receivables	110	93
Additional value added taxes	—	5,654
Other	1,506	907
Ordinary profit (loss)	325,120	(207,001)
Extraordinary losses		
Impairment losses	11,753	4,687
Loss on abandonment of non-current assets	968	640
Loss on valuation of investment securities	3,800	—
Profit before income taxes (loss)	308,598	(212,329)
Income taxes - current	286,346	35,607
Income taxes - deferred	(31,023)	1,536
Profit (loss)	53,275	(249,473)
Net profit (loss)	53,275	(249,473)

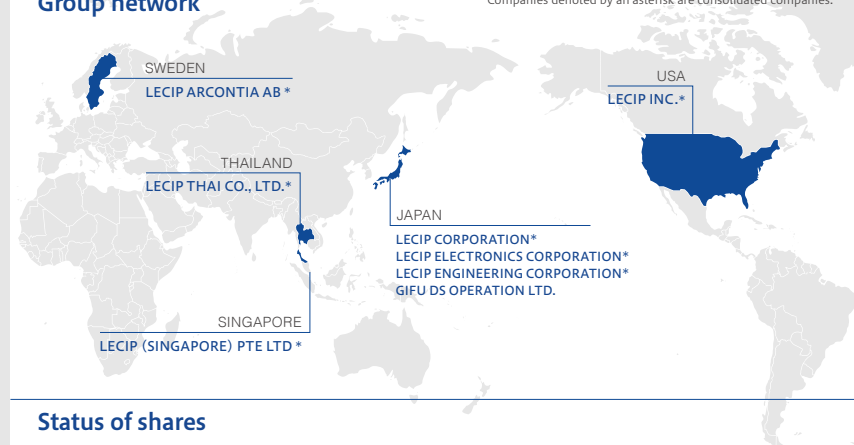
Company Information and Status of Shares (as of March 31, 2023)

Company overview

Trade name	LECIP HOLDINGS Kabushiki Kaisha (Company name in English: LECIP HOLDINGS CORPORATION)	List of Group companies and main business activities
Address	1260-2 Kaminoho, Motosu City, Gifu Prefecture 501-0401, Japan	LECIP CORPORATION Manufacture and sale of electrical components and equipment for buses and railways, various industrial equipment, automotive parts, etc.)
Established	March 1953	LECIP ELECTRONICS CORPORATION Mounting and assembly of printed circuit boards
Share capital	1,190 million yen	LECIP ENGINEERING CORPORATION Support for introduction and repair of electrical components and equipment for buses and railways, and various industrial equipment
Employees	590 (Consolidated)	GIFU DS OPERATION LTD. Operational control of digital signage
Description of business	Formulation and promotion of the Group's management strategy and other management support as the Group's holding company	LECIP INC. Sale of the Group's products for the North American transportation equipment market
		LECIP(SHINGAPORE) PTE LTD Sale, support for introduction, and repair of the Group's products for the ASEAN transportation equipment market
		LECIP THAI CO., LTD. Sale of electrical components and equipment for buses, various industrial equipment, automotive parts, etc.
		LECIP ARCONTIA AB Manufacture and sale of products and software related to the transportation equipment market

Group network

Companies denoted by an asterisk are consolidated companies.



Status of shares

Total number of shares authorized	44,000,000 shares
Total number of shares issued	13,827,790 shares (excluding 350,410 treasury shares)
Number of shareholders	19,240

Principal shareholders

Shareholder name	Number of shares held (shares)	Shareholding ratio (%)
LECIP Employees' Shareholder Association	978,740	7.07
Nagoya Small and Medium Business Investment & Consultation Co., Ltd.	936,480	6.77
The Juroku Bank, Ltd.	560,000	4.04
The Master Trust Bank of Japan, Ltd. (Trust account)	553,900	4.00
Makoto Sugimoto	413,215	2.98
LECIP Business Partners' Shareholder Association	318,500	2.30
The Master Trust Bank of Japan, Ltd. (Board Incentive Plan Trust)	300,920	2.17
Rakuten General Insurance Co., Ltd.	300,000	2.16
Nippon Life Insurance Company	260,000	1.88
MUFJ Bank, Ltd.	245,000	1.77

Notes: 1. The Company holds 350,410 treasury shares, and is excluded from the principal shareholders list above.
The treasury shares (350,410 shares) do not include the Company's shares held by the Board Incentive Plan Trust (300,920 shares).
2. Treasury shares (350,410 shares) are excluded in the calculation of the shareholding ratio.

Distribution of shares

