

Kaga Electronics Group

# Integrated Report

# 2024



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Cruiser at TAXAN V, a retreat facility owned  
by the Kaga Electronics Group

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## Everything we do is for our customers

Founded about 50 years ago, KAGA ELECTRONICS CO., LTD. had very humble beginnings, starting out in a very small office. We have since grown into a general electronics trading company with operations that now span the globe. Our corporate philosophy, "Everything we do is for our customers," has remained unchanged since our earliest days. Based on this philosophy, we will keep contributing to the creation of an affluent society by continuing to support the development of our customers.

### Period covered

This report covers the fiscal period from April 1, 2023 to March 31, 2024, with the exception of certain areas in which there is information prior and subsequent to these dates, as is required.

### Financial figures

Figures related to financial content in this report are rounded to the nearest unit. Ratios are rounded to one decimal place after calculation in yen.

### Scope of report

Data calculation in this report covers KAGA ELECTRONICS CO., LTD. and its 66 consolidated subsidiaries (22 in Japan and 44 overseas). All such companies are included in the scope of the Company's consolidated accounting, except where stated.

### Notation and coverage of the Company:

KAGA ELECTRONICS CO., LTD.  
The Group: KAGA ELECTRONICS CO., LTD. and its 66 consolidated subsidiaries  
Domestic facilities: KAGA ELECTRONICS CO., LTD. and its 22 domestic consolidated subsidiaries

### Forward-looking statements

Certain statements in this document may constitute "forward-looking statements." Such statements are based on currently available information and certain premises deemed rational at the time of writing. As such, actual results may differ from those projected due to various factors. Key factors that could cause actual results to differ from those projected include, but are not limited to, general economic conditions in Japan and overseas surrounding the Company's business domains as well as trends in demand for the Company's products and services, and trends in foreign exchange rates and stock markets.

### Publication date

September 30, 2024

### Editorial Policy

Our integrated report is positioned as a tool to introduce to a wide range of stakeholders the unique business model of the Kaga Electronics Group, which achieves scale expansion and high added value through both its core trading company business and EMS business, and to gain their understanding and support for the process and potential for expanding corporate value over the medium to long term.

For several years, the shortage of semiconductor and electronic component supplies was a tailwind for the Company's performance. As this has eased, a turnaround has occurred, with the absence of spot demand and inventory adjustments by customers serving as a headwind. Against this backdrop, stakeholders in the Kaga Electronics Group have inquired as to how the Group will overcome this situation.

In this integrated report, we respond to these inquiries by presenting (1) our thoughts on further development of the EMS business, which is of great interest to our stakeholders, (2) discussions held by our outside directors on our growth strategy, and (3) the opinions of our young employees, who will be responsible for our future growth.

We will continue to strive for engagement with domestic and foreign investors and enhance this integrated report as a core tool for understanding our Company.

### Disclosure of information through the website

In addition to this report, information on a variety of other topics is available on our website.

Website:

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



### Financial Information

### Non-Financial Information

### Integrated Report

[https://www.taxan.co.jp/en/ir\\_library/library\\_09.html](https://www.taxan.co.jp/en/ir_library/library_09.html)

### • Investor Relations

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Management Policy

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### • About us

<https://www.taxan.co.jp/en/company/index.html>

### • Business field

<https://www.taxan.co.jp/en/business/index.html>

### • Sustainability

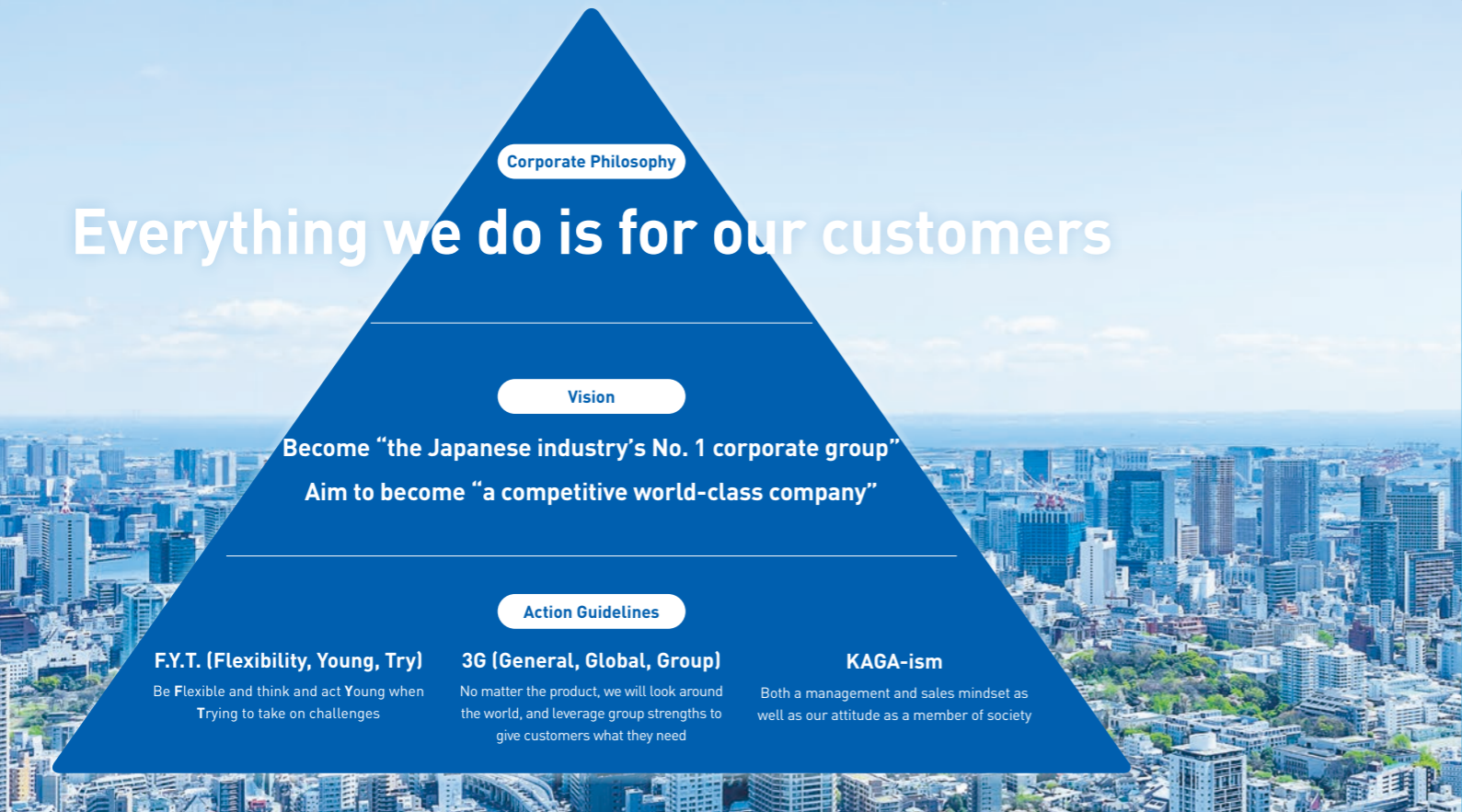
<https://www.taxan.co.jp/en/csr/index.html>

### • Corporate Governance

[https://www.taxan.co.jp/en/ir/cg/cg\\_06.html](https://www.taxan.co.jp/en/ir/cg/cg_06.html)

# The Kaga Electronics Group's Corporate Philosophy

Since its founding, the Kaga Electronics Group, under the Corporate Philosophy, “Everything we do is for our customers,” has engaged in rigorous dialogue with our customers and painstakingly implement their requests. This has expanded its business domain from the EMS business (which has expanded from kitting to the processing and manufacturing of electronic components and semiconductors) to the information equipment business (which sells finished products). We will boldly strive toward realizing the goals of becoming “the Japan industry’s No. 1 corporate group” and “a competitive world-class company.”



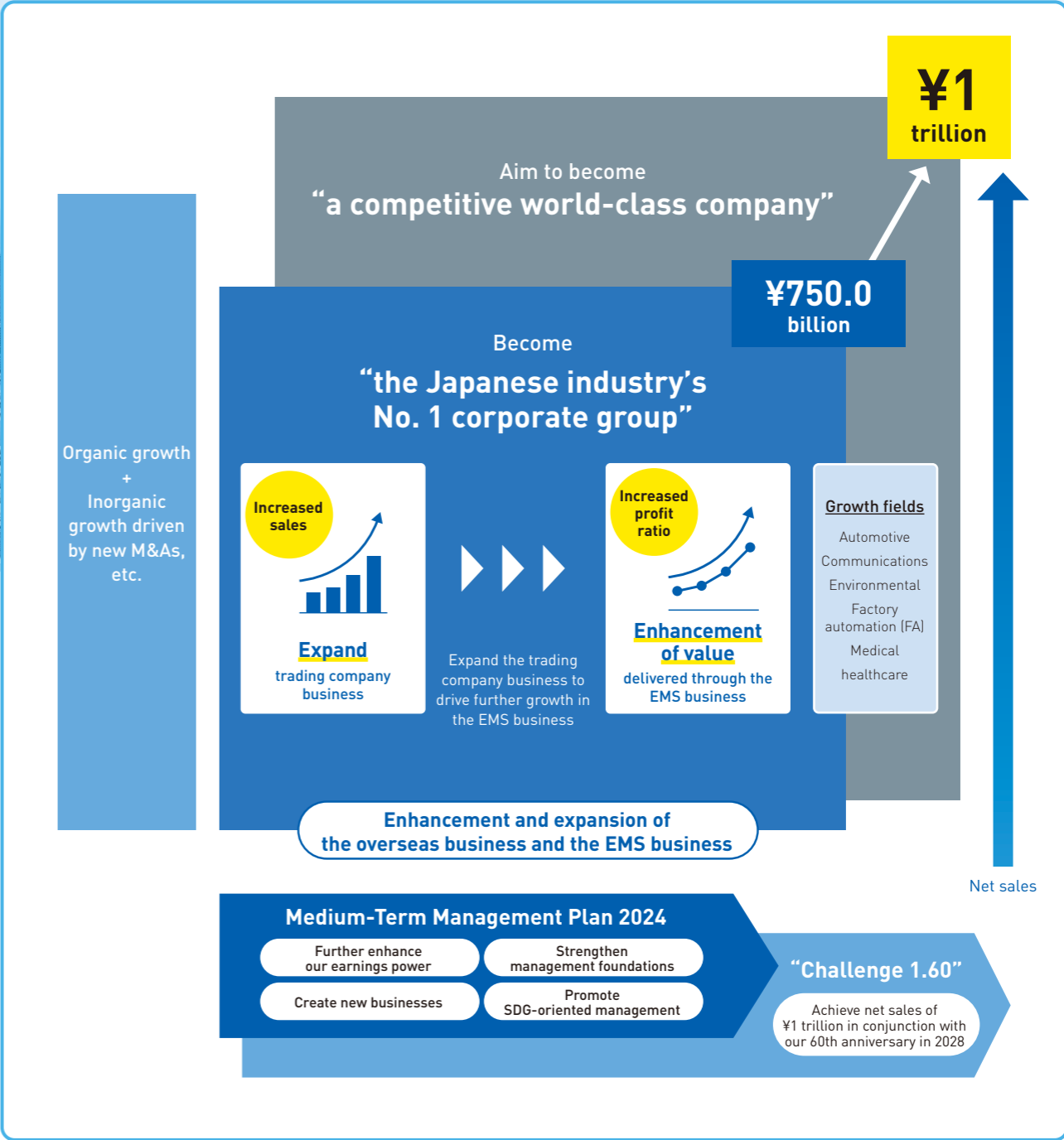
# The Kaga Electronics Group's Materiality

|   | Materiality  | Related SDGs  | Changes in the socio-economic environment   | Our initiatives   |
|---|--|---|---|---|
| E | Create a clean global environment                          | 7 AFFORDABLE AND CLEAN ENERGY, 13 CLIMATE ACTION  | <ul style="list-style-type: none"><li>Growing seriousness of global warming and other environmental problem</li><li>Urgent call for carbon neutrality</li></ul>   | <ul style="list-style-type: none"><li>Provide products and services that contribute to addressing environmental and energy issues</li><li>Continuing initiatives to reduce environmental impact</li></ul>                           |
| S | Create an inclusive company as well as an affluent society | 5 GENDER EQUALITY, 8 DECENT WORK AND ECONOMIC GROWTH, 10 REDUCED INEQUALITIES                                       | <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                       | 10 AFFORDABLE AND CLEAN ENERGY, 17 PARTNERSHIPS FOR THE GOALS   | <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                        | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE, 12 RESPONSIBLE CONSUMPTION AND PRODUCTION, 17 PARTNERSHIPS FOR THE GOALS | <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><li>Further promote global expansion</li></ul> |

# The Kaga Electronics Group's Roadmap for Growth

In line with the Medium-Term Management Plan 2024, we have defined “organic growth + new M&As” as the driver of expansion. Accordingly, we have positioned the trading company business centered on electronic components and the EMS business centered on circuit board mounting as growth drivers. Drawing on these two growth drivers, we will focus on growth fields, namely, the mobility, communications, environmental, industrial device, and medical and healthcare fields. Our envisioned scenario for the fiscal year ending March 31, 2025, the final year of this plan, is to become Japan’s industry-leading company, capable of securing annual net sales of ¥750 billion. Once we have realized the aims set out under this plan, we will strive to achieve our vision of becoming a competitive world-class company with net sales of ¥1 trillion.

## Overview of Medium-Term Management Plan 2024



# The Timeline of Our Growth Driven by the Kaga Spirit

## The Kaga Spirit

(The Words of Isao Tsukamoto)

“ **Personal connections are intangible assets** ”

The Kaga Electronics Group is capable of responding quickly and accurately to changes in the business environment and customer needs to drive continuous growth. This ability stems from the personal connections, or business network, we have built up over the years based on relationships of trust with customers and suppliers. These relationships form a vital part of our management foundations in conducting business as a trading company. The idea that “personal connections are intangible assets” has been passed down over the years as one of the pillars of what we call KAGA-ism, the essence of who we are.

“ **Never say “no”** ”

Based on the motto “Never say ‘no,’” the Kaga Electronics Group has been expanding its business domain from parts procurement to kit-parts sales and even contract production, planning and development, and maintenance services, while enhancing the lineup of products to meet customer needs. The origins of our global “one stop service system,” an enduring strength of the Company, lies in this customer-first approach.

“ **Inventory is a liability** ”

In our earliest days, a lack of ample working capital forced us to place each order for products after receiving an order from a customer. This gave birth to the idea that “inventory is a liability,” which has evolved into a currently held principle for how we receive and place orders, a critical feature of the Company. Responding as quickly as possible to order information has enabled us to build win-win relationships with customers and suppliers.

“ **People are a finite asset; companies are perpetual entities** ”

The Kaga Electronics Group continues to tackle new challenges with a view that there is no end goal to corporate activities based on the philosophy that “people are a finite asset; companies are perpetual entities.” Pursuing aggressive M&A activities and developing new products and services that resolve social issues are some of the initiatives we are undertaking to drive sustainable growth. We will remain committed to pushing the envelope as a Group as we head toward a century in business.

“ **An organization driven by communication** ”

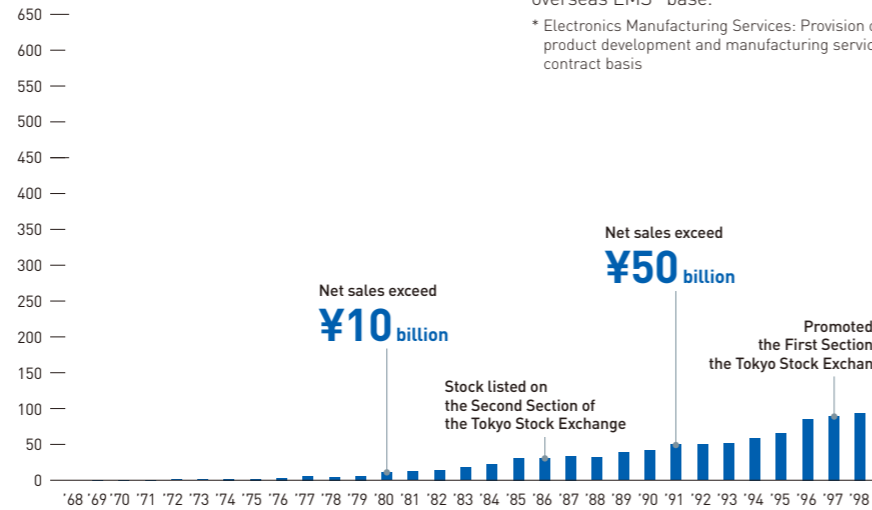
In order to ensure our ability to quickly seize opportunities amid a changing business environment full of future uncertainty, it is important to have a corporate culture that makes maximum use of the individual capabilities of our personnel. Based on this philosophy, the Kaga Electronics Group is working to build an open workplace that encourages different ways of communication to achieve common goals.

### Achieving Business Expansion by Swiftly Adapting to Changes

Having started out as a handyman business based in Akihabara, Tokyo, with an office space of less than 7 m<sup>2</sup>, we achieved business expansion thanks to surging electronics parts demand in the wake of rapid growth in the popularity of CB transceivers and the arcade game “Space Invaders” in the 1970s. In 1980, our net sales exceeded ¥10 billion. Moreover, in 1983, we became a supplier of mask ROMs for use in the Famicom, a mega-hit gaming console, thus making an entry into the field of game software for household gaming devices.

#### Net sales

(Billions of yen)



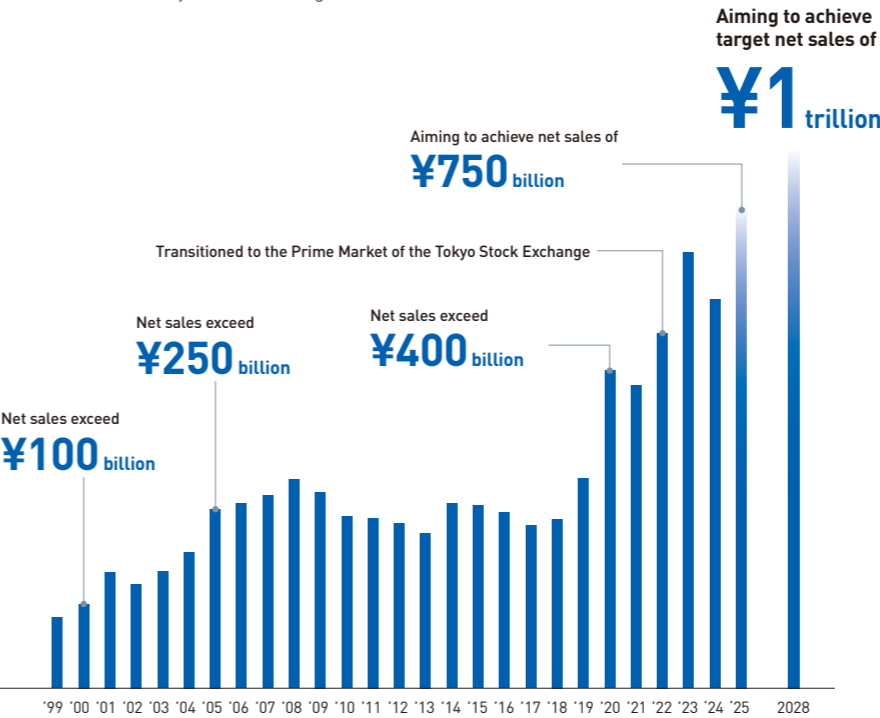
### Pursuing Proactive Global Expansion since the 1980s

In 1981, our TAXAN brand monitors, developed in-house for use with Apple computers, achieved considerable sales at home and abroad. We launched our first overseas base in the United States and, in 1985, established another in the United Kingdom, significantly accelerating the pace of our overseas expansion. In 1986, KAGA ELECTRONICS stock was listed on the Second Section of the Tokyo Stock Exchange. In the 1990s, we began proactively penetrating Asian markets outside Japan, securing our first regional foothold in Hong Kong in 1992. In 1995, we entered the Taiwanese market, which, in turn, contributed to a major sales increase. In 1997, our listing on the Tokyo Stock Exchange was promoted to the First Section. In 1999, we launched KAGA (SHENZHEN) ELECTRONICS LTD., our first factory concurrently serving as an overseas EMS\* base.

\* Electronics Manufacturing Services: Provision of product development and manufacturing services on a contract basis

### Proactively Securing Overseas EMS Production Bases and Executing M&A from the 2000s onward

Entering the 2000s, we expanded our overseas network of EMS production bases, which had previously been centered in China, by establishing facilities in Malaysia, Thailand, the Czech Republic, Indonesia, Mexico, Vietnam, Turkey, and India. In Thailand, we eventually built two bases. At the same time, the number of our bases in China grew to four. During the course of these endeavors, our net sales exceeded ¥100 billion in 2000 and ¥250 billion in 2005. From 2019 onward, we executed a rapid series of M&As, with KAGA FEI CO., Ltd., KAGA EMS TOWADA CO., LTD., EXCEL CO., LTD. and Kyokuto Electric Co., Ltd. made into Group companies. Having pursued M&As over the past several years, we have now entered a second growth phase and are aiming for net sales of ¥750 billion in 2025 on the road to net sales of ¥1 trillion in 2028, the 60th anniversary of our founding.



#### Since 1968

|           |   |
|-----------|---|
| Sep. 1968 | KAGA ELECTRONICS CO., LTD. founded at 3-8-3 Soto-Kanda, Chiyoda-ku, Tokyo, with paid-in capital of ¥1 million   |
| Mar. 1980 | Net sales exceed ¥10 billion  |
| Jul. 1981 | TSK ELECTRONICS CORPORATION established in the United States (liquidated in Oct. 2004)  |
| Dec. 1985 | Stock registered on the Japan Securities Dealers Association as an over-the-counter company TAXAN (UK) LTD. established in the UK (liquidated in Aug. 2007) |
| Dec. 1986 | Stock listed on the Second Section of the Tokyo Stock Exchange  |

#### 1990–

|           |   |
|-----------|---|
| Mar. 1991 | Net sales exceed ¥50 billion  |
| Jun. 1992 | KAGA (H.K.) ELECTRONICS LIMITED established in Hong Kong  |
| Jul. 1994 | KAGA (SINGAPORE) ELECTRONICS PTE. LTD. established in Singapore   |
| Feb. 1995 | KAGA (KOREA) ELECTRONICS CO., LTD. established in the Republic of Korea (Merged with KAGA FEI KOREA Ltd. in Sept. 2021) |
| Dec. 1995 | KAGA (TAIWAN) ELECTRONICS CO., LTD. established in Taiwan   |
| Sep. 1997 | Promoted to the First Section of the Tokyo Stock Exchange   |
| Jul. 1999 | KAGA (SHENZHEN) ELECTRONICS LTD. established in China   |

#### From 2000 onward

|           |  |
|-----------|--|
| Mar. 2000 | Net sales exceed ¥100 billion  |
| Jun. 2000 | KAGA COMPONENTS (MALAYSIA) SDN.BHD. established in Malaysia  |
| Aug. 2000 | KAGA (SHANGHAI) ELECTRONICS CO., LTD. established in China   |
| Apr. 2002 | KAGA ELECTRONICS (THAILAND) COMPANY LIMITED established in Thailand  |
| Dec. 2003 | KAGA ELECTRONICS (USA) INC. established in the United States (Merged with KAGA FEI AMERICA, Inc. in Apr. 2022) |
| Apr. 2009 | KD TEC s.r.o. established in the Czech Republic  |
| Mar. 2014 | Transferred to current Head Office building (company-owned building)   |
| Oct. 2016 | TAXAN MEXICO, S.A. DE C.V. established in Mexico   |
| Jul. 2017 | KAGA ELECTRONICS (VIETNAM) CO.,LTD. established in Vietnam   |
| Apr. 2018 | KD TEC TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI established in Turkey                               |
| Sep. 2018 | KAGA ELECTRONICS (INDIA) PRIVATE LIMITED established in India  |
| Jan. 2019 | Fujitsu Electronics Inc. (currently KAGA FEI Co., Ltd.) made into a Group company                              |
| Oct. 2019 | Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.) made into a Group company                     |
| Apr. 2020 | EXCEL CO., LTD. made into a Group company  |
| Nov. 2020 | Kyokuto Electric Co., Ltd. made into a Group company   |
| Apr. 2022 | Transitioned to the Prime Market of the Tokyo Stock Exchange   |

## The Kaga Electronics Group’s Business Fields

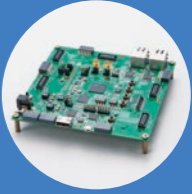
### Electronic components business

#### Electronic components business



We provide a wide range of electronics-related components, including semiconductors, general electronic components, LEDs, various sensors, and LCD panels. We deliver the world’s highest quality components to our customers by leveraging a network that encompasses more than 60 companies globally, including in North America, Europe, and Asia. Customers also enjoy peace of mind and trust, knowing that we can provide them with valuable product information and technical support.

#### EMS business



We have established a system that enables us to manufacture products that meet customer needs by utilizing our production plants Strategically located mainly in China and Asia, but also in Europe and the Americas. Our total support system extends to product design and development and is flexible enough to deal with high-mix, low-volume production and both semi-finished and finished products. We are also able to recommend optimal alternatives our customers can use from suppliers around the world.

### Information equipment business



Handling mainly PCs and peripherals made by renowned Japanese and international brands, we perform the functions of a sales agency with a special edge in our unique distribution channels, which include major appliance volume retailers, convenience stores, and educational institutions. We also build LAN systems and propose information security systems and the like for corporations and government agencies. We have the capacity to build electrical and communications facilities and finish their interiors. These are all part of our one-stop service for network solutions.

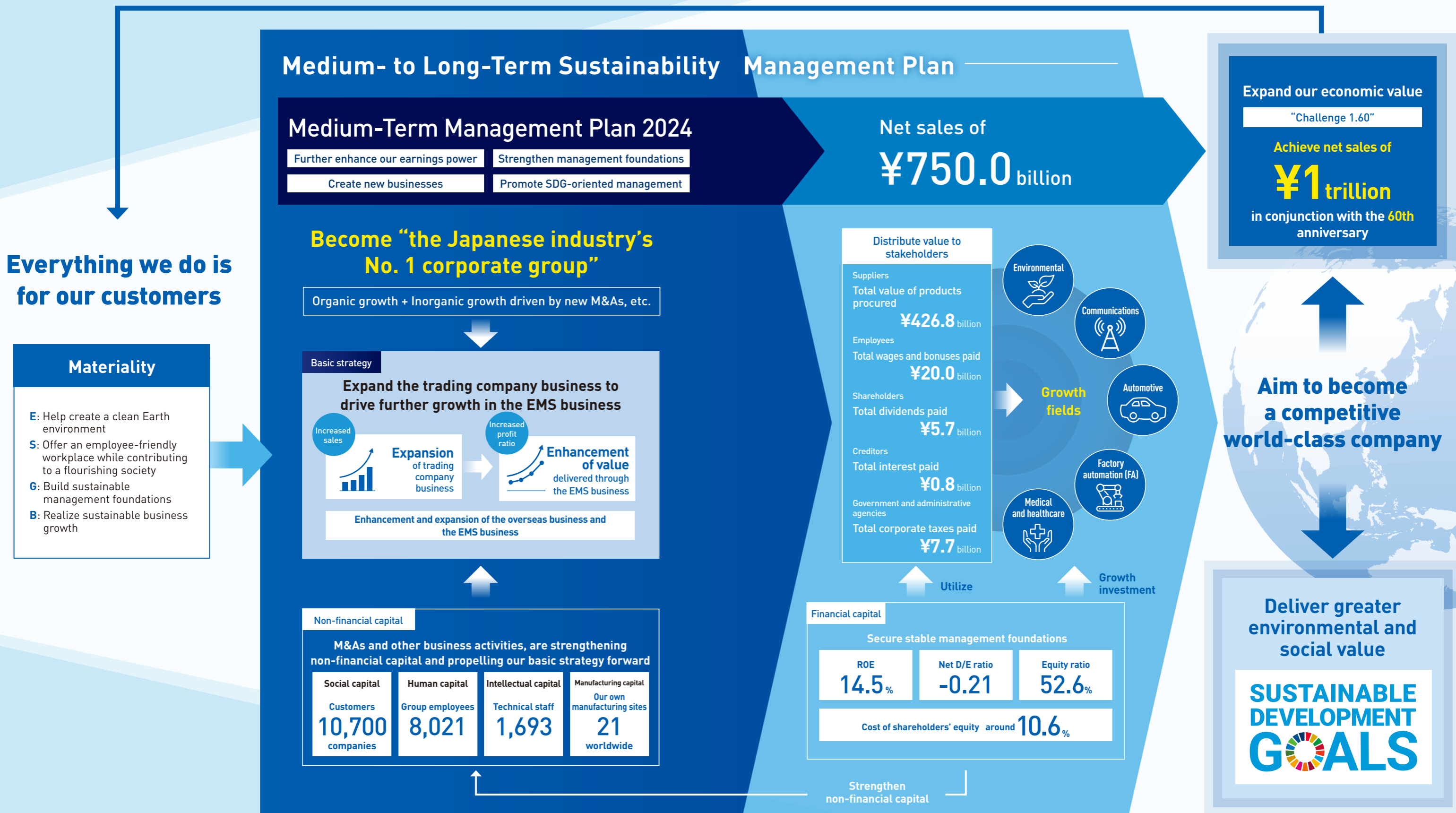
### Other business



In addition to planning, manufacturing, and sales of arcade game machines and other amusement-related equipment, the Company produces commercials, movies, animated programs, and original content using advanced computer graphics technology. In addition, the Company is developing a variety of other businesses, including an environmentally friendly PC reuse and recycling business, and retail and wholesale sales of golf equipment.

