

Financial Results Briefing Material for the Fiscal Year ended March 2024

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

May 23, 2024

KAGA ELECTRONICS CO., LTD.

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Inventory Reduction
『Medium-Term Management Plan 2024』 Progress of
Management targets
Started a New Factory in Mexico to expand EMS Business
Medium- to long-term sustainability targets and major KPIs

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Consolidated Financial Results

for the Fiscal Year ended March 2024

Senior Executive Officer
Head of Administration Headquarters
Yasuhiro Ishihara

Summary of Financial Results for FY2024/3

Results for FY2024/3

- **Net sales decreased by 65.3 billion yen or 10.8% year on year to 542.6 billion yen.** The electronic components business was affected by **full-scale impact of inventory adjustment from 3Q**, in addition to disappearance of spot demand and diminution of transactions with a major customer of a Group company.
- **Operating income decreased by 6.4 billion yen or 19.9% year on year to 25.8 billion yen.** The decrease primarily reflected a decrease in gross profit due to lower net sales, despite efforts to reduce SG&A expenses.
- **Net income decreased by 2.7 billion yen or 11.8% year on year to 20.3 billion yen.** 1.4 billion yen in gain on sale of investment securities and 0.4 billion yen in gain on bargain purchase associated with a corporate acquisition were posted.
- **Compared with the Company plan**, net sales fell slightly short of the plan, but **incomes exceeded the plan.**

FY2025/3 earnings forecast

- **Sales assumptions:** Although there is no change to the medium- to long-term growth scenario for the electronics-related markets with the automotive area as one of the major drivers, **full-fledged demand recovery is not expected until the second half of FY2025/3** given that full-scale inventory adjustment observed since the second half of FY2024/3 will continue for some time.
- **Income assumptions:** Increase in expenses due to salary increases, etc. are factored in, in addition to prolonged inventory adjustment.
- **Earnings forecast:** In light of the above, **[net sales of 550.0 billion yen (up 2.3%), operating income of 26.0 billion yen (up 0.6%), and net income of 18.0 billion yen (down 11.5%)]** are projected.

Shareholder Return

- FY2024/3: The year-end dividend **will be 110 yen per share** as previously forecast on May 11, 2023. **The annual dividend** including interim dividend **amounts to 220 yen per share, unchanged from the previous fiscal year.**
- FY2025/3: Despite a projected decrease in final income, the previous fiscal year's **220 yen per share will be maintained.**

Financial Highlights for FY2024/3

(million yen)

	FY2023/3 Results	FY2024/3 Results	YoY	FY2024/3 Forecasts (Announced on May 11, 2023)	Progress rate
Net sales	608,064	542,697	-10.8%	550,000	-1.3%
Gross Profit	78,514 12.9%	70,452 13.0%	-10.3%	— —	—
SG&A	46,265 7.6%	44,607 8.2%	-3.6%	— —	—
Operating income	32,249 5.3%	25,845 4.8%	-19.9%	25,000 4.5%	3.4%
Ordinary income	32,739 5.4%	25,976 4.8%	-20.7%	25,000 4.5%	3.9%
Profit attributable to owners of parent	23,070 3.8%	20,345 3.7%	-11.8%	18,000 3.3%	13.0%
EPS (yen)	878.65 —	774.61 —	—	685.42 —	—
ROE	19.6% —	14.5% —	-5.1pt	13.3% —	1.2pt
Exchange Rate yen / USD	135.47 —	144.62 —	—	135.00 —	—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 12,539 million yen on net sales and 420 million yen on operating income.

2. "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2024/3

(million yen)

		FY2023/3 Results	FY2024/3 Results	YoY	FY2024/3 Forecasts (Announced on May 11, 2023)	Progress rate
Electronic Component	Net sales	539,342	472,583	-12.4%	471,500	0.2%
	Segment income	28,314 <i>5.2%</i>	20,887 <i>4.4%</i>	-26.2%	20,700 <i>4.4%</i>	0.9%
Information Equipment	Net sales	43,680	44,305	1.4%	45,000	-1.5%
	Segment income	2,449 <i>5.6%</i>	2,924 <i>6.6%</i>	19.4%	2,500 <i>5.6%</i>	17.0%
Software	Net sales	2,998	2,567	-14.4%	4,500	-42.9%
	Segment income	286 <i>9.6%</i>	370 <i>14.4%</i>	29.0%	300 <i>6.7%</i>	23.4%
Others	Net sales	22,044	23,241	5.4%	29,000	-19.9%
	Segment income	1,101 <i>5.0%</i>	1,555 <i>6.7%</i>	41.2%	1,500 <i>5.2%</i>	3.7%
Total	Net sales	608,064	542,697	-10.8%	550,000	-1.3%
	Segment income	32,249 <i>5.3%</i>	25,845 <i>4.8%</i>	-19.9%	25,000 <i>4.5%</i>	3.4%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).
2. "x. x%" represents the profit margin.

Results by Company for FY2024/3

(million yen)

		FY2022/3 Results	FY2023/3 Results	FY2024/3 Results	YoY	VS FY2022/3
Kaga Electronics	Net sales	281,075	348,034	315,404	-9.4%	12.2%
	Gross Profit	41,767 <i>14.9%</i>	53,123 <i>15.3%</i>	47,373 <i>15.0%</i>	-10.8%	13.4%
	Operating income	15,461 <i>5.5%</i>	21,899 <i>6.3%</i>	19,580 <i>6.2%</i>	-10.6%	26.6%
Kaga FEI	Net sales	149,455	199,548	190,684	-4.4%	27.6%
	Gross Profit	14,690 <i>9.8%</i>	20,913 <i>10.5%</i>	19,218 <i>10.1%</i>	-8.1%	30.8%
	Operating income	3,654 <i>2.4%</i>	8,103 <i>4.1%</i>	4,413 <i>2.3%</i>	-45.5%	20.8%
Excel	Net sales	65,296	60,481	36,608	-39.5%	-43.9%
	Gross Profit	4,247 <i>6.5%</i>	4,443 <i>7.3%</i>	3,834 <i>10.5%</i>	-13.7%	-9.7%
	Operating income	1,937 <i>3.0%</i>	2,072 <i>3.4%</i>	1,653 <i>4.5%</i>	-20.2%	-14.6%
Total	Net sales	495,827	608,064	542,697	-10.8%	9.5%
	Gross Profit	60,547 <i>12.2%</i>	78,514 <i>12.9%</i>	70,452 <i>13.0%</i>	-10.3%	16.4%
	Operating income	20,915 <i>4.2%</i>	32,249 <i>5.3%</i>	25,845 <i>4.8%</i>	-19.9%	23.6%

Note: 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.

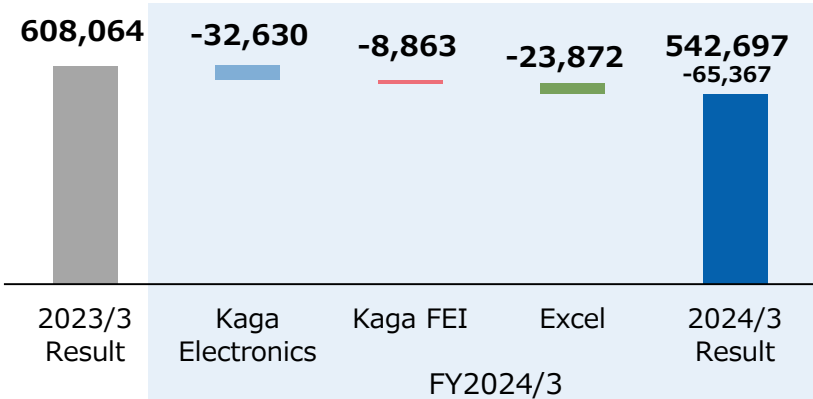
2. "x. x%" represents the profit margin.

Effect of M&A for FY2024/3

(million yen)

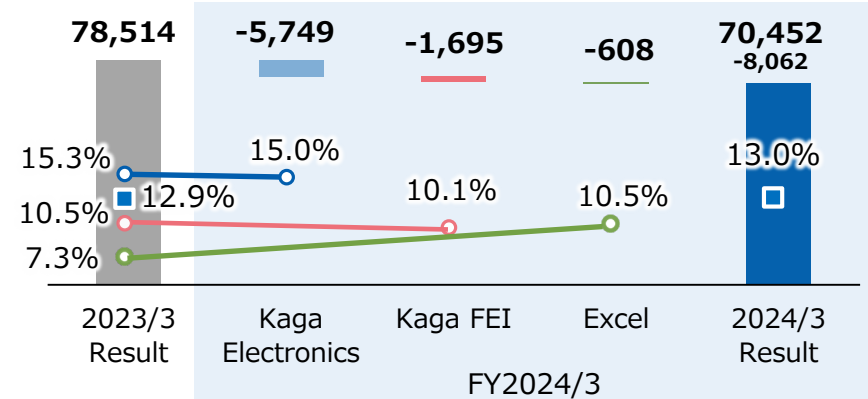
Net Sales

Net sales decreased both at Kaga Electronics and Kaga FEI due partly to disappearance of spot demand. Excel saw a decrease in sales to a major customer.



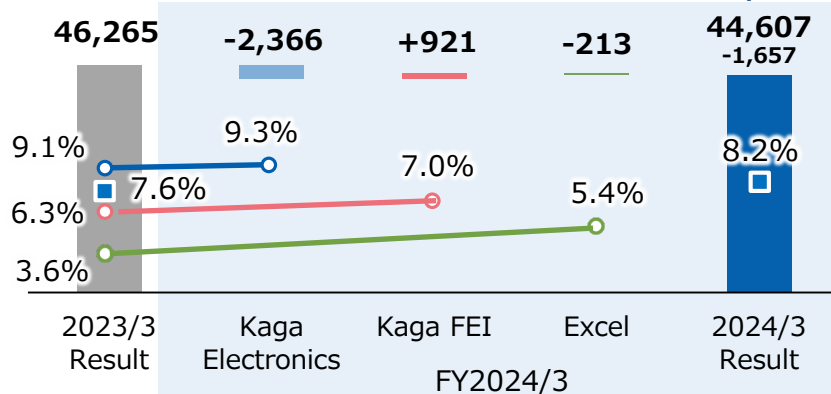
Gross profit / Gross profit margin

All three companies recorded a gross profit decrease due to lower net sales. At Excel, gross profit margin improved due to improved sales mix.



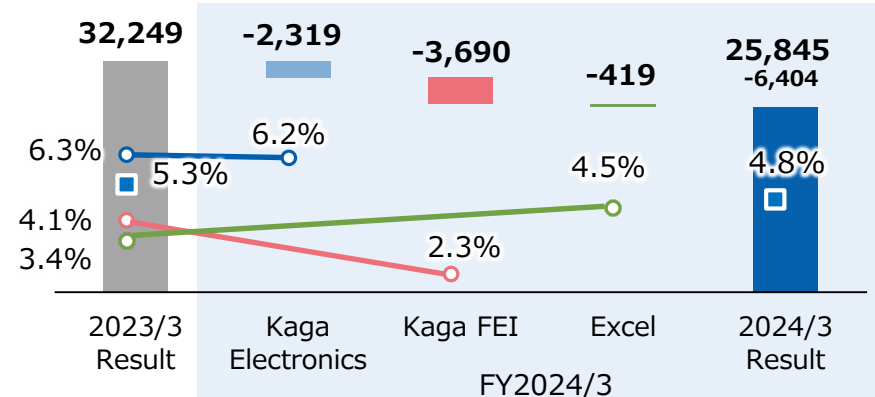
SG&A / SG&A ratio

SG&A expenses decreased in Kaga Electronics and Excel, reflecting cost-cutting efforts. Kaga FEI's expenses increased due partly to the provision of allowance for doubtful accounts and allocation of head office expenses.



