

Kaga Electronics Group's Growth Scenario Medium Term Management Plan 2021 Outline

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Kaga Electronics Co., Ltd.
President & Representative Director
Ryoichi Kado

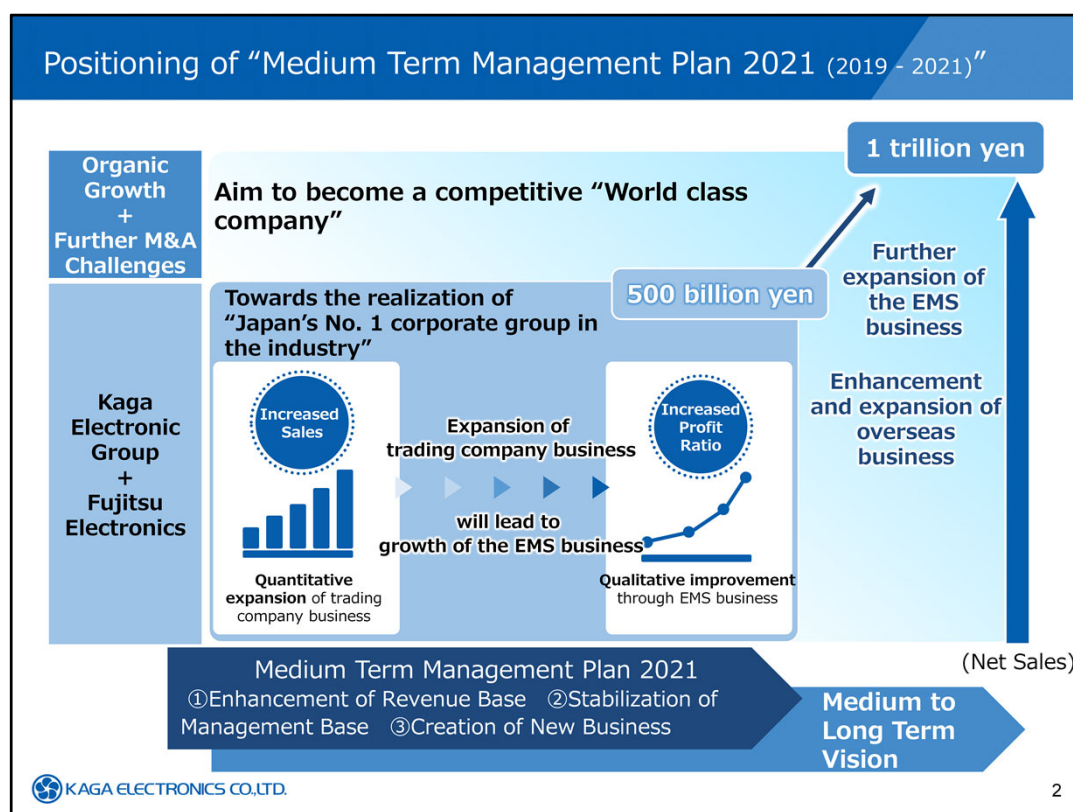
Medium to Long Term Vision of the Kaga Electronics Group

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 competitive
“World class company”.

- The first slide shows the “**Medium to Long Term Management Vision,**” the same vision which I have consistently pursued to this day, ever since I assumed the office of President in 2014.
- The vision embraces, first and foremost, “**profit-focused management.**” In the previous medium term management plan, we focused our efforts on establishing this “profit-focused management” and setting it firmly in place. To this end, “**expansion of the EMS business**” and “**structural reforms**” were conducted **simultaneously.**
- As we made a good progress towards achieving “profit-focused management,” we have moved on to the next goal, which is to become “**Japan’s No. 1 corporate group in the industry,**” and have recently set out to execute “**the conversion of Fujiitsu Electronics to a subsidiary.**”
- Once we have achieved the goal of becoming “Japan’s No. 1 corporate group in the industry,” our next goal will be to become “**a World Class Company that will survive even in global competition.**” Globally, we have competitors with sales exceeding a trillion yen. We must aim to be **a company that can compete with them and be victorious.**
- My mission as the top management is, I believe, **to transform and develop Kaga Electronics into such a company and pass it on to the next generation.**



- This slide illustrates the positioning of "Medium Term Management Plan 2021."
- As indicated with a large font at the center of the slide, by leveraging the conversion of Fujitsu Electronics to a subsidiary, we will seek to **realize our goal of becoming "Japan's No. 1 corporate group in the industry"** through **discontinuous expansion of electronic parts business**, which is our core business and on which we were founded.
- Our short-term goal is to **expand the trading company business**. This means the two companies sharing their products and customer bases in order to **quantitatively expand net sales and profit of the trading company business**.
- The quantitative expansion of the trading company business will then **be used for the value adding EMS business**, which is our strength. This is our medium-term goal. In this way, we will seek qualitative improvement, or in other words, **improvement in profit ratio**. So, **first we achieve quantitative expansion, and then seek qualitative improvement**. Such is the scenario.
- **In the current Medium Term Management Plan, we have set our goal to become a "500 billion yen class" company** using the conversion of Fujitsu Electronics to a subsidiary as a springboard. **Our subsequent medium to long-term goal will be to become "a trillion yen class" company**.
- In addition to growing EMS and overseas businesses, we will boldly take on the challenge of doing more M&A transactions in pursuing our goal to become **"a World Class Company that will survive even in global competition."**
- As you may be aware, while Japan already has "500 billion yen class" companies, there is as yet no company of "trillion yen class." Such being the case, **we would definitely wish to aim to be "the first trillion yen 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