# Value Creation Process

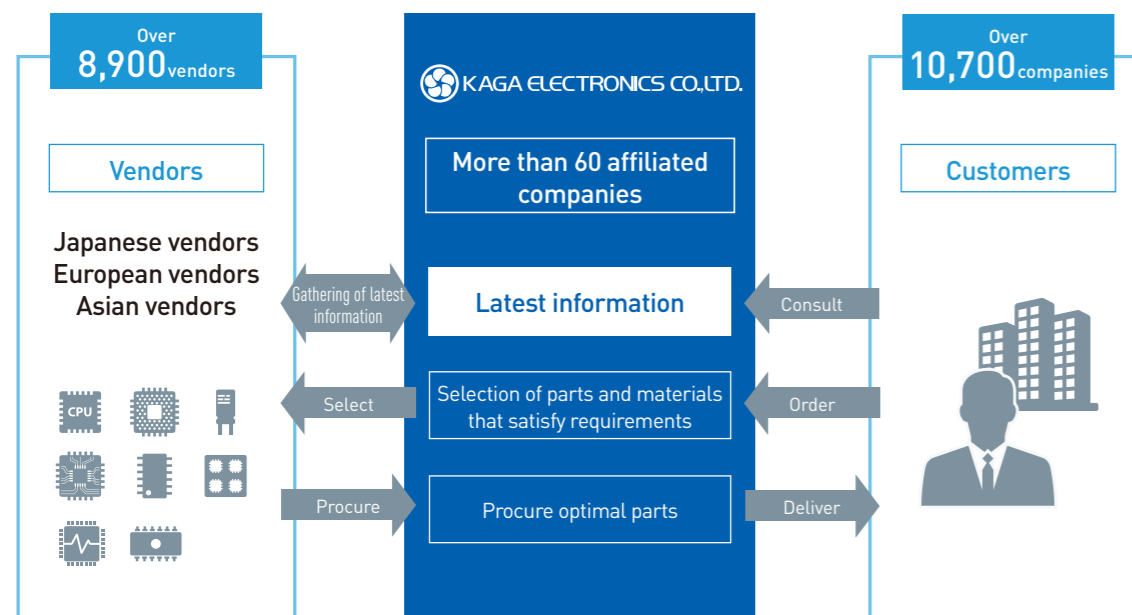
Guided by its corporate philosophy of “Everything we do is for our customers,” the Kaga Electronics Group has achieved growth by exercising a venturesome spirit that leads it to seek opportunities emerging from changes in society. Under the Medium-Term Management Plan 2024, the Group is currently pursuing quantitative growth via the electronics trading company business while expanding its EMS business, which aims to contribute to qualitative growth in profit. Through these two endeavors, the Group strives to raise its net sales to ¥1 trillion and become a competitive world-class company. This is how we deliver greater environmental and social value via our business operations.



# The Kaga Electronics Group's Business Model

## Trading company business

We leverage our strengths as an independent trading company with no restrictions on the products we handle to connect our customers with suppliers around the world and provide them with the best products in the best form.



Long-nurtured capability as a trading company to realign operations to reflect the changing times

### Advantages of an independent general electronics trading company

Procurement capabilities that can be furnished only by an independent trading company backed by hard-earned trust and know-how accumulated over the course of more than 50 years

### Global network capability

Information gathering capability that enables us to stay ahead of the changing times thanks to the various functions of Group companies in a diverse range of fields

### Technical support structure

A rock-solid, trustworthy support structure afforded by a team of seasoned engineers

## EMS business

With high reliability and high-mix, low-volume production as our strengths, we develop our business through local production for local consumption by our nearby customers

### "Convenience store-type" EMS

**Roll out of "convenience store-type" EMS** to deliver convenience and value to customers

- Small initial investment (Leased land and buildings, standardized interiors)
- High-mix, low-volume production
- Local production, local consumption model (procurement, manufacturing and logistics)

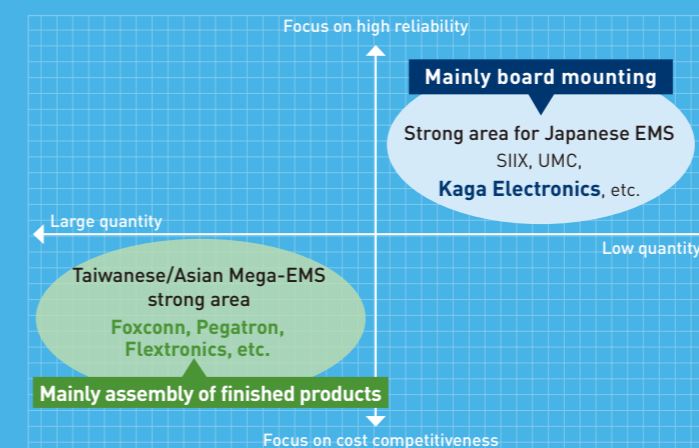
### Global network

Meeting customer needs in a swift and flexible manner by taking full advantage of **our global EMS production system, which encompasses 21 bases in 10 countries**

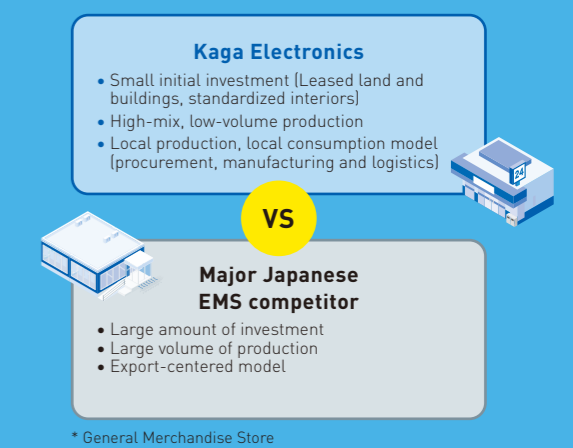
### One-stop solution capability

In addition to contract production, the Kaga Electronics Group's comprehensive strengths enable it to **provide one-stop services covering sales through after-sales support**

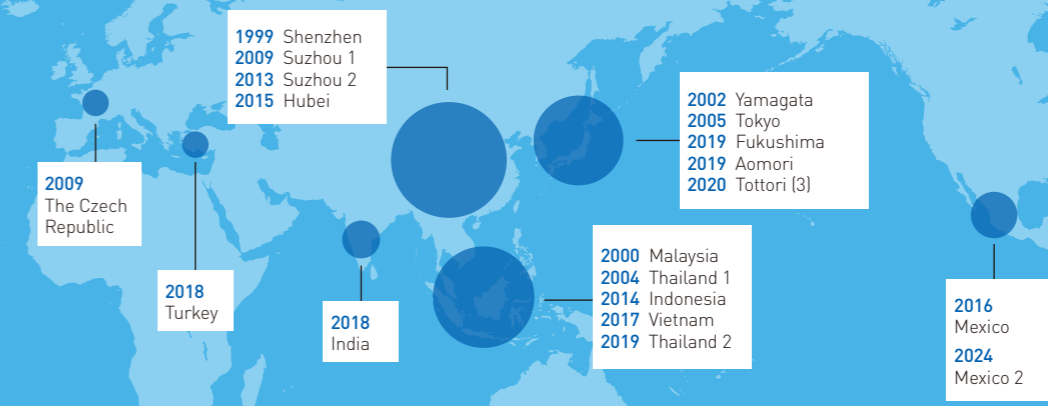
### Japanese EMS vs Taiwanese/Asian EMS



### Convenience store-type EMS vs GMS\* type-EMS



Meeting customer needs in a swift and flexible manner by taking full advantage of our global EMS production system, which encompasses 21 bases in 10 countries





## Human resources who have put “Everything we do is for our customers” into practice are an asset to the Kaga Electronics Group

**Isao Tsukamoto**

Representative Director, Founder & CEO

# MESSAGE FROM THE CEO

### New Factory in Mexico Begins Operations: KAGA ELECTRONICS' *Monozukuri* Moves to a New Stage

In August 2024, I had the opportunity to visit our new plant in Mexico. Although I have toured factories around the world before, this marked the first time that nearly 300 employees came out in full force to greet me. Along with a considerable level of surprise, I keenly felt everyone's passion for the new factory's success.

The array of state-of-the-art surface mounting machines in the factory was truly spectacular. While net sales for the fiscal year ending March 31, 2025, are expected to be approximately ¥10 billion for air-conditioning equipment and automotive-related products, in three to four years we expect net sales to reach ¥50 billion. Employees are being brought from the current factory, which was built in 2017, with plans

to expand the workforce to 1,000.

This new factory focuses on unit assembly and electrical equipment substrates, but in collaboration with a partner company, a joint venture factory with functions that include parts molding and sheet metal processing has also been established next to it. Our aim is to expand our range of functions in Mexico and contribute to our customers' manufacturing as an EMS base capable of supplying not only North American markets but also markets in Central and South America.

Furthermore, on-site solar power generation was introduced by installing solar panels on the building's rooftop. In addition to reducing electricity costs and environmental impact, this system will help ensure preparedness against power outages, an issue in Mexico, which has a fragile electricity infrastructure.

At the welcome event, we explained the Kaga Electronics Group's philosophy of “actively giving back

to employees as business expands and profits are made,” encouraging the local employees.

In addition to Mexico, the Kaga Electronics Group has EMS bases in China, Thailand, Indonesia, Malaysia, and Vietnam in the ASEAN region, and the Czech Republic and Türkiye in Europe, with India also rapidly expanding its business. We are very pleased that this has further strengthened our foundation for manufacturing around the world.

### Human resources who move first and accumulate a variety of experiences are an asset to the Kaga Electronics Group

The EMS business also stems from “Everything we do is for our customers,” which has been our cornerstone philosophy since the Company's founding. With the motto “Never say ‘no,’” we started out as a handyman business in Akihabara. As our reputation grew, more and more customers came to us and, regardless of business type, if we were asked for a part that was unavailable, we would even cross the ocean to find it for them. Through the ongoing repetition of this process, we began to not only build a lineup of essential parts to meet the needs of the era, but also to perform kitting and convert them into units. This ultimately led us to take up *monozukuri*, or manufacturing.

When a customer makes a request, we “move first.” This has become engrained as our corporate culture and permeates every corner of the organization. And, it is this approach that has allowed us to stay ahead of the changing times. Naturally, in order to fully comprehend our customers' requests and move faster than our competitors, we must, above all, be attentive.

Of course, not everything we do works every time.



Governor of San Luis Potosi (United Mexican States):  
with Jose Ricardo Gallardo Cardona (center)



TAXAN MEXICO New Factory

Even when we work hard, there will still be times when we fail. For example, even though we had been traveling overseas for parts, it was our own TAXAN brand of PC monitors that prompted us to establish a local subsidiary and become focused on the overseas business of ready-to-use products. In the 1980s, the monitors sold well in the European and U.S. markets. Later, although the Company was forced to withdraw from the market due to an influx of inexpensive competing products made in Southeast Asia, the salespeople and engineers trained in this English-speaking business were positioned to pioneer the EMS business. People who have gained a wealth of experience and developed their skills have always proven an asset to the Kaga Electronics Group.

### Adhering to Kaga-ism, which is applicable to all types and categories of business, and taking on the challenge of creating new businesses and cultivating relationships

We believe that Kaga-ism, which has its roots in the concepts of “Everything we do is for the customer,” “Never say ‘no,’” and “Inventory is a liability,” is applicable to customers in all types of businesses and industries, even amidst the ever-changing times. I believe that opportunities still exist for the Kaga Electronics Group to make a further leap forward.

As we work toward becoming a “¥1 trillion company,” we will continue to take on new challenges, such as creating new businesses and reorganizing the electronic components trading industry, and more new associates will join us in the future. Moreover, if we all firmly adhere to the tradition of upholding Kaga-ism together, we will be able to overcome any difficulties that may come our way.

# Wrapping up the Medium-Term Management Plan 2024 and Working Toward the Next Growth Stage

**Ryoichi Kado**  
Representative Director, President & COO

## MESSAGE FROM THE COO

### Review of the fiscal year ended March 31, 2024

In the fiscal year ended March 31, 2024, uncertainty prevailed in the economic climate due to a sluggish Chinese economy and trade issues between the U.S. and China amid further instability in the global environment. The Japanese economy, on the other hand, showed signs of gradual recovery, with personal consumption picking up despite rising prices and a depreciating yen.

The electronics industry, to which the KAGA ELECTRONICS GROUP belongs, saw continued demand growth in the automotive market as the global shortage of semiconductor and electronic components eased while other sectors, such as the industrial equipment market, lingered in an adjustment phase.

Under such circumstances, the Electronics components business was affected by the disappearance of

spot demand due to the easing of supply shortages of semiconductors and electronic components, the curtailment of transactions with specific consumers at an overseas subsidiary of EXCEL CO., LTD., and inventory adjustments that began in earnest in the third quarter and thereafter. Reflecting these conditions, net sales decreased year on year by 10.8% to ¥542,697 million.

Operating income fell 19.9% to ¥25,845 million and ordinary income fell 20.7% to ¥25,976 million as a result of efforts to reduce selling, general and administrative expenses in response to the decline in gross profit on sales caused by the decrease in net sales. Profit attributable to owners of the parent fell 11.8% year on year to ¥20,345 million, due in part to extraordinary gains on sales of investment securities and a gain on bargain purchase associated with a corporate acquisition.

For the fiscal year ended March 31, 2024, we started with a year-on-year forecast of lower sales and profits, based on the assumption that the electronic components business will be affected by two factors: inventory adjustments among consumers due to the easing supply and demand for semiconductors and electronic components, and the absence of spot demand, which contributed to earnings growth in the previous two fiscal years. Reflecting on the past year, the absence of spot

demand was as expected, but the impact of inventory adjustments did not materialize as expected in the fiscal year's first half, resulting in net sales and operating income both exceeding the internal plan. In the second half of the fiscal year, however, the impact of inventory adjustments finally began to take hold, and as a result, the upward swing in operating income gradually narrowed. In the end, the Company exceeded its initial forecast and generally achieved a solid landing.

### Forecast for the fiscal year ending March 31, 2025

The electronics related market is expected to expand over the medium to long term, particularly for automotive applications. However, customers are expected to continue engaging in inventory adjustments for the time being, with a full recovery in demand expected to not begin until the second half of the fiscal year ending March 31, 2025. In addition, the Group has implemented a wage increase effective April 2024 as an investment in human capital that will contribute to future growth.

Based on these circumstances, for the fiscal year ending March 31, 2025, we forecast net sales of ¥555.0 billion, operating income and ordinary income of ¥26.0 billion, and profit attributable to owners of the parent of ¥18.0 billion. While the wage increase will drive up expenses by approximately ¥1.5 billion, even after factoring in the impact of this increase, we hope to make the current fiscal year one in which we can return to a growth trend in terms of both sales and profits.

### Highlights of the year ended March 31, 2024 and forecasts for the year ending March 31, 2025

(Millions of yen)

|  | 2023/3<br>Results | 2024/3 Results | Change              | 2024/3<br>Forecasts | Difference<br>from<br>forecasts | 2025/3<br>Forecasts | Change             |
|--|-------------------|----------------|---------------------|---------------------|---------------------------------|---------------------|--------------------|
| Net sales  | 608,064           | 542,697        | -65,367<br>[-10.8%] | 550,000             | -7,303<br>[-1.3%]               | 555,000             | 12,303<br>[2.3%]   |
| Operating income                                   | 32,249            | 25,845         | -6,404<br>[-19.9%]  | 25,000              | 845<br>[3.4%]                   | 26,000              | 155<br>[0.6%]      |
| Operating income margin                            | 5.3%              | 4.8%           | —                   | 4.5%                | —                               | 4.7%                | —                  |
| Profit attributable to owners of the parent        | 23,070            | 20,345         | -2,725<br>[-11.8%]  | 18,000              | 2,345<br>[13.0%]                | 18,000              | -2,345<br>[-11.5%] |
| Profit attributable to owners of the parent margin | 3.8%              | 3.7%           | —                   | 3.3%                | —                               | 3.2%                | —                  |
| Earnings per share (yen)                           | 878.65            | 774.61         | -104.04             | 685.42              | +89.19                          | 685.26              | -89.35             |
| ROE  | 19.6%             | 14.5%          | -5.1 pt             | 13.3%               | +1.2pt                          | 11.5%               | -3.0 pt            |

Note: Percentage figures in parentheses indicate the rate of increase or decrease.

Stock split

The Company is scheduled to execute a stock split effective October 1, 2024. With the date of record set at September 30, the Company will conduct a 2-for-1 stock split of its common stock in order to create an environment that makes it easier for individual investors to invest by reducing the minimum investment unit while

increasing the liquidity of the Company's stock and further expanding its investor base. The year-end dividend for March 2025 will be ¥55 per share as a result of this stock split, but there will be no substantial change in the dividend, as it will be implemented in accordance with the split ratio.

Change in total number of shares issued and outstanding

|   | Before stock split | After stock split  |
|---|--------------------|--------------------|
| Total number of shares issued               | 28,702,118 shares  | 57,404,236 shares  |
| Total number of shares authorized for issue | 80,000,000 shares  | 160,000,000 shares |

Dividend forecast for the fiscal year ending March 31, 2025

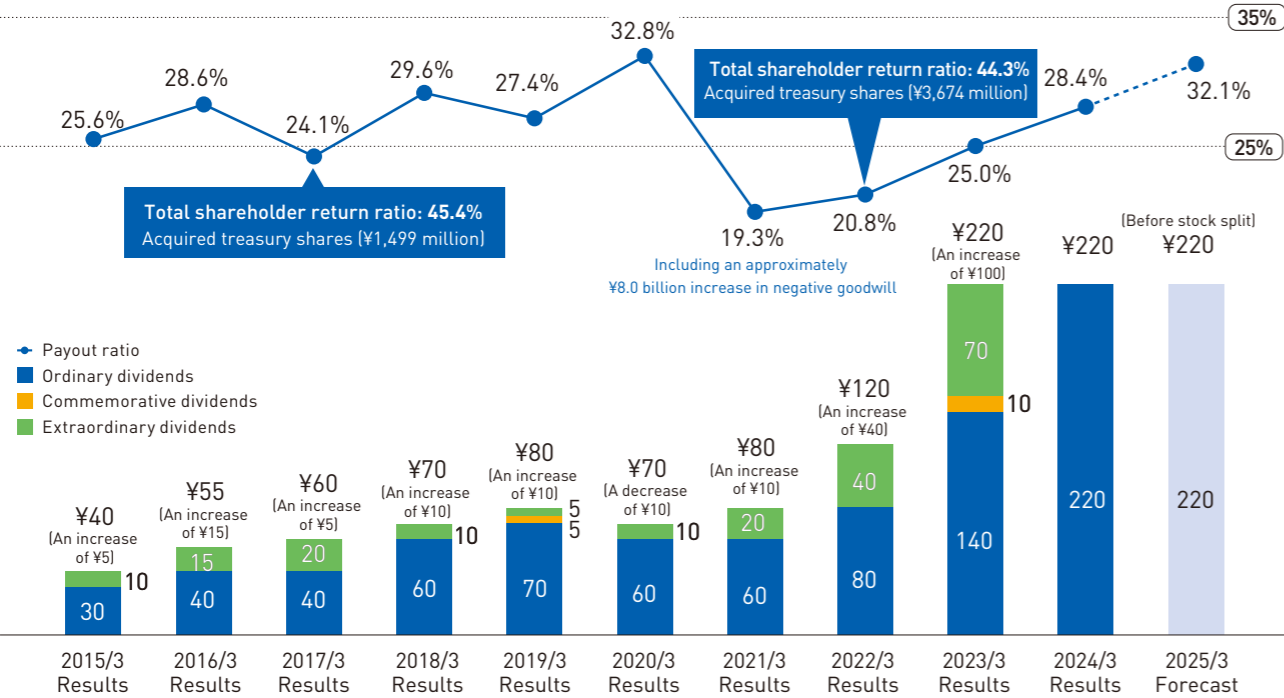
|                   |                    | Dividend per share |            |            |
|-------------------|--------------------|--------------------|------------|------------|
|                   |                    | End of 1st half    | Year-end   | Total      |
| Dividend Forecast | Before stock split | 110.00 yen         | 110.00 yen | 220.00 yen |
|                   | After stock split  | 110.00 yen         | 55.00 yen  | —          |

Dividends (shareholder returns)

The Company's policy on shareholder returns is to maintain stable dividends while targeting a consolidated payout ratio of 25% to 35%. Although profits declined in the fiscal year ended March 31, 2024, we resolved to pay out a dividend of ¥220 per share, the

same amount as the previous year, in line with this policy. In the fiscal year ending March 31, 2025, despite our anticipating a decrease in profit, the dividend is expected to be ¥220 (before the stock split).

Dividend Trends



Measures to achieve cost-of-capital and stock price conscious management

On January 25, 2024, the Company decided on a policy to address the cost of capital and improve stock price awareness. With the goal of ensuring continued improvement in ROE by achieving profitability that exceeds the cost of shareholders' equity as well as of ensuring improvement in its price-to-book ratio by

securing fair evaluations from the stock market for its business and growth potential, the Company will steadily implement various measures set forth in its Medium-Term Management Plan 2024 with a focus on the following four items.

Measure 1 Steadily implement the Medium-Term Management Plan 2024

We will strive to maintain and improve business growth and profitability through the steady implementation of the various measures set forth in the medium-term management plan, with the goal of achieving our management targets in the final year of the plan.

Measure 2 Enhance shareholder satisfaction

We will strive to enhance shareholder satisfaction through the steady implementation of shareholder return policies set forth in our medium-term management plan: (1) a consolidated dividend payout ratio of 25%-35% as a guideline for stable dividends, (2) payment of special dividends as performance-linked dividends, and (3) flexible and strategic share buybacks. Furthermore, in the next medium-term management plan to be formulated this fall, we will further discuss ways to advance and improve our shareholder return policy.

Measure 3 Promoting sustainability management

The Sustainability Committee, which is chaired by the President and COO, will play a central role in deepening our existing CSR and ESG initiatives and promoting sustainability management on a Group-wide basis. In the fiscal year ending March 31, 2025, we will focus on quantifying greenhouse gas emissions and developing reduction targets in addition to earning improved ESG assessments from external organizations such as TCFD and CDP.

Measure 4 Maintaining and strengthening proactive investor relations activities

For the past several years, the Investor Relations and Public Relations Department, an organization dedicated to IR activities, has been playing a central role in the Company's efforts to hold such events as corporate and financial results briefings for investors, and to regularly disseminate management information through the Company's IR website, integrated reports, and various media (economic newspapers and specialized newspapers). In addition, the President and COO will play a leading role in actively engaging in constructive dialogue with shareholders and investors, including those overseas.

Progress toward management targets under the Medium-Term Management Plan 2024

In November 2021, the Company announced its three-year Medium-Term Management Plan 2024. During the fiscal year ended March 31, 2023, the plan's first year, the Company achieved its KPI targets for net sales, operating income, and ROE (excluding new M&A targets) two years ahead of schedule, as a result of proactively addressing spot demand by maximizing the strength of the Company's procurement capabilities amid the ongoing global shortage of semiconductors and electronic components. On May 11, 2024, we announced the latest outlook, updating our final-year forecast in light of these first-year results. In terms of results for the fiscal year ended March 31, 2024, operating income and ROE to exceeded

the initial plan due to changes in the environment, including the absence of spot demand in the electronic components business, customer engagement in prolonged inventory adjustments, and wage hikes. However, net sales and operating income are still at a level below the latest forecast regarding the plan's management targets. For the fiscal year ending March 31, 2025, we have positioned the earnings forecast announced on May 9, 2024, as a "commitment" to our stakeholders and the latest forecast as a "challenge target," and the entire Group is united in its efforts to wrap up the Medium-Term Management Plan 2024 on a high note in its final year.

Management targets, results, and forecasts under Medium-Term A Management Plan 2024

|                  | Initial management targets<br>Announced November 25, 2021                   | First year results<br>2023/3 | Latest forecast regarding management targets<br>Announced May 11, 2023 | Second year result<br>2024/3 | Forecasts for the final fiscal year<br>2025/3 |
|------------------|---|------------------------------|--|------------------------------|---|
| Net sales        | ¥750.0 billion<br>¥600.0 billion: organic growth<br>¥150.0 billion: new M&A | ¥608.0 billion               | Unchanged  | ¥542.6 billion               | ¥555.0 billion                                |
| Operating income | ¥20.0 billion   | ¥32.2 billion                | More than<br>¥30.0 billion   | ¥25.8 billion                | ¥26.0 billion                                 |
| ROE              | Stable<br>8.5% or more  | 19.6%                        | Stable<br>10% or more  | 14.5%                        | 11.5%   |

Progress of Medium-Term Management Plan 2024 management measures

The plan sets out four basic policies: further enhance our earnings power, strengthen management foundations, create new businesses, and promote SDG-oriented management. We believe that our progress in addressing key issues in line with these policies is generally going to plan.

Regarding efforts to further enhance our earnings power, in April 2024, we were able to start up a new factory in Mexico and thereby strengthen and expand our EMS business and overseas business as a whole.

To strengthen management foundations, we proactively invested in human capital. Progress was also made in the use of specialized childcare leave by male employees, as well as in the implementation of Group-wide wage hikes.

On the other hand, with regard to creating new businesses, we have invested in venture companies through the use of corporate venture capital (CVC), but have yet to identify appropriate M&As to pursue. This remains an ongoing issue for us.

| Basic Policy                       | Priority Tasks   | Major Results  | Evaluation |
|------------------------------------|--|--|------------|
| Further enhance our earnings power | <ul style="list-style-type: none"><li>Selection of and concentration of effort in growth areas</li><li>Strengthening and expansion of EMS business and overseas business</li></ul> | <ul style="list-style-type: none"><li>Operation commencement of new factory in Mexico (April 2024)</li></ul>   | ○          |
| Create new businesses              | <ul style="list-style-type: none"><li>Strengthening corporate governance</li><li>Efficient Group management</li><li>Investment in human capital</li></ul>                          | <ul style="list-style-type: none"><li>Established a specialized childcare leave system for male employees that enjoys a 73.3% utilization rate (March 2024)</li><li>Determination of Group-wide wage hike (March 2024)</li></ul> | ○          |
| Strengthen management foundations  | <ul style="list-style-type: none"><li>Initiatives in new fields</li><li>Promotion of open innovation through venture investment</li></ul>  | <ul style="list-style-type: none"><li>Investments in venture companies using CVC (5 and 1 in the years ended March 31 2023 and 2024, respectively)</li></ul>   | △          |
| Promote SDG-oriented management    | * Refer to ESG Information–Progress under the Medium- to Long-term Sustainability Management Plan  |  |            |



Commenced formulation of the next Medium-Term Management Plan

We have begun formulating the next Medium-Term Management Plan , which will start from the fiscal year ending March 31, 2026, aiming to present to our shareholders and investors a growth scenario for the Group as we look ahead to the 60th anniversary of our founding.

Although we hesitate to discuss specifics at this time (September 2024), we intend to upgrade the priority measures set forth in the current Medium-Term Management Plan 2024 while strengthening our business portfolio management in existing business areas. In other words, we will redefine our business portfolios while determining the trajectory of our medium-term strategy based on the market growth potential and competitive advantages of each portfolio. Since assuming the role of president, I have taken the profit-oriented management that I have been advocating one step further, and I envision using it to promote each portfolio’s businesses in more meaningful and effective ways as well as to inform

decisions on business investment and human capital investment. We will also continue to embrace the challenges of M&A and the creation of new businesses that will enable the Group to achieve unconventional growth.