Operating income / Operating income margin

All three companies recorded an operating income decrease. At Excel, operating income margin improved due to improved sales mix



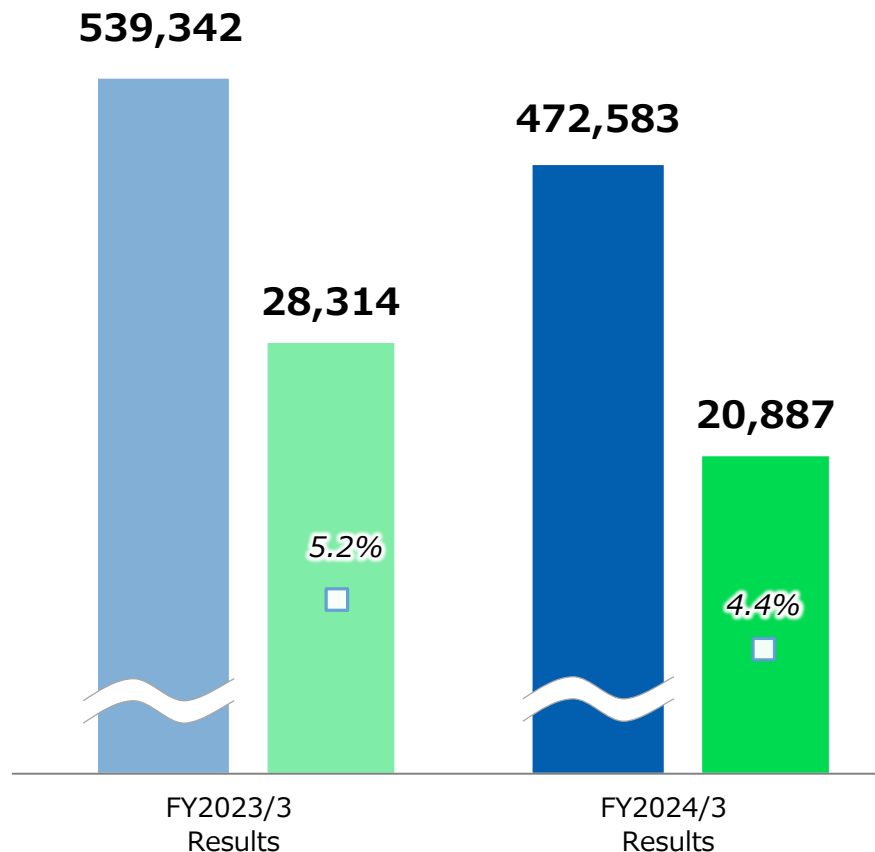
Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■/■ Net Sales

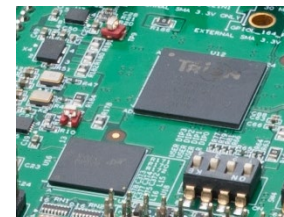
■/■ Segment income



YoY

- Net Sales ▶ **-66,759** million yen **12.4% Down**
- Segment income ▶ **-7,427** million yen **26.3% Down**

- Both net sales and income decreased in the component sales business due to the impact of inventory adjustment taking place on a full-scale since 3Q, in addition to disappearance of spot demand that had contributed to earnings until the previous fiscal year, given easing of supply shortages of semiconductors and electronic components, and diminution of transactions with a certain major client of Excel.
- Kaga FEI's SoC (System on a Chip) products continued to enjoy robust sales.
- In the EMS business, net sales and income declined due partly to the impact of inventory adjustments at key customers in applications related to medical, industrial and air-conditioning equipment, despite sales growth in the automotive sector resulting from improved supply and demand balance of semiconductors and electronic components.

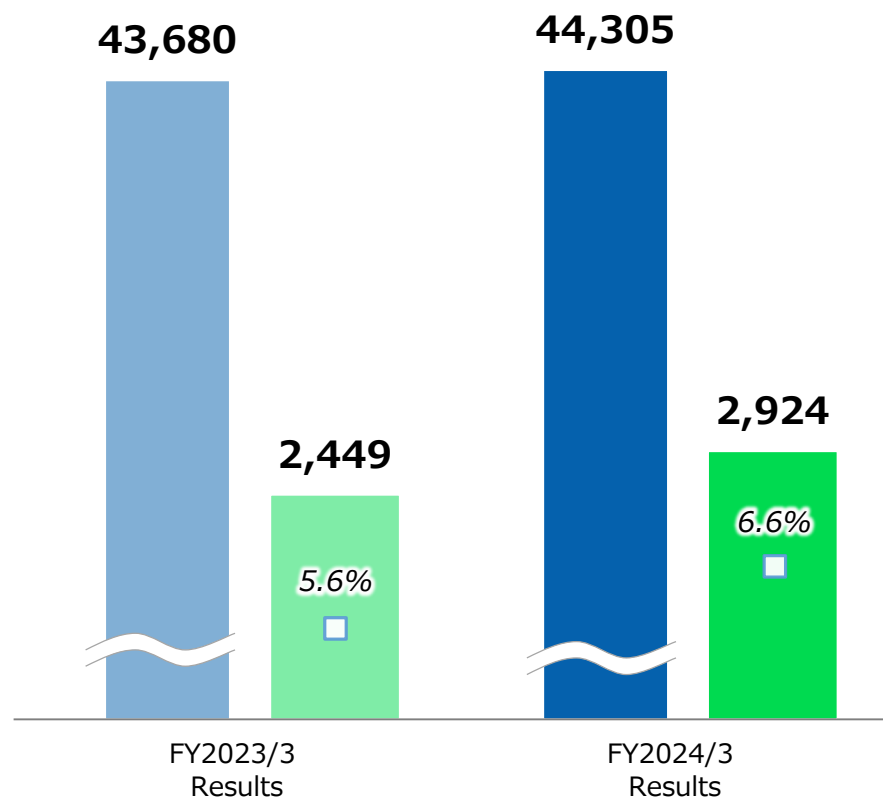


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■/ ■ Net Sales
■/ ■ Segment income



YoY

● Net Sales ▶ **+625**million yen **1.4%Up**
● Segment income ▶ **+474**million yen **19.4%Up**

- Although sales of PCs for mass retailers struggled due to weak demand, sales of PCs for educational institutions remained firm, with an increase in the number of accounts.
- Sales of security software and PC peripheral products were also solid.
- The LED installation business enjoyed contribution from sales of large-scale projects that the Group has been pushing forward on a full scale since the previous fiscal year.



Financial Highlights for FY2024/3 (3months)

(million yen)

	FY2023/3 4Q Results	FY2024/3 3Q Results	FY2024/3 4Q Results	YoY	QoQ
Net sales	155,843	131,413	136,239	-12.6%	3.7%
Gross Profit	18,630 12.0%	17,091 13.0%	18,200 13.4%	-2.3%	6.5%
SG&A	12,387 7.9%	10,475 8.0%	12,846 9.4%	3.7%	22.6%
Operating income	6,242 4.0%	6,615 5.0%	5,353 3.9%	-14.2%	-19.1%
Ordinary income	6,121 3.9%	6,365 4.8%	5,664 4.2%	-7.5%	-11.0%
Profit attributable to owners of parent	4,017 2.6%	4,587 3.5%	4,353 3.2%	8.4%	-5.1%
EPS (yen)	152.99 –	174.65 –	165.73 –	–	–

- Note: 1. The effect of exchange rates on the conversion into yen is approximately 2,842 million yen on net sales and 90 million yen on operating income.
 2. "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2024/3 (3 months)

(million yen)

		FY2023/3 4Q Results	FY2024/3 3Q Results	FY2024/3 4Q Results	YoY	QoQ
Electronic Component	Net sales	133,733	115,229	114,788	-14.2%	-0.4%
	Segment income	4,972 <i>3.7%</i>	5,363 <i>4.7%</i>	3,738 <i>3.3%</i>	-24.8%	-30.3%
Information Equipment	Net sales	14,540	9,551	14,038	-3.4%	47.0%
	Segment income	949 <i>6.5%</i>	641 <i>6.7%</i>	1,002 <i>7.1%</i>	5.6%	56.2%
Software	Net sales	922	591	750	-18.6%	27.0%
	Segment income	151 <i>16.4%</i>	149 <i>25.3%</i>	107 <i>14.3%</i>	-29.1%	-28.2%
Others	Net sales	6,647	6,041	6,660	0.2%	10.2%
	Segment income	129 <i>2.0%</i>	436 <i>7.2%</i>	495 <i>7.4%</i>	281.9%	13.6%
Total	Net sales	155,843	131,413	136,239	-12.6%	3.7%
	Segment income	6,242 <i>4.0%</i>	6,615 <i>5.0%</i>	5,353 <i>3.9%</i>	-14.2%	-19.1%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).
2. "x. x%" represents the profit margin.

Results by Company for FY2024/3 (3 months)

(million yen)

		FY2023/3 4Q Results	FY2024/3 3Q Results	FY2024/3 4Q Results	YoY	QoQ
Kaga Electronics	Net sales	93,560	78,517	80,478	-14.0%	2.5%
	Gross Profit	12,901 <i>13.8%</i>	11,556 <i>14.7%</i>	12,165 <i>15.1%</i>	-5.7%	5.3%
	Operating income	4,320 <i>4.6%</i>	5,089 <i>6.5%</i>	3,922 <i>4.9%</i>	-9.2%	-22.9%
Kaga FEI	Net sales	46,255	44,360	47,556	2.8%	7.2%
	Gross Profit	4,300 <i>9.3%</i>	4,510 <i>10.2%</i>	5,075 <i>10.7%</i>	18.0%	12.5%
	Operating income	1,093 <i>2.4%</i>	1,009 <i>2.3%</i>	980 <i>2.1%</i>	-10.3%	-2.9%
Excel	Net sales	16,027	8,535	8,203	-48.8%	-3.9%
	Gross Profit	1,328 <i>8.3%</i>	993 <i>11.6%</i>	915 <i>11.2%</i>	-31.0%	-7.8%
	Operating income	695 <i>4.3%</i>	455 <i>5.3%</i>	332 <i>4.1%</i>	-52.1%	-26.9%
Total	Net sales	155,843	131,413	136,239	-12.6%	3.7%
	Gross Profit	18,630 <i>12.0%</i>	17,091 <i>13.0%</i>	18,200 <i>13.4%</i>	-2.3%	6.5%
	Operating income	6,242 <i>4.0%</i>	6,615 <i>5.0%</i>	5,353 <i>3.9%</i>	-14.2%	-19.1%

Note: 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.

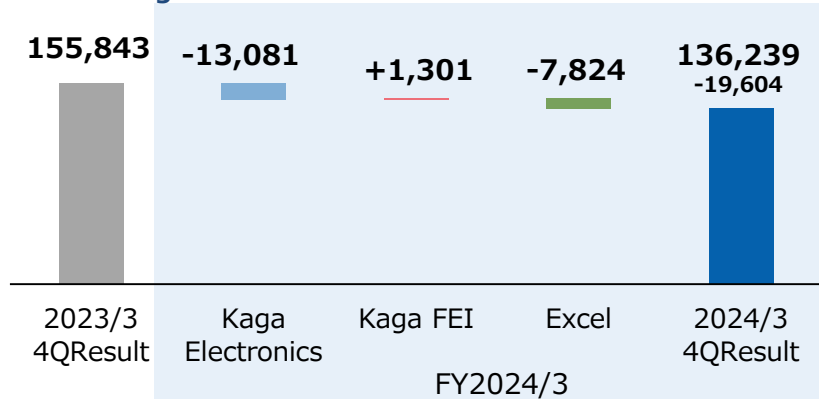
2. "x. x%" represents the profit margin.

Effect of M&A for FY2024/3 (3 months)

(million yen)

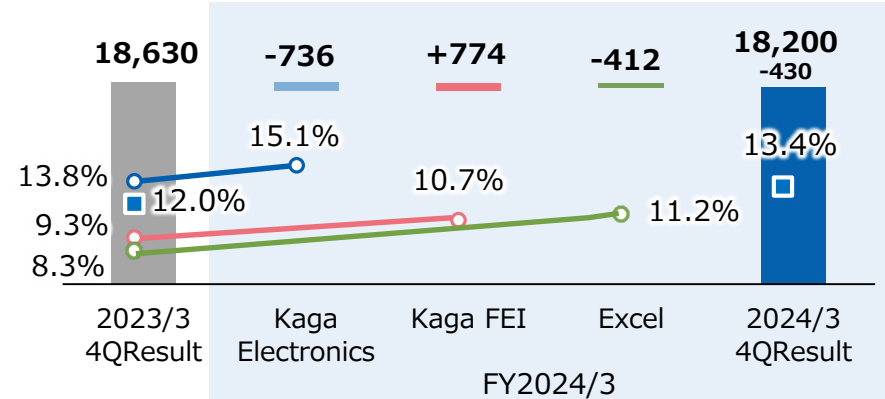
Net Sales

Net sales decreased both at Kaga Electronics and Excel due to continuation of inventory adjustment. Kaga FEI secured an increase in net sales.



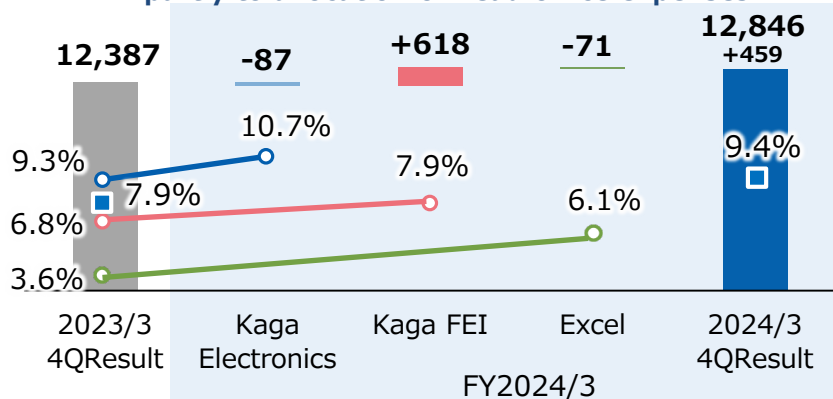
Gross profit / Gross profit margin

profit decreased at both Kaga Electronics and Excel due to lower net sales. Kaga FEI recorded a gross profit increase.



