

# Management Briefing Material

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**KAGA ELECTRONICS**

TSE Prime Market 8154

**March, 2025**

**KAGA ELECTRONICS CO., LTD.**

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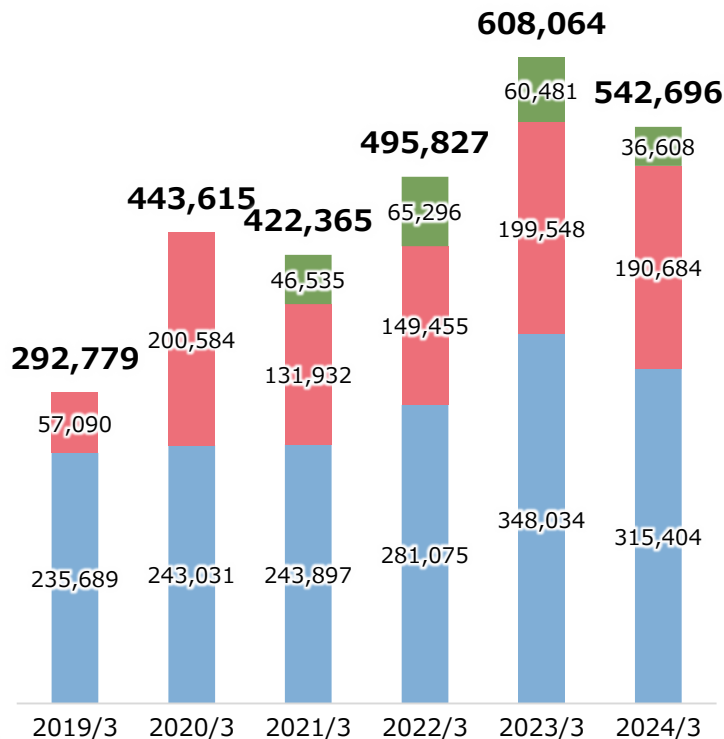
# Introduction

# Sustainable Profit Growth

KAGA Electronics will realize “sustainable profit growth” with “organic growth + strategic M&As + PMI” as growth drivers, anticipating further industry consolidation.

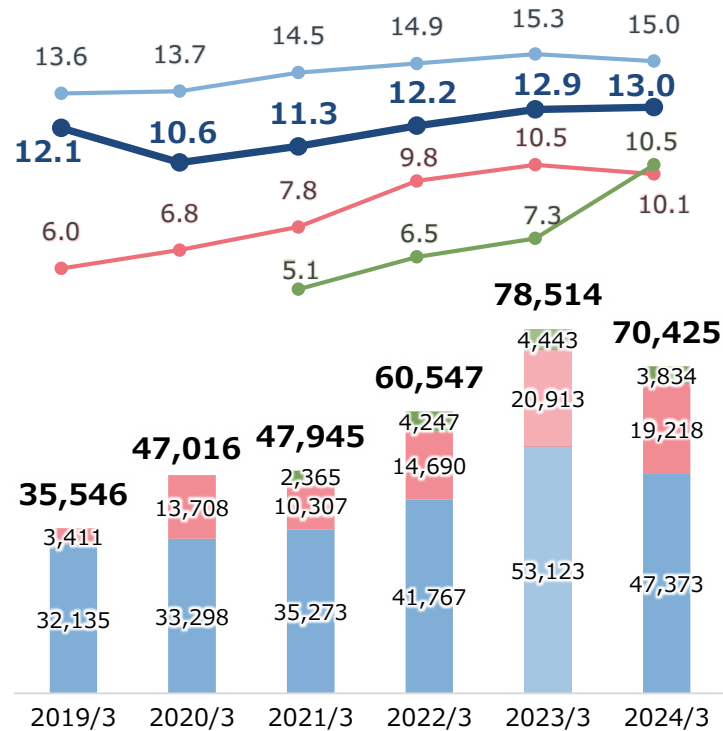
## Net sales (by Company)