Another key issue to consider is the implementation of capital policies to achieve quantitative management targets through business promotion and to achieve “management with an awareness of capital costs and stock prices.” We are in the process of reviewing our capital allocation policy, which guides how we assign profits and cash earned to investments for growth and shareholder returns, as well as our current method of determining shareholder returns, which is based on maintaining a dividend payout ratio of 25% to 35%.

Please do not miss the details of our next Medium-Term Management Plan , which is scheduled to be announced in November 2024.



# Implement financial strategies to maximize corporate value

**Yasuhiro Ishihara**

Senior Executive Officer  
Head of Administration Headquarters

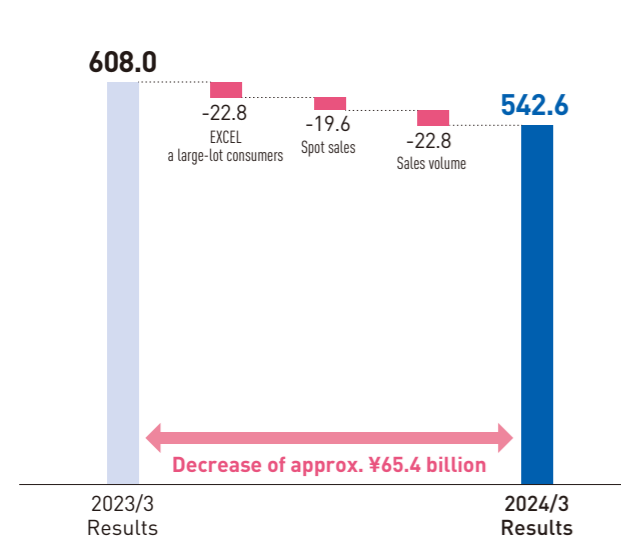
## Analysis of factors affecting performance fluctuations for the fiscal year ended March 31, 2024

For the fiscal year ended March 31, 2024, the Group reported net sales of ¥542.6 billion, down ¥65.4 billion from the previous year, and operating income of ¥25.8 billion, down ¥6.4 billion from the previous year.

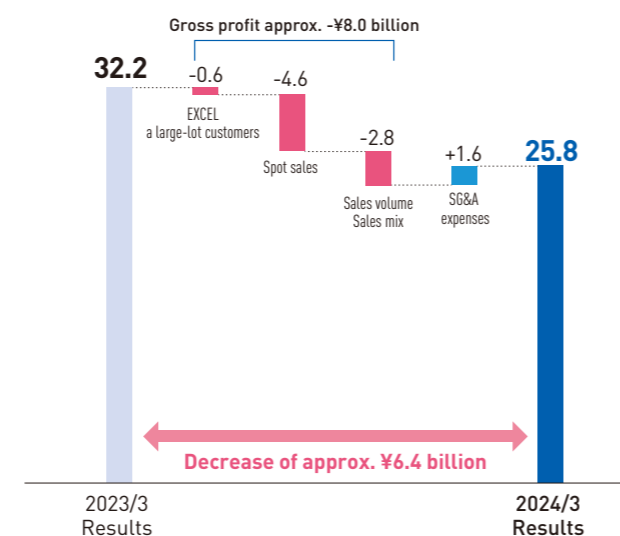
There are three main factors for the decrease in revenues. The first is a ¥22.8 billion decrease at EXCEL CO., LTD. caused by a reduction in transactions with a specific large-lot customers, and the second is a ¥19.6 billion decrease due to the absence of spot demand in the electronic components business. These particular

factors account for two-thirds of the total decrease, while the remaining third is attributable to the impact of inventory adjustments by customers, etc., resulting in a decrease of ¥22.8 billion. At the same time, despite a ¥5.2 billion decrease due to these particular factors and a ¥2.8 billion decrease from lower sales as a result of the aforementioned inventory adjustments, SG&A expenses decreased by ¥1.6 billion, resulting in a ¥6.4 billion decrease in operating income.

**Net sales variance factors** (Billions of yen)



**Operating income variance factors** (Billions of Yen)



## Performance by company

Looking at the results by company, Kaga Electronics suffered a decline in both net sales and operating income due to the significant impact of the absence of spot demand, but both the gross profit margin and operating income margin remained roughly on the same level from the previous year, confirming that the Company was able to maintain profitability.

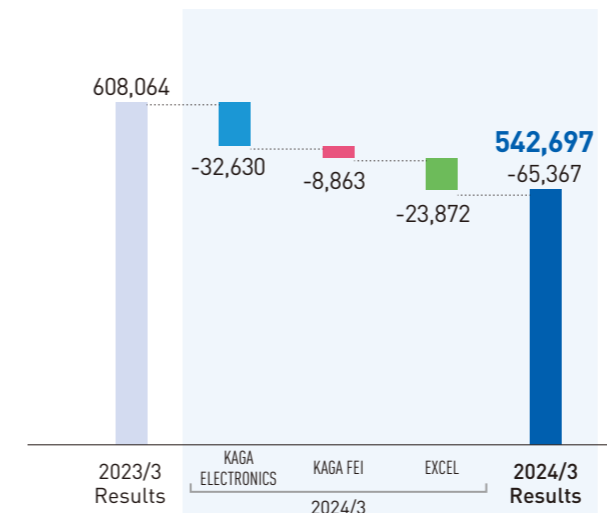
At first glance, KAGA FEI CO., Ltd.'s operating income seems to have declined significantly, but we believe that this was largely due to extraordinary one-time factors, including the absence of spot demand, a change in the allocation of head office expenses from the fiscal year ended March 31, 2024, and an increase in the provision of

allowance for doubtful accounts associated with specific customers, and that the company has steadily developed a highly profitable structure since the M&A.

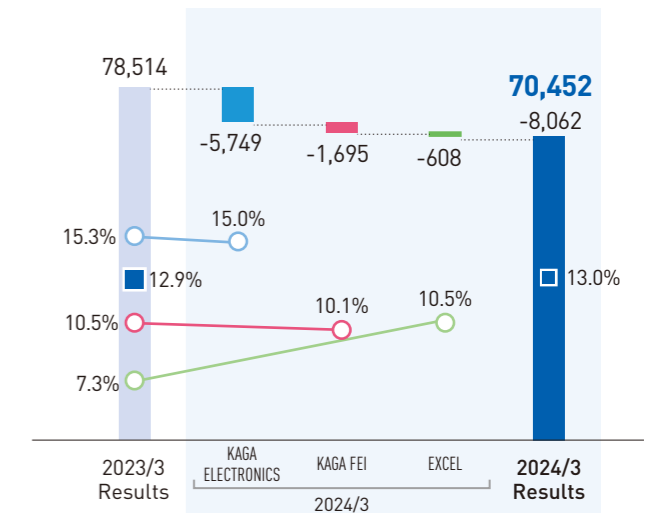
Despite a decline in sales to a large-lot customers, EXCEL enhanced its profitability by improving its sales mix, and its profits did not decline as much as its net sales, with both gross profit margin and operating income margin improving significantly.

We believe that our consolidated gross profit margin, although slightly higher than in the previous year, is evidence of our continued maintenance of sustainable earnings power.

**Net sales** (millions of yen)

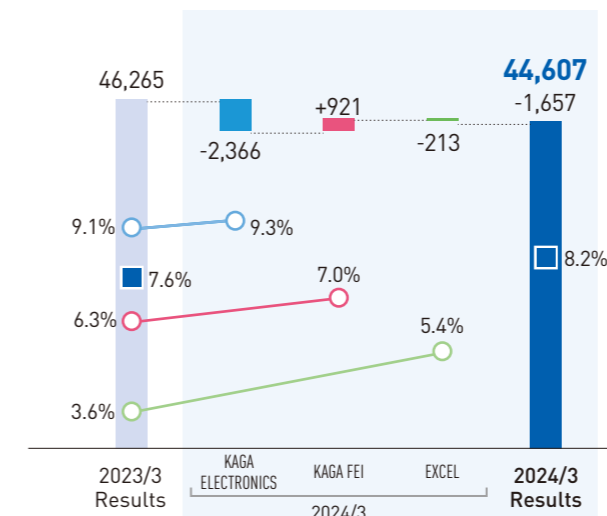


**Gross profit** (millions of yen) / **Gross profit margin**

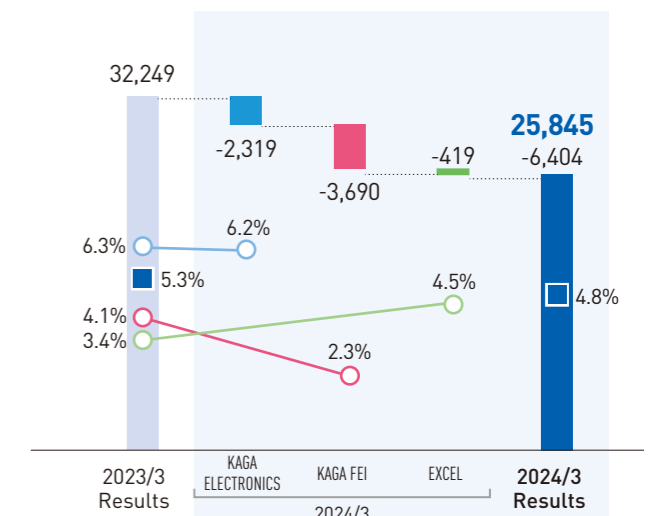


Note: Gross profit and operating income figures are shown prior to consolidated adjustments among the three companies. Consolidated adjustments are +¥25 million for gross profit and +¥198 million for operating income.

**SG&A expenses** (millions of yen) / **SG&A expense ratio**



**Operating income** (millions of yen) / **Operating income margin**



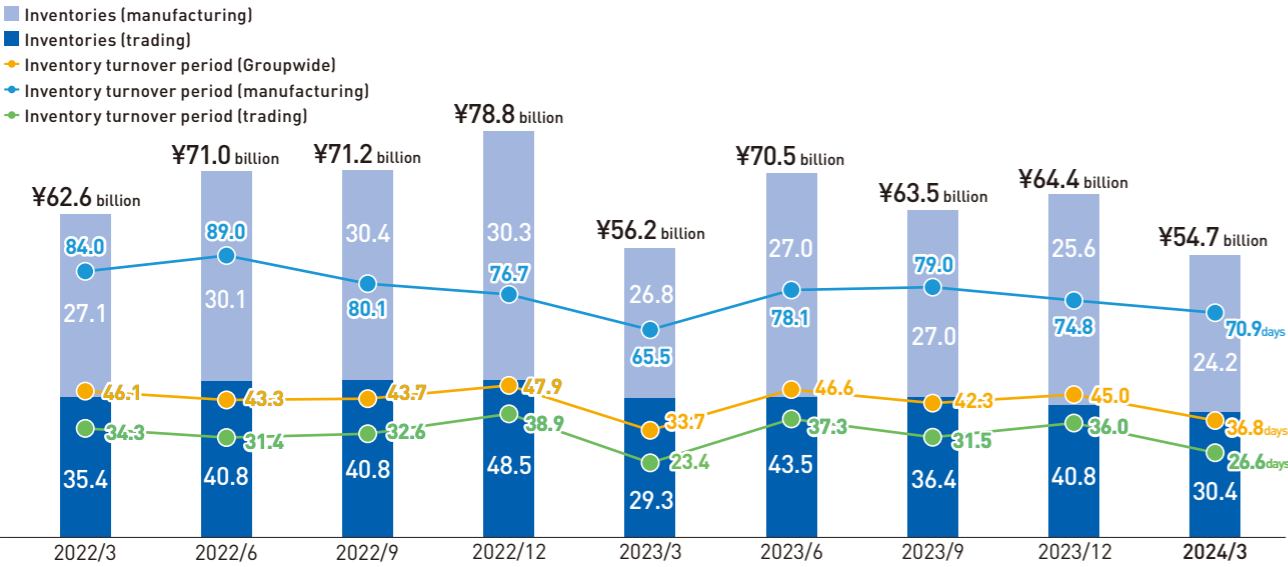
Inventory control and cash generation capability

We consider inventory control to be one of the Company’s most important measures, so we keep a constant watch on its transition. Despite having risen to around ¥70.0 billion over the course of the year due to inventory adjustments by major customers, inventories at March 31, 2024 were ¥54.7 billion, a year-on-year decrease of ¥1.4 billion, as a result of efforts to adjust purchasing and procurement. On the other hand, the inventory turnover period

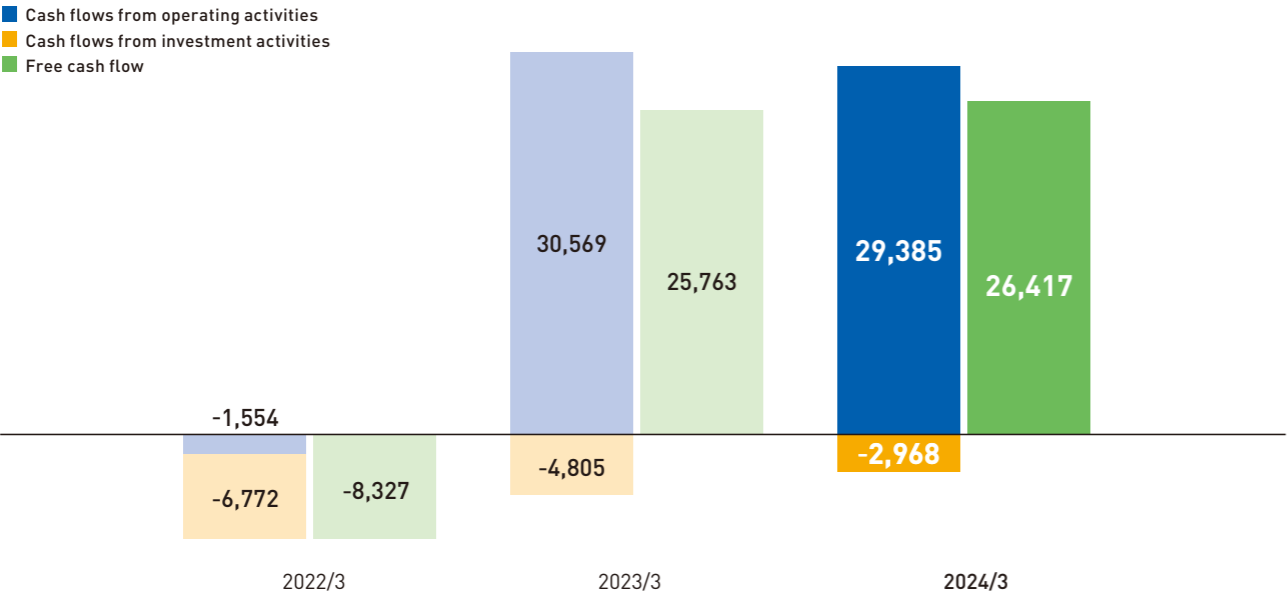
deteriorated by about 3 days to 36.8 days, due in part to the decline in net sales. We will therefore enhance and continue our inventory reduction efforts.

We also believe that our efforts to reduce inventories have helped us to maintain a high level of cash generation, with net cash provided by operating activities of ¥29,385 million and free cash flow of ¥26,417 million.

Inventory trends / Inventory turnover period



Cash flows (millions of yen)



Ensure financial base stability for future growth investments

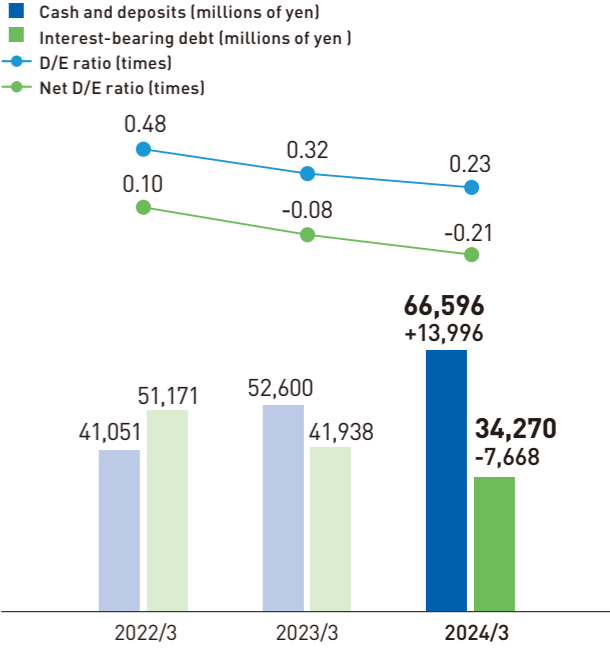
Interest-bearing debt decreased ¥7,668 million year on year to ¥34,270 million as a result of debt repayment using the cash generated by operations, and the D/E ratio was kept low at 0.23 times due in part to the buildup of shareholders’ equity through the acquisition of profits.

Cash and deposits increased ¥13,996 million year on year to ¥66,596 million, and the net D/E ratio remained negative at -0.21 times, continuing from the end of the previous fiscal year, as cash and deposits increased, further solidifying the stability and strength of the Company’s financial base.

While the rise in shareholders’ equity lifted the equity ratio to 52.6%, thereby increasing financial stability, ROE slipped to 14.5%, indicating a slight decline in capital efficiency.

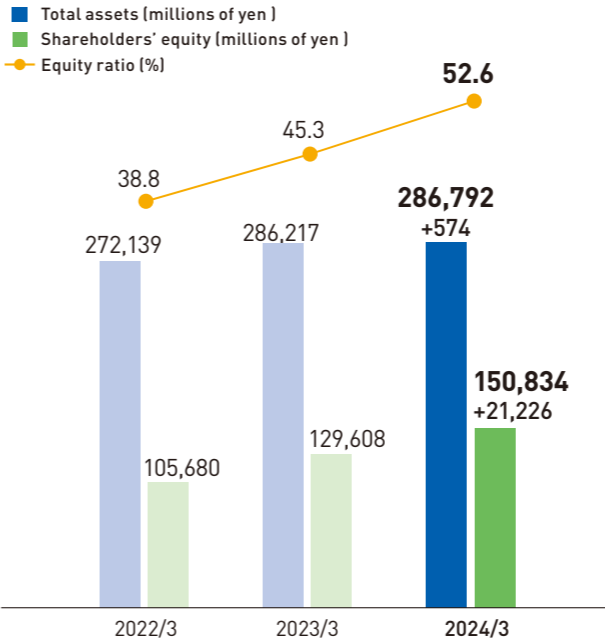
The Company will continue to further enhance its earnings power and will leverage the funds it generates through investments in business expansion, including via M&A, investments in production facilities and other business infrastructure for growth, and human capital, while pursuing improvements in shareholder returns and other multifaceted initiatives, aiming to sustainably maintain and improve ROE to meet the management target of “10% or more on a stable basis.”

Cash and deposits / Interest-bearing debt / D/E ratio / Net D/E ratio

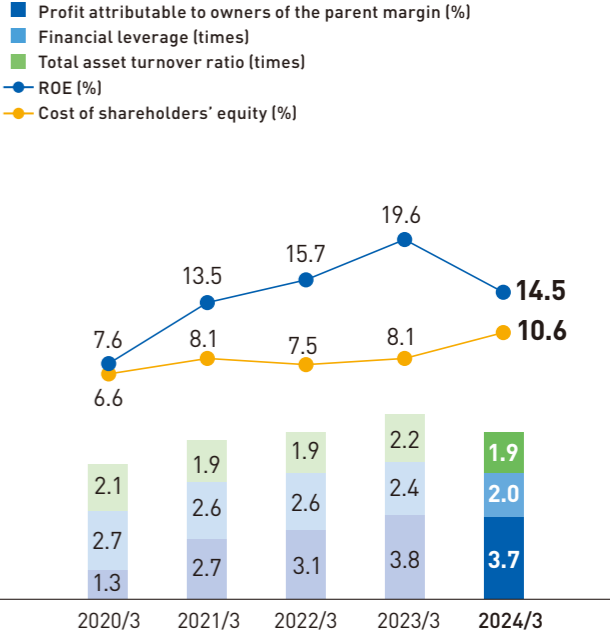


Note:  
1. D/E ratio = interest-bearing debt / shareholders’ equity  
2. Net D/E ratio = (Interest-bearing debt - Cash and deposits) / Shareholders’ equity

Total assets (millions of yen) / Shareholders’ equity (millions of yen) / Shareholders’ equity ratio (%)



ROE (%) / Cost of shareholders’ equity (%) / Profit attributable to owners of the parent margin (%) / Financial leverage (times) / Total asset turnover ratio (times)





*"Manufacturing will never fade away"*

## Toward the Further Growth of the EMS Business



**Takao Okabe**  
Senior Executive Officer  
EMS Business Division Director

The Kaga Electronics Group has a structure for delivering products anywhere in the world our customers are located through its network of suppliers and production plants spanning China, ASEAN, Europe, and even the Americas. We provide total support, including product design and development, highly reliable, high-mix low-volume production, and flexible support for everything from semi-finished to finished products.

### Creed of the industry's strongest behind-the-scenes players

I proudly believe KAGA ELECTRONICS' EMS Business to be the industry's strongest behind-the-scenes player. If a customer decides to "go overseas" (i.e., to build a factory), we will, of course, accompany them in our capacity as a reliable right-hand man. This stems from the conviction that "Everything we do is for our customers," a corporate philosophy that we have adhered to since our founding. I believe that decisiveness and flexibility are the greatest of the Company's unique strengths.

Once the decision to go has been made, we remain thoroughly committed to ensuring the profitability of our relationship, a relationship whose profitability is not determined by how it rewards us but by how the client

perceives it and considers us a compatible match. This approach demonstrates the very essence of an independent parts dealer. Because we prioritize profit over sales, we have no interest in accepting unprofitable work simply to keep a plant operating.

In terms of flexibility, the axis of manufacturing in the EMS business has evolved with the times, beginning with audio equipment and transitioning to office automation equipment, such as copiers and printers, and later to in-vehicle and industrial equipment. The ability to discern and skillfully adapt to change can also be said to be one of the Company's unique strengths. As a future growth area, we are focusing on robots used in manufacturing.

In its EMS Business, KAGA ELECTRONICS places great importance on hiring local people, working with them, and returning profits made through local production for local consumption to the employees first. In addition to creating jobs, we contribute to local communities by

fulfilling our tax obligations as a corporation. So, in order to continue contributing to stakeholders in 5, 10, and even 20 years, a high level of profitability is essential.

### Current issues in the EMS Business

Going forward, our policy of local production for local consumption, in which we align ourselves with Japanese companies operating overseas, assisting them in their manufacturing activities, will remain unchanged. However, with regard to manufacturing in the EMS industry, unless we adopt a different approach, growth cannot be sustained.

While our current clients are mainly Japanese companies, in the future we must increase the number of foreign companies among our clientele. This imposes several challenges with regard to the cultivation of overseas customers, as the very essence of our business is local production for local consumption. The biggest challenge we face is human resource training. In pursuing local production for local consumption, we believe it is important to have a global training system and need to therefore determine the best way to train local human resources at each location.

In Japan, KAGA EMS TOWADA CO., LTD. has a department dedicated to human resource training as a part of its system for taking on foreign technical intern trainees.

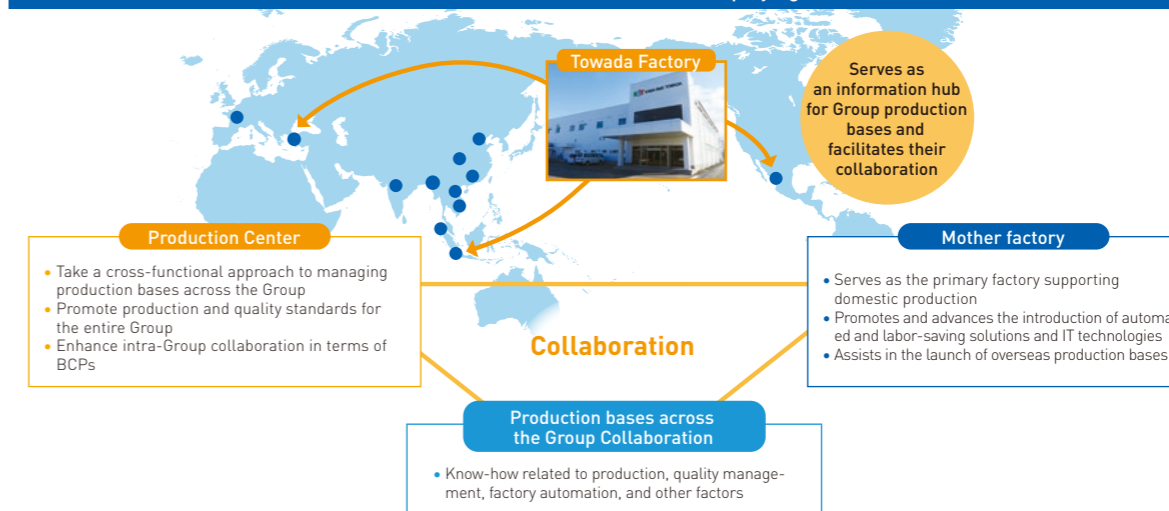
When I was stationed in China, I also established a "KAGA ELECTRONICS Class" at a vocational school in Xi'an to teach Japanese-style manufacturing and KAGA ELECTRONICS-style business, and accepted graduates into the Company. Now, based on this same principle, we are preparing to establish a system in each country to dispatch Japanese

experts to oversee training and coaching in local areas.

Another challenge we face is the growing level of geopolitical risk surrounding China, such as restrictions on imports and exports of Chinese products and tariff hikes due to the normalization of the U.S.-China conflict, which makes it difficult for companies to continue manufacturing in China. With new investment in China by Japanese companies stagnating, I expect that the percentage of manufacturing in ASEAN nations will increase in the future. We have positioned KAGA EMS TOWADA as the main factory in Japan to serve as the hub of our EMS business and KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD. as our main factory in China. In order to respond to market changes, however, the Company intends to establish a three-site system, with operations in Thailand as the main factory in the ASEAN region.

Although the current trend is to avoid production in China, China's manufacturing potential is very high and a supply chain is already established. Therefore, we are focusing on exploiting the high quality manufacturing capabilities unique to KAGA ELECTRONICS as a Japanese company, while skillfully leveraging China's manufacturing and technological capabilities. We intend to maintain a good relationship with China, which produces an abundance of inexpensive components.

Facilitate collaboration among our bases around the globe and establish a human resource development structure, with KAGA EMS TOWADA (Production Center) playing a central role



## Future EMS Business Strategy

As a growth strategy for the EMS business, we believe that 10% to 15% annual growth is a healthy level while maintaining the quality KAGA ELECTRONICS is known for. To increase at a faster pace runs the risk of disaster, which, in the world of manufacturing, can be catastrophic. I personally have seen a single mishap wipe out an entire year of a business' profits. That experience has since led me to carefully consider ways to maintain quality levels when developing growth strategies.

One approach to expanding the scale of EMS operations is to increase the number of countries and locations in which we operate, in other words, to expand our coverage. Another approach is to grow by digging deeper into the business, in other words, increasing the value added by enhancing the functionality the business provides.

Using the human body as an analogy, we are strengthening the muscles and bones while simultaneously enlarging the overall size of the body. Of particular importance is to train against any possibility of developing an "Achilles heel." This is something I believe is essential even if we have to push ourselves to do so. Much in the same way one would assemble a detailed model, if the time isn't taken to ensure each vital piece is present and accounted for, to get the job done we will have to resort to tie-ups with other companies or even divestitures.

With this in mind, there are three points of focus I feel we must train for.

The first of these is purchasing power. Customer expectations regarding KAGA ELECTRONICS' manufacturing are based on whether our electric components are reasonably priced with stable and global procurement conditions. With a market size of approximately ¥4 trillion for electronic component trading companies, we believe that there is significant room for growth through acquisitions targeting trading companies with parts procurement capabilities.

The second is the design capability of circuit boards. With the progression of digitalization, the functions loaded onto each circuit board have multiplied, with circuit design divided by function, such as power supply systems and communication systems. At the same time, due to the widespread use of convenient design support software, the design capabilities of even major set makers have weakened. The ability of designers to look at the entire electrical circuitry is weakening, and

it is becoming increasingly difficult to determine, in the event of a model change, which parts of the circuit board of an existing product are usable and which parts are not. I am confident that we can further enhance our competitive advantage over our competitors by providing solid support in this area.