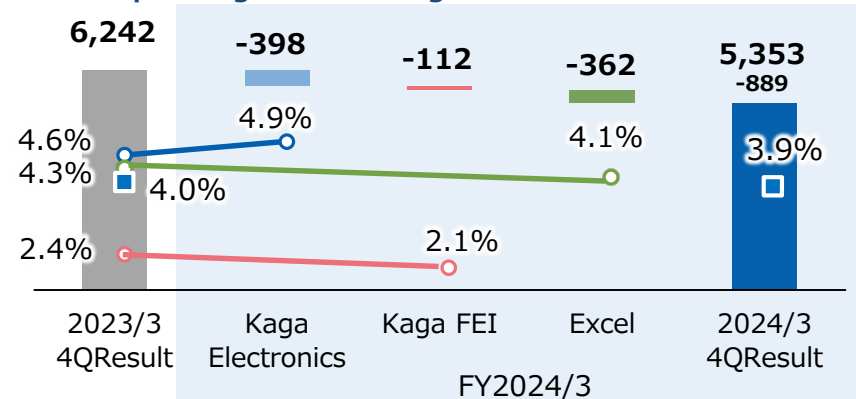
SG&A / SG&A ratio

At Kaga Electronics and Excel reduced SG&A expenses due to a decrease in gross profit. Kaga FEI's expenses increased due partly to allocation of head office expenses.



Operating income / Operating income margin

All three companies recorded a decrease in operating income but maintained roughly last year's level of operating income margin on a consolidated basis.

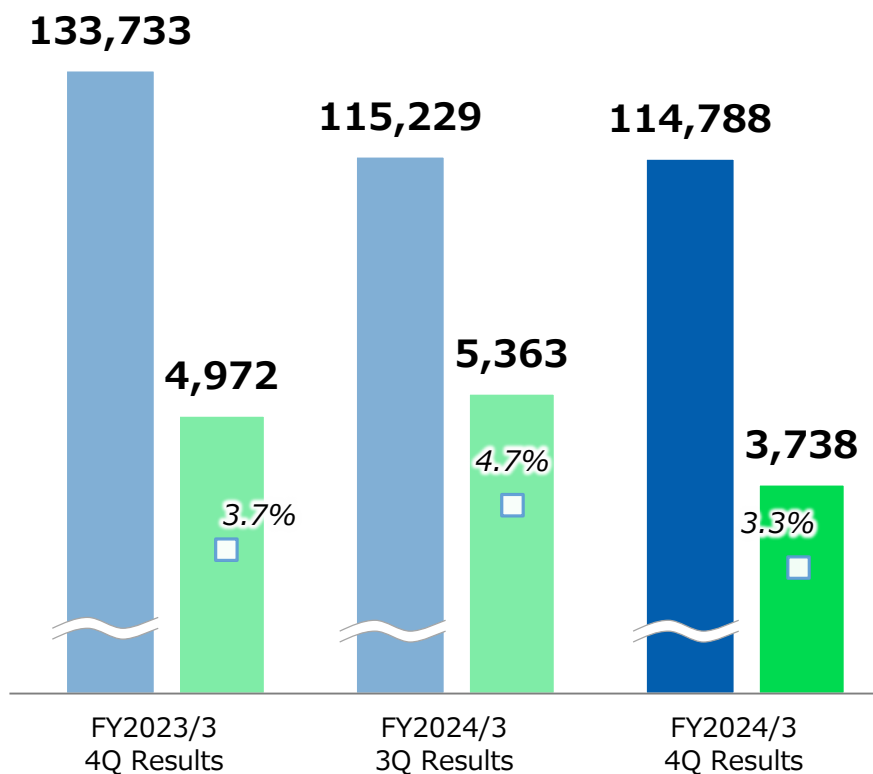


Financial Highlights: Electronic Component Segment (3 months)

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **-18,944**million yen **14.2%Down**
- Segment income ▶ **-1,233**million yen **24.8%Down**

QoQ

- Net Sales ▶ **-440**million yen **0.4%Down**
- Segment income ▶ **-1,624**million yen **30.3%Down**

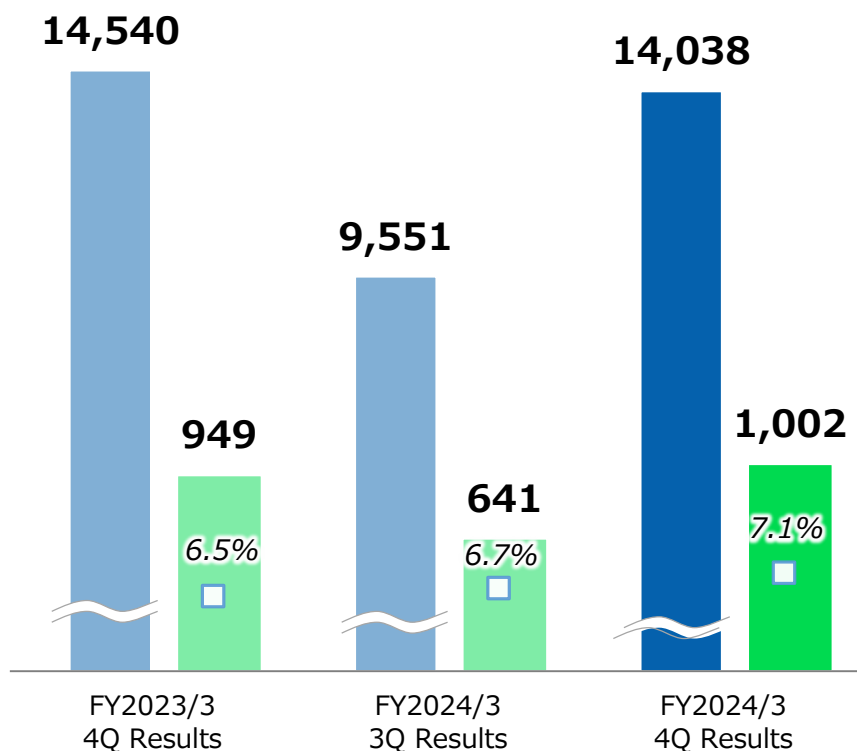
Financial Highlights: Information Equipment Segment (3 months)

Net sales/Segment income

(million yen)

■ / ■ Net Sales

■ / ■ Segment income



YoY

● Net Sales

-501million yen **3.4%Down**

● Segment income

+52million yen **5.6%Up**

QoQ

● Net Sales

+4,487million yen **47.0%Up**

● Segment income

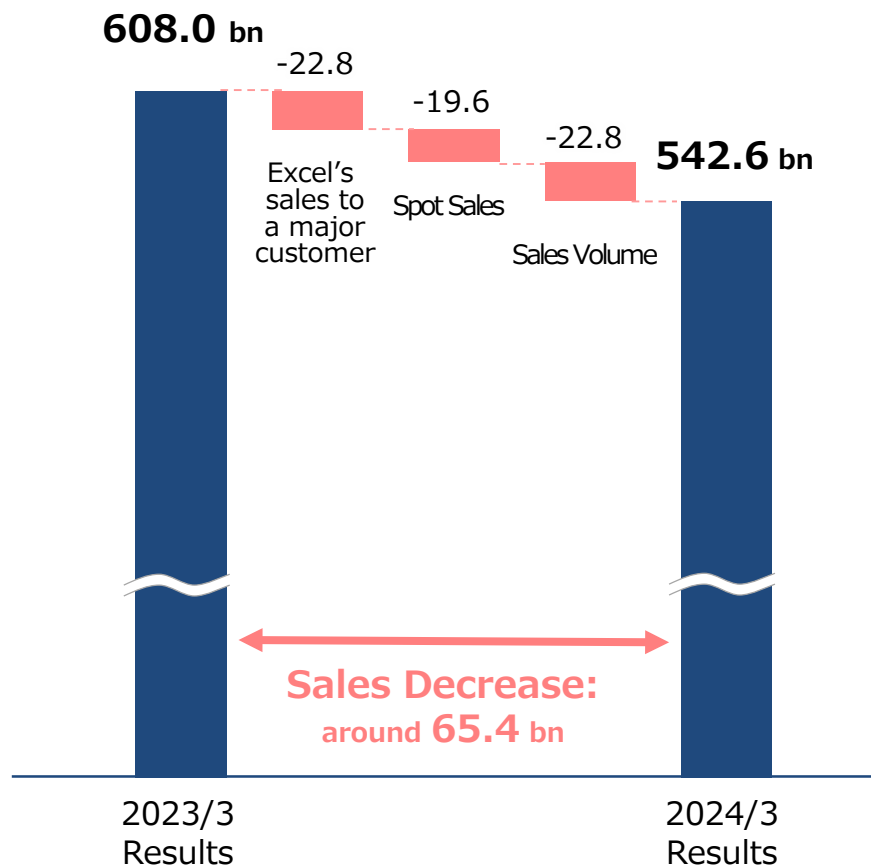
+360million yen **56.2%Up**

Factors behind Changes in Net Sales / Operating Income for FY2024/3

Reference

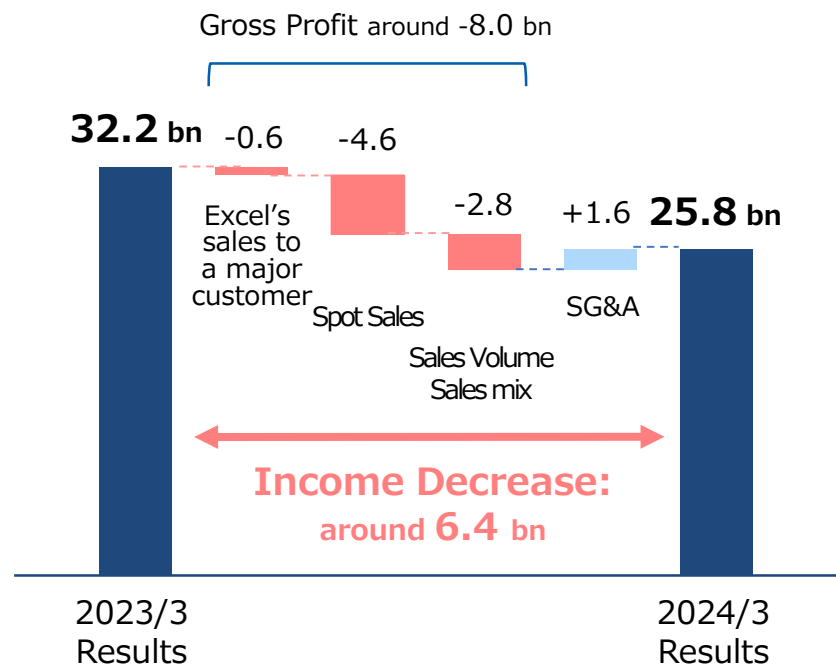
Net Sales

(billion yen)



Operating Income

(billion yen)

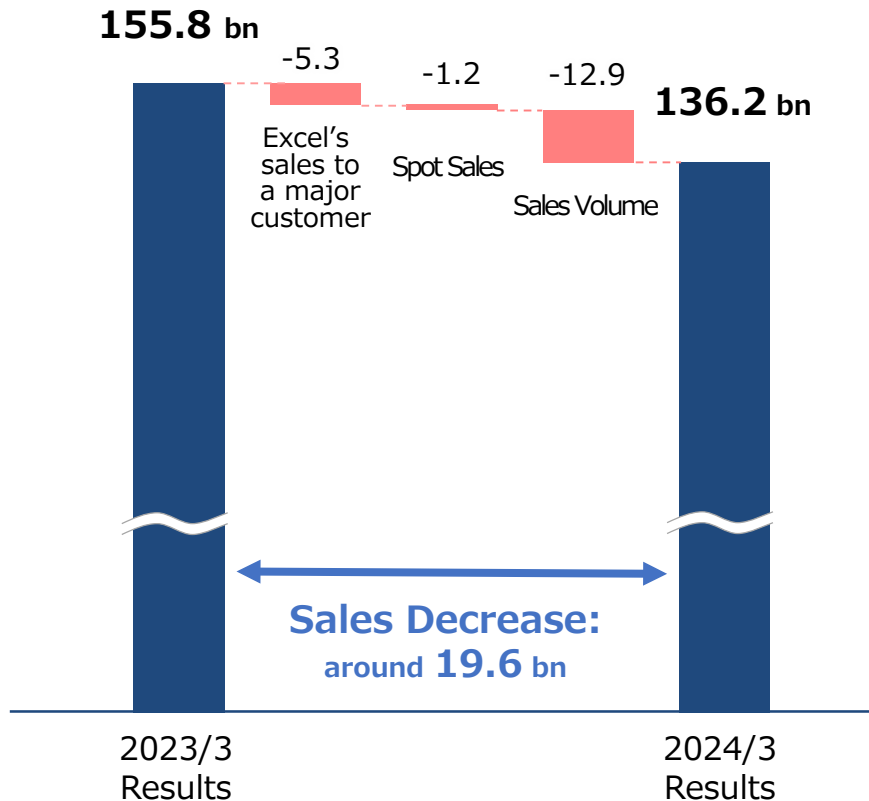


Factors behind Changes in Net Sales / Operating Income for FY2024/3 (3 months)

