

November 6, 2018

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Notification Regarding Outline of Next Medium Term Management Plan

KAGA ELECTRONICS CO., LTD. (TSE: 8154; hereafter, the “Company”), at the meeting of the Board of Directors held on November 6, 2018, determined the “Medium Term Management Plan 2021 (2019-2021)” which shows the direction of the next management plan to commence with the period ending March 31, 2020, and therefore is providing the following notice.

The Company, in November 2015, formulated the “Medium Term Management Plan 2018 (2015-2018),” stated the establishment of “profit-focused management” as a key management policy, and aimed for sustainable growth as a company.

As a result of this, the gross profit margin, which is the source of profit, improved to close to 14%, and for the period ending March 31, 2018, ordinary profit posted record high for the first time in thirteen years. Furthermore, in addition to autonomous growth achieved through the expansion of the EMS business^{*1} focused on overseas and the expansion of the trading company business targeted at growth fields such as automotive and communications, as announced on September 10, the Company determined the “Acquisition of Shares in Fujitsu Electronics Inc.(and Making It a Subsidiary),” etc. and through such activities has boldly challenged towards dramatic business expansion with a focus on further industry reorganization.

The performance forecast for the period ending March 31, 2019 (FY2018), which is the final year of this plan, as announced today, shows that of the management targets indicated in the plan^{*2}, sales (290.0 billion yen) and ROE (8.0% or above) have the prospect of being achieved.

The Company celebrated the 50th anniversary of its founding in September,2018, and in order to make a new starting point towards the creation of the “KAGA ELECTRONICS GROUP of the Future” that looks towards the next fifty years and further ahead, formulated the “Medium Term Management Plan 2021 (2019 - 2021)” as a three-year plan spanning from the period ending March 31, 2020 to the period ending March 31, 2022. An outline of this is provided below:

1. Basic Policies

● Enhancement of Revenue Base

Utilizing the Group’s DNA since the founding in which current trends are always foreseen, we shall focus on markets that are expected to see high growth and profitability in the future, and shall endeavor to strengthen the Group’s revenue base.

- (1) Strengthening initiatives for growth sectors: Focusing on in-vehicle, communications, environment, industrial equipment, and medical/healthcare.
- (2) Strengthening and expanding the EMS business and overseas business

- **Stabilization of Management Base**

Aiming to strengthen the management base towards early improvement of efficiency and financial soundness after conversion of Fujitsu Electronics to a subsidiary.

(1) Continuation of group-wide cost reduction measures

(2) Promotion of the improved group management efficiency through the development of organizational structure

(3) Strengthening of corporate governance, development of human resources

- **Creation of New Business**

In order to strengthen resistance to changes in the external environment, we shall endeavor to create new business through the proactive use of our own resources and M&A.

(1) Launching of social issues (childcare, welfare, nursing care, etc.) business and materials business

(2) Promotion of open innovation through venture investment

(3) Active use of M&A

2. Management Targets

The management targets serving as goals for the period ending March 31, 2022, which is the final year of the plan, are as shown below:

Sales	Operating Income	ROE
500.0 billion yen	13.0 billion yen	8% or higher

Note: Assumed exchange rate: US\$1.00=110 yen

3. Positioning of the “Medium Term Management Plan 2021 (2019-2021)”

The Company, through the establishment and taking hold of “profit-focused management,” shall form “Japan’s No. 1 corporate group in the industry,” and furthermore, has adopted a medium to long term management vision of aiming to become “World Class Company.”

Towards the realization of this vision, in the “Medium Term Management Plan 2021 (2019-2021),” we shall aim to expand our size through the conversion of Fujitsu Electronics to a subsidiary, and shall consolidate our business base as “Japan’s No. 1 corporate group in the industry,” with sales in the region of 500.0 billion yen.

Using this as a springboard, on a medium to long term time frame, we shall further expand the EMS business, shall strengthen and expand overseas business, and in addition, shall aim to expand our size by challenging towards further M&A and industry reorganization, and through this we shall compete with overseas competitors with sales in the order of trillions of yen, and shall aim to become a “World Class Company” that will survive even in global competition.

4. Concepts on Return to Shareholders

The Company has positioned the return of profits to shareholders as one of the most important management policies, and in addition to endeavoring to strengthen its financial position and management foundation with a long term perspective, has the basic policy of maintaining stable and ongoing dividends to all shareholders in conjunction with the consolidated results.

Based on this policy, in the “Medium Term Management Plan 2021 (2019-2022)” we have stated the target of stably providing dividends while securing a consolidated dividend ratio of 25 to 35%. In addition, we shall actively use business investment, capital investment, and M&A, etc. to contribute to the future growth of the Group. It should be noted regarding the acquisition of treasury shares, that decisions on this shall be made appropriately, in consideration of capital efficiency and the share price, etc.

*1) EMS business: Electronic equipment manufacture contracting services. The Company utilizes its strengths as an independent electronics trading company to become a leader in the installation of electronic boards.

