

# Sustainability Briefing Material for the Fiscal Year ended March 2024

**KAGA ELECTRONICS CO., LTD.**

**TSE Prime Market 8154**

**KAGA ELECTRONICS CO., LTD.**

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# Medium- to Long-Term Sustainability Management Plan

**Announced on November 25, 2021**  
(Revised April 1, 2024)



# Medium- to Long-Term Sustainability Management Plan : Sustainability Policy

Under our corporate philosophy of "Everything we do is for our customers," the Kaga Electronics Group seeks to achieve both a sustainable society and sustainable growth of the Group. Toward this purpose, we will respect dialogue with customers, business partners, shareholders, investors, employees, local communities, and all other stakeholders, based on our Basic CSR Policy, Environmental Policy, and Action Guidelines. We will work to increase our corporate value as we play an active role in achieving a sustainable society.

## ① We will tackle environmental issues through our business activities

Through our business activities, we will take action to cut CO<sub>2</sub> emissions, reduce waste, and promote reuse. At the same time, by providing environmentally considerate products and services, we will contribute to bringing about a society that values the global environment.

## ② We will respect human rights and develop human resources

We will respect the human rights of all stakeholders, regardless of gender, age, nationality, social status, disabilities, or other personal attributes. We will develop work environments in which diverse employees can work in safety and health, both physically and mentally, and will develop personnel systems and education and training systems that allow these employees to maximize their individual abilities. We will further work to develop human resources who will take on the challenge of innovation.

## ③ We will work to build mutual trust with society

We will work to be a company that earns the trust of society by observing laws and regulations, by strengthening our governance structure, and by sincerely engaging in fair competition, the provision of high-quality products and services, timely and appropriate information disclosure, and other corporate activities.

# Medium- to Long-Term Sustainability Management Plan : Sustainability promotion structure

The Kaga Electronics Group recognizes the promotion of CSR and sustainability as important management issues. We have established a Sustainability Committee chaired by the Representative Director and President of Kaga Electronics Co., Ltd. Under the committee, we have set up specialized subcommittees for Environmental Management Promotion, Diversity Promotion, Governance, Risk Management, Compliance, and Information Disclosure. This management structure promotes CSR and sustainability across the Group. Under the commitment of top management and in collaboration with business divisions, we work as a united group to promote sustainability through each committee by formulating policies, measures, and targets for ESG issues and managing progress.

## Sustainability Committee

### Mission

Discuss and address medium- to long-term management matters associated with CSR, environmental(E), social(S) and governance(G) issues, with the specialized committees playing a central role, to help enhance the Company's corporate value through the implementation of cross-organizational initiatives encompassing the Group.

Chair Representative Director, President & COO Ryoichi Kado

Compliance  
Committee

Risk  
Management  
Committee

Information  
Disclosure  
Committee

Environmental  
Management  
Promotion  
Committee

Diversity  
Promotion  
Committee

Governance  
Committee

# Medium- to Long-Term Sustainability Management Plan : Materiality

The Kaga Electronics Group is committed to seriously addressing a variety of issues relevant not only to itself but also communities around the world and thereby living up to the expectations of society. In line with this commitment, the Group has employed four perspectives— Environmental (E), Social (S), Governance (G) and Business (B)—to identify priority issues that are deemed to exert significant impact on its business operations, as listed below. Through its efforts to tackle the materiality of these issues, the Group will practice corporate activities aimed at contributing to the realization of a sustainable society, with the aim of further improving its corporate value.