Reference

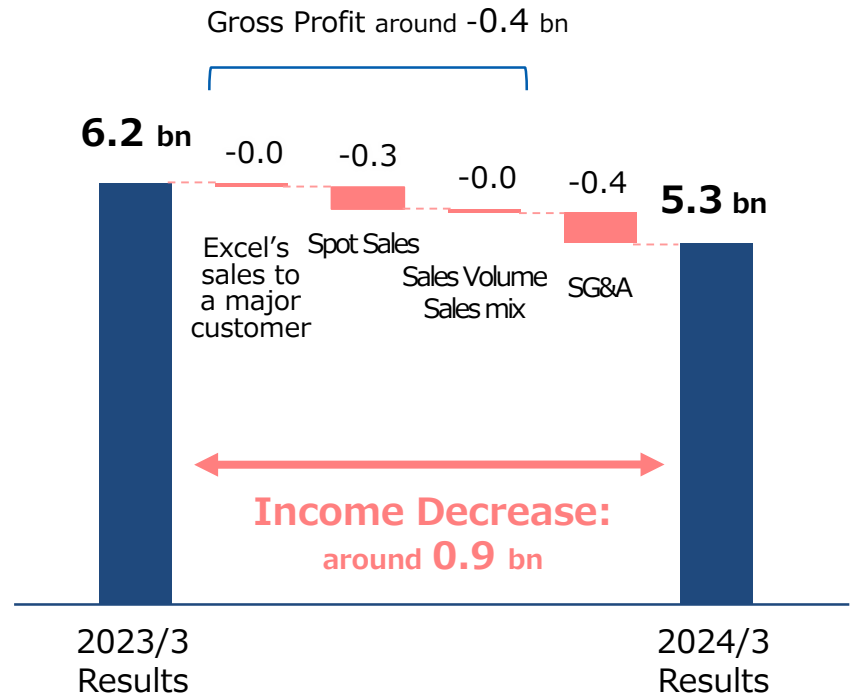
Net Sales

(billion yen)



Operating Income

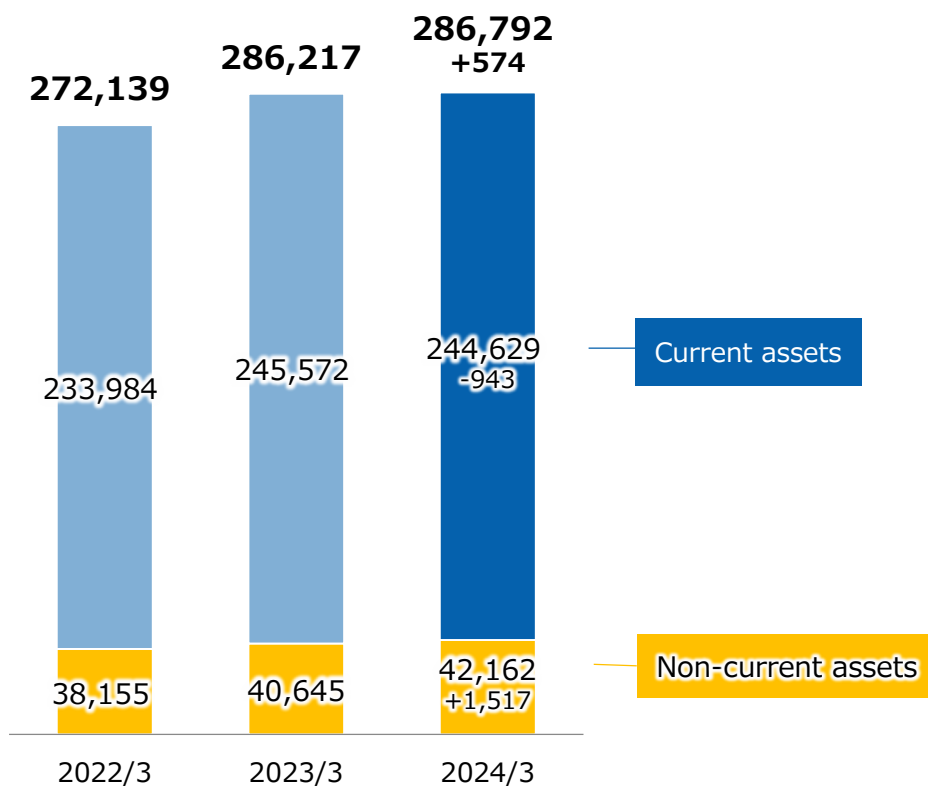
(billion yen)



Balance Sheet Main Items

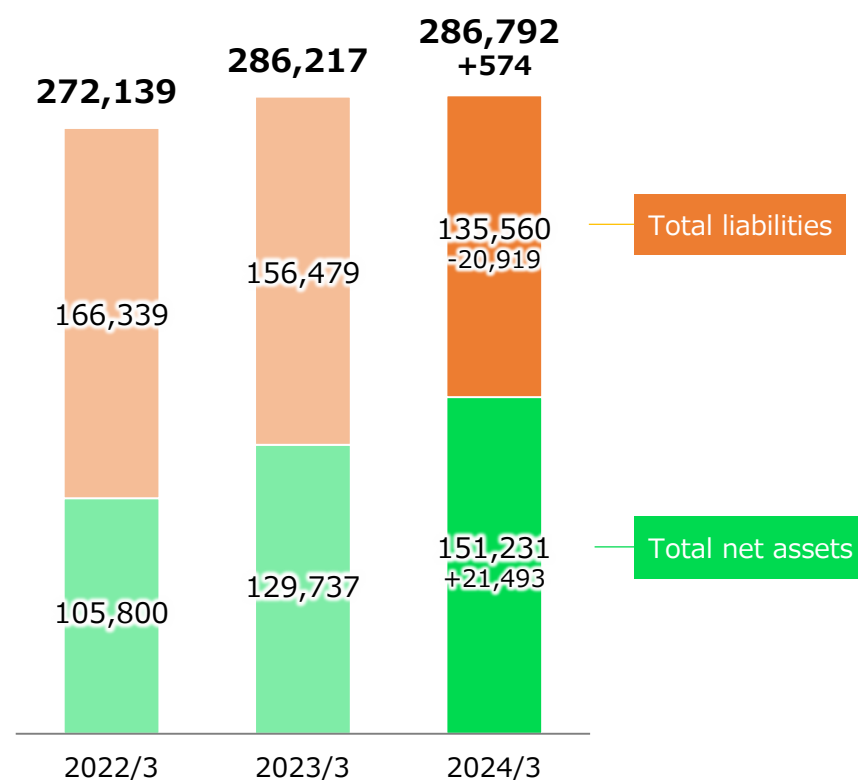
Total assets

(million yen)



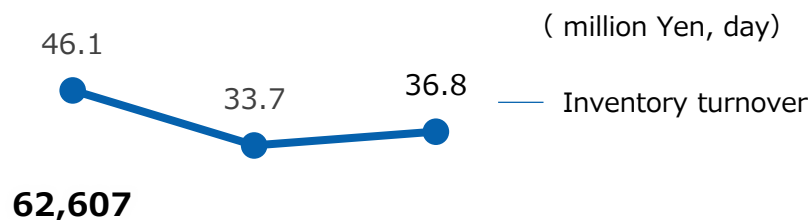
Total liabilities and net assets

(million yen)



Balance Sheet Main Items

Inventories



62,607

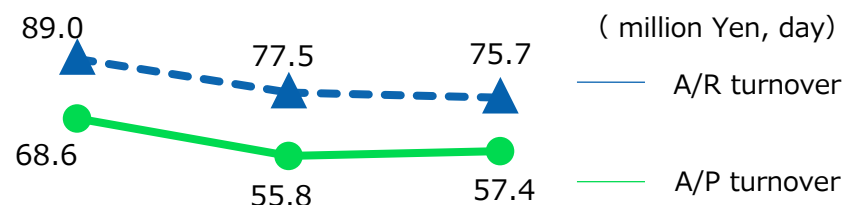
56,205

54,739

-1,466

Inventories

Accounts receivable/Accounts payable



120,948

86,493

129,099

79,232

112,574

-16,524

71,392

-7,840

Notes and A/R

Notes and A/P

2022/3

2023/3

2024/3

Note : Inventory turnover = Inventories ÷ Net Sales × 365 (day)

2022/3

2023/3

2024/3

Notes : 1. •Notes and A/R are amounts including Electronically recorded monetary claims-operating

2. •Notes and A/P are amounts including Electronically recorded obligations - operating

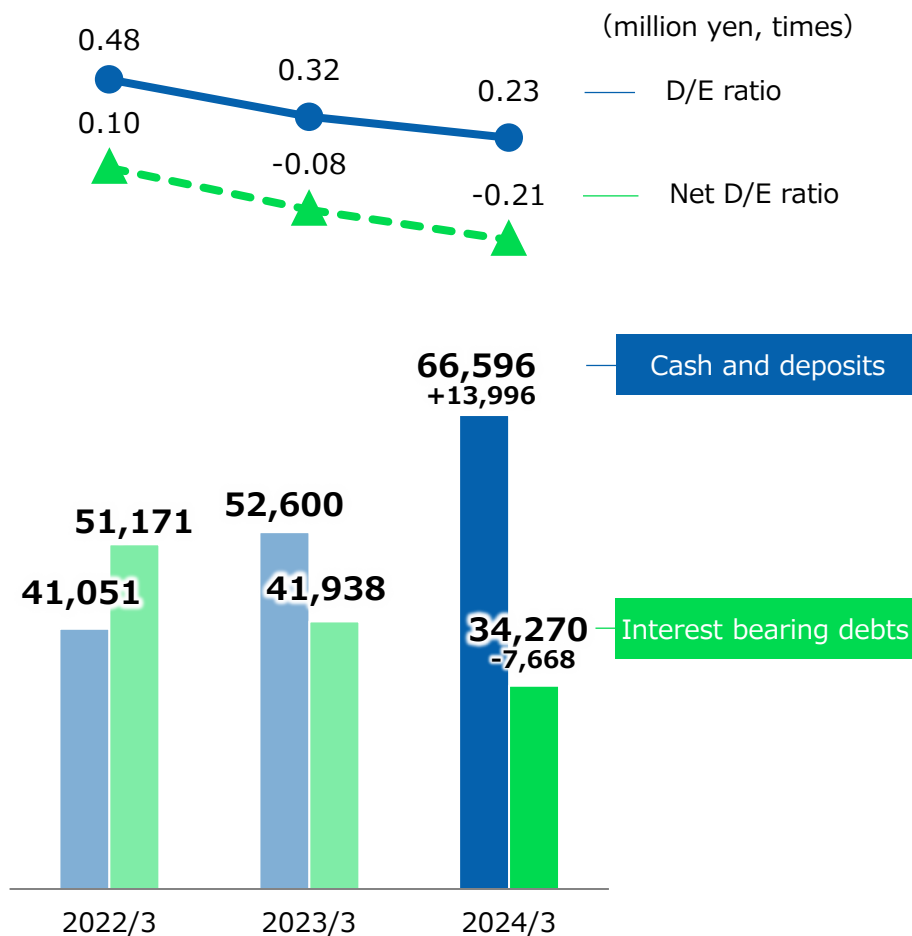
3. •A/R turnover = Notes and A/R ÷ Net sales × 365 (day)

4. •A/P turnover = Notes and A/P ÷ Total purchase of goods × 365 (day)