The last point is manufacturing capability. Frankly speaking, we are aware that our current EMS business still has a lot of room for improvement in terms of quality and manufacturing capabilities. However, within the next three years, we expect to demonstrate a difference in quality. In 2018, we established KAGA TECHNOLOGY (SUZHOU) ELECTRONICS CO., LTD in China, and we are promoting the in-house production of SMT (Surface Mount Technology, electronic component mounting) lines consisting of such equipment as solder baths, surface mount machines, and various inspection machines. We are currently in the process of further evolving these in-house manufactured instruments. We have also adopted the latest automation technology to handle everything from the assembly of electronic circuit boards to whole units, and are accelerating our efforts to improve mounting accuracy, production, and quality.

In addition to our efforts in times of normalcy to expand low-cost operations around the world through the introduction of in-house production equipment, we also do our utmost to protect our customers' production lines in times of emergency, the most recent example of which that springs to mind being during the 2011 flooding in Thailand. At the time, as our Thai factory was also submerged in water, we switched to a system that enabled us to supply parts from our Chinese factory to customers who had stopped receiving parts in the 10 days following the disaster.

Highlighting our ability to respond flexibly on a global scale, this is an apt demonstration of our manufacturing capabilities as well as our ability to respond to issues by utilizing business continuity planning (BCP). In other words, the KAGA ELECTRONICS way of thinking benefits the customer by providing added value. I believe that the key to success in our future growth strategy is the degree to which we can satisfy our customers and be regarded as a reliable partner through our BCP response capabilities in times of emergency, while at the same time improving our "supply," "design," and "manufacturing" capabilities on a daily basis.

## "Manufacturing will never fade away"

Finally, I would like to talk about what I see going forward.

Given Japan's extremely low birthrate and aging society, the number of people involved in manufacturing will not increase in the future. In such an environment, the question now becomes how to maintain the high quality unique to Japanese companies. In order for the Japanese manufacturing industry to survive, we must never lose this unique quality.

In other words, we must establish a method to "achieve Japanese quality without relying solely on Japanese people," bearing in mind the risks involved in relying solely on Japanese people to succeed in the global marketplace.

To achieve this, a higher level of standardization is critical to manufacturing. However, this

"standardization" does not entail complete automation. This is because complete automation makes it difficult to quickly optimize production lines following model changeovers. With our semi-automated yet borderless system, we aim to achieve uniform Japanese quality at all international factories bearing the KAGA ELECTRONICS name.

Borderless standardization simultaneously enables manufacturing that does not rely on language. This allows us to expand our business in any country free of language limitations when recruiting local talent.

I have adopted "borderless" and "language-less" as keywords for our next stage of growth. Underlying this outlook is the conviction that the need for manufacturing will never fade away.

### Column

#### Customer Testimonial

## Key partners as important as in-house production

**Takuya Ejiri**  
ETRIA CO., LTD  
Executive Officer  
General Manager, Purchasing & Quality Division

ETRIA CO., LTD (hereinafter referred to as "the Company") was established in July 2024 as a joint venture between Ricoh, Ltd. and Toshiba TEC Corporation, integrating the two companies' businesses related to the development and production of multifunctional peripherals (MFPs)/printers and other peripheral equipment for office use. When selecting partners for outsourcing work, we emphasize ensuring that the strategy of the outsourcing company is aligned with our own. After confirming that there is a match, we then determine whether the supplier has a competitive advantage in terms of quality, cost, procurement, and safety, to make our selection.

Unlike mega-EMS companies, the Kaga Electronics Group is willing to accept even small volume orders for a variety of products, is actively involved in supporting the longevity of industries like ours (through service provision after mass production is completed), and has established a competitive advantage in this environment. We believe that these factors are in line with our strategy in the MFP field.

For example, in cost improvement, we are undertaking unrelenting improvements and reforms in automation and productivity to achieve what we consider to be a competitive cost advantage. In procurement, even amid the semiconductor

shortage around 2021, KAGA ELECTRONICS gritted its metaphorical teeth and acted as if it was manufacturing in-house, and its valiant efforts made a deep and lasting impression. The people at KAGA ELECTRONICS made us feel that we are an important partner, no different from in-house production.

We, as the set manufacturer, select the components, but leave the day-to-day operations to them. We rely on them especially for proper inventory management and delivery negotiations with other companies. In cases where the needed product could not be procured, KAGA FEI, a Kaga Electronics Group company, helped scour the market for what was needed. We are grateful for the many times KAGA ELECTRONICS helped us with procurement channels not available to our Company.

Cost competitiveness and quality are essential for a company to remain a leader in the industry. As we are asked to produce the most important boards, both in terms of cost and quality, we are always looking for improvements.

We intend to further strengthen our data linkage to achieve a more integrated information linkage with KAGA ELECTRONICS. We are looking forward to further progress and would be grateful for its assistance.

# Progress of the Medium- to Long-Term Sustainability Management Plan

In November 2021, the Group formulated its Medium- to Long-Term Sustainability Management Plan. In line with its corporate philosophy, “Everything we do is for our customers,” the Kaga Electronics Group will promote sustainability management that aims to achieve both a sustainable society and its own sustainable growth as a

corporate group. In our efforts, we will also cherish dialogue with customers, business partners, shareholders, investors, employees, local communities, and all other stakeholders. In these ways, we will proactively play our part in the realization of a sustainable society while enhancing our corporate value.

## Sustainability Policy

1

We tackle environmental issues through our business activities




2

We respect human rights and nurture human resources



3











We aim to establish mutual trust with society



### Identification of Materiality (Key Issues)

Having sincerely considered the various issues and social demands the Company and the world are facing, the Kaga Electronics Group has identified the following key issues that will have a significant impact on its management from the four perspectives of E: Environment, S: Society, G: Governance, and

B: Business. By implementing materiality initiatives addressing these issues through corporate activities, we will contribute to the realization of a sustainable society and promote the further enhancement of 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 KAGAism</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 solve social issues</li><li>Further promote global expansion</li></ul> |

## Objectives of the Medium- to Long-Term Sustainability Management Plan

|   | Main themes   | Issues to be tackled or discussed  | Medium-term targets*   | Long-term targets   |
|---|---|--|--|---|
| E | Aiming to raise the ratio of renewable energy to total energy consumption to 100%   | Introducing renewable energy at domestic sales bases   | 2024: 40% (1%)   | 2030:100%   |
|   |   | Introducing renewable energy at domestic manufacturing bases   | 2024: Determine policies via information gathering and analysis  | 2030: 50%<br>2050:100%  |
|   |   | Introducing renewable energy at overseas manufacturing bases   | In-house power generation/<br>external procurement<br>Solar panel/biomass power generation/<br>renewable energy power generation businesses                                  | 2030: 30%<br>2050:100%  |
|   | Switchover of company-owned vehicles to EV  | Switchover of vehicles used by domestic sales departments to EVs (including HVs, PHVs, and FCVs)                             | 2024: 85% (78.5%)  | 2030:100%   |
| S | Diversity promotion and human resource management   | Securing diversity in core human resources (women, foreign nationals, and mid-career hires)                                  | Ratio of women among new graduates hired as career-track employees<br>2023: 30% (5.6%)   | Ratio of women among new graduates hired as career-track employees<br>2028: 40%             |
|   |   | Hiring elderly citizens and people with disabilities   | Ratio of women among managers<br>2024: 15% (13.3%)   | Ratio of women among managers<br>2029: 17%  |
|   | An optimal balance between work-life management and productivity improvement  | Enhancing the content of various programs supporting employees engaged in child rearing, nursing care, and teleworking, etc. | 2022: Expansion of various programs<br>2023: Recognized as an outstanding organization under the Certified Health & Productivity Management Organization Recognition Program | 2025: Obtain external certification<br>2024: Maintain status as an outstanding organization |
| G | Restructuring the governance structure in response to the revision of the Corporate Governance (CG) Code and the reorganization of the Tokyo Stock Exchange | Increasing the number of independent outside directors so that they account for one third or more of the Board membership    | Done in June 2021  | Set targets in conjunction with the next round of revisions to the CG Code                  |
|   |   | Establish a Nomination and Compensation Committee  | June 2022: Determine policies  |   |
|   |   | Diversifying the composition of the Board of Directors   | Done in November 2021  |   |
|   | Further strengthening top management's execution of supervisory and oversight functions over business execution   | Thoroughly complying with the revised CG Code and other requirements accompanying the Company's listing on the Prime Market  | April 2022: Enforced   |   |
|   |   | Introducing a commissioned executive officer system  | March 2023: Determine policies   |   |
|   |   | Transitioning to a “company with committees, etc.” system  |  |   |

Note: Figures in parentheses are values at the time of the formulation of the plan (November 2021).

## Progress of the Medium- to Long-Term Sustainability Management Plan

|   | Main themes   | Issues to be tackled or discussed  | Main activities and progress in FY2024/3  |
|---|---|--|---|
| E | Aiming to raise the ratio of renewable energy to total energy consumption to 100% | Introduced renewable energy at domestic sales bases  | At present, renewable energy-derived electricity accounts for 5.1% of consumption   |
|   |   | Introduced renewable energy at domestic manufacturing bases                                      | Decided to purchase non-fossil certificates toward achieving the goal of 40% renewable energy by FY2024. The Company also decided to quantify greenhouse gas emissions and set a reduction target for FY2024. |
|   |   | Introduced renewable energy at overseas manufacturing bases                                      | Introduced solar power generation equipment at Towada Factory (December 2023) and Sukagawa Factory (February 2024)  |
|   | Switchover of company-owned vehicles to EVs                                       | Switchover of vehicles used by domestic sales departments to EVs (including HVs, PHVs, and FCVs) | Installed solar panels at our new plant in Mexico (April 2024)  |
|   |   |  | The ratio of electric vehicles in the Company fleet increased by 3.0 percentage points from the previous year to 85.0% (as of March 31, 2024).  |

Solar panels installed at Fukushima Site



Solar panels installed at a facility in Vietnam



|   | Main themes  | Issues to be tackled or discussed  | Main activities and progress in FY2023/3  |
|---|--|--|---|
| S | Diversity promotion and human resource management                            | Securing diversity in core human resources (women, foreign nationals, and mid-career hires)  | The ratio of female new graduates in career-track positions was 21.7%, increasing 3.6 percentage points from the previous year due to the implementation of recruitment activities in line with the Action Plan but falling short of the 30% target             |
|   |  | Hiring elderly citizens and people with disabilities   | Discussions were held within the Group to increase the ratio of female managers, with each company setting its own target number for female managers. As of April 2024, the ratio of female managers was 17.4%, up 0.9 percentage points from the previous year |
|   | An optimal balance between work-life management and productivity improvement | Enhancing the content of various programs supporting employees engaged in child rearing, nursing care, and teleworking, etc.               | Fully achieved statutory employment ratio for people with disabilities (March 31, 2024)   |
|   |  | Aiming to be selected as an outstanding organization under the Certified Health & Productivity Management Organization Recognition Program | Implemented a permanent remote work system as well as revised in-house rules and regulations. New rules came into effect from April 2023  |
|   |  |  | Certified in March 2024 for second consecutive year   |

|   | Main themes  | Issues to be tackled or discussed   | Main activities and progress in FY2023/3   |
|---|--|---|--|
| G | Restructuring the governance structure in response to the revision of the CG Code and the reorganization of the Tokyo Stock Exchange | Increasing the number of independent outside directors so that they account for one third or more of the Board membership   | From June 2023 onward, the number of directors has been set at 6 (including 3 outside directors)   |
|   |  | Establishing a Nomination and Compensation Committee  | Appointed female Outside Auditor at the June 2023 General Meeting of Shareholders; appointment of female Director at the June 2024 General Meeting of Shareholders was postponed   |
|   |  | Diversifying the composition of the Board of Directors  | Implemented since June 2022. No revision of the 2023 Corporate Governance Code   |
|   | Further strengthening the supervisory and oversight functions of top management over business execution                              | Thoroughly complying with the revised CG Code and other requirements accompanying the Company's listing on the Prime Market | Decided to expand the membership of the Group Management Headquarters Council to include delegated executive officers  |
|   |  | Introducing a commissioned executive officer system   | Implemented since April 2022   |
|   |  | Transitioning to a “company with committees, etc.” system   | Continued to be a company with a corporate auditor system. Considered the need for speedy management and the appointment of female directors, and continued to consider the transition to a company with an audit committee system |
|   |  |   | The corporate auditor system will remain in place, but the term of office for directors will be reduced from the current two years to one year (implemented in June 2023)  |

Roundtable  
Discussion of  
Outside Directors

# A More In-Depth Discussion of the Ideal Kaga Electronics Group

Here, we present a summary of a roundtable talk among our three outside directors, Susumu Miyoshi, Noritomo Hashimoto, and Mamoru Yoshida, in which they discuss the future direction of the Kaga Electronics Group.



**Noritomo Hashimoto**

Outside Director

**Susumu Miyoshi**

Outside Director

**Mamoru Yoshida**

Outside Director

## Please describe your view of and most valued principles pertaining to management.

**Miyoshi:** There are six perspectives from which I view management—people, goods, money, information, time, and energy. While people, goods, and money have traditionally been referred to as the three elements of management, I also include information, time, and the general ambient energy of the environment in the mix. With information, the key is knowing the correct perspective to take, while time can refer to a time frame, a time span, or even timing and speed.

By energy, I mean the zeitgeist, that is, trends and prevailing attitudes. It is said that a company's value can be discerned by observing internal trends and prevailing attitudes, and I believe that, when it comes to management, this is an area that must always be monitored closely. The absence of even one of these elements will lead to management that is lacking.

The "5-Gen Doctrine" forms the basis of both my management style and the way in which I conduct my work. It comprises awareness of space (*genchi*), authenticity (*genbutsu*), up-to-date analysis (*genjo bunseki*), fundamental truths (*genri*), and ideals (*gensoku*). Of these, locality, authenticity, and up-to-date analysis represent where we are currently as a company, while fundamental truths and ideals represent what we hope to become. The two sides diverge, and we believe maintaining awareness of this divergence is essential. Each of us should continually work to formulate

our ideal state while at the same time establishing a multi-step path to reach it.

Furthermore, one cannot hope to bring about fundamental truths and ideals without adequate up-to-date analyses. To achieve the results we desire in any given situation, we must first look at it from a number of perspectives, determining how the current situation came to be, the underlying rules, at what the current level of urgency is.

Finally, the creed by which I live my life is *Batsuzan Gaisei*, which roughly translates to having mental fortitude mighty enough to crush mountains. For a manager, I believe that having a conviction strong enough to either achieve a goal or to push forward in a certain direction once it has been set is the most essential aspect of management. As I always say, "Strength alone is not enough, one must also have strong convictions."

**Hashimoto:** "A man needs but half a tatami mat to sit and a full one to sleep." In the current context, the implication of this saying is that as human beings we require very little to get by and anything more we gain constitutes a boon that we should share with those around us.

This is a sentiment that I have always taken to heart and applied to management, believing that there is only so much power an individual can responsibly hold. It is only when people come together and create even stronger systems that this limitation be surpassed.

Without uniting under a singular goal, a group of individuals will remain scattered and individualistic. When united, the power of a thousand, or even a hundred, people

becomes a force greater than anything they could accomplish alone. The most essential part of uniting the hearts of the masses is exercising a common respect for each other as human beings.

Although each and every single person has their own sensibilities, emotions, desires, and familial backgrounds, when it comes to work, we must be united. This begs the question, "How do we steer our employees toward this truth?" Strict and forceful guidance isn't the solution, nor is flattery and over-praising.

This is a common worry among managers. However, organizations with managers who struggle with this idea are often the ones doing the best. This is because such managers have a clear view of their subordinates' strengths and weaknesses and are doing their best to figure out how to draw out better results.

In the same way, I believe the Company is also being asked to find the best way to draw out its strengths.

**Yoshida:** It gives me great pleasure to announce my appointment as an outside director for the Kaga Electronics Group. I look forward to your continued support. Throughout my career, I have been in charge of three aspects of business—creating new businesses, solving business issues, and developing growth strategies. Specifically, during my time at Panasonic, I was responsible for launching the LUMIX digital camera brand as a new business, rebuilding the TV business, and establishing a growth strategy for the air conditioning business.

Recently, what this experience has made me particularly

conscious of is the need to create a culture in which we are always aware of the "management treasures" issues may offer and value of seeking and addressing them together.

An organization that boasts of having no issues is simply one that has low ambition, and I believe that it is extremely important to manage issues at a higher level, as part of the Company's corporate culture.

Next, allow me to detail some of the concepts I've come to value with regard to business management that answer the questions: "How can we best please the customer?" "What would be profitable for us?" and "How can we ensure that our employees are not only fulfilled by their work but growing?" These concepts of customer satisfaction, business performance, and employee satisfaction are ones that employees always wholeheartedly embrace whenever I bring them up.

In addition, my personal understanding of Panasonic founder Konosuke Matsushita's corporate philosophy boils down to the four Cs: Change, Challenge, and Create (value) for Customers. The Kaga Electronics Group's corporate philosophy, "Everything we do is for our customers," is a fundamental and important concept in business management, and shares what I understand the sentiment of Panasonic's philosophy to be: "always challenging ourselves to create value and contribute to our customers" and "always making new changes first in everything we do." Keeping these ideas in mind, I hope to contribute toward the management of the Kaga Electronics Group.



### In your view, what are the Kaga Electronics Group's strengths and challenges?

**Hashimoto:** The Company has two main pillars.

The first is its trading business, which handles electronic components and semiconductors and has been in operation since the Company's founding. In the beginning, our main worry was acquiring semiconductors. However, as the field of electronics continued to grow, the Company, whose name reflects its involvement in the field, developed excellent business acumen and a keen perception in determining the business viability of products incorporating semiconductors, leading it to become a major pillar of the Company.

The other pillar is the Company's EMS business for manufacturing. When customers who use the electronic components sold by the Company need assistance in labor or other areas, the Company offers manufacturing services to support their production activities. Furthermore, the Company has experience in handling refurbishments of returned defective products.

These two pillars are the foundation of the Company's philosophy, "Everything we do is for our customers." Putting the concept of "for the customer" into practice on a case by case basis, the Company has sometimes bought out factories in need and revitalized their businesses. Successful revitalizations are achieved through the application of those factories' skills and capabilities in various businesses within the Group. This is proof that close attention is being paid to what Group companies are doing and what may be lacking.

**Miyoshi:** As we look to the future 10 to 20 years from now, it is important to re-examine the Company's business portfolio from the three perspectives of growth, safety, and profitability.

The most crucial of its businesses is the EMS business. The Company's EMS has yet to embody the fundamental truths and principles in terms of the 5-Gen Doctrine I mentioned earlier. The key phrase for improving to this level is achieving a concept shift from "[country X] made" to "Kaga made." In other words, it is important that products made by KAGA ELECTRONICS can satisfy customers with the same quality, no matter where in the world they are made.

Finally, we must aim to transform the EMS business into the EDMS business, with the "D" representing design.

I believe that over the next five to ten years, the Company should further enhance the value it provides and adds to its EMS business by ensuring its ability to consistently handle everything from planning, design, and production to quality assurance. Based on my 5-Gen Doctrine, I would say that the Company has made it somewhere around 70% of the way up the proverbial mountain. From here on out, many difficulties lie ahead on the road toward the summit.

**Yoshida:** In the EMS business, there is a wide array of circumstances and needs, including those related to the business strategies of our customers. For example, customers may face restrictions on capital investment or be unfamiliar with manufacturing in a particular business area.

In addition, as Mr. Miyoshi mentioned, there will be cases that require original design manufacturers (ODM) to handle everything from product development to manufacturing, perhaps even to the finished goods stage. Thus, the EMS business requires a wide range of capabilities, from technical product development to production and facility capabilities, as well as total quality management skills covering all aspects of construction.

In particular, the more inclusive a business model becomes, the more it requires a wide range of organizational capabilities and adaptability to operate within a matrix, including not only the above capabilities but also managerial competencies, as well as financial resources.

I feel that we are entering a very important stage in which we must strategically consider which of our business areas to focus on, at what level, and on what scale we will expand our EMS business, while at the same time satisfying the needs of a wide range of customers.

On the other hand, the Kaga Electronics Group has a history of bringing various companies together, and its business as it stands today is built on connections between individual salespeople and customers. This makes me a bit unsure as I feel that the connections and horizontal cooperation among people and between teams are somewhat tenuous. I see one of the major challenges we are now facing is the creation of higher value as a team while leveraging the strengths of each individual.

**Hashimoto:** The stock market has posed a very important conundrum for the Company's EMS business, namely, where does it go from here?

Will we continue to provide customers with the goods and services they demand in existing markets, or will we move in the direction of creating new markets on our own?

If the Company were one that just plodded along, serene in the knowledge that it could expect to enjoy annual net sales of ¥100 billion to ¥200 billion, it would, in a sense, be safer to simply collect and sell products that customers want, or to continue using its EMS services to support its customers' manufacturing activities.

However, KAGA ELECTRONICS has already grown into a dynamic corporate group with annual net sales exceeding ¥500 billion, and is on track to become the "¥1 trillion

company" of its long-term vision. Naturally, once ¥1 trillion is achieved, the goal will be to reach ¥2 trillion, then ¥3 trillion, then ¥4 trillion, ad infinitum.

If KAGA ELECTRONICS, a trading company, aims to create its own markets, a different category of human resources will be necessary. Our discussion here today focuses on how we see the Company's future, and, as soon as a consensus is reached, discussions must begin on how to build on that foundation. I believe that the Board of Directors is already well-equipped to engage in such discussions.

**Miyoshi:** If the Company were to aim for net sales of ¥2 trillion or ¥3 trillion, horizontal integration alone would not suffice and vertical integration will need to be considered as well. In the extreme, there could be collaboration with different industries, such as agriculture, forestry, and fishing.

When it comes to expanding the scope of business, we are suggesting that, vertically and horizontally, the composition of the business portfolio is the most important factor in creating the desired outline. Determine our limits, and verify that the necessary management resources can be put in place with the current financial resources. To do this, it is necessary to be prepared to tackle the task bravely and boldly.

**Yoshida:** I wholeheartedly agree. In manufacturing, strategies exist for the strong as well as for the weak. In some cases, by leveraging their insufficiencies the weak can become strong. It is always important to look at the business from various perspectives and to create a scenario that will determine whether you will be a strong player or a weak player.

### Please describe how the Board of Directors discusses "management with an awareness of the capital costs and stock prices."

**Miyoshi:** The Company's ROE of 14.5% for the year ended March 31, 2024, is well above its cost of equity, which we recognize to be around 10%.

As interest rates rise, investors and shareholders demand higher dividends. As stock prices rise, capital costs will naturally rise, and this is where information disclosure



becomes important. If we do not disclose the risks that the business faces, we may end up raising expectations beyond our capabilities.

Although corporate efforts alone cannot overcome share price problems, the Board of Directors has spent the past year discussing ways to steadily increase corporate value while remaining more than fully aware of capital costs.

**Hashimoto:** The greatest challenge faced by a manager seeking to "manage with an awareness of capital cost and stock prices" is determining how to continue increasing profits and rewarding shareholders while contributing to society and then to strive to achieve these goals.

With net sales having exceeded ¥500 billion, and with plans to expand to ¥600 billion and ¥700 billion in the future, the Company's task is to seek the understanding and support of the market as it looks to broaden the scope of its business.

However, corporate management is more than simply being gung-ho about stock prices. My unwavering view is that we should be determined in this area.

**Miyoshi:** I can assure you that we are working faithfully and steadily to conform to the concept of an "ideal company."

**Yoshida:** Stock prices will be determined by how the market perceives the Company based on its communications conveying an expectation for the future. In this light, we would like to discuss at the Board of Directors how the Company can become one that can meet the expectations of society.

**Hashimoto:** KAGA ELECTRONICS has long operated as an electronic components and semiconductor trading company, and it is fair to say that there are now no electronic products that do not contain semiconductors.

While the corporate philosophy of "Everything we do is for our customers" will remain an unchanged part of the Company's DNA, I believe that from now on, stakeholders around the world will be asking, "What does KAGA ELECTRONICS want to do for its customers?"

From the standpoint of manufacturing, a field in which all three of us were trained and gained experience, we would like the Board of Directors to be able to discuss such issues as naivete on the part of those trained in the trading industry, and the need for this, that, and the other if serious action is to be taken.

Directors and Auditors

As of June 26, 2024

Directors



Representative Director,  
Founder & CEO

Isao Tsukamoto

- 1968 Founded KAGA ELECTRONICS CO., LTD. (private management)
- 1968 Established KAGA ELECTRONICS CO., LTD. President
- 2007 Founder & CEO
- 2022 Representative Director, Founder & CEO
- 2023 Representative Director, Founder & CEO

Significant positions concurrently held

- 2021 Outside Board Director, ITbook Co., Ltd. (Currently SAAF Holdings Co., Ltd.) (to present))
- 2024 Outside Board Director, Solekia Limited (to present)



Representative Director,  
President & COO

Ryoichi Kado

- 1980 Joined KAGA ELECTRONICS CO., LTD.
- 1991 General Manager of Sales Department, Sales Headquarters
- 1995 Director, General Manager of East Japan Sales Department, High Tech Business Division
- 2002 Managing Director
- 2005 Senior Managing Director, Chief of Specific Industry Sales Headquarters
- 2012 Vice President
- 2014 President & COO
- 2022 Representative Director, President & COO
- 2023 Representative Director, President & COO



Director, Senior Managing  
Executive Officer

Shintaro Kakei

- 1980 Joined ITOMAN Co., Ltd.
- 1993 Joined KAGA ELECTRONICS CO., LTD.
- 2000 Division Director of Overseas Business Division, Electronics Sales Headquarters
- 2000 Director
- 2005 Managing Director
- 2014 Senior Managing Director
- 2022 Director, Senior Managing Executive Officer



Outside Director

Susumu Miyoshi

- 1963 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
- 2001 Executive Vice President and Representative Director
- 2002 President of Osaka Toyopet Co., Ltd. (currently Osaka Toyota Motor Co., Ltd.)
- 2005 Advisor to Toyota Motor Corporation Chairman of Osaka Toyopet Co., Ltd.
- 2015 Director of the Company



Outside Director

Noritomo Hashimoto

- 1977 Joined Mitsubishi Electric Corporation
- 2009 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer, in charge of General Affairs, Human Resources and Public Relations
- 2012 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Senior Vice President, in charge of Corporate Strategic Planning and Operations of Associated Companies
- 2012 Director, Member of the Nomination Committee, Senior Vice President, in charge of Corporate Strategic Planning and Operations of Associated Companies
- 2016 Director
- 2016 Advisor
- 2019 Director of the Company

Significant positions concurrently held

- 2021 Outside Director of IBOKIN CORP. (present position)
- 2024 Outside Director of Susumu Holdings Corporation (present position)
- 2024 Outside Director of Susumu Co., Ltd. (present position)



Outside Director

Mamoru Yoshida

- 1979 Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)
- 2012 Managing Executive Officer, Panasonic Corporation, President, AVC Networks Company
- 2013 Managing Director, in charge of Technology, Intellectual Property, and Information Systems, Panasonic Corporation
- 2015 Managing Director, Senior Vice President of Appliances Company, President of Air-Conditioner Company, in charge of TV Business, Panasonic Corporation
- 2016 Senior Audit & Supervisory Board Member, Panasonic Corporation
- 2024 Director of the Company

Significant positions concurrently held

- 2020 Outside Director, NEC Networks & System Integration Corporation (current position)
- 2022 Outside Director, Nuvocon Technology Corporation Japan (current position)

Auditors



Auditor (Full-time)

Eiji Kawamura

- 1979 Joined KAGA ELECTRONICS CO., LTD.
- 1985 President of TAXAN (UK) LTD.
- 1993 General Manager of Overseas Sales Department, Sales Headquarters No. 2
- 2005 Executive Officer, General Manager of Accounting Division and General Manager of Information Systems Department
- 2012 Executive Officer Chief of Administration Headquarters
- 2012 Director, Chief of Administration Headquarters and General Manager of Accounting Division
- 2015 Managing Director, Head of Administration Headquarters
- 2022 Director, Managing Executive Officer Head of Administration Headquarters
- 2023 Auditor (Full-time)



Outside Auditor

Susumu Kitsunai

- 1997 Joined Tokyo Office of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
- 2001 Registered as Certified Public Accountant
- 2002 Opened Kitsunai Certified Public Accountant Office as Representative (present position)
- 2004 Established Asia Alliance Partner Co., Ltd. as Representative Director (present position)
- 2018 Auditor of KAGA ELECTRONICS CO., LTD.

Significant position concurrently held

- 2022 Outside Director of Agent Insurance Group, Inc.