■ KAGA ELECTRONICS (million yen)  
 ■ KAGA FEI  
 ■ EXCEL



## Gross profit / Gross profit margin

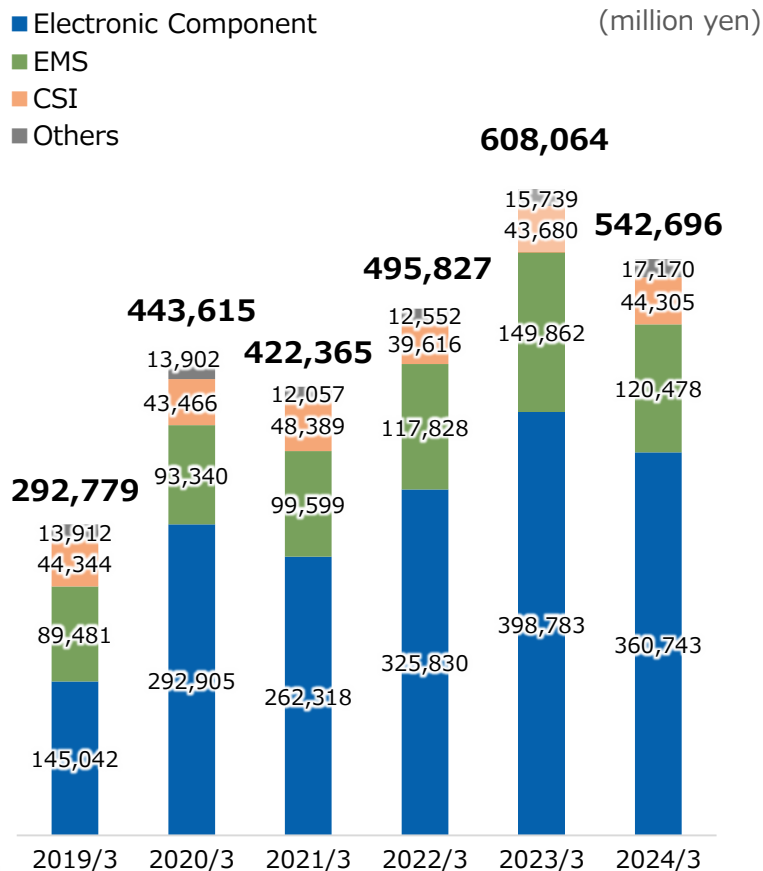
■ KAGA ELECTRONICS (%, million yen)  
 ■ KAGA FEI  
 ■ EXCEL  
 ■ Total



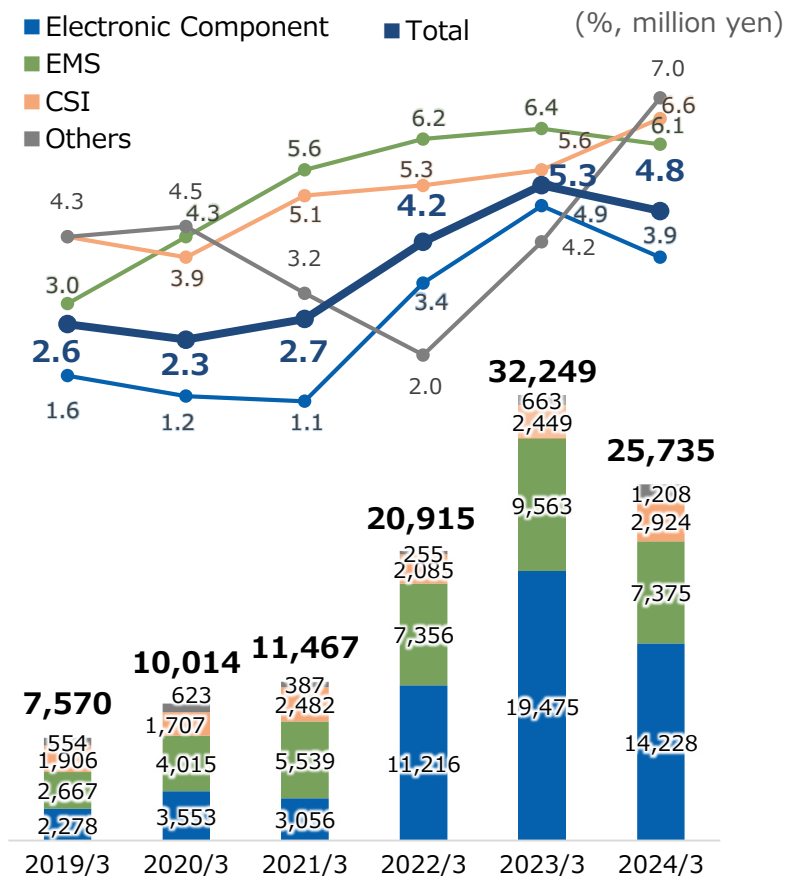
# Profit-focused Management

KAGA Electronics is not just an electronic components trading company.  
It is a general electronics trading company engaged in high value-added businesses,  
including EMS, based on “profit-focused management.”