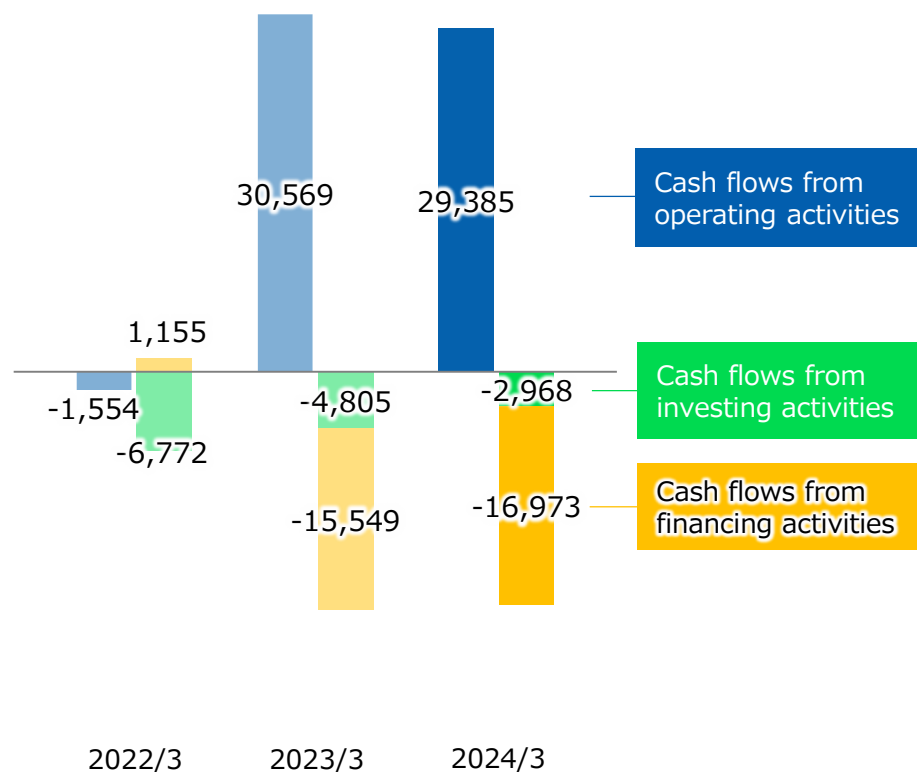
Balance Sheet Main Items

(million yen)

Cash and Deposits/Interest Bearing Debt



Cash flows



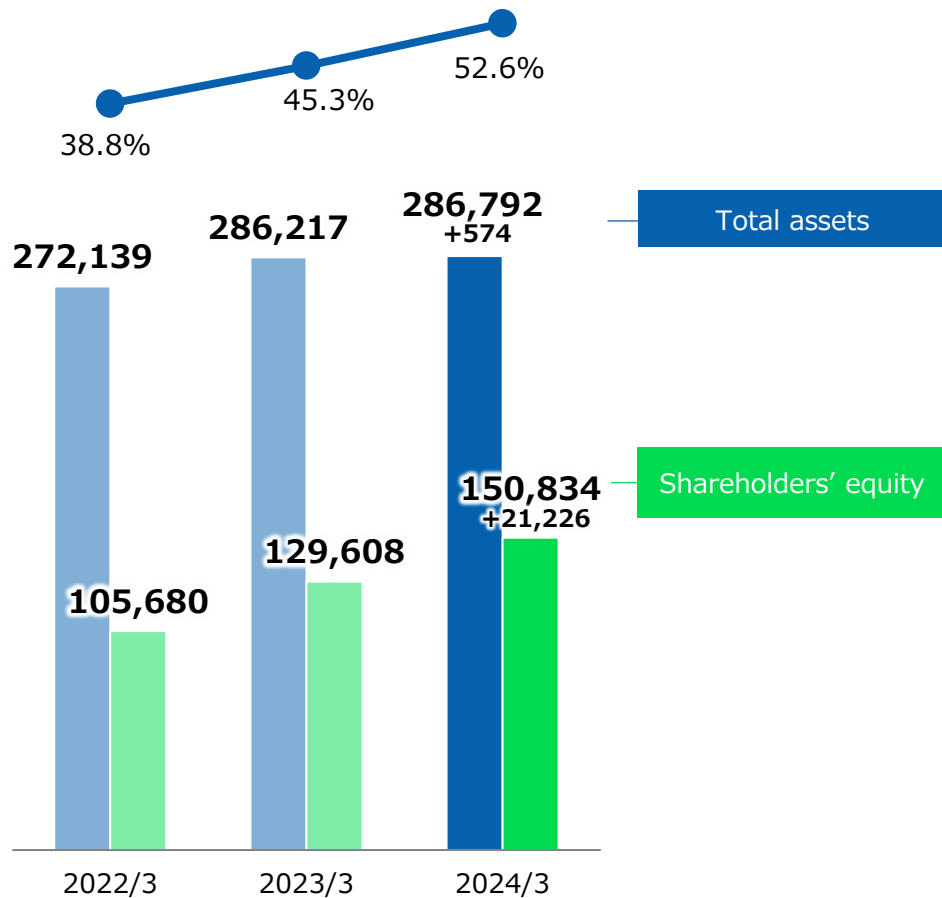
Note : 1. D/E ratio = Interest bearing debts ÷ Shareholder's equity

2. Net D/E ratio = (Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

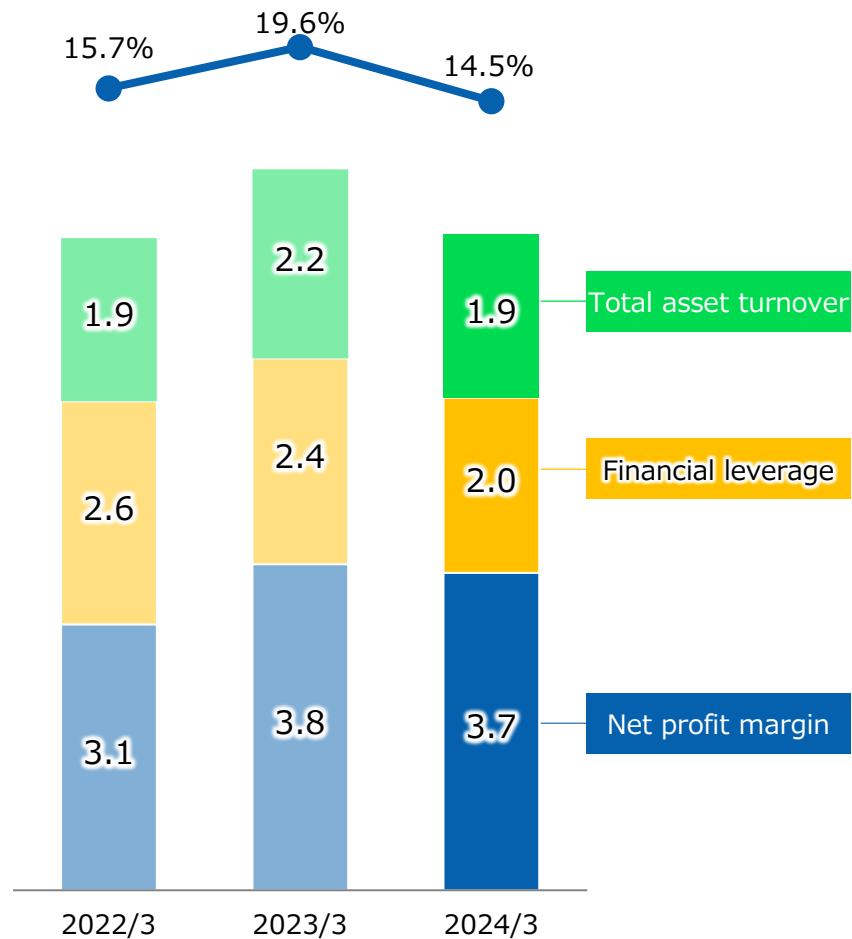
Major Business Indicators

(million yen)

Equity ratio



ROE



Forecasts for FY2025/3

Forecasts for FY2025/3

	(million yen)				
	FY2024/3 Results		FY2025/3 Forecasts		YoY
Net sales	542,697		555,000		2.3%
Operating income	25,845	4.8%	26,000	4.7%	0.6%
Ordinary income	25,976	4.8%	26,000	4.7%	0.1%
Profit attributable to owners of parent	20,345	3.7%	18,000	3.2%	-11.5%
EPS (yen)	774.61	—	685.26	—	—
ROE	14.5%	—	11.5%	—	-3.0pt
Annual dividend (yen)	220.00		220.00		—

Note: "x. x%" represents the profit margin.

Forecasts by Business Segment for FY2025/3

(million yen)

		FY2024/3 Results	FY2025/3 Forecasts	YoY
Electronic Component	Net sales	472,583	482,500	2.1%
	Segment income	20,887 <i>4.4%</i>	20,900 <i>4.3%</i>	0.1%
Information Equipment	Net sales	44,305	45,000	1.6%
	Segment income	2,924 <i>6.6%</i>	3,000 <i>6.7%</i>	2.6%
Software	Net sales	2,567	3,000	16.8%
	Segment income	370 <i>14.4%</i>	400 <i>13.3%</i>	8.1%
Others	Net sales	23,241	24,500	5.4%
	Segment income	1,555 <i>6.7%</i>	1,700 <i>6.9%</i>	9.3%
Total	Net sales	542,697	555,000	2.3%
	Segment income	25,845 <i>4.8%</i>	26,000 <i>4.7%</i>	0.6%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

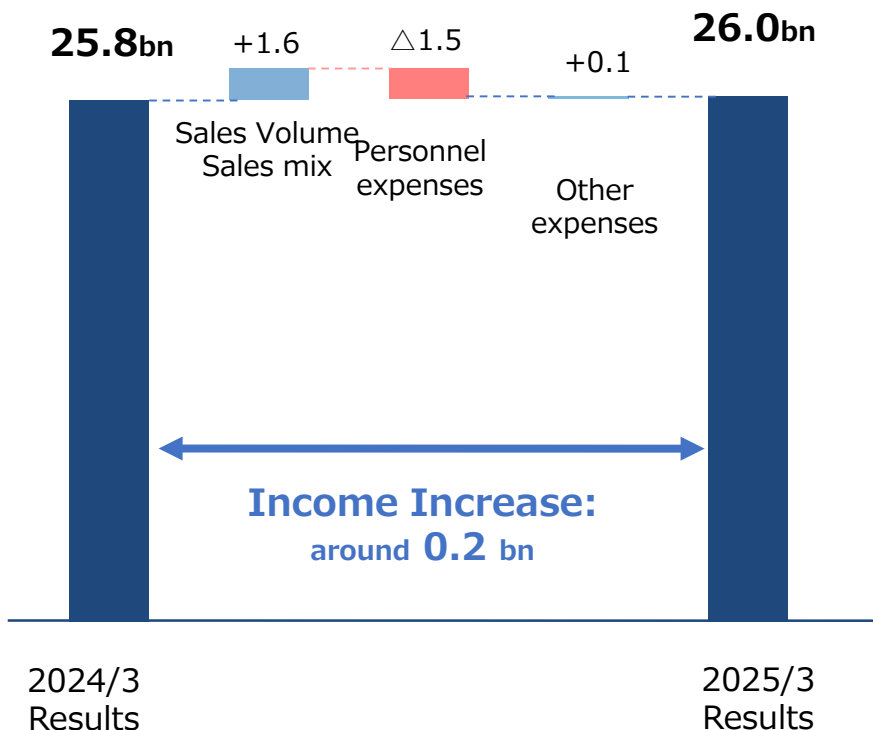
2. "x. x%" represents the profit margin.