Outside Auditor

Yoichi Sato

- 1977 Assistant Judge at Tokyo District Court
- 1989 Judge at Tokyo District Court
- 1996 Judge at Tokyo High Court
- 2016 Admitted to the bar, Joined Alpha Partners Law Offices (present position)
- 2018 Auditor of KAGA ELECTRONICS CO., LTD.

Significant position concurrently held

- 2021 Auditor of Bouygues Asia K.K.



Outside Auditor

Kyoko Oyanagi

- 2002 Joined Sanken Outsourcing K.K.
- 2004 Joined Sugata Labor Management Office (currently Sakura Management Office)
- 2005 Registered as a labor and social security attorney
- 2006 Executive Director, Tokyo Labor Improvement Promotion Association (Labor insurance affairs association)
- 2016 Representative of Social Insurance and Labor Advisors Corporation, Sakura Management Office (present position)
- 2023 Auditor of KAGA ELECTRONICS CO., LTD.

Significant position concurrently held

- 2020 Chairperson, Tokyo Labor Improvement Promotion Association (Labor insurance affairs association) (present position)

Executive Officers

|                                   |                    |   |
|-----------------------------------|--------------------|---|
| Founder & CEO                     | Isao Tsukamoto     |   |
| President & COO                   | Ryoichi Kado       |   |
| Senior Managing Executive Officer | Shintaro Kakei     |   |
| Managing Executive Officers       | Motonori Toshinari |   |
|                                   | Mitsuhiro Nohara   |   |
| Senior Executive Officers         | Mitsuhiro Ikeda    | President of EXCEL CO., LTD.                            |
|                                   | Takeshi Tsukamoto  | Representative Director, President of KAGA FEI Co., Ltd |
|                                   | Takao Okabe        | Division Director of EMS Business Division              |
|                                   | Yasuhiro Ishihara  | Head of Administration Headquarters                     |

|                    |                   |  |
|--------------------|-------------------|--|
| Executive Officers | Shoji Seki        | Senior Managing Director of KAGA SOLUTION NETWORK CO., LTD.                            |
|                    | Hiroki Suzuki     | President of DIGITAL MEDIA LAB., INC.  |
|                    | Hiroaki Maruyama  | Director, Managing Executive Officer of KAGA FEI Co., Ltd.                             |
|                    | Kazuhira Watanabe | Division Director of Communication Network Sales Division                              |
|                    | Hironaga Nagasaka | EXCEL CO., LTD.  |
|                    | Takahiro Urazawa  | Representative Director, President of KAGA SPORTS CO., LTD.                            |
|                    | Katsutoshi Suzuki | Representative Director, President of KAGA DEVICES CO., LTD.                           |
|                    | Satoshi Eguchi    | Representative Director, President of KAGA MICRO SOLUTION CO., LTD.                    |
|                    | Mitsuhiro Kumabe  | Representative Director, President of KAGA SOLUTION NETWORK CO., LTD.                  |
|                    | Hitoshi Koujitani | General Manager of Corporate Strategy Office, General Manager of Sales Strategy Office |
|                    | Kenji Shimazaki   | Managing Director of KAGA SOLUTION NETWORK CO., LTD.                                   |
|                    | Zhen Zhou Zhu     | China Supervisor   |
|                    | Norio Takekuma    | Supervisor of ASEAN Headquarters and President of KAGA ELECTRONICS (THAILAND)          |

Corporate Governance

Basic approach and structure of corporate governance

KAGA ELECTRONICS recognizes that enhancing corporate governance is a key management issue. The Company is therefore building a corporate governance system with the fundamental policies and aims of ensuring total compliance with corporate ethics, laws, and regulations, reinforcing internal control systems, and securing the soundness, efficiency, and transparency of business operations to improve its corporate value. Moreover, in light of the importance of corporate governance, the Company maintains the Sustainability Committee and the Nomination and Compensation Committee, thereby strengthening its corporate governance structure.

KAGA ELECTRONICS is a company with a board of directors and board of auditors. It has adopted a corporate governance system based on collaboration among its Board of Directors, auditors, and Board of Auditors as well as with the accounting auditor. In principle, the Board of Directors meets once a month and holds extraordinary meetings on a flexible basis.

The Board of Directors makes decisions on important matters related to items stipulated by laws and regulations

as well as to management, and it supervises the execution of duties by directors.

Consisting of six directors, including three each of internal and outside directors, the Board of Directors is capable of sufficiently discussing the aforementioned matters and making accurate and swift decisions. In addition, it switched to a commissioned executive officer system on April 1, 2022, in order to further enhance corporate governance. Based on this system, the Company has even more clearly defined the roles of individuals tasked with management decision making and supervision and those tasked with business execution, thereby facilitating the separation of functions. Moreover, with this move the Company secured a structure capable of responding swiftly to changes in the external environment even as it strengthened both Board of Directors functions and executive functions. The Board of Auditors consists of four auditors, including three outside auditors. Auditors regularly attend Board of Directors meetings while proactively participating in other important internal meetings as part of their duties.

Board of Auditors

The Board of Auditors, comprising four auditors, including three Outside Auditors, meets once a month in principle and as needed. The appointment of three Outside Corporate Auditors also allows the Company to oversee its management from a third-party perspective.

Audit Office

The Company established an Audit Office under the direct authority of the Representative Director, President & COO. The Audit Office works in collaboration with the Administration Headquarters, etc., conducting audits to assess the appropriateness of business activities undertaken by Group companies and other entities, monitor the status of management resources they use, and confirm that they are in compliance with laws and regulations, the Articles of Incorporation, and other internal rules. Moreover, pursuant to the Financial Instruments and Exchange Act, the Audit Office conducts evaluations of internal control systems.

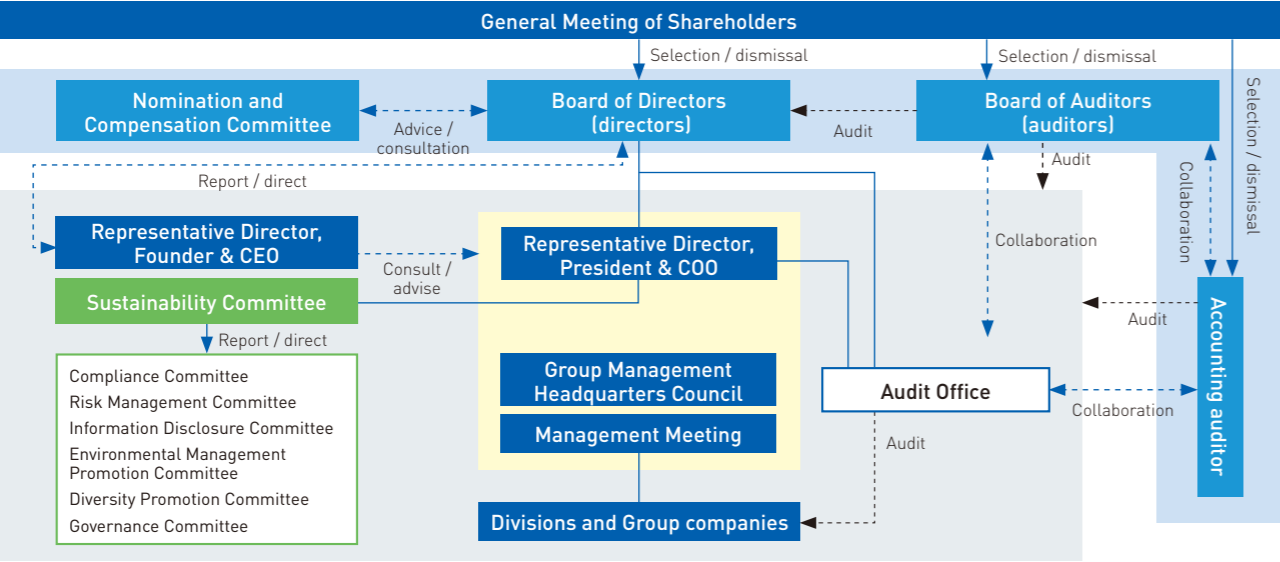
Outside officers

The Company has appointed three outside directors and three outside auditors. Based on the Tokyo Stock Exchange standards on independence, we appoint outside officers who do not have any special interests in the Company and who have extensive experience and broad powers of judgment in corporate management. The auditors are also required to have highly specialized knowledge and maintain independence from management executives.

The Company has established a staff office for the Board of Directors that distributes materials related to matters for

deliberation by the Board to all officers, including outside officers, ahead of each meeting day. The staff office provides supplementary explanations to the outside officers when needed to ensure that adequate information is imparted in advance. This helps support lively debate at Board of Directors meetings. By the end of each fiscal year, the staff office sets the schedule for the regular Board of Directors meetings for the following fiscal year and notifies all officers, including outside officers, of this schedule in order to improve attendance.

Corporate Governance Organizational Diagram



Attendance at Board of Directors Meetings for the fiscal year ended March 31, 2024

| Name               | Position and assignment at the Company      | Status of attendance at Board of Directors meetings held during the year ended March 31, 2023 |                     | Committee membership                  |                          |
|--------------------|---|---|---------------------|---------------------------------------|--------------------------|
|                    |   | Attendance (times)  | Attendance rate [%] | Nomination and Compensation Committee | Sustainability Committee |
| Isao Tsukamoto     | Representative Director, Founder & CEO      | 17 / 19   | 89.5                | ●<br>5/6 (83.3%)*2                    |                          |
| Ryoichi Kado       | Representative Director, President & COO    | 19 / 19   | 100.0               | ●<br>6/6 (100%)*2                     | ●<br>3/3 (100%)*2        |
| Shintaro Kakei     | Director, Senior Managing Executive Officer | 19 / 19   | 100.0               |                                       | ●<br>3/3 (100%)*2        |
| Susumu Miyoshi     | Outside Director                            | 19 / 19   | 100.0               | ●<br>6/6 (100%)*2                     |                          |
| Noritomo Hashimoto | Outside Director                            | 18 / 19   | 94.7                | ●<br>6/6 (100%)*2                     |                          |
| Mamoru Yoshida*1   | Outside Director                            | —   | —                   | ●<br>—                                |                          |

Outside : Outside directors Independent : Independent directors as defined by the rules of the Tokyo Stock Exchange ● : Committee chair ○ : Committee member  
\*1 Mamoru Yoshida was newly appointed on June 26, 2024.  
\*2 Number of times each meeting was attended [Attendance rate]

Areas of specialty of Directors and Auditors

| Name      |                    | Corporate management | Global business | Sales and marketing | Law and risk management | Finance and accounting | Personnel management and human resource development | Technology and manufacturing | IT and digital technology |
|-----------|--------------------|----------------------|-----------------|---------------------|-------------------------|------------------------|---|------------------------------|---------------------------|
| Directors | Isao Tsukamoto     | ●                    | ●               | ●                   |                         | ●                      |   |                              |                           |
|           | Ryoichi Kado       | ●                    | ●               | ●                   |                         |                        | ●   |                              |                           |
|           | Shintaro Kakei     |                      | ●               | ●                   |                         |                        |   | ●                            | ●                         |
|           | Susumu Miyoshi     | Outside Independent  | ●               | ●                   | ●                       | ●                      |   |                              |                           |
|           | Noritomo Hashimoto | Outside Independent  | ●               |                     | ●                       |                        | ●   | ●                            |                           |
|           | Mamoru Yoshida     | Outside Independent  | ●               | ●                   |                         |                        |   | ●                            | ●                         |
| Auditors  | Eiji Kawamura      |                      | ●               |                     |                         | ●                      | ●   |                              | ●                         |
|           | Susumu Kitsunai    | Outside Independent  | ●               | ●                   |                         | ●                      |   |                              |                           |
|           | Yoichi Sato        | Outside Independent  |                 |                     | ●                       |                        | ●   |                              |                           |
|           | Kyoko Oyanagi      | Outside Independent  | ●               |                     | ●                       |                        | ●   |                              |                           |

Note: Up to four skill categories are presented per individual in line with the Company's expectations regarding their contributions in their respective areas of specialty. The above matrix does not fully describe the expertise possessed by each individual.

Remuneration system for officers

The Company's basic policy regarding remuneration for its directors is to structure a remuneration system that is linked with shareholder interests and that robustly incentivizes these individuals to strive for ongoing improvement in corporate value, with the aim of securing and retaining excellent human resources capable of practicing and realizing its corporate philosophy. To this end, the Company strives to set remuneration for each director at a level commensurate with their assigned responsibilities. Specifically, remuneration for executive directors

comprises basic fixed remuneration, performance-linked remuneration, and share-based remuneration. Remuneration for outside directors, who are tasked solely with exercising supervisory functions, consists only of basic remuneration due to the nature of their duties. The Company has also made it a rule to ensure that procedures for determining remuneration for directors are rational, objective and transparent as is the content of such remuneration itself.

Total amount of remuneration for the year ended March 31, 2024

|   | Total remuneration, etc.<br>(millions of yen) | Number of recipients |
|---|---|----------------------|
| Directors (Of which, outside directors) | 769 [32]                                      | 7 [3]                |
| Auditors (Of which, outside auditors)   | 38 [14]                                       | 4 [3]                |

Evaluating the effectiveness of the Board of Directors

Outside directors with ample management experience and international perspectives engage in lively discussions at each meeting of the Board of Directors, asking questions and offering advice from a variety of perspectives regarding the execution of executive officers' duties. They also endeavor to obtain necessary information on important legal amendments and trends in corporate governance as appropriate. In addition, each director is subject to mutual checks and balances, principally through the free and vigorous exchange of opinions among the members.

Furthermore, once a year, all directors (including outside directors) are asked to participate in a self-assessment survey on the effectiveness of the Board of Directors (i.e., its composition, operation, functions, provision of information to outside directors, governance structure, etc.). The results are then analyzed and evaluated. While the results of fiscal 2023's evaluation indicate that the effectiveness of the Board of Directors as a whole has been maintained at a certain level, we share the view that the Board of Directors should be strengthened going forward by ensuring diversity and other measures.

Main agenda items at Board meetings

In fiscal 2023, the Board of Directors, in accordance with the Board of Directors Rules, deliberated on important matters ranging from the approval of budgets in addition to statutory items and the settlement of accounts to the determination of management policies, strategies, and

plans in addition to M&A projects and the executive structure. Also, this committee receives reports from each business division on the status of activities and medium- and long-term plans.

Major deliberations by the Board of Directors in FY2023

|  |                                 |   |
|--|---------------------------------|---|
| Corporate Strategy<br>Sustainability<br>Governance                                 | The Medium-Term Management Plan | Report on progress of the Medium-Term Management Plan and financial results   |
|  | Sustainability                  | Sustainability Committee Activity Report  |
|  | Directors and Officers          | Personnel changes for directors and auditors (including group companies), compensation, Directors and Officers Liability Insurance, liability limitation agreement with outside auditors, establishment of mandatory retirement age for Group companies, introduction of restricted share-based remuneration system for actively employed, delegated executive officers |
|  | Governance                      | Board effectiveness assessment, policy shareholdings, corporate governance reporting, securities reporting, cost of equity capital  |
|  | General Meeting of Shareholders | Matters related to the General Meeting of Shareholders  |
|  | Human Resources                 | Changes in benefits, performance-linked bonuses, promotion of male employees taking childcare leave, employee wage increases, awards and penalties  |
|  | Related to systems and DX       | Replacement of groupware  |
| Audit & Internal Control<br>Risk Management and Finance & Accounting<br>Compliance | Audits                          | Internal Audit Annual Activity Report, Internal Audit Plan, External Audit Fees   |
|  | Internal Control                | Effectiveness judgment in internal control, internal control report   |
|  | Finance & Accounting            | Matters related to financial statements, budgets, cash pool updates for affiliates, dividends from affiliates, borrowing facilities, and dividends  |
|  | Related to Compliance           | Revised Statement of Authority  |
|  | Litigation and Arbitration      | Litigation Settlement Report, Litigation Expenses   |

# Internal Control / Compliance

## Basic approach to internal control systems

The Kaga Electronics Group is aware that enhancing corporate governance is an important management issue. Our fundamental policy is ensuring compliance with corporate ethics and laws and regulations and reinforcing internal control systems while maintaining the soundness, efficiency and transparency of management and raising corporate value.

To this end, the Company has defined its basic approach to internal control systems. Moreover, the Company has established Rules on Officers and Board of Directors Rules to ensure the proper execution of duties by directors and the Board of Directors. The directors monitor one another’s execution of duties at regular and extraordinary meetings of the Board of Directors. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Internal Approval to

clarify the scope of authority of each director. As a company adopting a system of corporate auditors, each auditor, including each outside auditor, conducts detailed audits on the execution of duties by directors.

In addition, the Company has formulated the Basic Compliance Rules, which serve as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation as a means to enable the proper execution of duties by employees of the Company and Group companies. And, to make this effective, the Company has also set up the Compliance Committee under the umbrella of the Sustainability Committee chaired by the President & COO. In this way, the Company secured a structure to ensure the appropriate execution of business throughout the Group.

## Risk management system

Potential risks that the Group faces include factors relating to economic conditions, exchange rate fluctuations, country risks, price competition and rivalries, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, accidents, the environment, and information management. As part of efforts to create the needed appropriate systems to manage every risk the Group may face, the Company has designated divisions tasked with handling specific risks while appointing risk control officers and managers tasked with spearheading risk

countermeasures undertaken by such division.

Should any of the above risks occur, the respective departments will immediately take necessary and appropriate measures to minimize the incurrence of damage under the direction and supervision of the Risk Management Manager.

In addition, by establishing the Risk Management Committee as a subordinate body of the Sustainability Committee, we have put in place a system for taking prompt and appropriate action to address foreseeable risks in the Group.

## Ensuring appropriate operations at Group companies

The Company has established Rules on the Management of Affiliated Companies to ensure appropriate business operations at affiliated companies and executes controls based on these rules. In addition, it is required that any coordination among Group companies as well as any actions taken on important matters are first discussed by the Company’s Management Meeting and Board of Directors before decisions are made.

The Company’s Audit Office conducts audits in collaboration with the Administration Headquarters and other business units to ensure that business activities

undertaken by Group companies meet unified standards and to confirm the appropriateness and compliance of their operations with laws and regulations as well as the Articles of Incorporation. The Office also provides guidance for improvements in business activities.

Furthermore, Group companies submit the minutes from all Board of Directors meetings to the Company and make monthly reports on business activities, the status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

## Efforts toward the elimination of antisocial forces

The basic position of the Kaga Electronics Group is to maintain no relationships whatsoever with antisocial forces that threaten social order and safety and to remain resolute in its refusal of all improper demands from antisocial forces as set forth in its Fundamental Compliance Rules and Employment Rules.

In cases where the Company is subject to improper demands from antisocial forces, the General Affairs

Department and Sustainability Committee work together, acting in collaboration with crisis management advisors and company attorneys on an as necessary basis to ensure proper and organized responses to such incidents. The Company also holds regular discussions with company attorneys, meets with police departments and other external specialized organizations, and participates in training and other activities to gather relevant information on antisocial forces.

### Human Capital-related Initiatives

## Developing Autonomous Human Resources to Drive Further Growth



**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.

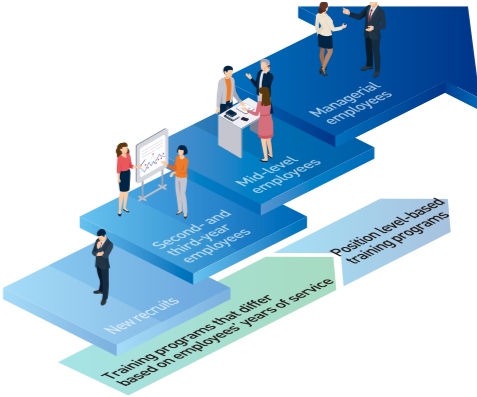
At the core of our training system are in-house position level qualification systems and training programs that differ based on employees’ years of service. The former grants membership to each employee upon joining the Group and, as they accumulate experience, promotes them to leader, chief, manager, general manager and, ultimately, senior general manager. These titles, however, do not necessarily reflect 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.

#### Composition of the Personnel System

| Qualification level          | Position                            |                 |
|------------------------------|-------------------------------------|-----------------|
| Senior General Manager (SGM) | Executive Officer / General Manager | Manager         |
| General Manager (GM)         |                                     |                 |
| Manager (M)                  |                                     |                 |
| Chief (C)                    | Employee                            | Section Manager |
| Leader (L)                   |                                     |                 |
| Member (MB)                  |                                     |                 |

In our training programs, which differ based on employees’ years of service, we provide extensive training for new employees, including post-employment training, sales mindset training, factory tours (manufacturing training), semi-annual follow-up training, and basic technology study sessions. Thereafter, from their second to fifth year, employees are required to undergo annual training. Once reaching approximately the sixth year, employees are promoted to leaders, and from there will participate in a qualification-based training program called Leader Training. Operating alongside the merit-based system, the speed of promotion varies.



### 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. Newly hired graduates are assigned to the EMS Business Division, and, once they have two to three years of experience in executing the business scheme in Japan and on overseas business trips under their belts, they are dispatched. We also assign salespersons who joined the Group as mid-career hires to the EMS Business Division and then dispatch them to overseas destinations after they have amassed front-line experience for several months. Meanwhile, KAGA MICRO SOLUTION, a manufacturing subsidiary, recruits mid-career hires specialized in manufacturing, seconding them to the Production Center of the EMS Business Division once 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 similar initiatives, for example, assigning new recruits to KAGA EMS TOWADA CO., LTD. for stints at domestic factories such as Kyokuto Electric Co., Ltd. prior to being sent abroad.

To leverage the capabilities of foreign national employees, each year KAGA EMS TOWADA accepts technical trainees from Indonesia and Vietnam, taking advantage of 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 obtaining a “specific skill” certification and continuing their career at KAGA EMS TOWADA. Meanwhile, Kyokuto Electric has several foreign engineers on its rolls, and in addition to quality-control work and interpretation, is actively involved in the training of its technical interns.

In terms of the promotion of foreign employees, in April 2023, Zhen Zhou Zhu, China Supervisor, was appointed as the Company’s first foreign executive officer.

### Initiatives to Promote Diversity & Inclusion

In terms of women’s empowerment, we are making steady progress toward achieving the goals set forth in our Medium- to Long-Term Sustainability Management Plan to increase the consolidated ratio of women in managerial positions to 15% by 2024 and 17% by 2029. 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 newly hired as 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.

As an investment in human capital, in addition to a sharp increase in the number of male employees utilizing the new childcare leave system, the Company also implemented a Groupwide wage increase in March 2024.

— Employee Roundtable Discussion —

# Offering a Firsthand Glimpse into the Unique Human Resource Activities of Kaga Electronics



We conducted an employee roundtable discussion aimed at showcasing the Company’s specific approach to human capital, providing an opportunity for a representative sampling of those on the front lines to share their observations. Although the Company operates as a strong organizational entity with a pervasive corporate philosophy, it acknowledges that it faces challenges when it comes to promoting the advancement of women in the workforce, improving work-life balance, and fostering a diverse workforce. With this in mind, we sought input from four of our female managers on their own career journeys, job comfort, and job satisfaction; from three of our male employees who have taken parental leave on their respective experiences; from each of them on their determination to achieve net sales of ¥1 trillion; and finally, from two members of the Personnel Department on their current challenges and future initiatives.

The Perspectives of Our Female Managers

What do you find rewarding about your current job and what inspired you to pursue your career?

**Fujita:** In my current position, which I assumed back in April of this year, I am responsible for sales in a division engaged in the manufacture and sale of equipment related to the telecommunications industry.

Rather than simply being a stage in my career, I believe that my promotion was the result of my sincere dedication to building good customer relationships and driving sales in a field that I love. Personally, I don’t consider myself to be well suited to sales, but I take pride in my resilience and, when I feel discouraged, I immediately refocus and ask myself, “What’s my next move?”

**Morita:** I also got my start in sales. My love of sales has led me to turn down several promotions simply because I never wanted to leave my job in the field. One reason I chose my current position, however, is that I felt that my opinions were less likely to be heard if I was not in a managerial position. Now that I’ve become a manager, I find that I enjoy nurturing my subordinates much more than



**Natsuki Fujita**  
Manager, Sales Department,  
Communication Network Sales Division

producing results on my own. My current duties include reviewing applications and other documents from the sales department for new business partners as well as managing the credit of our existing business partners. As internal operations have taken on a much greater importance than in the past, we want to ensure that our front-line sales employees are well supported.

**Ito:** I have been in the secretarial department since joining the Company and have supported Chairman Tsukamoto as his secretary since his days as president. When I first joined the Company, I had only a vague ambition to work here long term. Gradually, however, I began to think that if I was going to continue working here, I wanted to be in a position with some kind of responsibility.

Since becoming a manager, I have come to realize just how difficult managing people can be. For me, one area of particular difficulty is building rapport with colleagues whose values differ from mine.

How would you describe your experience balancing work and raising children?

**Fujita:** My work environment is the same as that of any other salesperson. As long as the numbers are reached, no one nitpicks about minute details, such as where you conduct your sales or how you spend your time. The ease with which I can structure my own schedule based on

a clear idea of what I need to accomplish to reach my goals makes it all the more rewarding.

However, balancing work and childcare has its challenges, such as requiring long hours of overtime and, at times, dinners with clients, which I have managed to work around. As such, I can’t deny that the balance has sometimes been a bit off.

**Morita:** All members of my current department are women, and many of them have children. As young children are prone to illness, sudden absences are common, so we have made efforts to create an environment in which employees can easily adjust their work schedules to accommodate such absences. Once this system began to function successfully, the office’s overall workflow



**Ai Morita**  
Manager, Business Administration  
Department, Administration Division

improved tremendously. Now, employees are able to take extended leave without feeling overwhelmed or apologetic.

**Ito:** I believe this system’s success is made possible through the cooperation of both our families and our fellow female colleagues on the same floor. I personally try to ensure that information is properly shared with others and that I do not shoulder the workload on my own. On the day of the Sumida River fireworks display, the Company opened its offices to the families of employees, allowing me to show my daughter the office where I work. She has seen me working remotely—for example, being flustered by receiving a sudden phone call

from the chairman—so this was a nice opportunity to show her what my job is really about.

What are your thoughts on efforts to achieve the goal of “net sales of ¥1 trillion”?

**Fujita:** Managing clients on my own was a great experience. Nevertheless, I have changed my approach as I want the younger generation to develop into salespeople who will, in turn, lead the next generation. Rather than remaining in charge indefinitely, I have decided to create an environment in which the younger generation can develop their skills and produce results, and to be actively engaged in their development. I believe that ¥1 trillion in net sales will be achieved through solid sales growth and the accumulation of such sales. This is the foundation on which we will continue to build.

**Morita:** As we are a trading company, I believe that everyone in our company, regardless of gender, has the spirit of conducting business in such a way that, despite our offering no products exclusive to our company, customers will choose the company and ourselves. We are committed to creating an environment in which customers are willing to purchase from us even if they have to pay a little more.

The increase in the number of bankruptcies nationwide in the wake of the COVID-19 pandemic is cause for concern. Although consistently ensuring that bad debts do not occur



**Wakana Ito**  
Corporate Staff Office  
Manager, Secretarial Department

is a top priority, salespeople often tend to overlook the state of their clients' financial statements and other financial data in their desperation to make sales. This is an area in which we are determined to provide support, and this approach will, in turn, lead to the achievement of the ¥1 trillion goal.

**Ito:** In my role as his secretary, I intend to serve as a "lubricant" that will keep Chairman Tsukamoto's personal connections and relationships running smoothly while helping him maintain connections with the next generation of department heads and section managers. The Company will continue to aggressively pursue M&A opportunities as part of its growth strategy to achieve its goal of ¥1 trillion in net sales. And, no matter what kind of company we may partner with, even as we take in the other party's culture, we will draw on our history and Kaga-ism to strengthen our own culture and growth. I intend to serve as a bridge to achieve this goal.

Childcare Leave from the Perspective of Male Employees

How was your period of childcare leave?  
Have you noticed any changes?

**Kaneko:** It was very easy for me to apply for it, and I am grateful that I did. Having become somewhat accustomed to childcare, I took the leave in the hope that I would be able to make a substantive contribution to raising my child. Preparations from application to acquisition went smoothly. As



**Tomoyuki Kaneko**  
Sales Strategy Department  
Manager, Technical Marketing Division

many of my colleagues had also had children themselves, they advised me that it would be best if those needing to take care of their children put in time at home as soon as possible. I found their encouragement toward working remotely to be very considerate.