	Materiality	Related SDGs	Changes in the socio-economic environment	Our initiatives
E	Create a clean global environment	 	<ul style="list-style-type: none"> <li>• Growing seriousness of global warming and other environmental problems</li> <li>• Urgent call for carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>• Provide products and services designed to help resolve environmental and energy issues</li> <li>• Continue initiatives to reduce the environmental burden</li> </ul>
S	Create an inclusive company as well as an affluent society	  	<ul style="list-style-type: none"> <li>• Changes in social structure as we move toward the popularization of the new normal</li> <li>• Human resource shortages attributable to a low birthrate and an aging population</li> </ul>	<ul style="list-style-type: none"> <li>• Promote workforce diversity and innovative work styles to better adapt to the new normal</li> <li>• Develop human resources by passing down and updating KAGA-ism</li> </ul>
G	Create a sustainable management base	 	<ul style="list-style-type: none"> <li>• Public calls for more robust corporate governance</li> <li>• Growing need for business resilience against changes in the operating environment</li> </ul>	<ul style="list-style-type: none"> <li>• Further strengthen corporate governance and compliance</li> <li>• Thoroughly practice a profit-focused management approach</li> </ul>
B	Realize sustainable business growth	  	<ul style="list-style-type: none"> <li>• Progress in digital transformation</li> <li>• Coming of a “super-smart” society due to the popularization of ICT, such as IoT and AI</li> <li>• Intensification of global competition</li> </ul>	<ul style="list-style-type: none"> <li>• Provide products and services that contribute to the transition to a digital-driven society</li> <li>• Create new businesses aimed at helping</li> </ul>

# Medium- to long-term sustainability targets and major KPIs

	Key themes	Issues to address and issues to examine	Medium-term targets	Long-term targets
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic sales offices</li> <li>Adoption of renewable energy at domestic manufacturing sites</li> <li>Adoption of renewable energy at overseas manufacturing sites</li> </ul>	2024: 40% (1%) By 2024: Information gathering/analysis and determination of policy •In-house power generation/external procurement •Solar panel/biomass power generation/renewable energy businesses	2030: 100% 2030: 50% 2050: 100% 2030: 30% 2050: 100%
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> <li>Initiatives to employ elderly workers and persons with disabilities</li> </ul>	Percentage of female new graduates in general positions 2023: 30% (5.8%) Percentage of women in management positions 2024: 15% (13.3%)	Percentage of female new graduates in general positions 2028: 40% Percentage of women in management positions 2029: 17%
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>Enhancement of programs such as childcare/family-care and telework</li> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	2022: Implementation of review 2023: Certification	2025: Certification by outside party 2024 onward: Continuation of certification
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<ul style="list-style-type: none"> <li>Independent Outside Directors: at least 1/3</li> <li>Establishment of Nomination and Compensation Committee</li> </ul>	Performed in June 2021	Setting of targets in line with next Corporate Governance Code revision
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>Diversification of the Board of Directors</li> <li>Full compliance with Corporate Governance Code for Prime Market</li> <li>Adoption of delegation-based executive officer structure</li> <li>Transition to structure of company with committees</li> </ul>	By June 2022: Determination of policy Performed in November 2021 April 2022: Enactment By March 2023: Determination of policy	

# Progress of medium- to long-term sustainability targets

Announced on May 23, 2024



# Progress of medium- to long-term sustainability targets : Environmental

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023	
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic sales offices</li> </ul>	<p>FY2022: (1) Introduced 1.2% of total electricity from renewable sources (2) Study on measures to 'achieve 40% in FY2024'</p> <p>FY2023: (1) Introduced 5.1% of total electricity from renewable sources (2) Decided to purchase non-fossil certificates to achieve target of '40% renewable energy in 2024', and to quantify greenhouse gas emissions and set a reduction target in FY2024</p>
	<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic manufacturing sites</li> </ul>	<p>FY2022 : Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design.</p> <p>FY2023: Installed solar power generation system in Towada factory (December 2023) and Fukushima factory (February 2024)</p>	
	<ul style="list-style-type: none"> <li>Adoption of renewable energy at overseas manufacturing sites</li> </ul>	<p>FY2022: Started to introduce renewable energy-derived electricity using solar panels at sites in China (Hubei) and Vietnam. Expected to cover 30%-50% of annual electricity usage at each site.</p> <p>FY2023: Installed solar panels in Mexico new factory (April 2024)</p>	
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	<p>FY2022: The ratio of electric vehicles increased by 1.2pt year on year to 82.0% (as of March 31, 2023).</p> <p>FY2023: The ratio of electric vehicles increased by 3.0pt year on year (as of March 31, 2024)</p>

# Introduction of Renewable Energy

- Solar power generation facilities will be installed step by step to achieve 100% renewable energy.
- We continue to proactively install facilities for environmentally sustainable business growth.