Factors behind Changes in Operating Income for FY2025/3

Reference

Operating Income

(billion yen)



Cost increase factors incorporated into FY2025/3 forecasts

(1) Salary increases 1.0 bn

- Kaga Electronics: Up 25,000 yen / month across the board

(average rise of 7.8%)

- Group companies: rise of 2.0% to 7.5%

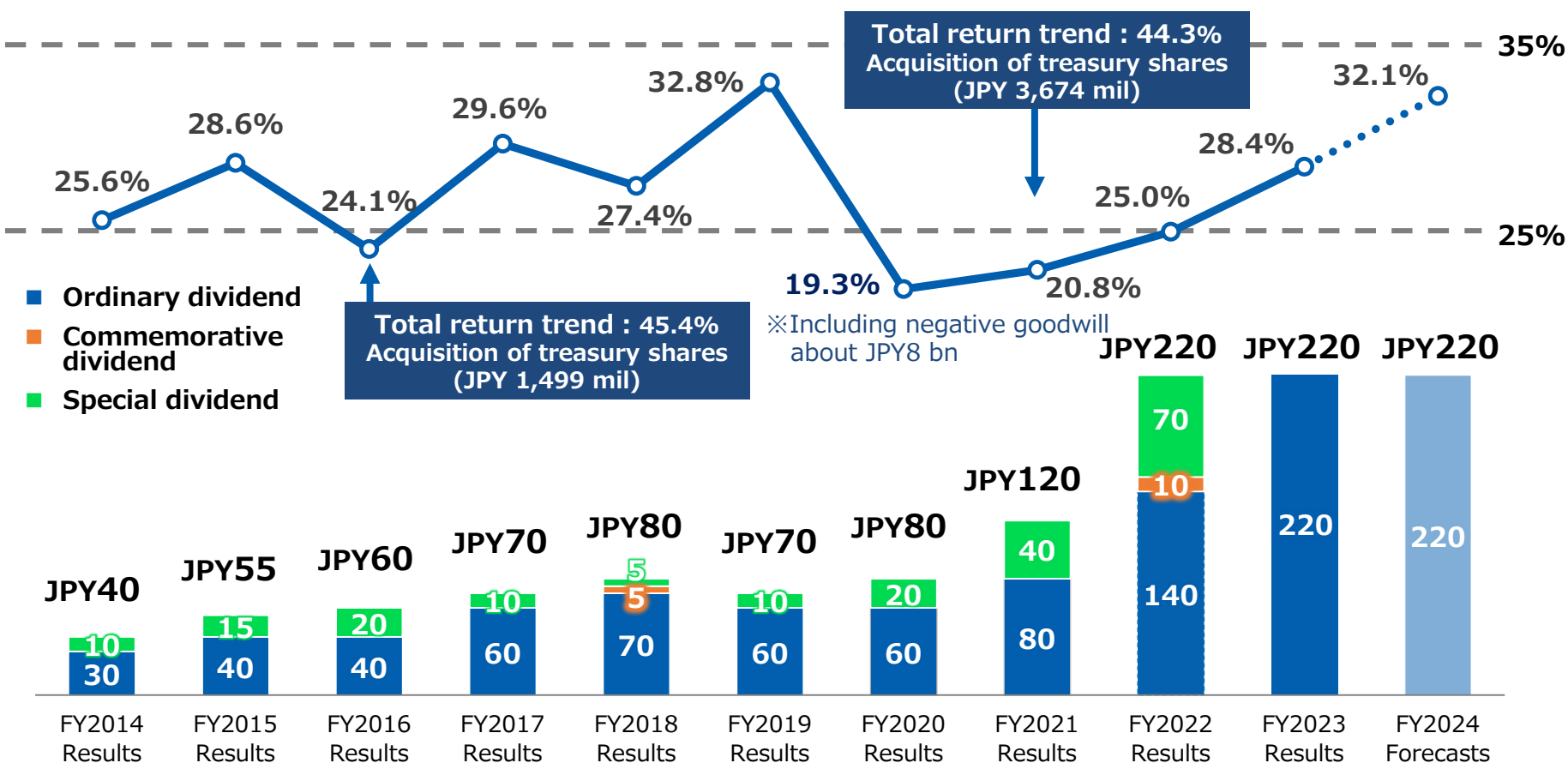
(2) New graduate salary, regular salary increases, etc. 0.5 bn

*Operating income forecast:
+1.6 billion yen (+6.4%) in real terms,
excluding the effects of the above factors

Shareholder Return

Basic Policy on Dividends of Surplus

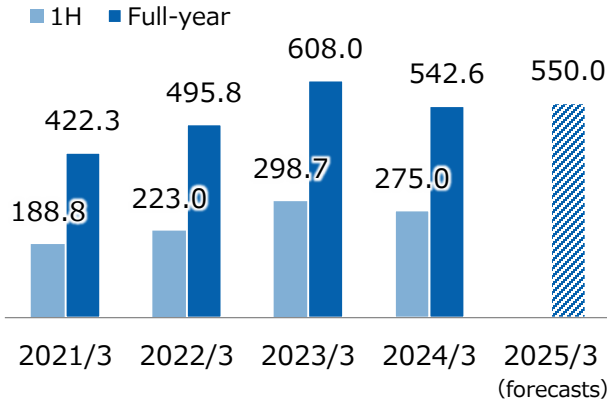
- We shall perform **stable dividends**, while securing a **consolidated dividend payout ratio of 25 to 35%**.
- We shall use **funds for business investments, capital investments, and M&A**, etc. in order to contribute to future growth.
- Decisions on the **acquisition of treasury shares** shall be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



Latest 5 years Financial Trends

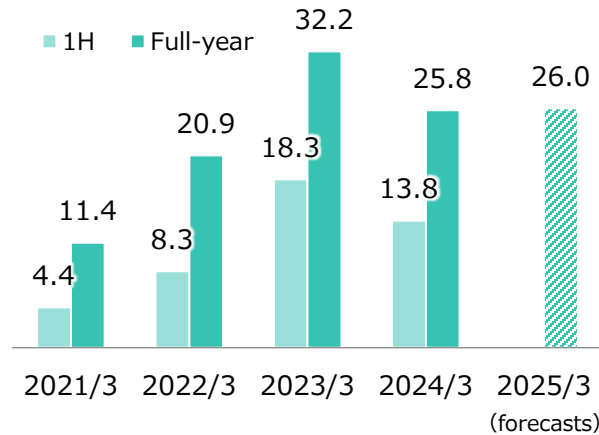
Net Sales

(billion yen)



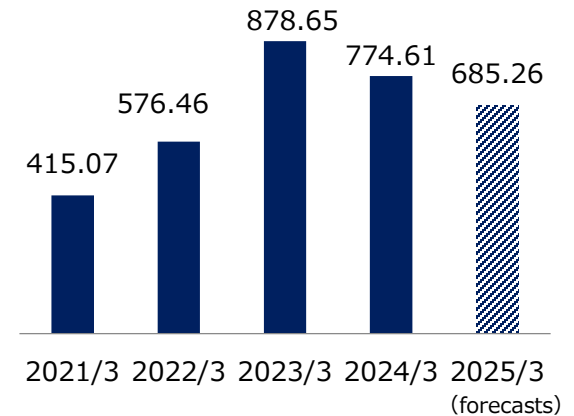
Operating Income

(billion yen)



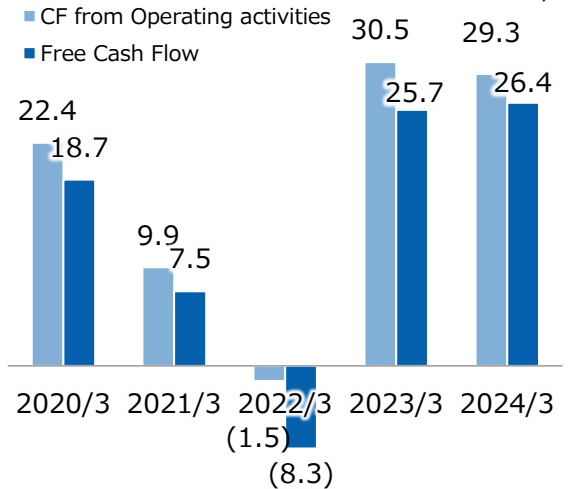
EPS

(yen)



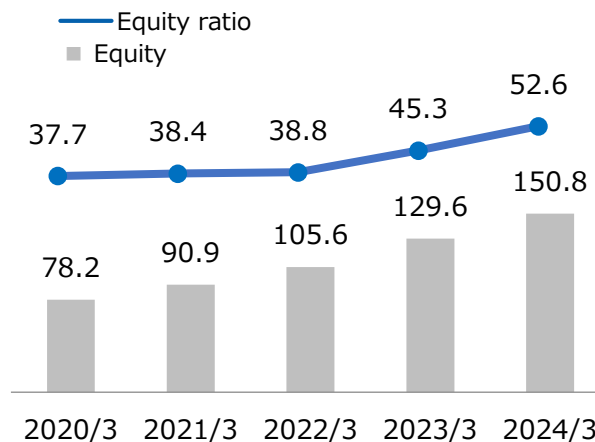
Cash Flow

(billion yen)



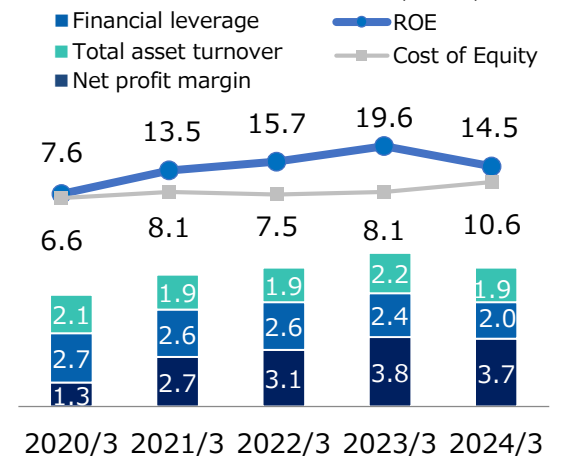
Equity Ratio

(%, billion yen)



ROE

(%, times, turns)



Management Topics

Representative Director,
President & COO

Ryoichi Kado

Summary of FY2024/3 Results

FY2024/3 Summary

Initial forecast

In the Electronic Component segment, the impact of 'inventory adjustment by customers' and 'disappearance of spot demand' was factored into our forecast for lower net sales and operating income.

Results

- 'Spot demand' made no contribution to earnings as expected.
- The impact of inventory adjustment by customers on 1H results appeared less than initially expected, and both net sales and operating income returned above the internal plan.
- The impact of inventory adjustment by customers began on a full scale in 2H and the upward swing gradually narrowed, but the full-year plan exceeded the target.

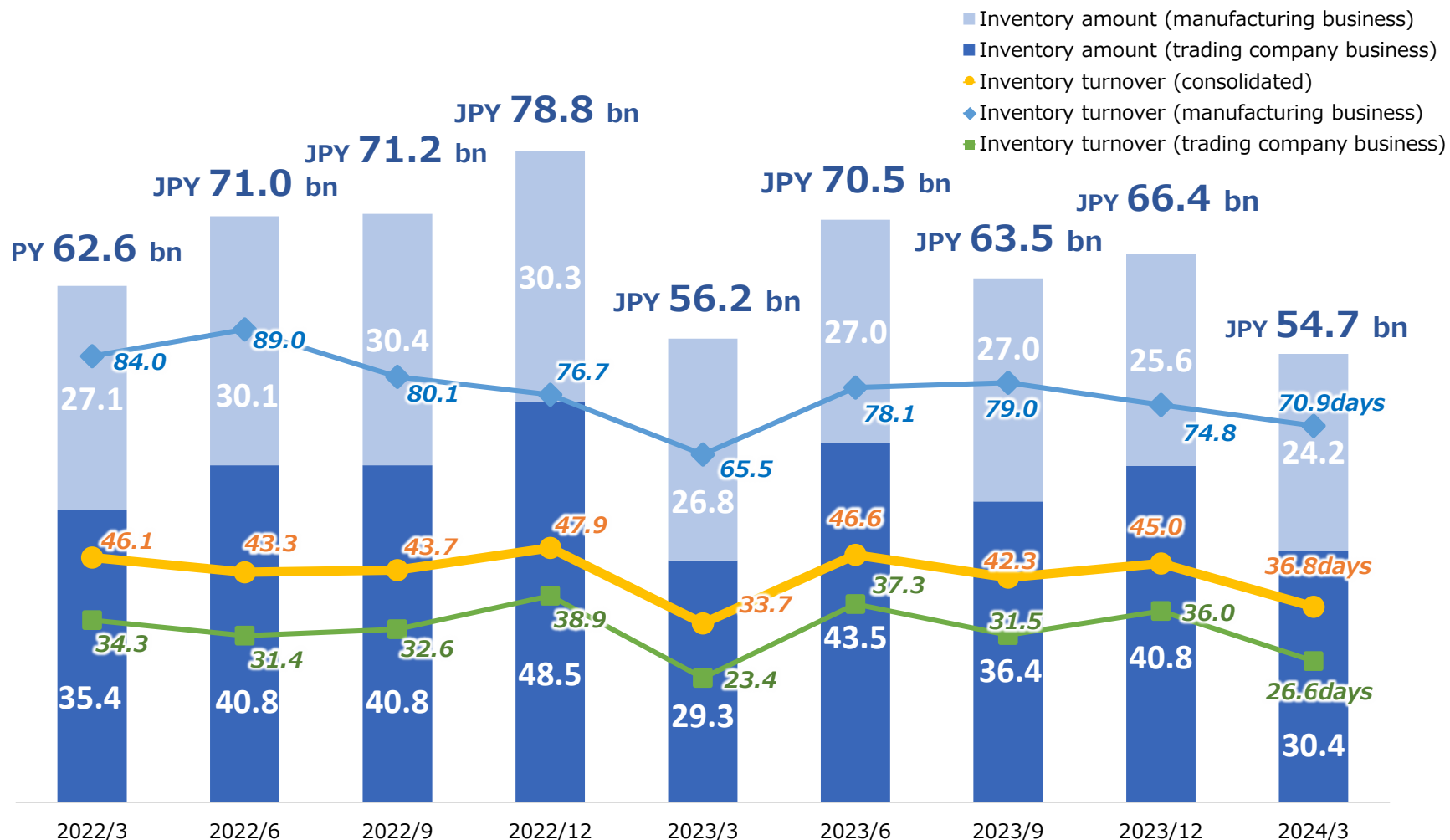
(billion yen)	1Q	2Q	3Q	4Q
Operation margin	6.9 bn	13.8 bn	20.4 bn	25.8 bn
Progress rate	28.0%	55.5%	82.0%	103.4%
vs Internal Plan	+ 2.0 bn	+ 3.8 bn	+ 2.0 bn	+ 0.8 bn

Outlook for FY2025/3

- Upside: Medium- to long-term market growth scenario, especially in the automotive sector, remains unchanged.
- Downside: Inventory adjustment by customers continue for some time, and a full-fledged recovery is expected in 2H of FY2025/3.
- Salary increase: Decided to increase salaries to invest in human capital contributing to future growth
- Even after factoring in the impact of 1.5 billion yen, we aim to return to an upward trend of higher net sales and operating income.

