

[Human Capital-related Initiatives]

Putting “People Are Our Greatest Asset” into Practice

Ken Ishizaki

General Manager,
Administration Headquarters
Personnel Department



Our Basic Concept on Human Resources and Initiatives to Develop Human Resources

The Kaga Electronics Group’s approach to human resources can be summarized into a single sentence, “People are our greatest asset.” In line with this approach, we have worked to nurture independent, autonomous, and self-motivated individuals with a strong spirit. In the course of human resource management, we remain mindful of what can be done to maximize the value of our human resources and bring out their full potential while encouraging them to exercise their unique strengths as Kaga Electronics Group employees.

At the core of our training system are in-house position level qualification systems and training programs that differ based on employees’ years of service. The former grants membership to each employee upon joining the Group and, as they accumulate experience, promotes them to leader, chief, manager, general manager and, ultimately, senior general manager. These titles, however, are irrespective of their job functions. For example, an individual at the “leader” rank could be appointed to a manager position if deemed to possess management skills. Likewise, a general manager can be appointed from among individuals who have only reached the “manager” level. As such, our in-house position level qualification is designed to be flexible, imposing minimal limitations so that competent individuals can be rapidly promoted to higher positions.

Meanwhile, our training programs that differ based on employees’ years of service require employees to undergo annual training until the end of their fourth year within the Group. Usually, those in their fifth or sixth year would have reached the “leader” level and would then begin participating in leadership training via the position level-based training programs. Accordingly, the pace of promotion begins to vary by individual.

The three job categories are sales, engineering and administrative staff. From the viewpoint of overall proportion of employees within each category, sales staff account for a substantial majority with administrative staff constituting our

workforce’s second largest group. The number of engineering staff is small.

Recently launched human resource development initiatives include sales training for younger employees, in addition to sales capability enhancement (strategic thinking) training, in which employees better hone their sales capabilities by learning side by side with managers. Previously, on-the-job (OJT) training was the main skill development method implemented at KAGA ELECTRONICS as this approach can be closely aligned with what occurs at the front lines of business and yield immediate effects. However, we have since realized that proficiency level could vary by individual based on the staffing situation of each business unit to which new recruits are assigned. This was ultimately the reason behind the launch of new training programs. We believed basic concepts and methods for human resource development should be unified. Furthermore, while the overall resignation rate remains low at slightly in excess of 2%, we must provide new recruits with robust training in order to curb the resignation of employees in their second and third years of joining the workforce.

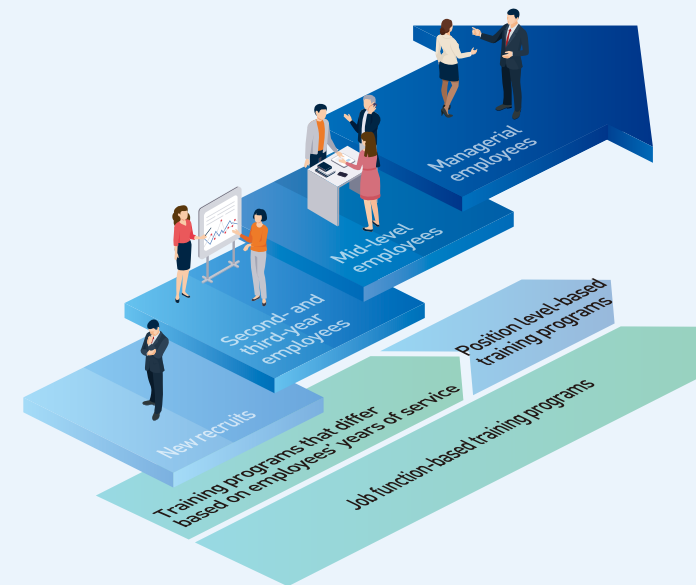
Sales capability enhancement (strategic thinking) training brings together younger employees and managers from multiple sales departments and encourages them to interact, learn from each other and inspire one another to enhance their strategic thinking skills while they collectively study that will be put to use in their sales activities. While this may not immediately turn new recruits into fully equipped salespersons, we aim to equip employees with 70% to 80% of the necessary skills at a very early stage of their careers, with the hope of mitigating the risk of resignation.

Moreover, an issue associated with the low frequency of personnel transfer has come to our attention. Therefore, between 2021 and 2022, we implemented the Strategic Human Resource Management Project. As we also aim to enable employees to gain robust experience at early stages, we have made it a rule to proactively undertake transfers, including those between business divisions and Group companies.