Net sales (by Segment)



Operating income / Operating income margin



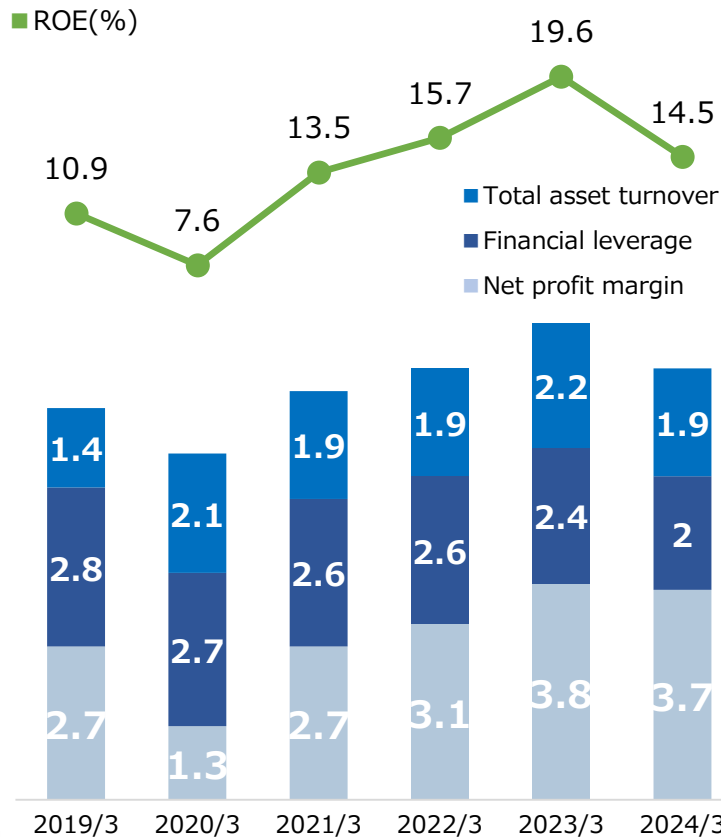
# Management Focusing on Capital Efficiency

KAGA Electronics practices business management focusing on the cost of equity and capital efficiency.