Inventory Reduction

Inventory amount / Inventory turnover days



『Medium-Term Management Plan 2024』

Progress of Management targets

- The Company formulated the three-year Medium-Term Management Plan 2024 in November 2021. Excluding the new M&A element, **management targets for all the three KPIs of net sales, operating income, and ROE set for the final year of the Plan were achieved in the fiscal year ended March 31, 2023, the first year of the Plan.** Based on the results of the first year, **the Company updated its earnings forecast for the final year, and presented them as the “latest outlook.”**
- The earnings forecast for the fiscal year ending March 31, 2025, announced at this time **deviates from the “latest outlook” partly due to unexpectedly prolonged inventory adjustment and impact of salary increases.** Accordingly, the Company has positioned **earnings forecast as “commitment”** and **the latest outlook as “challenging targets,”** and **will work toward accomplishment of the Plan in the final year.**

	Initial plan (Announced on November 25, 2021)	First-year results FY2023/3	Latest outlook (Announced on May 11, 2023)	Second-year results FY2024/3	Final-year earnings forecast FY2025/3
Net Sales	JPY 750.0 bn Organic growth : JPY 600.0 bn Including new M&As: JPY 150.0 bn	JPY 608.0 bn	[No change]	JPY 542.6 bn	JPY 555.0 bn
Operating Income	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 26.0 bn
ROE	Stable 8.5% or higher	19.6%	stable 10.0% or higher	14.5%	11.5%

Medium-Term Management Plan 2024 - Progress of Management Measures

- Overall, we expect to achieve initial targets through efforts on key issues as per our basic policy.

	key issues	Major outcome	Evaluation
Further Reinforcement of Profitability	<ul style="list-style-type: none"> Selection and concentration in growth fields Reinforcement and expansion of EMS business and overseas business 	<ul style="list-style-type: none"> Started operation of a new plant in Mexico (April 2024) 	○
Reinforcement of Management Base	<ul style="list-style-type: none"> Reinforcement of corporate governance Efficient Group management Investments in human capital 	<ul style="list-style-type: none"> Established a special leave system for male employees to take parental leave Utilization rate of 73.7% (FY2024/3) Group-wide salary increase decided (March 2024) 	○
Creation of New Businesses	<ul style="list-style-type: none"> Initiatives in new fields Promotion of open innovation through venture investments M&A efforts aimed at discontinuous growth 	<ul style="list-style-type: none"> Investment in start-up companies through CVC (5 cases in FY2023/3, 1 case in FY2024/3) 	△
Promotion of SDGs Management	*See the Progress of the Sustainability Medium- to Long-term Management Plan in the following page.		

Started a New Factory in Mexico to expand EMS Business

- In April 2024, the new Mexico plant began operation as initially planned.
- Aiming for 'sales of 50 billion yen' over the next 5 years to meet the growing production demand that is expected for North and Latin American markets
- Launched "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant in Mexico

We will establish an integrated production base that encompasses component molding, and sheet metal processing, in addition to circuit board assembly.

TAXAN MEXICO S.A. DE C.V.



Outline of the New Factory

Location : Parque Industrial
Millenium, Arroyos,
San Luis Potosí

Number of
Employees : 700 (at start)

Land area : 80,000m²

Floor area : 20,000m²

Expected Investment Amount :
total around 5 billion yen
over the next five years.
(includes the land
purchase and buildings)

Items produced

Assembly of automotive lighting
units and circuit boards for air-
conditioning equipment, etc.

Start of operation

Scheduled for April 2024

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"> • Adoption of renewable energy at domestic sales offices • Adoption of renewable energy at domestic manufacturing sites • Adoption of renewable energy at overseas manufacturing sites 	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"> • Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> • Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) • Initiatives to employ elderly workers and persons with disabilities 	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"> • Enhancement of programs such as childcare/family-care and telework • Acquisition of certification as a Health and Productivity Management Organization 	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"> • Independent Outside Directors: at least 1/3 • Establishment of Nomination and Compensation Committee 	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"> • Diversification of the Board of Directors • Full compliance with Corporate Governance Code for Prime Market • Adoption of delegation-based executive officer structure • Transition to structure of company with committees 	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 : 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"> Adoption of renewable energy at domestic sales offices 	<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"> Adoption of renewable energy at domestic manufacturing sites 	<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"> Adoption of renewable energy at overseas manufacturing sites 	<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"> Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	<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"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) 	<ul style="list-style-type: none"> 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% 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
		<ul style="list-style-type: none"> Initiatives to employ elderly workers and persons with disabilities 	<ul style="list-style-type: none"> FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023) FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> Enhancement of programs such as childcare/family-care and telework 	<ul style="list-style-type: none"> FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023.
		<ul style="list-style-type: none"> Acquisition of certification as a Health and Productivity Management Organization 	<ul style="list-style-type: none"> FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024

Progress of medium- to long-term sustainability targets :

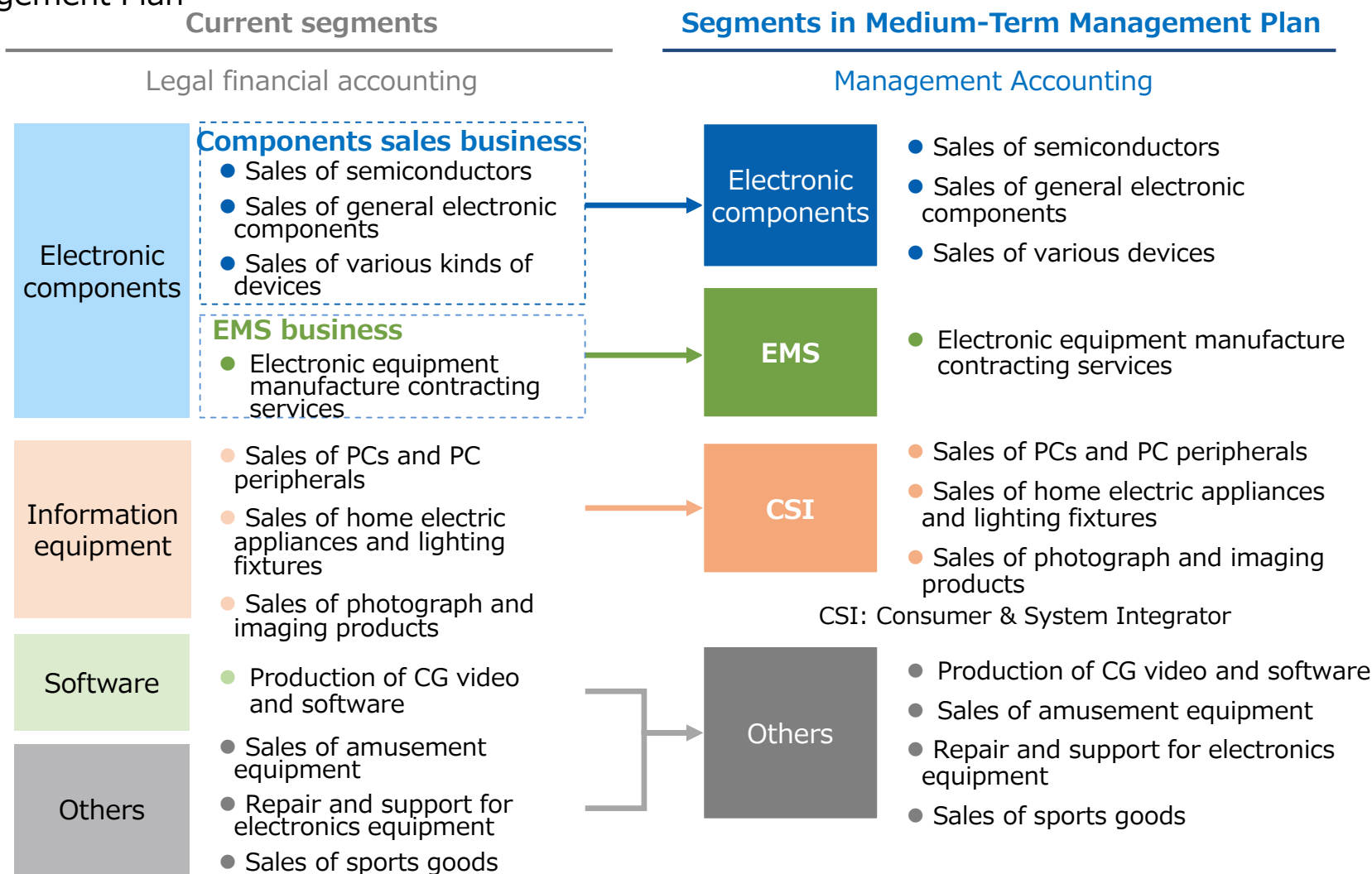
Governance

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
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"> Independent Outside Directors: at least 1/3 Establishment of Nomination and Compensation Committee 	<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"> Diversification of the Board of Directors 	<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 auditor 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"> Full compliance with Corporate Governance Code for Prime Market 	<p>FY2022: Complied in June 2022</p> <p>FY2023: CG Code not revised</p>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> Adoption of delegation-based executive officer structure 	<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"> Transition to structure of company with committees 	<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>

Reference

Segment disclosure associated with the Medium-Term Management Plan

Continuous disclosure based on current segmentation according to legal financial accounting, along with voluntary disclosure based on segmentation in line with the new Medium-Term Management Plan



Financial Highlights by Business Segment of the Medium-Term Management Plan

(million yen)

		FY2022/3 Results	FY2023/3 Results	FY2024/3 Results	YoY	vs FY2022/3
Electronic Component	Net sales	325,830	398,783	360,743	-9.5%	10.7%
	Segment income	11,094 <i>3.4%</i>	19,475 <i>4.9%</i>	14,228 <i>3.9%</i>	-26.9%	28.2%
EMS	Net sales	117,828	149,862	120,478	-19.6%	2.2%
	Segment income	7,356 <i>6.2%</i>	9,563 <i>6.4%</i>	7,375 <i>6.1%</i>	-22.9%	0.3%
CSI	Net sales	39,616	43,680	44,305	1.4%	11.8%
	Segment income	2,085 <i>5.3%</i>	2,449 <i>5.6%</i>	2,924 <i>6.6%</i>	19.4%	40.2%
Others	Net sales	12,552	15,739	17,170	9.1%	36.8%
	Segment income	255 <i>2.0%</i>	663 <i>4.2%</i>	1,208 <i>7.0%</i>	82.1%	372.4%
Total	Net sales	495,827	608,064	542,697	-10.8%	9.5%
	Segment income	20,915 <i>4.2%</i>	32,249 <i>5.3%</i>	25,845 <i>4.8%</i>	-19.9%	23.6%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

Financial Highlights by Business Segment of the Medium-Term Management Plan (3months)

(million yen)

		FY2023/3 4Q Results	FY2024/3 3Q Results	FY2024/3 4Q Results	YoY	QoQ
Electronic Component	Net sales	95,569	86,668	89,705	-6.1%	3.5%
	Segment income	3,573 <i>3.7%</i>	3,753 <i>4.3%</i>	2,472 <i>2.8%</i>	-30.8%	-34.1%
EMS	Net sales	41,251	31,000	27,355	-33.7%	-11.8%
	Segment income	1,637 <i>4.0%</i>	1,798 <i>5.8%</i>	1,433 <i>5.2%</i>	-12.4%	-20.3%
CSI	Net sales	14,540	9,551	14,038	-3.4%	47.0%
	Segment income	949 <i>6.5%</i>	641 <i>6.7%</i>	1,002 <i>7.1%</i>	5.6%	56.2%
Others	Net sales	4,480	4,193	5,138	14.7%	22.5%
	Segment income	42 <i>1.0%</i>	396 <i>9.5%</i>	436 <i>8.5%</i>	924.3%	9.9%
Total	Net sales	155,843	131,413	136,239	-12.6%	3.7%
	Segment income	6,242 <i>4.0%</i>	6,615 <i>5.0%</i>	5,353 <i>3.9%</i>	-14.2%	-19.1%