*2) Management targets of the current “Medium Term Management Plan 2018 (2015-2018)”

Sales	Operating Income	ROE
290.0 billion yen	10.0 billion yen	8% or higher

(Caution regarding forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

Medium Term Management Plan 2021 (2019 - 2021)

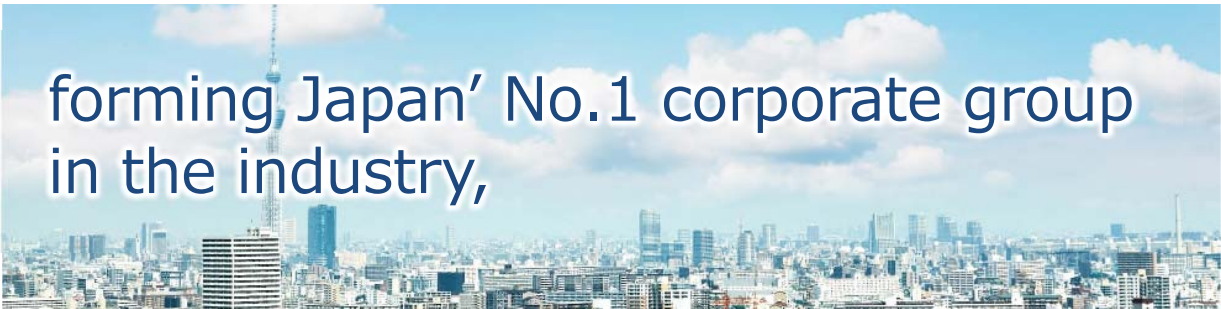
Outline

November 6, 2018

Kaga Electronics Co., Ltd.

Medium to Long Term Vision of the Kaga Electronics Group

Through the establishment and taking hold of “profit-focused management”,



forming Japan' No.1 corporate group
in the industry,



and furthermore, aiming to become
a “World Class Company”.

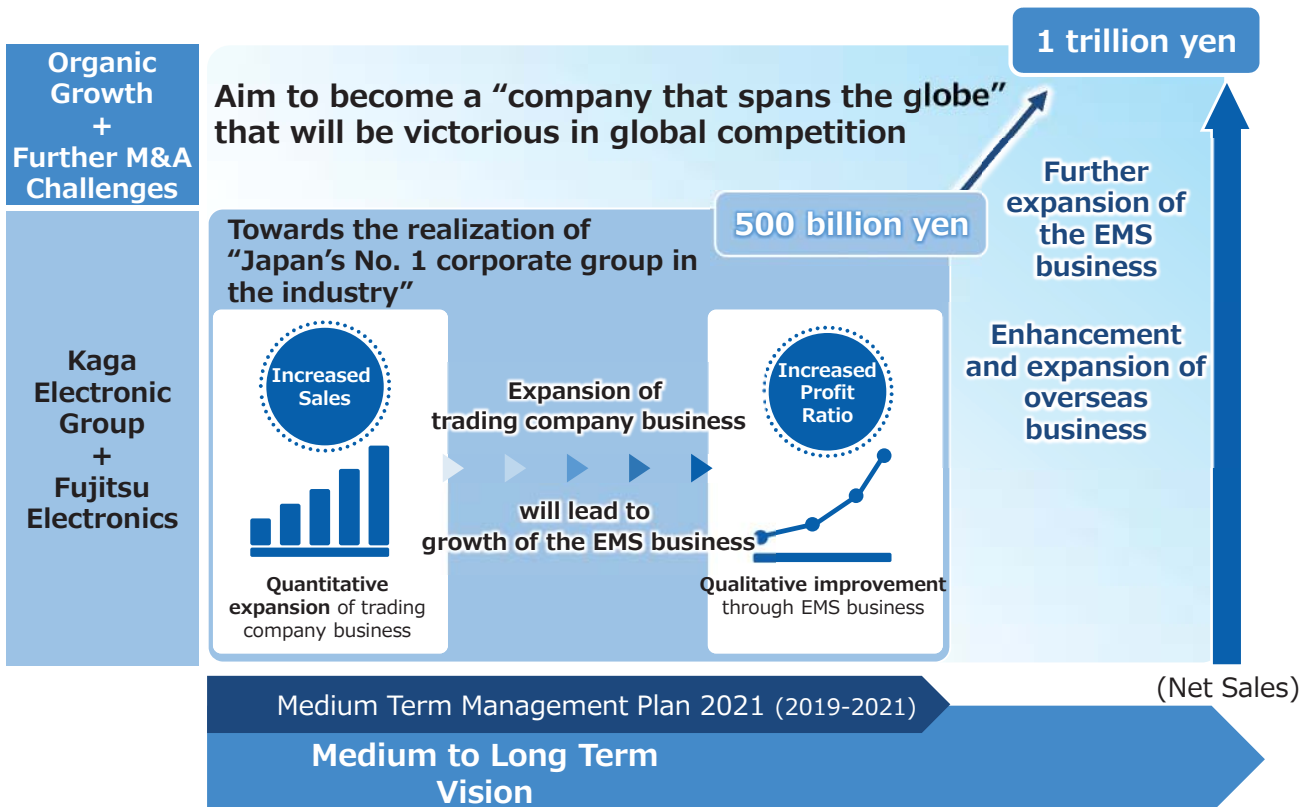
“Medium Term Management Plan 2021 (2019 - 2021)” Basic Policies