- In this slide, we present in detail the three basic policies of the plan, which are **“enhancement of revenue base,” “stabilization of management base,”** and **“creation of new businesses.”**
- As these were explained in our previous presentation, I will not go into the details today, but let me add that, **of these policies, “stabilization of management bases” is the key.**
- Given that **the Group’s profitability will decline temporarily** following the conversion of Fujitsu Electronics to a subsidiary, I believe it is important to **promptly put it back on track.** To this end, we will proceed with cost reduction across the Group and development of an organizational structure, through which we will strive for an **early improvement of Group management efficiency and financial soundness**

“Medium Term Management Plan 2021” Management Targets			
	FY2018 Result	FY2019 Forecast	Management Targets FY2021
Net Sales	292.8 billion yen	430 billion yen	500 billion yen
Operating Income	7.6 billion yen	7 billion yen	13 billion yen
ROE	10.9%	6.4%	8% or higher
FOREX	• Plan forecast : US\$1.00 = ¥ 110		

KAGA ELECTRONICS CO.,LTD.

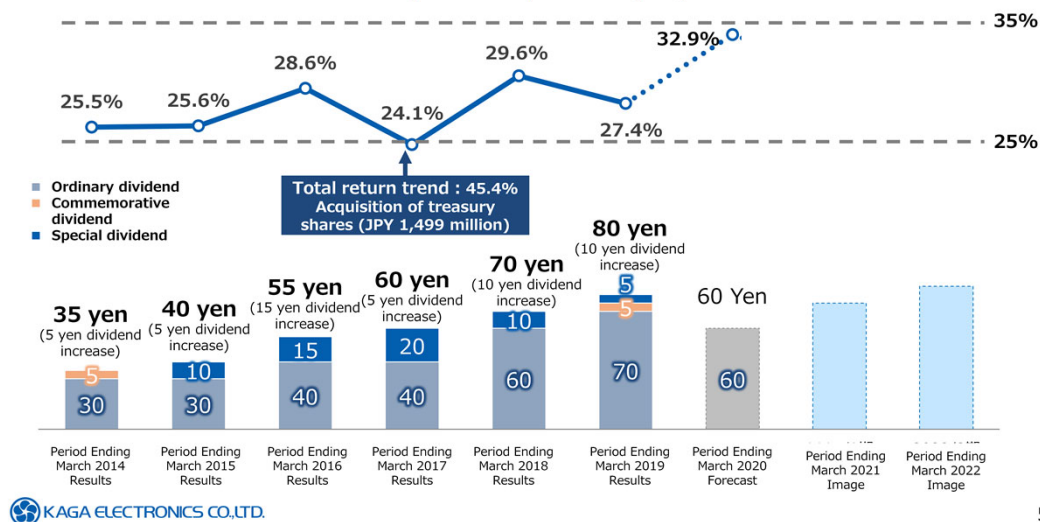
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- This slide shows the management targets of “Medium Term Management Plan 2021.”
- **Net sales of 500 billion yen, an operating income of 13 billion yen , and an ROE of 8% or higher**, are the management targets for fiscal 2021, which is the final year of Medium Term Management Plan 2021.
- The fiscal 2018 results and fiscal 2019 forecasts which Mr. Kawamura just presented, are shown in the columns on the left hand side.
- These are all challenging targets but we will strive to achieve them over the next three years, **with concerted efforts of the whole Group**

Shareholder Return Concept

Basic Policy on Dividends of Surplus

- We shall perform **stable dividends**, while securing a **consolidated dividend payout 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.



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- The last slide is on “shareholder returns.”
- **Returning profits to shareholders is one of our important management issues.** Of the basic policies described here, we are giving priority to “**stably providing dividends while securing a consolidated dividend ratio of 25 to 35%.**”
- In the fiscal year ended March 31, 2019, we paid an **interim dividend of 35 yen per share**, which consisted of an ordinary dividend of 30 yen as initially projected, and a 50th anniversary commemorative dividend of 5 yen. For the year-end dividend, an ordinary dividend of 40 yen as initially projected and an extraordinary dividend of 5 yen will be paid, for a **total of 45 yen per share. The annual dividend will be 80 yen per share**, which represents a **dividend ratio of 27.4%.**
- In the fiscal year ending March 31, 2020, an **annual dividend of 60 yen per share is currently planned**, which represents a **dividend ratio of 32.9%** against a projected 5 billion yen in profit attributable to owners of parent.
- As shown in this graph, we have maintained a dividend increase for six consecutive years since the fiscal year ended March 31, 2014. Regrettably this will be interrupted, but **we will work on achieving a sustained growth of profit so that we may be able to resume dividend increase in the future.**

This concludes my explanation on the outline of the “Medium Term Management Plan.”

“Everything we do is for our customers



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : webmaster@taxan.co.jp

<https://www.taxan.co.jp>

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