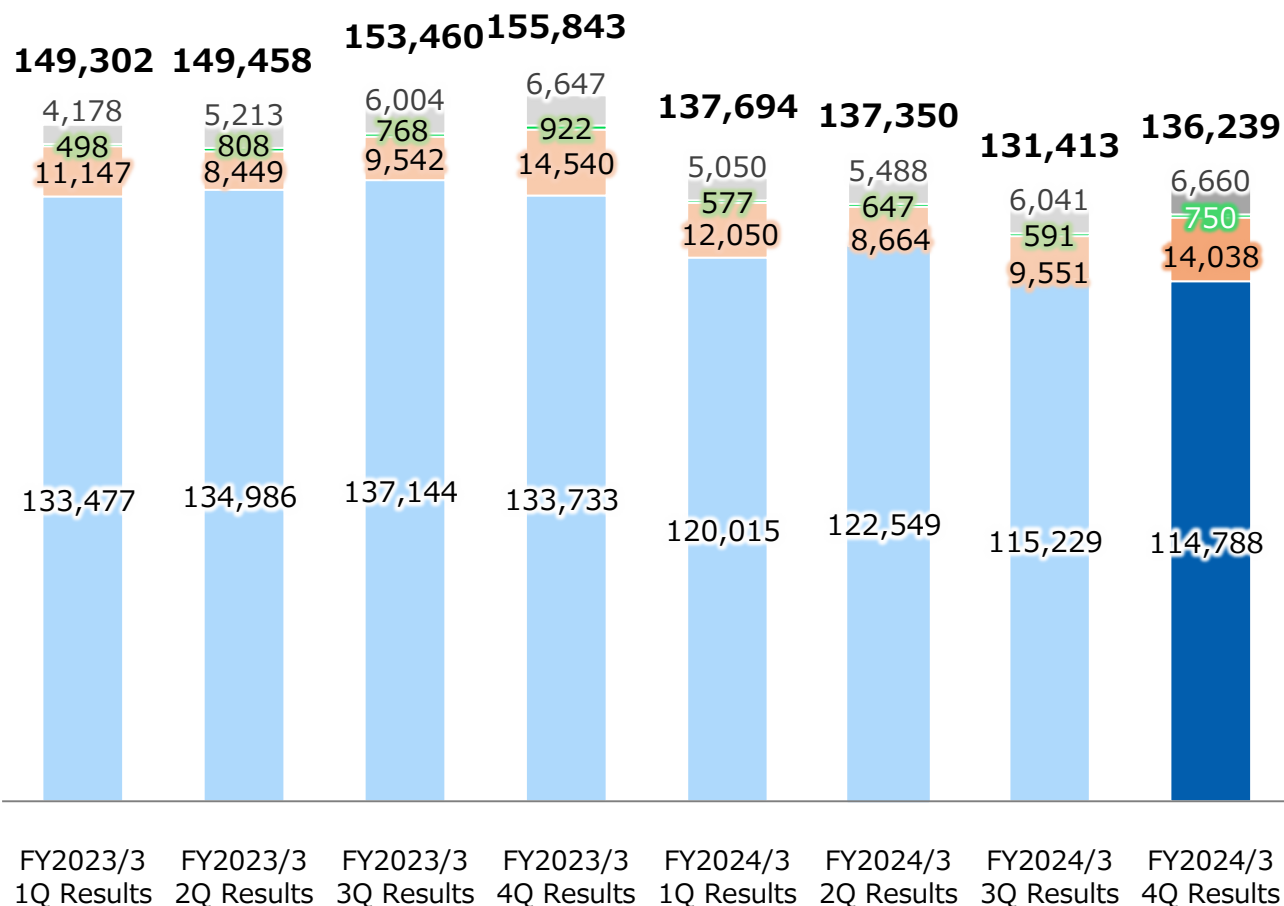
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

Quarterly Net Sales Trends (3months)

Net Sales

(million yen)



Total
YoY : -19,604
QoQ : +4,825

Other
YoY : +12
QoQ : +618

Software
YoY : -171
QoQ : +159

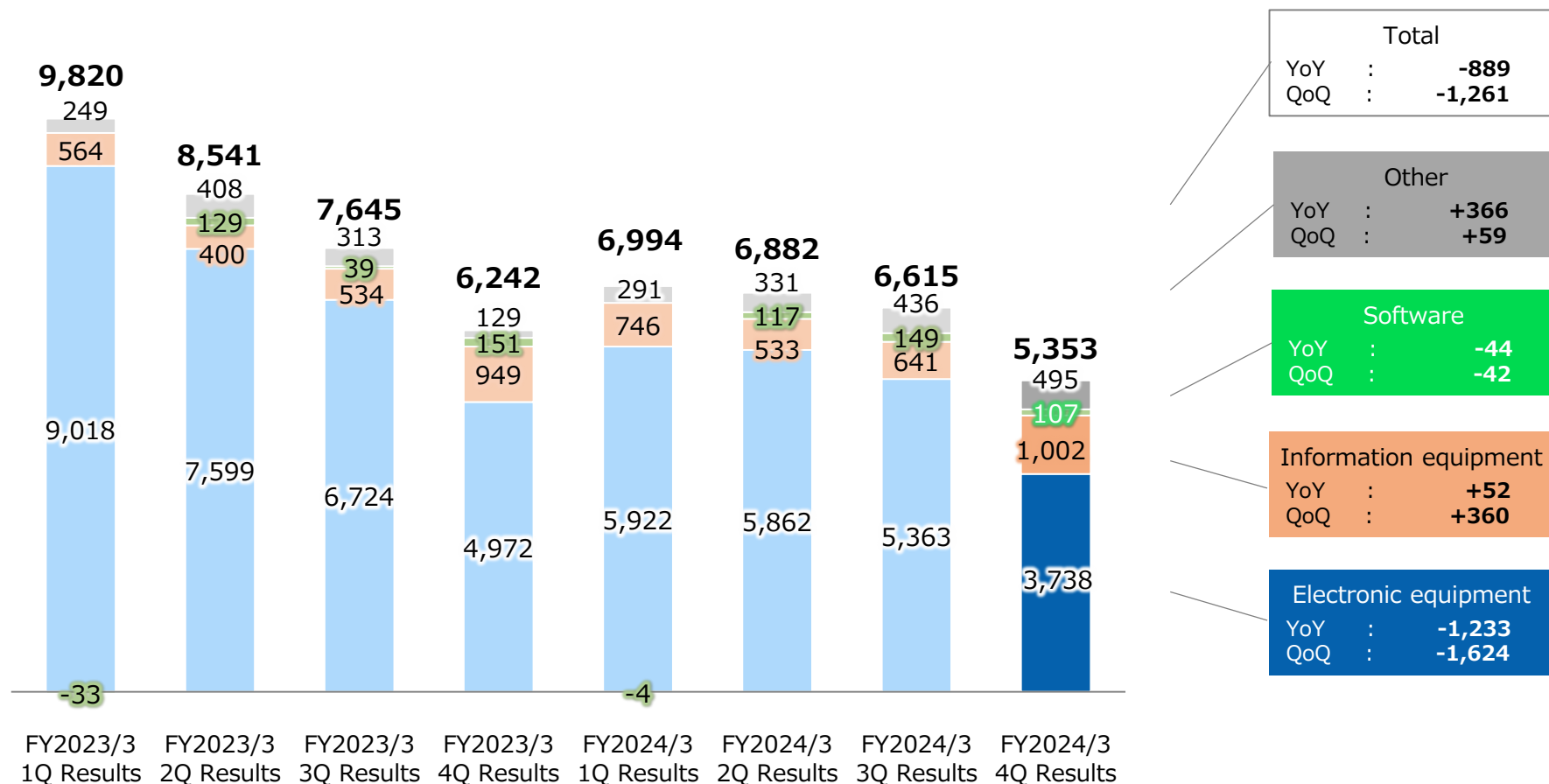
Information equipment
YoY : -501
QoQ : + 4,487

Electronic equipment
YoY : -18,944
QoQ : - 440

Quarterly Segment Income Trends (3months)

Segment Income

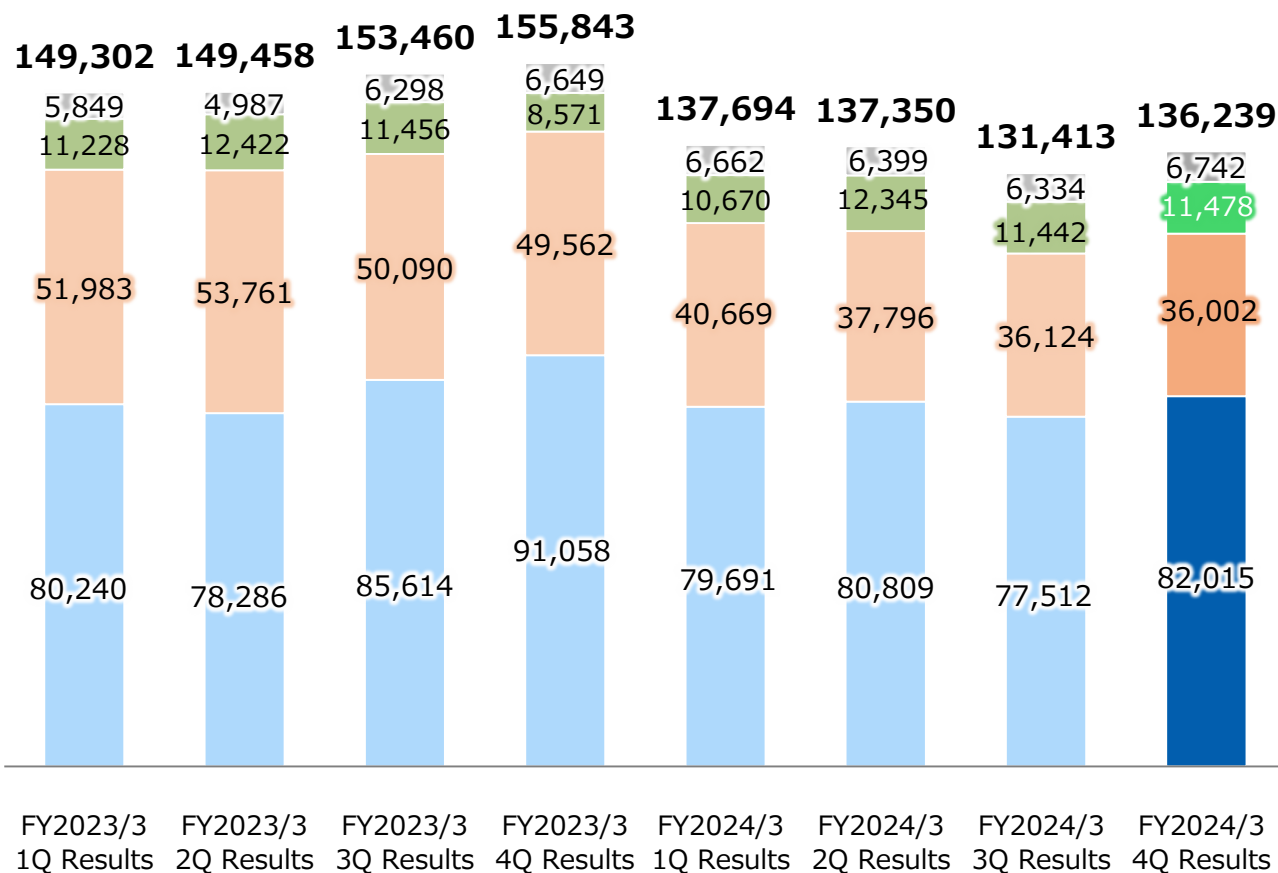
(million yen)



Net Sales by Region (3months)

Net Sales

(million yen)



Total
YoY : **-19,604**
QoQ : **+4,825**

Europe
YoY : **+92**
QoQ : **+408**

North America
YoY : **+2,906**
QoQ : **+36**

Asia
YoY : **-13,560**
QoQ : **-121**

Japan
YoY : **-9,043**
QoQ : **+4,503**

Exchange Rate/FOREX Sensitivity

	FY2023/3 Results (Yen)	FY2024/3 Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2025/3(yen)
			Net sales	Operating income	
USD	135.47	144.62	1,740	26	145.00
RMB	19.48	19.82	328	22	19.50
THB	3.84	4.11	282	18	4.00
HKD	17.28	18.48	177	3	18.50
EUR	140.97	156.80	7	0	155.00

“Everything we do is for our customers



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- 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.
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 - Ratio : After calculation in yen units, Round down one digit of Display unit.