**Inoue:** When we had our first child, it was just my wife and me, as we both live quite far from our parents. The first three weeks were extremely difficult as neither of us really had any idea what we were doing. It's amazing that we got through it. It's wonderful that I was able to secure time off to take care of my children by taking advantage of the new system that allows employees to take special paid leave in increments as small as one day, as well as making use of the



**Yutaro Inoue**  
Corporate Strategy Department,  
Corporate Planning Division

remote work system, and by taking days off whenever possible.

**Nishikawa:** Being in sales and coming home at irregular hours, I was happy to be able to contribute to my family by taking proper parental leave. The number of my colleagues who have or are having children is increasing, and being able to head directly to our destinations and then home without going into the office makes things easier than ever.



**Souta Nishikawa**  
Specific Industry Sales Division

What are your thoughts on efforts to achieve the goal of "net sales of ¥1 trillion"?

**Kaneko:** As a Field Application Engineer (FAE) working with the marketing team to understand and analyze market and technological trends, I strive to establish new businesses and contribute to sales expansion. Furthermore, I also focus on digital marketing and am working toward the challenge of creating new business through content development.

**Inoue:** After spending two years in sales and 10 years in the Finance & Accounting Department, I transitioned to the Corporate Strategy Department this year. Even so, I would still say that my learning journey continues.

I am currently involved in the formulation of the next Medium-Term Management Plan, and I would like to ensure that the policies set forth by the Company are thoroughly disseminated throughout the Group as well as to devise effective systems and mechanisms to achieve these goals.

**Nishikawa:** Since joining the Company eight years ago, my position has been within the Sales Department. Watching my senior colleagues, I have come to realize that our breakthrough sales capabilities are unmatched by any of our competitors. On the other hand, I also recognize that all of us at the Company, myself included, are at a disadvantage when it comes to proposal-based sales in collaboration with other divisions, or selling products and services to satisfy an immediate need. First, I would like to

contribute to the achievement of our ¥1 trillion in net sales goal by becoming a salesperson trusted by all while steadily achieving personal goals that lie directly in my path.

The Perspectives of the Managers of the Personnel Department

What sort of human resource investment does the Kaga Electronics Group intend to focus on going forward?

**Suwa:** While the number of women in management positions at overseas subsidiaries is on the rise, quite frankly, this trend has not translated into similar growth domestically, either at Kaga Electronics itself or its Group companies. Our first priority is to increase the number of women in career-track positions, and from there we hope to train female employees for future managerial positions. The only female among the hiring group of 2022 in a career-track position was our very own Ms. Ishikawa. Up until then, the number of women in such positions had been limited to one every year or so. Although she had hoped for a sales position, Ms. Ishikawa was instead assigned to the Personnel Department, and through our joint recruiting efforts since then, we have successfully hired four new such employees in 2023, and five in 2024. However, even though we still have a long way to go toward the goal of placing 40% of female new graduate hires in general positions



**Keishiro Suwa**  
Manager, Personnel Department,  
Administration Headquarters

by 2028, as announced in the Medium- to Long-Term Sustainability Management Plan, efforts are being made to bring us closer to our goal.

**Ishikawa:** It is true that the Company's lack of female career-track positions is a concern for many prospective new hires. I believe it is my job to help alleviate that concern as much as possible. The most effective way to do so is to arrange meetings with senior employees. My hope is to demonstrate to new hires that through consistent and persistent dedication to their work, this is something they can achieve for themselves as well.

**Suwa:** Regarding the utilization of childcare leave by male employees, our first step was to establish a "special leave system" that allows them to take leave in one-day increments and to reclaim the paid leave they had previously used for childcare purposes. We hope that this will lead to an uptake in the utilization rate.

On the other hand, in terms of the working environment, the three years of the COVID-19 pandemic had a significant impact. The Company decided to expand remote working, which at the time had just been introduced on a trial basis, to the entire company at once, and a system of non-stop travel to and from destinations without the need to go into the office was made more effective with operational efficiency in mind. I believe that we have now entered a phase in which the Company will determine how to further increase productivity and utilize these systems while maintaining open lines of communication with its employees.

In terms of diversity, there are inevitably a number of systems that focus on childcare or maternity/paternity. Given that not everything in life is about getting married or having children, we seek to create an environment in which all employees can find support in the event of injury or illness or if they need to



**Natsumi Ishikawa**  
Administration Headquarters,  
Personnel Department

provide care for family members. Rather than neglecting to provide such individuals with information on support simply because they are not involved in child-rearing, I would like to see us create a company in which we support each other without establishing such false hierarchies.

**Ishikawa:** When interacting with prospective new hires, I receive questions regarding childcare leave both from women and men, suggesting that views and attitudes are changing dramatically. Going forward, I would like to be able to confidently present our Company's initiatives to such prospective new hires.

**Suwa:** As Ms. Nishikawa previously mentioned, Kaga boasts human resources with sales capabilities and the ability to break through barriers that are second to none in the industry. From now on, just as Mr. Kaneko mentioned, in order to nurture human resources capable of conducting sales with a forward-looking perspective, I would like to cultivate a strategic thinking approach among our younger employees who have gained some experience. And while preserving the good culture of Kaga-ism, I would like to further develop it and instill it throughout the Group.

**Ishikawa:** Because we are a trading company that does not own any products, above all else, it is ultimately the strength of our human resources that will support our future. Our goal is to continue to meet as many future aces as possible and to convey to them the appeal of the Company.

## Together with Our Employees

The most important management resource for a trading company is undoubtedly its human resources. To drive sustainable growth, we promote the development of human resources and the creation of an environment that enables the execution of our action guideline F.Y.T. (pronounced “fight”). This guideline expresses our commitment to always be Flexible to change, always Youthful, always boldly Taking on challenges.”

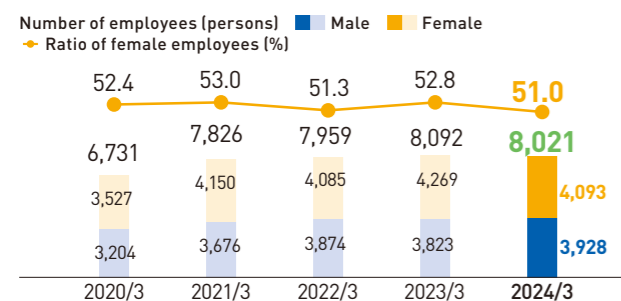
Implementing the idea that “everyone is a corporate manager”

### Human resource strategy / Diversity management

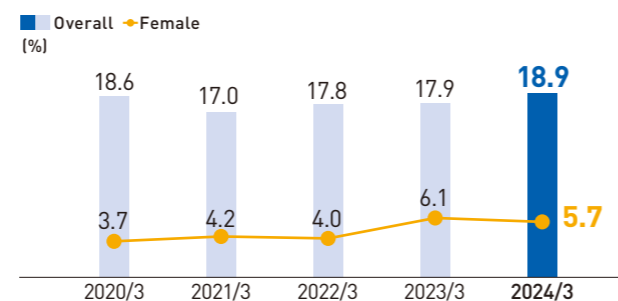
As our business activities become more global and the market environment undergoes abrupt change, diversity and taking on challenges are keys driving sustainable growth. This is because diversity enables us to look at risk as an opportunity, and when we take on challenges we can take full advantage of these opportunities. To make this a reality, the Kaga Electronics Group promotes

diversity management in terms of making effective use of diversity in human resources and work styles. At the same time, we respect our human resources who continue to take on challenges with an attitude that sees each of us as a corporate manager. Accordingly, we will keep maintaining our corporate culture of encouraging taking on challenges and tolerating any resulting failure.

#### Number of employees / Ratio of female employees (consolidated)



#### Ratio of managers



Pursuing a comfortable working environment

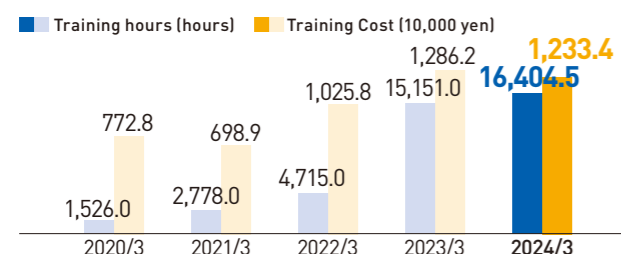
### Employee education, training, and income compensation programs

At the Kaga Electronics Group, we support the career development of employees through training for new recruits, annual training, rank-based training, and other forms of education, as well as by providing assistance through correspondence courses.

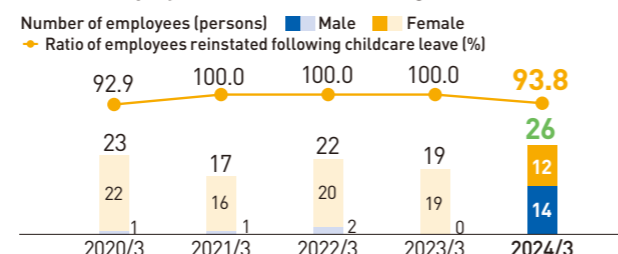
Every year, we grant a total of six days of paid “refresh leave,” which is separate from annual paid leave, to all employees. We also instituted a sick leave program for those who develop one of three specified types of serious disease (cancer, cerebral stroke, or myocardial infarction)

to help them secure their income during their hospitalization and absence from work. Specifically, employee entitlement for paid sick leave is accumulated in step with years of service, for a maximum of 20 days. Employees are also allowed to take hourly paid leave. Furthermore, to encourage male employees to utilize childcare leave, a new specialized childcare leave system was established on April 1, 2023. Through such initiatives as these, we aim to strike a good work-life balance and thus realize a safer work environment for employees.

#### Training Hours / Training Cost (per person)

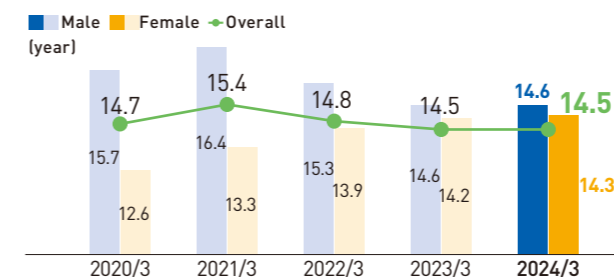


#### Number of employees who took childcare leave / Ratio of employees reinstated following childcare leave

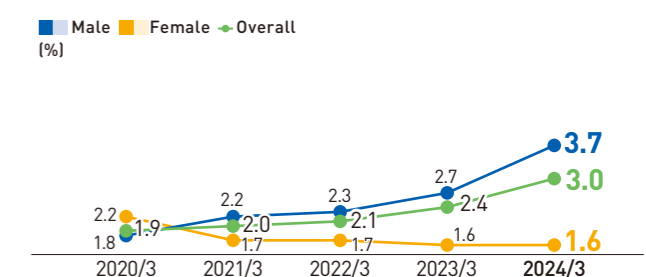


Note: Includes employees who took specialized childcare leave

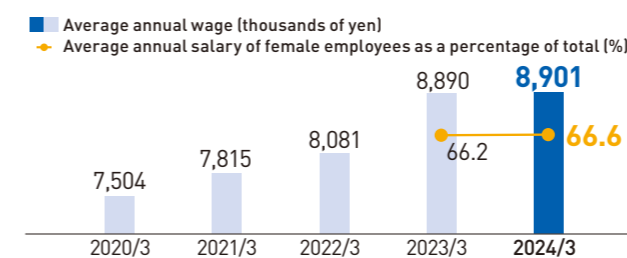
#### Average length of service / Job turnover rate



#### Attrition Rate

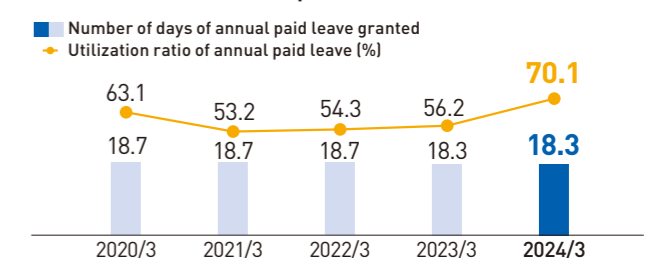


#### Average annual wage (including bonus)



Note: The average annual wage for the fiscal years ended March 31, 2022 and March 31, 2023 include special stock incentives.

#### Number of days of annual paid leave granted / Utilization ratio of annual paid leave



Note: Average of all employees, excluding the number of annual paid leave days carried over to the subsequent fiscal year

### Recognized as a 2024 Certified Health & Productivity Management Outstanding Organization

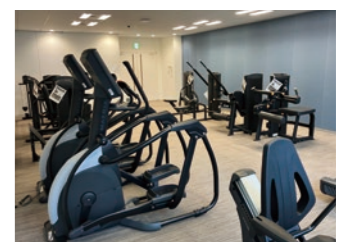
We believe that it is essential for each and every employee to be healthy both mentally and physically, and to be a group of professionals with integrity and high corporate ethics. We have been making various efforts toward health management, such as organizing a Health Management Promotion Committee and conducting stress checks. In recognition of these efforts, we were recognized as a 2024 Certified Health & Productivity Management Outstanding Organization (Large Enterprise Category), the second consecutive year of our receiving such recognition.



### Promotion of employees' physical and mental health

With the aim of supporting the maintenance and improvement of employee health as well as betterment of work-life balance, the Kaga Electronics Group has established its own welfare facilities. In addition to maintaining company villas in four locations in Japan, the Company owns two cruiser boats (Yokohama and Kyoto).

Moreover, the Company provides employees with access to resorts in Japan and abroad, contract golf courses, and other facilities. Furthermore, in August 2023, we opened a training room for employees in the Kaga Electronics Head Office building that boasts the latest in AI-equipped machines that help ensure optimal training tailored to each employee's physical characteristics through the use of electronic tags, and, in June 2024, we opened a similar training room in the Head Office Building Annex. We will continue to implement various health promotion initiatives so that all of our employees can voluntarily maintain and improve their health.



Training room opened in Kaga Electronics Head Office Building Annex

#### SDGs Contribution Award

Based on its corporate philosophy, “Everything we do is for our customers,” as outlined in its Sustainability Policy, the Kaga Electronics Group will contribute to the realization of a sustainable society by striking a balance between solving social issues and sustaining growth as a corporation through its business activities. To achieve this, an award system was established in 2022 aimed at fostering a corporate culture in which each and every employee of the Company is encouraged and motivated to take an

interest in and work toward SDGs on a daily basis. Winners are awarded shares of the Company's stock.

In the fiscal year ended March 31, 2023, sales of energy-saving commercial products (e.g., thermal barrier sheets) and environmentally friendly cellulose packaging materials won in the individual categories while smart road lamps and building air conditioning control panels won in such group categories as design and contracted manufacturing projects.

# Together with Our Customers

The Kaga Electronics Group proposes and provides value-added products and services that swiftly meet changes in the times based on its corporate philosophy of “Everything we do is for our customers.” By doing so, we support the technological innovation and production streamlining of our customers worldwide.

## To deliver high-quality products and services

### Quality control system

Within its EMS Business Division, the Company established the Production Center. Together with KAGA EMS TOWADA CO., LTD., which has extensive experience in the automotive industry and is positioned as the EMS mother factory, the center works to enhance production technology and quality control Groupwide in cooperation with EMS production bases in North America, Europe, the ASEAN region, China, and elsewhere.

In addition to actualizing our commitment to “putting quality first and manufacturing products that satisfy our customers,” we have established working groups to handle quality assurance, production control, production technology, IT-based production innovation, global procurement, SDGs, etc., at every site with the overarching purpose of sharing and standardizing various indicators

and standards across the Group. Furthermore, in addition to pursuing such lateral development as the supplementation of know-how and resources, we conduct regular inter-site business trip exchange meetings in order to improve quality and customer service.



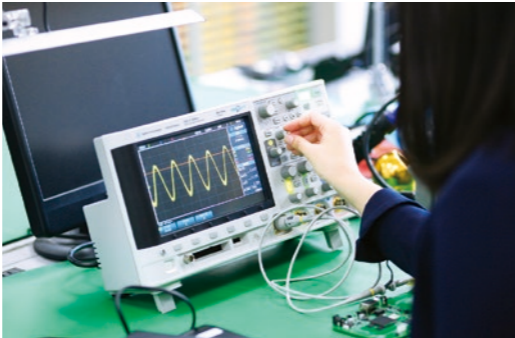
A Production Center-led exchange of overseas engineers

## Pursuing our philosophy of “Everything we do is for our customers”

### Efforts to enhance quality

The Company’s Engineering Department controls the technological resources of the entire Group, from planning and development to design, manufacturing and quality assurance, and works to ensure the effective use and optimization of these resources, strengthen technological capabilities, and expand business across the organization. The Quality Assurance Department, one of the bodies of the Engineering Department, seeks to enhance development quality and manages safety standards throughout the Group.

This department works with other departments responsible for quality within the Group, depending on the circumstances, in order to resolve issues.



Prototype evaluation using a measurement device

## Status of ISO 9001 certification

**KAGA ELECTRONICS and the following Group companies have attained ISO 9000 series certification, an international standard for quality management. The Company is striving to further enhance customer satisfaction through the continuous improvement of its quality management system.**

- Japan:** KAGA ELECTRONICS CO., LTD., AD DEVICE CO., LTD., KAGA MICRO SOLUTION CO., LTD., KAGA FEI Co., Ltd., NV DEVICES CO., LTD., KAGA EMS TOWADA CO., LTD., Kyokuto Electric Co., Ltd., KAGA TECHNO SERVICE CO., LTD.
- Overseas:** KAGA (H.K.) ELECTRONICS LIMITED, KAGA (SHENZHEN) ELECTRONICS LTD., KAGA COMPONENTS (MALAYSIA) SDN.BHD., KAGA ELECTRONICS (THAILAND) COMPANY LIMITED, KD TEC (Czech Republic) s.r.o., SUZHOU TAXAN KAGA TRADING CO., LTD., KAGA TECHNOLOGY (SUZHOU) ELECTRONICS CO., LTD., PT KAGA ELECTRONICS INDONESIA, HUBEI KAGA ELECTRONICS LIMITED, TAXAN MEXICO, S.A. DE C.V., KAGA ELECTRONICS (VIETNAM) CO., LTD., KD TEC TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI, KAGA ELECTRONICS INDIA PRIVATE LIMITED, KAGA FEI AMERICA, Inc., KAGA FEI EUROPE GmbH

# Together with the Community

Cognizant of the importance of its social responsibilities as a company, the Kaga Electronics Group contributes to sports promotion and to the local community through its business sites worldwide, and actively undertakes activities that help drive advances in education, art, and culture.

## Contributing to the local community

The Kaga Electronics Group, which conducts business activities around the world, takes on a variety of social contribution activities at its sites in Japan and overseas as well.

Among its overseas sites, TAXAN MEXICO S.A. DE C.V. (Mexico), where a new plant began operation in April 2024, conducted Pink Ribbon activities to raise the screening rate for breast cancer and encourage its early detection, while KAGA ELECTRONICS (THAILAND) COMPANY ., Limited (Thailand) conducted a campaign that involved 460 employees planting 3,000 trees in the Si Racha District.

KAGA EMS TOWADA CO., LTD. conducts regular cleanup activities not only around its plants but at local tourist spots and also organizes plant tours for local junior high school students as part of their social studies courses. KAGA MICRO SOLUTION CO., LTD. offers work experience training and internship programs to local junior high schools in addition to conducting cleanup activities in the areas surrounding its plants. Kyokuto Electric Co., Ltd. also contributes to the beautification of the local environment through cleanup activities around its plants. In addition, KAGA EMS TOWADA received a letter of appreciation from the Towada Police Station for its contribution to the development of a safe and secure community through the provision of training, lifestyle guidance, and supervision of foreign technical intern trainees as well as the provision of driving instruction and cooperation in crime prevention activities aimed at eliminating traffic violations and accidents, given that many of its employees commute to work by car. We remain committed to promoting initiatives that are rooted in each local community.



Tree Planting in Si Racha District, Thailand (KAGA ELECTRONICS (THAILAND))



Pink Ribbon activities (TAXAN MEXICO)



Plant tour for local junior high school students (KAGA EMS TOWADA)



Work experience training for local junior high school students (KAGA MICRO SOLUTIONS)

## Supporting education and welfare

At KAGA ELECTRONICS, the Founder & CEO Isao Tsukamoto gives lectures to students as a specially appointed professor for the Faculty of Service Innovation, Chiba University of Commerce. Tsukamoto speaks at such events as study sessions for young corporate managers who run SMEs.

In addition, the Company contributes to society in a wide range of fields related to education, the arts, and culture, for example, co-sponsoring “The Marriage of Figaro,” a Kyogen-style opera supported by the Ministry of Foreign Affairs and other organizations, and Hamamatsu Jazz Week held in Hamamatsu City, Shizuoka Prefecture.



Tsukamoto lectures to students at Chiba University of Commerce



Hamamatsu Jazz Week

# Together with the Earth

The Kaga Electronics Group views the 21st century as the century for protection of the global environment and, with this in mind, conducts business activities based on an awareness of energy and resource conservation that includes reducing CO<sub>2</sub> and other greenhouse gases and verifying the environmental load of the products and services it handles.

### Environmental Policy

The Kaga Electronics Group looks to the future of electronics at all times, striving to meet customer needs as well as to preserve and enhance the natural environment in order to protect our irreplaceable Earth.

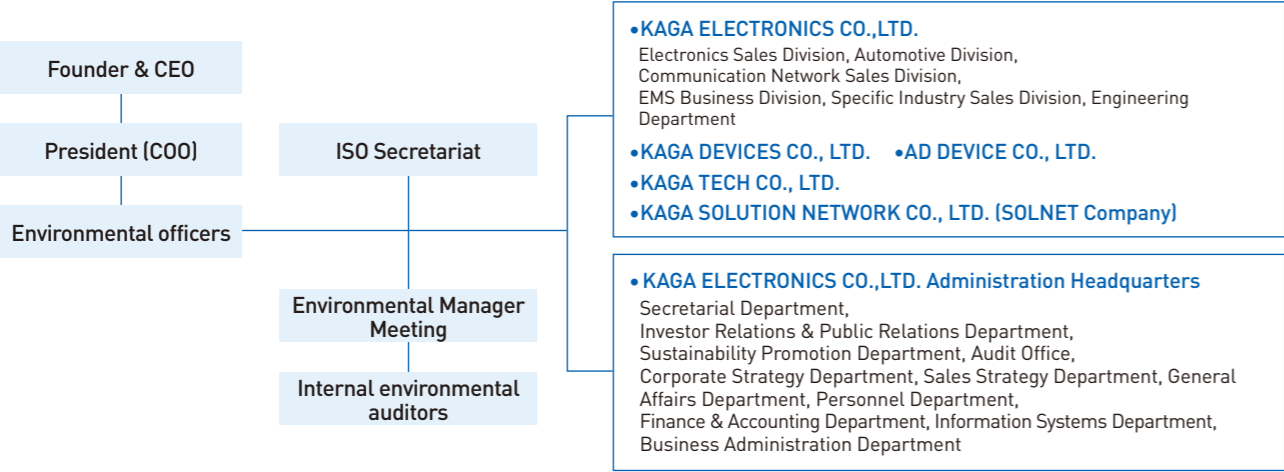
- 1 The Kaga Electronics Group shall establish an environmental management system that involves all employees and promote ongoing improvement of this system to preserve the global environment and prevent pollution in all of our business activities to provide products and services.
- 2 In executing our business activities, we shall strictly adhere to environmental laws, regulations and related requirements as well as comply with all other requirements agreed upon by the Kaga Electronics Group.
- 3 We shall strive to prevent pollution and enhance the environment through non-wasteful office and business activities based on a philosophy of conserving energy and resources.
- 4 We shall set targets for the following requirements to the extent possible for the products and services that the Kaga Electronics Group handles and regularly review the progress of our activities.
  - Must be composed of environmentally friendly substances
  - Must be able to cut waste through reuse and recycling
  - Must be designed with energy and resource conservation in mind using the latest electronics technology
- 5 We shall provide education to all employees to increase their awareness of the need for environmental protection and to ensure their understanding of our Environmental Policy.
- 6 Our Environmental Policy shall be disseminated widely throughout society through such means as the Kaga Electronics Group website and corporate profile.

## Environmental management system

The Kaga Electronics Group established an environmental management system based on its Environmental Policy. Under the system, environmental officers, the ISO Secretariat, the Environmental Manager Meeting, and internal environmental auditors team up and, guided by the president, conduct environmental management at

KAGA ELECTRONICS and its Group companies. In addition, we have attained ISO 14001 certification, an international standard for environmental management systems, at the Company and 20 sites at four Group companies in Japan. We are strengthening our system through a PDCA cycle.

### Environmental management system



Note: KAGA FEI, KAGA EMS TOWADA, EXCEL, KAGA TECHNO SERVICE CO., LTD., Kyokuto Electric Co., Ltd., and NV DEVICES CO., LTD have each acquired ISO 14000 certification for their respective environmental management systems.

### Initiatives to reduce environmental burden

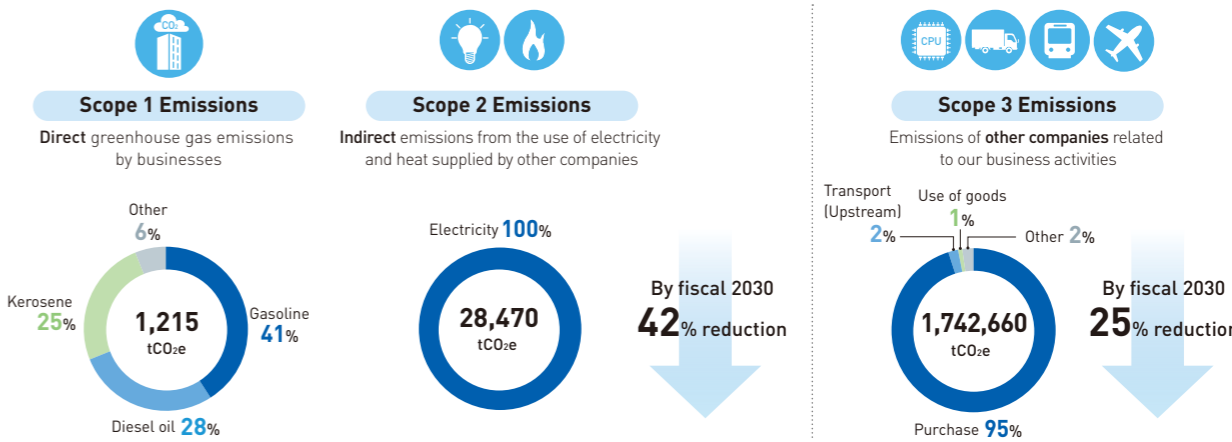
## Greenhouse gas emission status and reduction targets

Although the Company has historically calculated greenhouse gas emissions only for specific sites, in the interest of ensuring continuous emissions management and transparent information disclosure, we have calculated Scope 1, 2, and 3 emissions for the fiscal year ended March 31, 2024. Basing our calculations on figures for the fiscal year ended March 31, 2024, we have

set a reduction target of 42% for Scope 1 and 2 emissions and 25% for Scope 3 emissions by fiscal 2030.

The Group is committed to understanding the current situation and working toward achieving its goals.

Emissions for the year ended March 31, 2024 are as follows.



## Achieving 100% renewable energy use

The KAGA ELECTRONICS Head Office Building is designed for energy conservation. Notably, it features an exterior air-intake double-skin\* curtain wall that brings outside air into offices to reduce the heat load, introduce natural ventilation, and improve sound insulation.

In addition, the Group has installed renewable energy facilities employing solar panels at manufacturing sites in Aomori and Fukushima prefectures in Japan as well as at overseas manufacturing sites in China, Vietnam, and Mexico. Most of these installations account for several dozen percent of their respective facility's annual

electricity consumption, with the largest plant in Vietnam expected to cover more than 70% of its electricity needs.

We will continue our efforts to achieve 100% renewable energy by installing more solar panels and storage batteries, as well as making other environmental considerations.

### Introducing solar panels at manufacturing bases



TAXAN MEXICO's New Plant

\* Double skin refers to a construction technique in which a building's exterior walls are partially or fully covered with a double layer of glass.

## Biodiversity conservation activities

In 2023, the Company installed a biotope type rooftop garden at its Head Office building to preserve biodiversity and protect the natural environment through the cultivation of living organisms and plants, as well as to preserve species and create an environment conducive to their habitat.