Looking ahead, we will leverage the database accumulated in the course of the above project regarding our human resources, including those at Group companies, to inform our future measures to develop top management candidates.

To date, we have rarely recruited mid-career hires. However, this traditional policy has now been changed due in part to the expansion of the size of our operations. While we have previously employed a handful of mid-career hires specialized in fields such as accounting and engineering, we have begun to proactively recruit a growing scope of individuals from external sources, including salespersons.

Traditionally, recruiting mid-career employees has been seen as involving the risk of hiring individuals with an approach that is incompatible with KAGA-ism, especially in terms of sales activities. However, KAGA ELECTRONICS itself has undergone changes in many respects, with KAGA-ism being updated to align with the times. Accordingly, we feel that this no longer discourages the recruitment of mid-career hires.



Nurturing Global Human Resources Based on the EMS Business, Which Is Expanding Overseas

With regard to the development of global human resources, the EMS Business Division serves as a hub from which employees are dispatched to overseas assignments. Specifically, we first assign salespersons who joined the Group as mid-career hires to the EMS Business Division and then dispatch them to overseas destinations after amassing front line experience for two to three years. Meanwhile, KAGA MICRO SOLUTION, a manufacturing subsidiary, recruits mid-career hires specialized in manufacturing and then secondments them to the Production Center of the EMS Business Division after they gain proficiency. Following this secondment, they are transferred to overseas bases. Going forward, we aim to nurture human resources capable of handling overseas production management. To this end, we plan to promote such initiatives as assigning new recruits to KAGA EMS TOWADA CO., LTD., and then sending them to countries abroad after a stint at domestic factories, including those run by Kyokuto Electric Co., Ltd.

To leverage the capabilities of foreign national employees, KAGA EMS TOWADA CO., LTD. annually accepts technical trainees from Indonesia and Vietnam, leveraging a government-sponsored foreign technical intern training

program. These trainees are given the option of either returning to their home countries after a three-year training period or continuing their career at KAGA EMS TOWADA CO., LTD. Meanwhile, Kyokuto Electric Co., Ltd. accommodates human resources from its subsidiary in Thailand, providing its own in-house training.

Initiatives to Promote Diversity & Inclusion

In terms of women’s empowerment, our Medium- to Long-Term Sustainability Management Plan includes the specific target of increasing the consolidated ratio of women in managerial positions to 15% by 2024 and 17% by 2029. Currently, we have made steady progress toward this target. However, when looking at KAGA ELECTRONICS on a non-consolidated basis, along with its domestic Group companies, this ratio is not steadily growing. With this in mind, we have formulated targets aligned with the situation of each Group company. Furthermore, we are assiduously promoting initiatives to raise the ratio of women as newly hired career track employees to 30%. We recognize a need to focus on the nurturing of our female employees at a robust pace at KAGA ELECTRONICS and other domestic companies.

With regard to the promotion of foreign national employees, Mr. Zhen Zhou Zhu, our China Supervisor, was appointed as the first foreign national executive officer of KAGA ELECTRONICS.

As for the empowerment of older employees, although the retirement age of 60 years old remains unchanged, we consider reaching this age to be yet another milestone of employee career development. We intend to provide older employees with duties that allow them to leverage their experience and offers them fair wages. By doing so, we hope our employees will remain highly spirited and serve as key workforce members in an ever-broader range of business fields even after reaching the age of retirement.

We also believe that “a company never thrives unless its employees are healthy.” Based on this, we have undertaken a variety of initiatives focused on promoting employee health. In recognition of these efforts, in March 2023, KAGA ELECTRONICS was selected as an outstanding organization under the Certified Health & Productivity Management Organization Recognition Program. In addition, our pursuit of health and productivity management has allowed us to gather the health-related data of employees, which, in turn, led to the clarification of issues that should be addressed to promote employee health.

Remaining an Organization in Which High Motivation is Standard

When it comes to wages for our employees, our underlying approach is to equally distribute what we have earned. Over past several years, we have provided special bonuses at the end of each fiscal-year, as well as granting biannual bonuses in summer and winter. In this way, we have helped employees maintain stable livelihoods even amid progressing inflation.

Thanks to these and other initiatives, we placed 27th in a ranking of listed companies that substantially increased wages for employees based on a survey conducted by Nikkei Newspaper. Our stance has always been to return our profit to our employees in times of strong operating results. This, in turn, results in high levels of motivation among employees.

To maintain such a high level of employee motivation, we will engage in in-depth communication with employees and further improve their engagement with the Company.