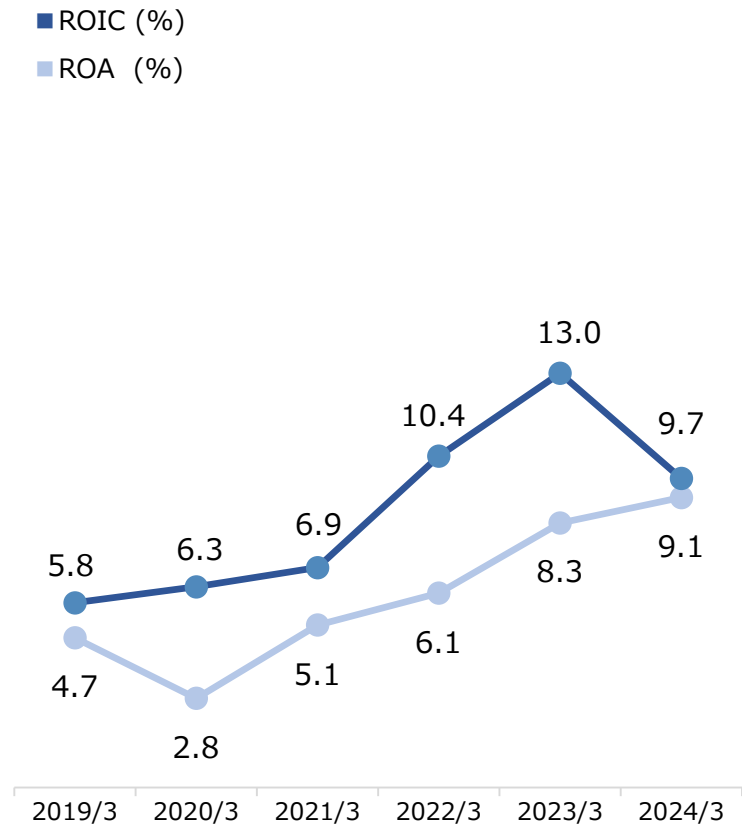
※ROE : 14.5% > Cost of Equity : 10.6%

ROIC : 9.7% > WACC : 9.1%

## ROE



## ROIC・ROA

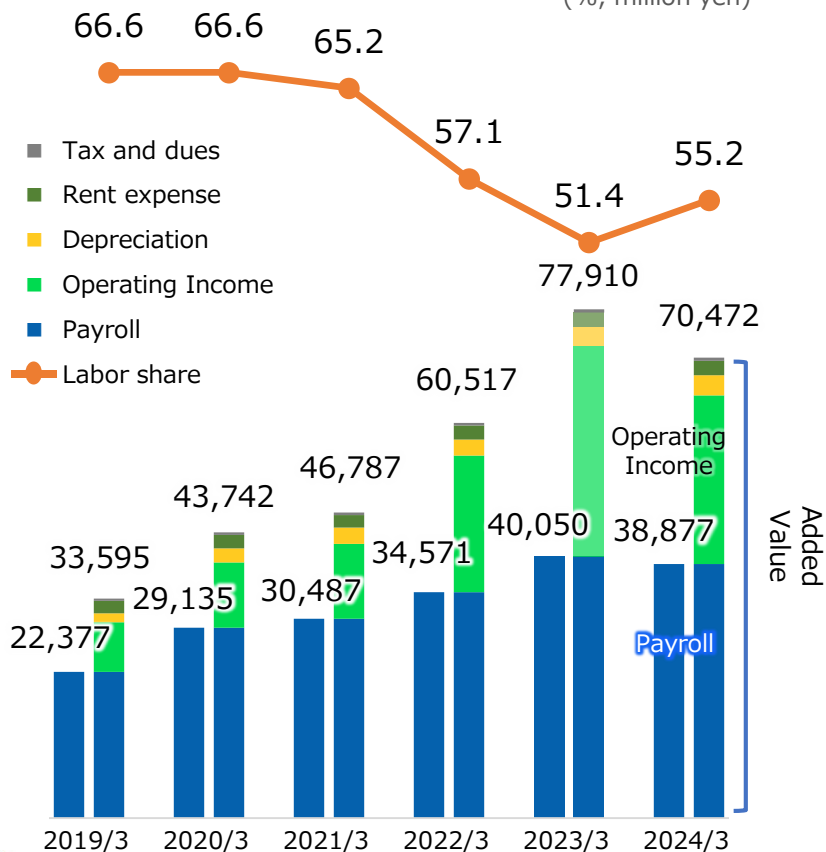


# Proactive Return to Stakeholders

Inheriting the founder's spirit that "profits are to be shared," KAGA Electronics implements profit distribution and return to stakeholders proactively.

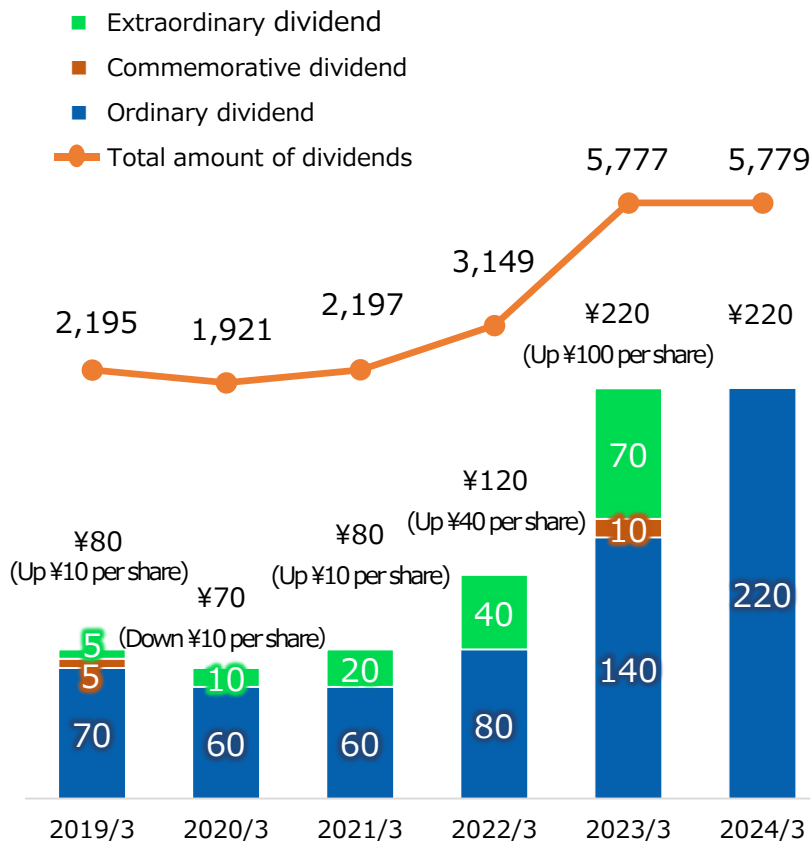
## Labor share

(%, million yen)