## KAGA EMS TOWADA CO.,LTD.



### Generating capacity

Annual energy production  
289,444kWh  
Renewable energy ratio  
10~20%

### Instruction period

December, 2023

## KAGA MICRO SOLUTION CO., LTD. Fukushima Factory



### Generating capacity

Annual energy production  
158,761kWh  
Renewable energy ratio  
20~30%

### Instruction period

February, 2024

## Vietnam factory



### Generating capacity

Annual energy production  
747,934kWh  
Renewable energy ratio  
70~80%

### Instruction period

November, 2022

## Hubei Factory



### Generating capacity

Annual energy production  
1,086,118kWh  
Renewable energy ratio  
30~40%

### Instruction period

April, 2022

# Progress of medium- to long-term sustainability targets : Social

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> </ul>	<ul style="list-style-type: none"> <li>Percentage of female new graduates in general positions based on hiring activities as per the Action Plan            FY2022: 4 females out of 22 new graduates in general positions, up 12.3pt year on year to 18.1%            FY2023: 5 females out of 23 new graduates in general positions, up 3.6pt year on year to 21.7%.            Fell below the target of 30%, despite a 3.6-pt year-on-year increase to 21.7%</li> <li>Discussions held within the group to improve percentage of women in management positions and set targets for the number of women in management positions at each group company.            FY2022: 16.5%, up 3.2pt year on year            FY2023: 17.4%, up 0.9pt year on year</li> </ul>
		<ul style="list-style-type: none"> <li>Initiatives to employ elderly workers and persons with disabilities</li> </ul>	<p>FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023)</p> <p>FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)</p>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>Enhancement of programs such as childcare/family-care and telework</li> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	<p>FY2022: Revised regulations and rules to make telework a permanent system            FY2023: The new rules took effect in April 2023.</p> <p>FY2022: Certified in March 2023            FY2023: Certified for two consecutive years in March 2024</p>

# Progress of medium- to long-term sustainability targets : Governance

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
<p style="text-align: center;">Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange</p>	<ul style="list-style-type: none"> <li>● Independent Outside Directors: at least 1/3</li> <li>● Establishment of Nomination and Compensation Committee</li> </ul>	<p>FY2022: Effective June 2023, 6 directors (including three outside directors), with a majority of directors being outside directors. Established the Nomination and Compensation Committee.</p> <p>FY2023: Adopted a 6-director structure (including 3 outside directors) at the June 2023 general shareholders' meeting</p>
	<ul style="list-style-type: none"> <li>● Diversification of the Board of Directors</li> </ul>	<p>FY2022: Decided to nominate a female candidate as a new outside auditor. Continued to work to appoint a female director.</p> <p>FY2023: Appointed a female outside director at the June 2023 meeting. Deferred a proposal to appoint a female director at the June 2024 meeting</p>
	<ul style="list-style-type: none"> <li>● Full compliance with Corporate Governance Code for Prime Market</li> </ul>	<p>FY2022: TCFD-compliant information to be disclosed from June 2022.</p> <p>FY2023: CG Code not revised</p>
<p style="text-align: center;">Further strengthening the supervisory and oversight functions of top management over business execution</p>	<ul style="list-style-type: none"> <li>● Adoption of delegation-based executive officer structure</li> </ul>	<p>FY2022: Implemented from April 2022.</p> <p>FY2023: Decided to expand the membership of the Group management committee to a delegation-based executive officer structure effective in April 2024</p>
	<ul style="list-style-type: none"> <li>● Transition to structure of company with committees</li> </ul>	<p>FY2022: Continue the company-with-auditors system, but shorten the term of directors from the current 2 years to 1 year (in June 2023).</p> <p>FY2023: Continued the company-with-auditors system. Discussed to move to a company-with-audit and supervisory committee structure, given the need for speedy management and appointment of female directors</p>

# Biodiversity Initiatives : Biotope set up at the head office

A biotope was installed in July 2023 to provide a habitat and growing space for wildlife and to contribute to the conservation of biodiversity. Plants designated as endangered species bloom inside the biotope, making it a place where employees can learn about biodiversity conservation and the protection of the natural environment and feel connected to living things while enjoying nature.

Kaga Electronics also holds biodiversity-themed lecture sessions for children. External experts are invited to these lecture sessions, providing employees and their families with opportunities to learn about biodiversity while enjoying interacting with nature.



**“Everything we do is  
for our customers”**



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