Key Issues	
1 Enhancement of Revenue Base	Utilizing the Group’s DNA to see things ahead of time, we shall focus on markets and customers forecast to have high growth potential and profitability , and will aim to strengthen the revenue base <ul style="list-style-type: none"> • Strengthening initiatives for growth sectors: In-vehicle, communications, environment, industrial equipment, medical and healthcare • Enhancement and expansion of EMS business and overseas business
2 Stabilization of Management Base	Aiming to stabilize the management base towards early improvement of efficiency and financial soundness after conversion of Fujitsu Electronics to subsidiary <ul style="list-style-type: none"> • Continuation of group-wide cost reduction measures • Promotion of improve group management efficiency through the preparation of an organizational structure • Enhancement of corporate governance, cultivating human resources to lead the next generation
3 Creation of New Business	In order to enhance resistance to changes in the external environment , we shall endeavor to create new business through the proactive use of our own resources and M&A <ul style="list-style-type: none"> • Launching of social issues (childcare, welfare, nursing care, etc.) business and materials business • Promotion of open innovation through venture investment • Proactive use of M&A activities

“Medium Term Management Plan 2021 (2019-2021)” Management Targets

	FY2018 Forecast	Management Targets FY2021	Growth Rate Compared to FY2018
Net Sales	290 billion yen	500 billion yen	Up 72%
Operating Income	7.7 billion yen	13 billion yen	Up 69%
ROE	9.9%	8% or higher	—
FOREX	• Assumed Exchange Rate : US\$1.00 = ¥ 110		

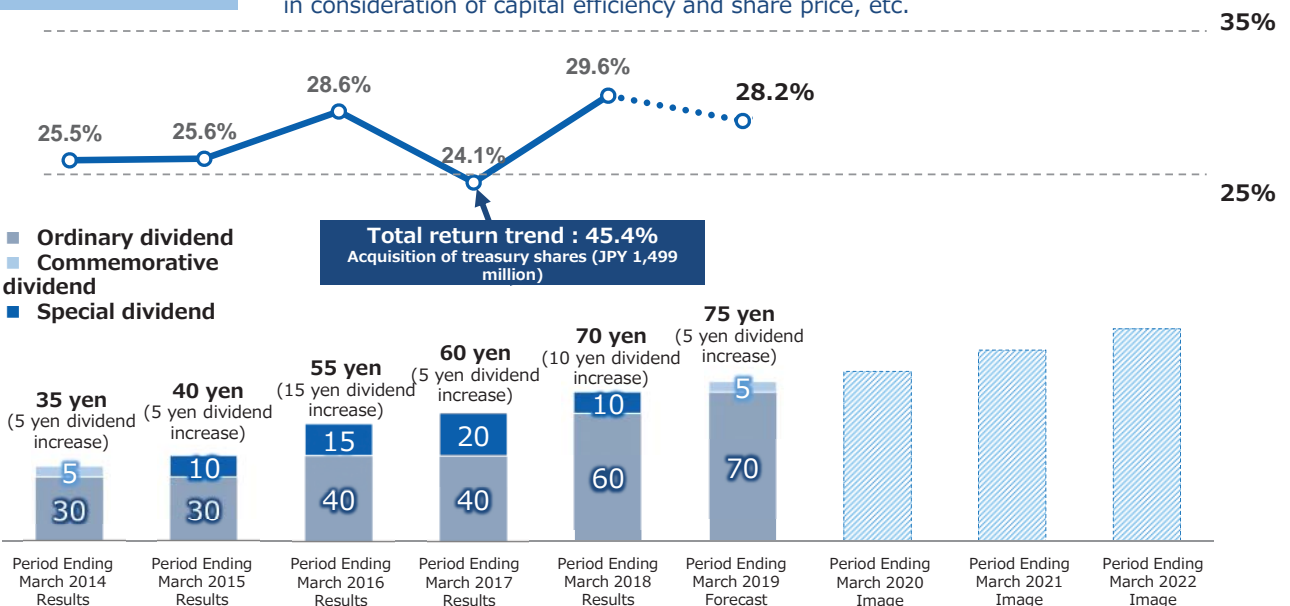
Positioning of "Medium Term Management Plan 2021 (2019 - 2021)"



Shareholder Return Concept

Basic Policy on Dividends of Surplus

- We shall perform **stable dividends**, while securing a **consolidated dividend ratio of 25 to 35%**.
- We shall use **funds for business investments, capital investments, and M&A**, etc. in order to contribute to future growth.
- Decisions on the **acquisition of treasury shares** shall be made appropriately, in consideration of capital efficiency and share price, etc.



“Everything we do is for our customers”



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■ Caution on forward-looking statements

Forwarding look statements included in this document, such as performance forecasts, are based on information that has been obtained at the current time and certain assumptions deemed as reasonable by the company; actual performance, etc. may be significantly different due to various factors.