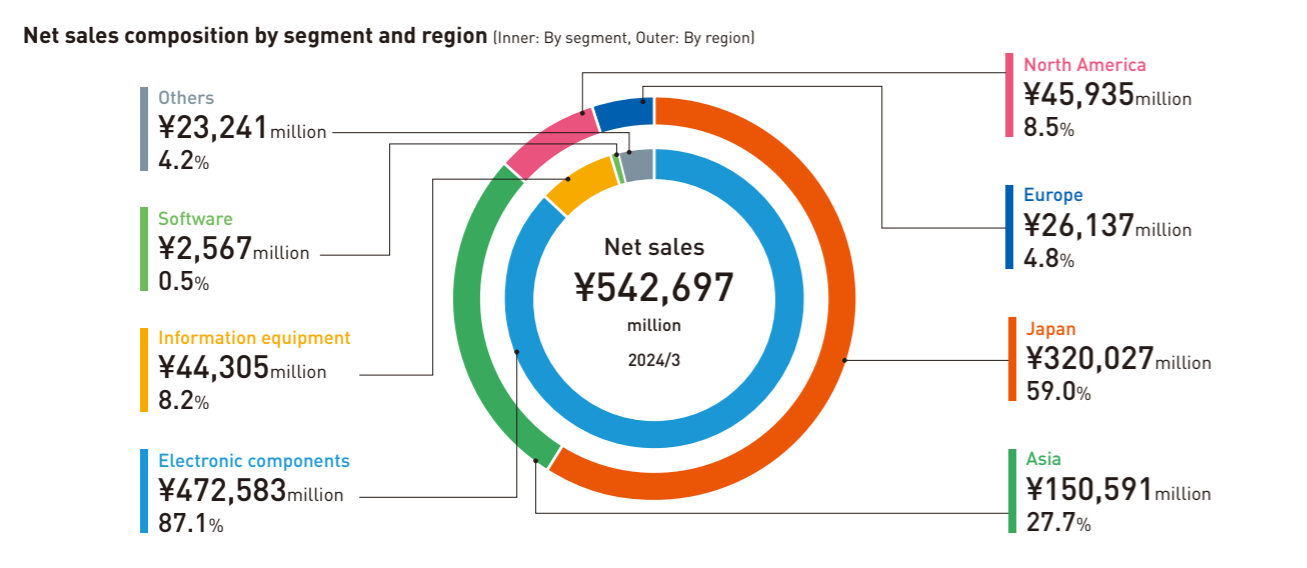
We will continue to regularly survey the habitat of living organisms and plants and provide information through the Company's website.

\*A cohesive space in which local wildlife lives.

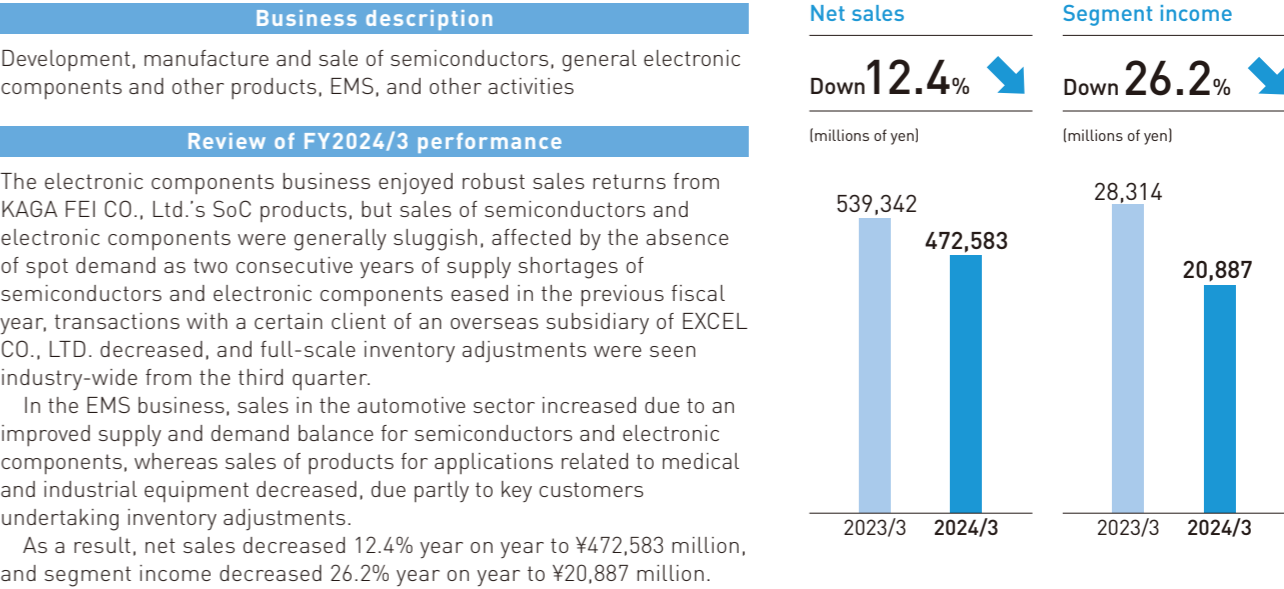


The biotope on the roof of our Head Office building

Financial Highlights



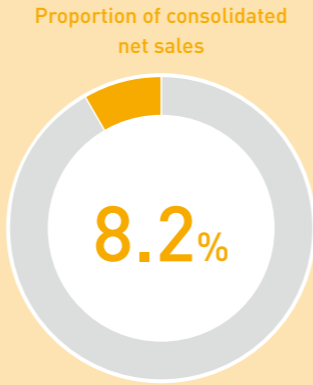
Outline of Business Segments



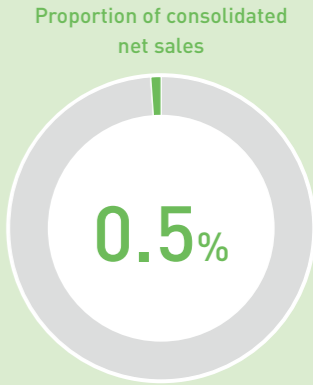
Opportunities and risks

|                               | Opportunities   | Risks  |
|-------------------------------|---|--|
| Electronic component business | <ul style="list-style-type: none"><li>Advancement of automobile-related technologies represented by EV (electric vehicles) and CASE*</li><li>ICT-related technologies such as the 5G mobile communication system, IoT, and AI</li><li>Increased demand due to cloud lift and cloud shift</li></ul> <p>* Stands for Connected, Autonomous, Shared &amp; Services, and Electric</p> | <ul style="list-style-type: none"><li>Soaring prices of resources and other commodities due to the prolonged conflict in Ukraine and the emergence of geopolitical risks</li><li>Impact of customer inventory adjustments</li><li>Stagnation and deterioration of the economies of various countries attributable to policy rate hikes</li><li>Loss of commercial rights due to a change in commercial distribution at a sales destination or supplier</li></ul> |
| EMS business                  | <ul style="list-style-type: none"><li>Growing need for further outsourcing, automation and efficiency</li><li>Increased demand from the industrial sector due to the elimination of shortages and extended delivery times for semiconductors and electronic components, and the elimination of supply chain disruptions</li></ul>   | <ul style="list-style-type: none"><li>Shortage of human resources both in Japan and overseas</li><li>Natural disasters such as earthquakes, floods, and the spread of infectious diseases</li><li>Suspension of factory operations due to other external political and economic factors</li></ul>  |

# Information Equipment



# Software Business



Business description

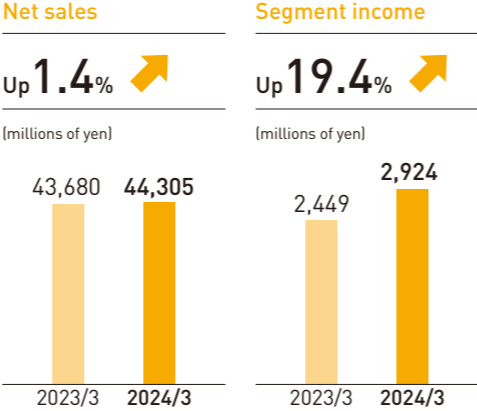
Sale of PCs, PC peripherals, home electric appliances, photographic and imaging products, and original brand goods

Review of FY2024/3 performance

Net sales remained robust with continued strong sales of PCs for educational institutions and security software, although sales of PCs for mass retailers struggled due to weak demand. In addition, the LED installation business benefited from the contribution of sales associated with a large-scale project that the Group began pursuing in earnest in the previous fiscal year.

As a result, net sales increased 1.4% year on year to ¥44,305 million, and segment income increased 19.4% year on year to ¥2,924 million.

Thus, both profit and the profit margin exceeded the previous fiscal year's results and planned targets.

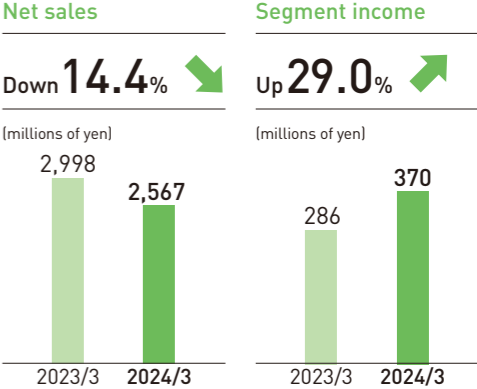


Business description

Production of computer graphics, planning and development of amusement products, and other activities

Review of FY2024/3 performance

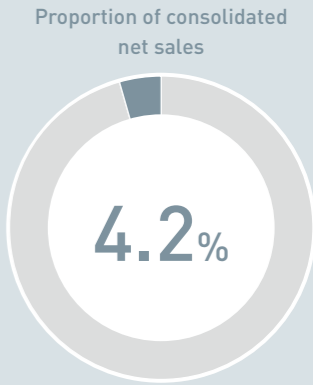
Orders for computer graphics production remained generally steady. Net sales decreased 14.4% year on year to ¥2,567 million while segment income increased 29.0% year on year to ¥370 million, attributable partly to the effect of containing cost of sales through operational efficiency improvement and other efforts.



## Opportunities and risks

|                       | Opportunities  | Risks  |
|-----------------------|--|--|
| Information equipment | <ul style="list-style-type: none"><li>Robust expansion of needs for information-related devices on the back of advances in ICT</li><li>Growing needs for increased PC adoption and security related solutions among higher education institutions</li><li>Development of new commercial products</li></ul> | <ul style="list-style-type: none"><li>Loss of sales opportunities due to parts supply shortages</li><li>Loss of commercial rights and product procurement routes due to changes in the distribution policies of buyers and suppliers</li><li>Intensifying competition due to lower prices and more new market entrants</li></ul> |

# Other Business



## TOPICS Electronic Components Business

### Launched sales of small EV buses designed with domestic road conditions and the environment in mind

In March 2024, the consolidated subsidiary EXCEL CO., LTD. launched joint sales of the "e-City L6," a small EV bus manufactured by ALFA Bus Company, with ALFA Bus Japan Corporation, which imports, exports, and sells EV buses. Because ALFA Bus Company's EV buses are battery powered, they do not emit exhaust gas and have excellent environmental performance, including zero CO<sub>2</sub> emissions. Their onboard batteries can also serve as emergency power sources and exterior AC outlets installed on the rear of the vehicles allow these buses to serve as emergency management centers at evacuation centers in the event of a disaster.

At only about 6m in length, the new "e-City L6" EV bus is relatively small, making it better able to negotiate road conditions in Japan. Nevertheless, it has the same capacity as a 7m-long class bus with a spacious interior that can accommodate up to 29 passengers due to its batteries being distributed both in the rear and on the roof.

The first vehicle was delivered to Yamanashi Kotsu Co., Ltd. in April, and is now in operation as a shuttle bus between Kofu Station and Kiratto, a next-generation energy promotion facility in Yonekura-yama, Yamanashi Prefecture.

Furthermore, we are co-sponsoring the "Japan International Exposition 2025 (Expo 2025 Osaka-Kansai)," to be held in Osaka from April 2025, as an operational participation supplier supporting the Expo's smooth execution and operation by providing onsite transportation vehicles for guests and Expo related personnel from both Japan and abroad throughout the event.



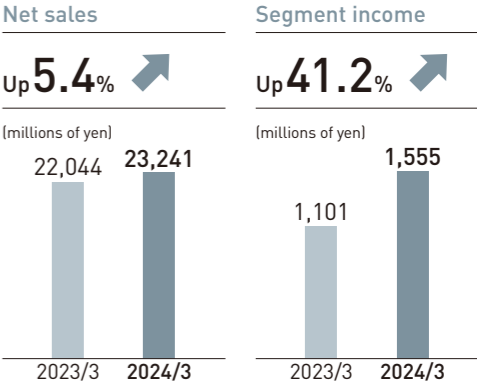
ALFA Bus Company's "e-City L6" small EV bus

Business description

Repair and provision of support for electronic equipment, manufacture and sale of amusement equipment, sale of sports goods, and other activities

Review of FY2024/3 performance

The PC and PC peripheral recycling business remained strong, as did sales of amusement equipment and sporting goods. Net sales increased 5.4% year on year to ¥23,241 million while segment income expanded 41.2% year on year to ¥1,555 million.



11-Year Financial Summary

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31 from 2014 to 2024

|   | 2014/3   | 2015/3   | 2016/3   | 2017/3   | 2018/3   | 2019/3   | 2020/3   | 2021/3   | 2022/3   | 2023/3   | 2024/3   |
|---|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|----------|
| Fiscal year   |          |          |          |          |          |          |          |          |          |          |          |
| Net sales (millions of yen)   | 257,852  | 255,143  | 245,387  | 227,209  | 235,921  | 292,779  | 443,615  | 422,365  | 495,827  | 608,064  | 542,697  |
| Gross profit (millions of yen)  | 32,522   | 32,738   | 33,648   | 31,225   | 32,498   | 35,546   | 47,016   | 47,936   | 60,547   | 78,514   | 70,452   |
| Selling, general and administrative (SG&A) expenses (millions of yen) | 27,416   | 26,376   | 25,859   | 24,346   | 24,379   | 27,976   | 37,001   | 36,469   | 39,632   | 46,265   | 44,607   |
| Operating income (millions of yen)                                    | 5,106    | 6,362    | 7,788    | 6,879    | 8,119    | 7,570    | 10,014   | 11,467   | 20,915   | 32,249   | 25,845   |
| Ordinary income (millions of yen)                                     | 5,847    | 7,664    | 7,908    | 7,343    | 8,740    | 7,859    | 10,137   | 11,241   | 21,456   | 32,739   | 25,976   |
| Profit attributable to owners of the parent (millions of yen)         | 3,877    | 4,416    | 5,437    | 6,975    | 6,490    | 8,014    | 5,852    | 11,399   | 15,401   | 23,070   | 20,345   |
| Cash flows from operating activities (millions of yen)                | 3,334    | 9,127    | 9,546    | 10,746   | 10,077   | [1,547]  | 22,406   | 9,999    | [1,554]  | 30,569   | 29,385   |
| Cash flows from investing activities (millions of yen)                | [3,339]  | [1,465]  | [1,263]  | [258]    | [4,173]  | [6,860]  | [3,651]  | [2,453]  | [6,772]  | [4,805]  | [2,968]  |
| Free cash flow (millions of yen)                                      | [5]      | 7,661    | 8,283    | 10,487   | 5,904    | [8,408]  | 18,754   | 7,545    | [8,327]  | 25,763   | 26,417   |
| Cash flows from financing activities (millions of yen)                | 1,024    | [4,431]  | [3,067]  | [6,118]  | [2,811]  | 11,684   | [7,544]  | [6,851]  | 1,155    | [15,549] | [16,973] |
| Depreciation (millions of yen)  | 2,418    | 1,907    | 1,604    | 1,452    | 1,481    | 1,740    | 2,754    | 3,167    | 3,738    | 4,000    | 4,252    |
| Capital expenditures / Investment and loans (millions of yen)*1       | 4,087    | 2,660    | 2,166    | 1,464    | 4,520    | 6,712    | 6,133    | 2,906    | 5,739    | 4,910    | 6,301    |
| Fiscal year-end   |          |          |          |          |          |          |          |          |          |          |          |
| Total assets (millions of yen)  | 126,028  | 127,948  | 124,281  | 125,751  | 128,755  | 213,761  | 207,638  | 237,004  | 272,139  | 286,217  | 286,792  |
| Net assets (millions of yen)  | 52,825   | 59,603   | 61,808   | 65,932   | 70,631   | 84,259   | 86,250   | 95,062   | 105,800  | 129,737  | 151,231  |
| Equity (millions of yen)  | 52,786   | 59,564   | 61,764   | 65,872   | 70,556   | 76,604   | 78,284   | 90,967   | 105,680  | 129,608  | 150,834  |
| Interest bearing debt (millions of yen)                               | 17,244   | 14,573   | 12,739   | 9,805    | 8,900    | 32,851   | 28,736   | 38,261   | 51,171   | 41,938   | 34,270   |
| Cash and deposits (millions of yen)                                   | 14,192   | 18,130   | 22,516   | 26,423   | 30,803   | 35,003   | 43,384   | 45,636   | 41,051   | 52,600   | 66,596   |
| Inventories (millions of yen)   | 21,219   | 22,703   | 19,175   | 19,325   | 19,455   | 40,026   | 31,908   | 37,948   | 62,607   | 56,205   | 54,739   |
| Per share data  |          |          |          |          |          |          |          |          |          |          |          |
| EPS (yen)   | 137.22   | 156.28   | 192.43   | 249.43   | 236.58   | 292.07   | 213.21   | 415.07   | 576.46   | 878.65   | 774.61   |
| Annual dividend (yen)   | 35.00    | 40.00    | 55.00    | 60.00    | 70.00    | 80.00    | 70.00    | 80.00    | 120.00   | 220.00   | 220.00   |
| Payout ratio (%)  | 25.5     | 25.6     | 28.6     | 24.1     | 29.6     | 27.4     | 32.8     | 19.3     | 20.8     | 25.0     | 28.4     |
| BPS (yen)   | 1,868.07 | 2,108.04 | 2,185.94 | 2,401.00 | 2,571.79 | 2,790.97 | 2,850.99 | 3,311.24 | 4,026.22 | 4,935.36 | 5,742.22 |
| Major indicators  |          |          |          |          |          |          |          |          |          |          |          |
| Gross profit margin (%)   | 12.6     | 12.8     | 13.7     | 13.7     | 13.8     | 12.1     | 10.6     | 11.3     | 12.2     | 12.9     | 13.0     |
| Ratio of SG&A expenses to net sales (%)                               | 10.6     | 10.3     | 10.5     | 10.7     | 10.3     | 9.6      | 8.3      | 8.6      | 8.0      | 7.6      | 8.2      |
| Operating income margin (%)   | 2.0      | 2.5      | 3.2      | 3.0      | 3.4      | 2.6      | 2.3      | 2.7      | 4.2      | 5.3      | 4.8      |
| Ordinary income margin (%)  | 2.3      | 3.0      | 3.2      | 3.2      | 3.7      | 2.7      | 2.3      | 2.7      | 4.3      | 5.4      | 4.8      |
| Profit attributable to owners of the parent margin (%)                | 1.5      | 1.7      | 2.2      | 3.1      | 2.8      | 2.7      | 1.3      | 2.7      | 3.1      | 3.8      | 3.7      |
| ROE (%)*2   | 7.6      | 7.8      | 9.0      | 10.9     | 9.5      | 10.9     | 7.6      | 13.5     | 15.7     | 19.6     | 14.5     |
| ROIC (%)*3  | 5.0      | 5.2      | 7.5      | 8.1      | 7.2      | 5.8      | 6.3      | 6.9      | 10.4     | 13.0     | 9.7      |
| ROA (%)*4   | 3.3      | 3.5      | 4.3      | 5.6      | 5.1      | 4.7      | 2.8      | 5.1      | 6.1      | 8.3      | 7.1      |
| Equity ratio (%)  | 41.9     | 46.6     | 49.7     | 52.4     | 54.8     | 35.8     | 37.7     | 38.4     | 38.8     | 45.3     | 52.6     |
| Debt equity ratio (times)*5   | 0.33     | 0.24     | 0.21     | 0.15     | 0.13     | 0.43     | 0.37     | 0.42     | 0.48     | 0.32     | 0.23     |
| CCC (days)*6  | 49.7     | 49.8     | 45.9     | 44.7     | 40.0     | 47.1     | 34.4     | 46.7     | 66.6     | 55.4     | 55.2     |
| Receivables turnover period (days)*7                                  | 85.9     | 83.2     | 81.5     | 83.6     | 77.1     | 77.0     | 75.2     | 93.7     | 89.0     | 77.5     | 75.7     |
| Inventory turnover period (days)*8                                    | 30.0     | 32.5     | 28.5     | 31.0     | 30.1     | 35.1     | 26.3     | 32.8     | 46.1     | 33.7     | 36.8     |
| Payables turnover period (days)*9                                     | 66.2     | 65.9     | 64.2     | 69.9     | 67.3     | 65.0     | 67.0     | 79.8     | 68.6     | 55.8     | 57.4     |
| Number of employees (persons)   | 4,752    | 5,092    | 5,243    | 5,216    | 5,427    | 6,627    | 6,731    | 7,826    | 7,959    | 8,092    | 8,021    |

\*1. Including spending associated with the purchase of property, plant and equipment, intangible assets and investment securities as well as the purchase of shares of subsidiaries resulting in change in scope of consolidation.  
\*2. ROE = Profit attributable to owners of the parent / Average equity × 100 [%]  
\*3. ROIC = Operating Income After Tax / (Shareholders' Equity + Interest-bearing Debt)  
\*4. ROA = Profit attributable to owners of the parent / Average total assets × 100 [%]

\*5. Debt equity ratio = Interest bearing debt / Equity [times]  
\*6. Cash conversion cycle (CCC) = Receivables turnover period [days] + Inventory turnover period [days] - Payables turnover period [days]  
\*7. Receivables turnover period [days] = Notes and accounts receivable—trade / Net sales × 365 [days]  
\*8. Inventory turnover period [days] = Inventories / Net Sales × 365 [days]  
\*9. Payables turnover period [days] = Notes and accounts payable—trade / Total purchase of goods × 365 [days]

# Analysis of Financial Condition and Results of Operations

Fiscal year ended March 31, 2024

## Analysis of business performance

During the fiscal year ended March 31, 2024, the global economic outlook remained uncertain due to monetary tightening in Europe and the United States, the sluggish Chinese economy, and rising geopolitical risks in regions like Ukraine and the Middle East. On the other hand, the Japanese economy continued to show a moderate recovery trend due to a pickup in personal consumption and an increase in demand from inbound tourism amid rising prices and the yen’s depreciation.

The electronics industry, the Kaga Electronics Group’s main domain, saw continued demand growth in the auto-motive market as the global shortage of semiconductor and electronic parts eased and pace of automobile electrification picked up, but the industrial device market lingered in an adjustment phase.

Against this backdrop, the Group’s performance in the fiscal year ended March 31, 2024 was affected by the disappearance of spot demand in the electronic components business due to the easing of supply shortages for semiconductors and electronic parts, the curtailment of transactions with specific customers at an overseas subsidiary of EXCEL CO., LTD., and inventory adjustments that began in earnest in the third quarter and thereafter. Reflecting these conditions, net sales decreased year on year by 10.8% to ¥542,697 million.

Operating income fell 19.9% to ¥25,845 million and ordinary income fell 20.7% to ¥25,976 million as a result of efforts to reduce selling, general and administrative expenses in response to the decline in gross profit on sales caused by the decrease in net sales.

Profit attributable to owners of the parent fell 11.8% year on year to ¥20,345 million, due in part to extraordinary gains, including a ¥1,420 million gain on sales of investment securities and a ¥481 million gain on bargain purchase.

## Financial condition analysis

Total assets as of March 31, 2024 were up ¥574 million from the previous fiscal year-end and amounted to ¥286,792 million. The main items are as follows.

|  |  |
|--|--|
| <b>Current assets</b>  | <b>Non-current assets</b>  |
| Current assets decreased ¥943 million to ¥244,629 million.   | Non-current assets increased ¥1,517 million to ¥42,162 million. This was primarily due to an increase of ¥2,784 million in construction in progress.   |
| <b>Total liabilities</b>   | <b>Total net assets</b>  |
| Liabilities decreased ¥20,919 million from March 31, 2023, to ¥135,560 million. This was primarily due to a ¥7,840 million decrease in notes and accounts payable—trade and a ¥8,980 million decrease in short-term loans payable. | Net assets increased ¥21,493 million from March 31, 2023, to ¥151,231 million. This was primarily thanks to a ¥14,304 million increase in retained earnings due mainly to ¥20,345 million in profit attributable to owners of the parent, along with a ¥6,235 million increase in foreign currency translation adjustment. |

## Cash flows

Cash and cash equivalents as of March 31, 2023 increased ¥12,110 million from March 31, 2023 to ¥62,417 million. The status and factors thereof for each cash flow category in the fiscal year ended March 31, 2023 are as follows.

|   |  |   |
|---|--|---|
| <b>Cash flow from operating activities</b>  | <b>Cash flow from investing activities</b>   | <b>Cash flow from financing activities</b>  |
| Net cash and cash equivalents provided by operating activities totaled ¥29,385 million, compared with ¥30,569 million provided in the previous fiscal year. This was mainly due to the recording of income before income taxes. | Net cash and cash equivalents used in investing activities totaled ¥2,968 million, compared with ¥485 million used in the previous fiscal year. This was mainly due to purchases of property, plant and equipment. | Net cash and cash equivalents used in financing activities totaled ¥16,973 million, compared with ¥15,549 million used in the previous fiscal year. This was due mainly to the repayment of borrowings and the payment of cash dividends. |

## Analysis of capital resources and cash liquidity

As for the financing of necessary working capital and funds for capital expenditure, the Kaga Electronics Group utilizes such sources as cash on hand and borrowings. Looking ahead, the Group intends to procure the necessary working capital and funds for capital expenditure to support its future operations internally, with cash flows from operating activities positioned as its financial base.

|   |   |
|---|---|
| <b>Funding requirements</b>   | <b>Financial policy</b>   |
| The main elements of the Group’s working capital requirement are funds for the purchase of products to be marketed by the Group and for the purchase of raw materials and components to produce its own products. It also requires funds to cover manufacturing costs and selling, general and administrative expenses. The need for funding for investment purposes is largely in connection with capital expenditures and costs associated with new business M&As and securing commercial rights. | With respect to the procurement of short-term working capital, the Group’s basic stance is to secure optimal capital efficiency within the Group before resorting to borrowings from financial institutions.<br>With respect to the procurement of funds for M&As, capital expenditures and long-term working capital, the Group’s basic stance is to conduct optimal procurement using the various methods available to it, extending from direct to indirect financing, with due consideration given to financial conditions at the time of procurement as well as to the term and purpose of each funding requirement. |

Consolidated Balance Sheet

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries  
At March 31, 2023 and 2024

| ASSETS                                  | Millions of Yen |           | Thousands of<br>U.S. Dollars<br>(Note) |
|---|-----------------|-----------|--|
|   | 2023            | 2024      | 2024                                   |
| CURRENT ASSETS:                         |                 |           |  |
| Cash and bank deposits                  | ¥ 52,600        | ¥ 66,596  | \$ 439,843                             |
| Notes receivable—trade                  | 1,534           | 900       | 5,945                                  |
| Electronically recorded monetary claims | 9,683           | 10,146    | 67,013                                 |
| Accounts receivable—trade               | 117,881         | 101,528   | 670,551                                |
| Short-term investment securities        | 195             | 171       | 1,131                                  |
| Merchandise and finished goods          | 41,375          | 37,999    | 250,968                                |
| Work in process                         | 2,277           | 1,878     | 12,405                                 |
| Raw materials and supplies              | 12,552          | 14,861    | 98,154                                 |
| Others                                  | 7,624           | 10,770    | 71,131                                 |
| Allowance for doubtful accounts         | (153)           | (223)     | (1,473)                                |
| Total CURRENT ASSETS                    | 245,572         | 244,629   | 1,615,673                              |
| NONCURRENT ASSETS:                      |                 |           |  |
| PROPERTY, PLANT AND EQUIPMENT           |                 |           |  |
| Buildings and structures                | 15,680          | 17,045    | 112,576                                |
| Accumulated depreciation                | (8,990)         | (9,778)   | (64,585)                               |
| Buildings and structures, net           | 6,690           | 7,266     | 47,991                                 |
| Machinery, equipment and vehicles       | 16,187          | 19,458    | 128,517                                |
| Accumulated depreciation                | (9,721)         | (11,811)  | (78,012)                               |
| Machinery, equipment and vehicles, net  | 6,466           | 7,647     | 50,505                                 |
| Tools, furniture and fixtures           | 5,880           | 6,588     | 43,515                                 |
| Accumulated depreciation                | (4,777)         | (5,226)   | (34,518)                               |
| Tools, furniture and fixtures, net      | 1,103           | 1,362     | 8,997                                  |
| Land                                    | 5,859           | 6,036     | 39,865                                 |
| Construction in progress                | 39              | 2,824     | 18,651                                 |
| Total PROPERTY, PLANT AND EQUIPMENT     | 20,158          | 25,135    | 166,010                                |
| INTANGIBLE ASSETS                       |                 |           |  |
| Goodwill                                | 48              | 16        | 106                                    |
| Software                                | 2,617           | 2,021     | 13,353                                 |
| Others                                  | 36              | 54        | 360                                    |
| Total INTANGIBLE ASSETS                 | 2,702           | 2,092     | 13,820                                 |
| INVESTMENTS AND OTHER ASSETS            |                 |           |  |
| Investment securities                   | 12,144          | 10,472    | 69,168                                 |
| Deferred tax assets                     | 2,162           | 1,179     | 7,789                                  |
| Distressed receivables                  | 4,842           | 5,015     | 33,124                                 |
| Others                                  | 3,499           | 3,340     | 22,065                                 |
| Allowance for doubtful accounts         | (4,864)         | (5,073)   | (33,509)                               |
| Total INVESTMENTS AND OTHER ASSETS      | 17,784          | 14,934    | 98,637                                 |
| Total NONCURRENT ASSETS                 | 40,645          | 42,162    | 278,468                                |
| Total ASSETS                            | ¥ 286,217       | ¥ 286,792 | \$ 1,894,141                           |

| LIABILITIES  | Millions of Yen |           | Thousands of<br>U.S. Dollars<br>(Note) |
|--|-----------------|-----------|--|
|  | 2023            | 2024      | 2024                                   |
| CURRENT LIABILITIES:                                       |                 |           |  |
| Notes and accounts payable—trade                           | ¥ 79,232        | ¥ 71,392  | \$ 471,519                             |
| Short-term loans payable                                   | 19,585          | 10,604    | 70,040                                 |
| Accrued expenses   | 8,400           | 8,419     | 55,606                                 |
| Income taxes payable                                       | 6,011           | 2,238     | 14,785                                 |
| Provision for directors' bonuses                           | 465             | 437       | 2,890                                  |
| Others   | 13,852          | 11,709    | 77,338                                 |
| Total CURRENT LIABILITIES                                  | 127,547         | 104,803   | 692,181                                |
| NONCURRENT LIABILITIES:                                    |                 |           |  |
| Bonds  | 10,000          | 10,000    | 66,045                                 |
| Long-term loans payable                                    | 10,600          | 10,500    | 69,348                                 |
| Deferred tax liabilities                                   | 2,634           | 3,241     | 21,406                                 |
| Provision for directors' retirement benefits               | 143             | 94        | 624                                    |
| Net defined benefit liabilities                            | 2,148           | 2,342     | 15,468                                 |
| Asset retirement obligations                               | 627             | 660       | 4,363                                  |
| Others   | 2,778           | 3,918     | 25,883                                 |
| Total NONCURRENT LIABILITIES                               | 28,932          | 30,757    | 203,141                                |
| Total LIABILITIES  | 156,479         | 135,560   | 895,322                                |
| NET ASSETS   |                 |           |  |
| SHAREHOLDERS' EQUITY:                                      |                 |           |  |
| Share capital  | 12,133          | 12,133    | 80,137                                 |
| Capital surplus  | 14,820          | 14,849    | 98,071                                 |
| Retained earnings  | 95,945          | 110,250   | 728,158                                |
| Treasury stock   | (5,614)         | (5,603)   | (37,006)                               |
| Total SHAREHOLDERS' EQUITY                                 | 117,285         | 131,629   | 869,360                                |
| ACCUMULATED OTHER COMPREHENSIVE INCOME:                    |                 |           |  |
| Changes in the fair value of available-for-sale securities | 2,534           | 3,075     | 20,315                                 |
| Deferred gains or losses on hedges                         | (18)            | 21        | 141                                    |
| Foreign currency translation adjustment                    | 9,568           | 15,803    | 104,374                                |
| Remeasurements of defined benefit obligations              | 239             | 303       | 2,005                                  |
| Total ACCUMULATED OTHER COMPREHENSIVE INCOME               | 12,322          | 19,204    | 126,836                                |
| Non-controlling interests                                  | 129             | 396       | 2,621                                  |
| Total NET ASSETS   | 129,737         | 151,231   | 998,819                                |
| Total LIABILITIES AND NET ASSETS                           | ¥ 286,217       | ¥ 286,792 | \$ 1,894,141                           |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.41 to \$1, the rate of exchange at March 31, 2024.

# Consolidated Statement of Income and Comprehensive Income

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2024

|   |           | Millions of Yen | Thousands of<br>U.S. Dollars<br>(Note) |
|---|-----------|-----------------|--|
|   | 2023      | 2024            | 2024                                   |
| Net sales   | ¥ 608,064 | ¥ 542,697       | \$ 3,584,288                           |
| Cost of sales   | 529,550   | 472,244         | 3,118,979                              |
| Gross profit  | 78,514    | 70,452          | 465,308                                |
| Selling, general and administrative expenses                  | 46,265    | 44,607          | 294,612                                |
| Operating income  | 32,249    | 25,845          | 170,696                                |
| NON-OPERATING INCOME  |           |                 |  |
| Interest income   | 211       | 891             | 5,889                                  |
| Dividend income   | 279       | 253             | 1,675                                  |
| Share of profit of entities accounted for using equity method | 97        | —               | —                                      |
| Foreign exchange gains  | 107       | —               | —                                      |
| Commission fee  | 227       | 136             | 900                                    |
| House rent income   | 126       | 135             | 892                                    |
| Others  | 412       | 992             | 6,554                                  |
| Total NON-OPERATING INCOME                                    | 1,461     | 2,409           | 15,912                                 |
| NON-OPERATING EXPENSES  |           |                 |  |
| Interest expenses   | 748       | 890             | 5,879                                  |
| Share of loss of entities accounted for using equity method   | —         | 80              | 532                                    |
| Foreign exchange losses                                       | —         | 741             | 4,897                                  |
| Others  | 223       | 565             | 3,735                                  |
| Total NON-OPERATING EXPENSES                                  | 971       | 2,278           | 15,045                                 |
| Ordinary income   | 32,739    | 25,976          | 171,562                                |
| EXTRAORDINARY INCOME  |           |                 |  |
| Gain on sales of property, plant and equipment                | 20        | 18              | 120                                    |
| Gain on sales of investment securities                        | 626       | 1,420           | 9,383                                  |
| Gain on bargain purchase                                      | —         | 481             | 3,177                                  |
| Gain on liquidation of subsidiaries and associates            | —         | 480             | 3,170                                  |
| Gain on revision of retirement benefit plan                   | 126       | —               | —                                      |
| Others  | 1         | 8               | 54                                     |
| Total EXTRAORDINARY INCOME                                    | 774       | 2,408           | 15,906                                 |
| EXTRAORDINARY LOSS  |           |                 |  |
| Impairment loss   | 644       | 16              | 112                                    |
| Loss on disposal of property, plant and equipment             | 37        | 14              | 96                                     |
| Loss on sales of investment securities                        | 12        | 0               | 3                                      |
| Loss on valuation of investment securities                    | 348       | 238             | 1,578                                  |
| Others  | 11        | 13              | 90                                     |
| Total EXTRAORDINARY LOSS                                      | ¥ 1,054   | ¥ 284           | \$ 1,880                               |

|   |          | Millions of Yen | Thousands of<br>U.S. Dollars<br>(Note) |
|---|----------|-----------------|--|
|   | 2023     | 2024            | 2024                                   |
| Income before income taxes  | ¥ 32,460 | ¥ 28,099        | \$ 185,588                             |
| Income taxes—current  | 9,197    | 6,292           | 41,561                                 |
| Income taxes—deferred   | 167      | 1,483           | 9,797                                  |
| Total income taxes  | 9,365    | 7,776           | 51,358                                 |
| Net income  | ¥ 23,094 | ¥ 20,323        | \$ 134,230                             |
| Profit attributable to owners of the parent                                       | 23,070   | 20,345          | 134,374                                |
| Profit attributable to non-controlling interests                                  | 23       | (21)            | (144)                                  |
| OTHER COMPREHENSIVE INCOME  |          |                 |  |
| Changes in the fair value of available-for-sale securities                        | 1,235    | 537             | 3,549                                  |
| Deferred gains or losses on hedges  | (16)     | 40              | 268                                    |
| Foreign currency translation adjustment   | 4,033    | 6,329           | 41,803                                 |
| Remeasurements of defined benefit plans, net of tax                               | 28       | 64              | 424                                    |
| Share of other comprehensive income of entities accounted for using equity method | 97       | (82)            | (543)                                  |
| Total OTHER COMPREHENSIVE INCOME  | 5,378    | 6,889           | 45,502                                 |
| Comprehensive income  | ¥ 28,472 | ¥ 27,213        | \$ 179,732                             |
| Comprehensive income attributable to:   |          |                 |  |
| Owners of the parent  | ¥ 28,445 | ¥ 27,227        | \$ 179,824                             |
| Non-controlling interests   | 26       | (13)            | (92)                                   |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.41 to \$1, the rate of exchange at March 31, 2024.

# Consolidated Statement of Cash Flows

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31, 2023 and 2024

|  |          | Millions of Yen | Thousands of<br>U.S. Dollars<br>(Note) |
|--|----------|-----------------|--|
|  | 2023     | 2024            | 2024                                   |
| <b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>           |          |                 |  |
| Income before income taxes   | ¥ 32,460 | ¥ 28,099        | \$ 185,588                             |
| Depreciation and amortization  | 4,000    | 4,252           | 28,084                                 |
| Impairment loss  | 644      | 16              | 112                                    |
| Amortization of goodwill   | 54       | 32              | 213                                    |
| Increase (Decrease) in provision for directors' bonuses              | 163      | (27)            | (182)                                  |
| Increase in allowance for doubtful accounts                          | 2,358    | 254             | 1,681                                  |
| Interest and dividend income   | (490)    | (1,145)         | (7,564)                                |
| Interest expenses  | 748      | 890             | 5,879                                  |
| Share of loss (profit) of entities accounted for using equity method | (97)     | 80              | 532                                    |
| Gain on sales of investment securities                               | (614)    | (1,420)         | (9,380)                                |
| Loss on valuation of investment securities                           | 348      | 238             | 1,578                                  |
| Gain on bargain purchase   | —        | (481)           | (3,177)                                |
| Gain on liquidation of subsidiaries and associates                   | —        | (480)           | (3,170)                                |
| (Increase) Decrease in notes and accounts receivable—trade           | (5,952)  | 21,260          | 140,414                                |
| Decrease in inventories  | 9,316    | 4,545           | 30,022                                 |
| Decrease in notes and accounts payable—trade                         | (11,503) | (12,257)        | (80,958)                               |
| (Increase) Decrease in accounts receivable—other                     | 2,239    | (1,223)         | (8,082)                                |
| Increase (Decrease) in accrued expenses                              | 994      | (475)           | (3,138)                                |
| (Increase) Decrease in advance payments                              | (417)    | 612             | 4,047                                  |
| (Increase) Decrease in consumption taxes refunds receivable          | 2,340    | (1,257)         | (8,303)                                |
| (Increase) Decrease in other current assets                          | (741)    | 354             | 2,339                                  |
| Increase (Decrease) in other current liabilities                     | 393      | (2,385)         | (15,757)                               |
| Others, net  | 937      | 1,373           | 9,068                                  |
| Subtotal   | 37,183   | 40,857          | 269,846                                |
| Interest and dividend income received                                | 491      | 1,143           | 7,549                                  |
| Interest expenses paid   | (732)    | (879)           | (5,805)                                |
| Income taxes paid  | (6,372)  | (11,736)        | (77,511)                               |
| Others, net  | —        | —               | —                                      |
| Net cash provided by operating activities                            | ¥ 30,569 | ¥ 29,385        | \$ 194,077                             |

|   |          | Millions of Yen | Thousands of<br>U.S. Dollars<br>(Note) |
|---|----------|-----------------|--|
|   | 2023     | 2024            | 2024                                   |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>  |          |                 |  |
| Payments for time deposits  | ¥ (397)  | ¥ (6,215)       | \$ (41,050)                            |
| Proceeds from withdrawal of time deposits   | —        | 4,517           | 29,838                                 |
| Purchase of property, plant and equipment   | (3,691)  | (5,417)         | (35,779)                               |
| Proceeds from sales of property, plant and equipment                                      | 34       | 31              | 208                                    |
| Purchase of intangible assets   | (467)    | (336)           | (2,222)                                |
| Purchase of investment securities   | (750)    | (547)           | (3,613)                                |
| Proceeds from sales of investment securities  | 1,102    | 4,120           | 27,216                                 |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation          | —        | 564             | 3,729                                  |
| Payments for sale of shares of subsidiaries resulting in change in scope of consolidation | —        | (9)             | (61)                                   |
| Payments of short-term loans receivable   | (421)    | (30)            | (201)                                  |
| Payments of long-term loans receivable  | (7)      | (12)            | (82)                                   |
| Other payments  | (278)    | (217)           | (1,434)                                |
| Other proceeds  | 71       | 582             | 3,848                                  |
| Net cash used in investing activities   | (4,805)  | (2,968)         | (19,603)                               |
| <b>NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES</b>                                |          |                 |  |
| Decrease in short-term loans payable  | (5,555)  | (5,230)         | (34,542)                               |
| Proceeds from long-term loans payable   | 500      | —               | —                                      |
| Repayment of long-term loans payable  | (15,040) | (5,040)         | (33,287)                               |
| Proceeds from issuance of bonds   | 9,945    | —               | —                                      |
| Purchase of shares of subsidiaries not resulting in change in scope of consolidation      | (21)     | —               | —                                      |
| Purchase of treasury shares   | (2)      | (6)             | (41)                                   |
| Cash dividends paid   | (4,590)  | (6,033)         | (39,849)                               |
| Proceeds from share issuance to non-controlling shareholders                              | —        | 220             | 1,453                                  |
| Others, net   | (784)    | (883)           | (5,837)                                |
| Net cash provided by (used in) financing activities                                       | (15,549) | (16,973)        | (112,104)                              |
| Effect of exchange rate change on cash and cash equivalents                               | 852      | 2,667           | 17,616                                 |
| Net increase (decrease) in cash and cash equivalents                                      | 11,066   | 12,110          | 79,986                                 |
| Cash and cash equivalents—beginning balance   | 39,240   | 50,307          | 332,256                                |
| Cash and cash equivalents—ending balance  | ¥ 50,307 | ¥ 62,417        | \$ 412,243                             |

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥151.41 to \$1, the rate of exchange at March 31, 2024.

Non-Financial Data

EEnvironment

|   |                | 2020/3  | 2021/3  | 2022/3  | 2023/3  | 2024/3     |
|---|----------------|---------|---------|---------|---------|------------|
| Greenhouse gas emissions and energy use   |                |         |         |         |         |            |
| CO <sub>2</sub> emissions at the Head Office building (kWh)                       |                | 256,267 | 227,427 | 252,164 | 310,387 | 315,361    |
| Energy consumption at Head Office building (kg-CO <sub>2</sub> )                  |                | 677,957 | 601,660 | 667,097 | 821,130 | 895,914    |
| CO <sub>2</sub> emission amount (Scope 1) (t-CO <sub>2</sub> )                    |                | —       | —       | —       | —       | 1,215      |
| CO <sub>2</sub> emission amount (Scope 2)*1 (t-CO <sub>2</sub> )                  |                | 256     | 227     | 252     | 310     | 28,470     |
| CO <sub>2</sub> emission amount (Scope 1+2 combined) (t-CO <sub>2</sub> )         |                | —       | —       | —       | —       | 29,685     |
| CO <sub>2</sub> emission amount (Scope 3) (t-CO <sub>2</sub> )                    |                | —       | —       | —       | —       | 1,742,660  |
| Unit requirement for CO <sub>2</sub> emissions (t-CO <sub>2</sub> /million yen)*2 |                | —       | —       | —       | —       | 0.0547     |
| Energy consumption (Scope 1)  | Gasoline (L)   | —       | —       | —       | —       | 213,444    |
|   | Kerosene (L)   | —       | —       | —       | —       | 119,787    |
|   | Diesel oil (L) | —       | —       | —       | —       | 128,679    |
| Energy consumption (Scope 2)*1 Electricity (kWh)                                  |                | 677,957 | 601,660 | 667,097 | 821,130 | 43,949,150 |

\*1 Up to March 2023, Scope 2 emissions are calculated for the KAGA ELECTRONICS Head Office building only.  
\*2 CO<sub>2</sub> emissions divided by consolidated net sales (in millions of yen)

Society

|  |  |         |         |         |          |          |
|--|--|---------|---------|---------|----------|----------|
| Employee data                          |  |         |         |         |          |          |
| Number of non-consolidated employees*3 | Total  | 567     | 556     | 555     | 546      | 549      |
|  | Male   | 382     | 374     | 374     | 364      | 360      |
|  | Female   | 185     | 182     | 181     | 182      | 189      |
| Number of consolidated employees*3     | Total  | 6,731   | 7,826   | 7,959   | 8,092    | 8,021    |
|  | Male   | 3,204   | 3,676   | 3,874   | 3,823    | 3,928    |
|  | Female   | 3,527   | 4,150   | 4,085   | 4,269    | 4,093    |
| Average age of employees               | Overall  | 42.0    | 42.8    | 42.9    | 43.3     | 43.3     |
|  | Male   | 44.0    | 44.9    | 44.9    | 45.4     | 45.3     |
|  | Female   | 37.0    | 38.3    | 38.3    | 39.1     | 39.3     |
| Average years of employee service      | Overall  | 14.7    | 15.4    | 14.8    | 14.5     | 14.5     |
|  | Male   | 15.7    | 16.4    | 15.3    | 14.6     | 14.6     |
|  | Female   | 12.6    | 13.3    | 13.9    | 14.2     | 14.3     |
| Number of new graduates hired**4       | Total  | 17      | 21      | 20      | 24       | 27       |
|  | Male   | 11      | 14      | 16      | 15       | 18       |
|  | Female   | 6       | 7       | 4       | 9        | 9        |
|  | Of whom, women hired as career-track employees | 2       | 1       | 1       | 1        | 4        |
| Number of mid-career hires**5          | Total  | 4       | 2       | 3       | 11       | 6        |
|  | Male   | 4       | 2       | 3       | 10       | 5        |
|  | Female   | 0       | 0       | 0       | 1        | 1        |
|  | Of whom, women hired as career-track employees | 0       | 0       | 0       | 0        | 1        |
| Training hours                         |  | 1,526.0 | 2,778.0 | 4,715.0 | 15,151.0 | 16,404.5 |
| Number of trainees**6                  |  | 134     | 216     | 756     | 843      | 1,513    |
| Training cost (thousand yen)           |  | 7,728   | 6,989   | 10,258  | 12,862   | 12,334   |

\*3 Excluding temporary employees.  
\*4 As of April of each fiscal year  
\*5 As of the end of each fiscal year  
\*6 Total number of employees who underwent training during the year

|   |  | 2020/3  | 2021/3  | 2022/3  | 2023/3  | 2024/3  |
|---|--|---------|---------|---------|---------|---------|
| Employee Data   |  |         |         |         |         |         |
| Turnover ratio (%)  | Overall                                    | 1.9     | 2.0     | 2.1     | 2.4     | 3.0     |
|   | Male                                       | 1.8     | 2.2     | 2.3     | 2.7     | 3.7     |
|   | Female                                     | 2.2     | 1.7     | 1.7     | 1.6     | 1.6     |
| Management ratio (%)  | Overall                                    | 18.6    | 17.0    | 17.8    | 17.9    | 18.9    |
|   | (Male ratio)                               | (96.3)  | (95.8)  | (96.0)  | (93.9)  | (94.3)  |
|   | (Female ratio)                             | (3.7)   | (4.2)   | (4.0)   | (6.1)   | (5.7)   |
| Periodic health screening attendance rate (%)   |  | 89.8    | 93.9    | 96.5    | 96.5    | 100.0   |
| Results of health screening survey (smoking rate) (%)                                       |  | 26.7    | 27.2    | 25.9    | 27.2    | 25.8    |
| Results of health screening survey (percentage of persons engaged in habitual exercise) (%) |  | 28.1    | 25.4    | 25.1    | 25.4    | 27.2    |
| Results of health screening survey (percentage of persons of appropriate weight) (%)        |  | 60.3    | 58.9    | 51.4    | 58.9    | 60.0    |
| Stress check examination rate (%)   |  | 98.2    | 99.0    | 98.8    | 98.1    | 99.3    |
| Aggregate results of stress checks (percentage of high-stress individuals) (%)              |  | 5.9     | 7.9     | 8.0     | 8.0     | 8.7     |
| Number of occupational accidents  |  | 0       | 2       | 2       | 2       | 2       |
| Number of employees on leave due to injury or illness                                       |  | 3       | 3       | 3       | 6       | 4       |
| Work-life balance   |  |         |         |         |         |         |
| Number of days of annual paid leave granted**7  |  | 18.7    | 18.7    | 18.7    | 18.3    | 18.3    |
| Utilization ratio of annual paid leave  |  | 63.1    | 53.2    | 54.3    | 56.2    | 70.1    |
| Number of employees who took childcare leave  | Overall                                    | 23      | 17      | 22      | 19      | 12      |
|   | Male                                       | 1       | 1       | 2       | 0       | 0       |
|   | Female                                     | 22      | 16      | 20      | 19      | 12      |
| Ratio of employees reinstated following childcare leave                                     |  | 92.9    | 100.0   | 100.0   | 100.0   | 93.8    |
| Average monthly employee overtime (hours)   |  | 11.9    | 12.7    | 10.0    | 14.57   | 13.34   |
| Total annual prescribed working hours   |  | 1,800.0 | 1,815.0 | 1,807.5 | 1,807.5 | 1,815.0 |
| Total hours worked annually (per person)  |  | —       | —       | 1,984   | 1,991   | 1,974   |
| Salary  |  |         |         |         |         |         |
| Average annual income (including bonuses) (thousand yen)                                    |  | 7,504   | 7,815   | 8,081   | 8,890   | 8,901   |
| Wage difference between men and women (%)   | All employees                              | —       | —       | —       | 66.2    | 66.6    |
|   | Of whom, full-time employees               | —       | —       | —       | 65.6    | 66.0    |
|   | Of whom, part-time or fixed-term employees | —       | —       | —       | 49.9    | 49.8    |

\*7 Average of all employees, excluding carry-over

GGovernance

|                             |         |      |      |      |      |      |
|-----------------------------|---------|------|------|------|------|------|
| Corporate governance        |         |      |      |      |      |      |
| Number of directors         | Overall | 10   | 11   | 11   | 6    | 6    |
|                             | Male    | 10   | 11   | 11   | 6    | 6    |
|                             | Female  | 0    | 0    | 0    | 0    | 0    |
| Number of outside directors |         | 3    | 4    | 4    | 3    | 3    |
| [ % ]                       |         | 30.0 | 36.4 | 36.4 | 50.0 | 50.0 |
| Number of auditors          | Overall | 4    | 4    | 4    | 4    | 4    |
|                             | Male    | 4    | 4    | 4    | 3    | 3    |
|                             | Female  | 0    | 0    | 0    | 1    | 1    |

Corporate Information

As of March 31, 2024

Company overview

|   |   |
|---|---|
| Name  | KAGA ELECTRONICS CO., LTD.  |
| Address   | 20 Kandamatsunagacho, Chiyoda-ku,<br>Tokyo 101-8629, Japan<br>TEL +81-3-5657-0111<br>FAX +81-3-3254-7131  |
| Business description  | Sale of electronic parts and semiconduc-<br>tors, provision of EMS,* and sale of<br>finished products, such as PCs and PC<br>peripherals, etc.<br>* Electronics manufacturing services:<br>Provision of product development and<br>manufacturing services on a contract basis |
| Founded   | September 12, 1968  |
| Capital   | ¥12,133 million   |
| Number of<br>Group companies<br>(Including KAGA<br>ELECTRONICS Co., Ltd.) | 66 (22 in Japan, 44 overseas and three<br>accounted for by the equity method)   |
| Number of employees<br>(consolidated)                                     | 8,021   |



KAGA ELECTRONICS Head Office

Major affiliates in Japan

KAGA TECH CO., LTD.  
KAGA DEVICES CO., LTD.  
KAGA SOLUTION NETWORK CO., LTD.  
AD DEVICE CO., LTD.  
KAGA MICRO SOLUTION CO., LTD.  
DIGITAL MEDIA LAB., INC.  
KAGA SPORTS CO., LTD.  
KAGA AMUSEMENT CO., LTD.  
KAGA TECHNO SERVICE CO., LTD.  
KAGA FEI Co., Ltd.  
KAGA EMS TOWADA CO., LTD.  
EXCEL CO., LTD.  
Kyokuto Electric Co., Ltd.  
KAGA AEROSYSTEMS CO., LTD.

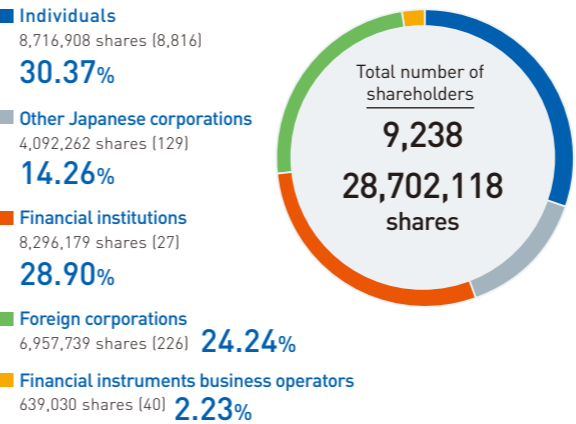
Major affiliates overseas

KAGA (SHENZHEN) ELECTRONICS LTD.  
KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.  
KAGA (SHANGHAI) ELECTRONICS CO., LTD.  
KAGA (H.K.) ELECTRONICS LIMITED  
KAGA ELECTRONICS (THAILAND) COMPANY, LIMITED  
KAGA COMPONENTS (MALAYSIA) SDN.BHD.  
KAGA FEI AMERICA, Inc.  
TAXAN MEXICO S.A. DE C.V.  
KD TEC TURKEY ELEKTRONIK SANAYI VE TICARET  
LIMITED SIRKETI  
KAGA FEI EUROPE GmbH

Stock information

|   |  |
|---|--|
| Stock Listing                             | Tokyo Stock Exchange<br>(Prime Market) |
| Securities code                           | 8154                                   |
| Fiscal year-end                           | March 31                               |
| Total number of shares<br>authorized      | 80,000,000 shares                      |
| Total number of shares<br>outstanding     | 28,702,118 shares                      |
| Number of shares<br>constituting one unit | 100 shares                             |
| Number of shareholders                    | 9,238                                  |

Breakdown by type of shareholder



Note: Treasury stock of 2,432,338 shares is included in Individuals.

Principal shareholders

| Name  | Number of<br>shares held<br>(thousand<br>shares) | Percentage of<br>total shares<br>issued |
|---|--|---|
| The Master Trust Bank of Japan, Ltd.<br>(Trust Account) | 2,810  | 10.70                                   |
| OKOZE CO., LTD.   | 1,840  | 7.00                                    |
| Custody Bank of Japan, Ltd.<br>(Trust Account)          | 1,604  | 6.11                                    |
| Kaga Electronics Employee<br>Shareowners Association    | 1,557  | 5.93                                    |
| MUFG Bank, Ltd.   | 1,137  | 4.33                                    |
| Mizuho Bank, Ltd.                                       | 950  | 3.62                                    |
| Isao Tsukamoto  | 728  | 2.77                                    |
| The Bank of New York<br>Mellon 140044                   | 476  | 1.82                                    |
| Nippon Life Insurance Company                           | 459  | 1.75                                    |
| BNYM AS AGT/CLTS<br>10 PERCENT                          | 375  | 1.43                                    |

Note: In addition to the above, there are 2,432 thousand shares of treasury stock.  
Percentage of total shares issued is calculated after excluding treasury stock.

Total shareholder return

|  | 2020/3 | 2021/3 | 2022/3 | 2023/3 | 2024/3 |
|--|--------|--------|--------|--------|--------|
| KAGA ELECTRONICS<br>CO., LTD.          | 87.2   | 129.4  | 173.5  | 270.7  | 348.9  |
| [Reference]<br>Nikkei Stock<br>Average | 89.2   | 137.6  | 131.2  | 132.2  | 190.4  |

Trends in share price and trading volume