## Dividend per share & Total dividends

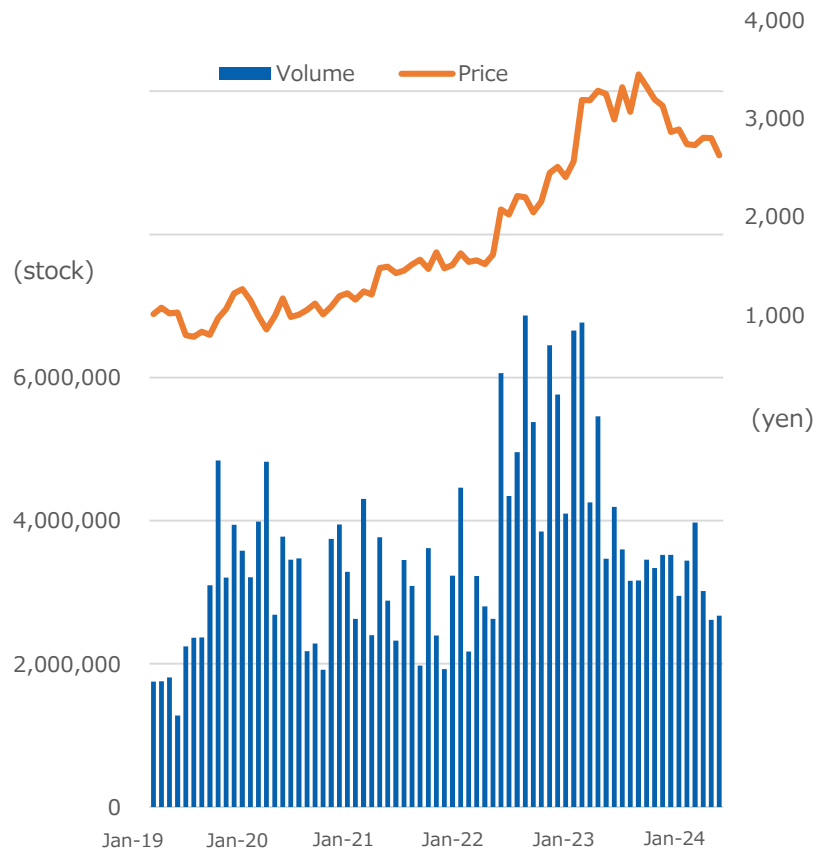
(million yen)



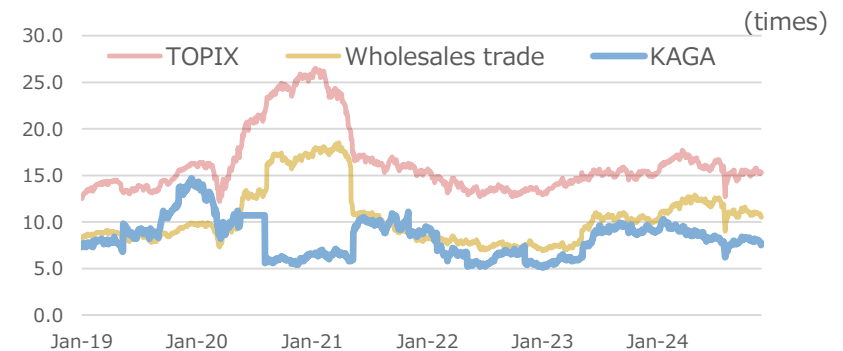
# Formation of Fair Value and Enhancement of Corporate Value

KAGA Electronics actively engages in IR activities, aiming at formation of fair value and further enhancement of corporate value.

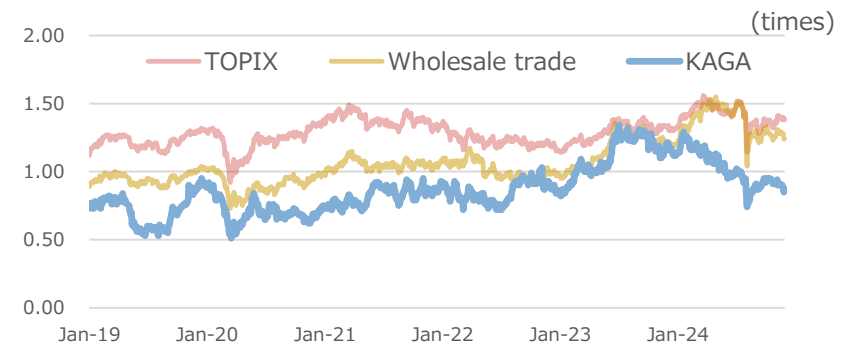
## Changes in stock price/trading volume



## Changes in PER



## Changes in PBR

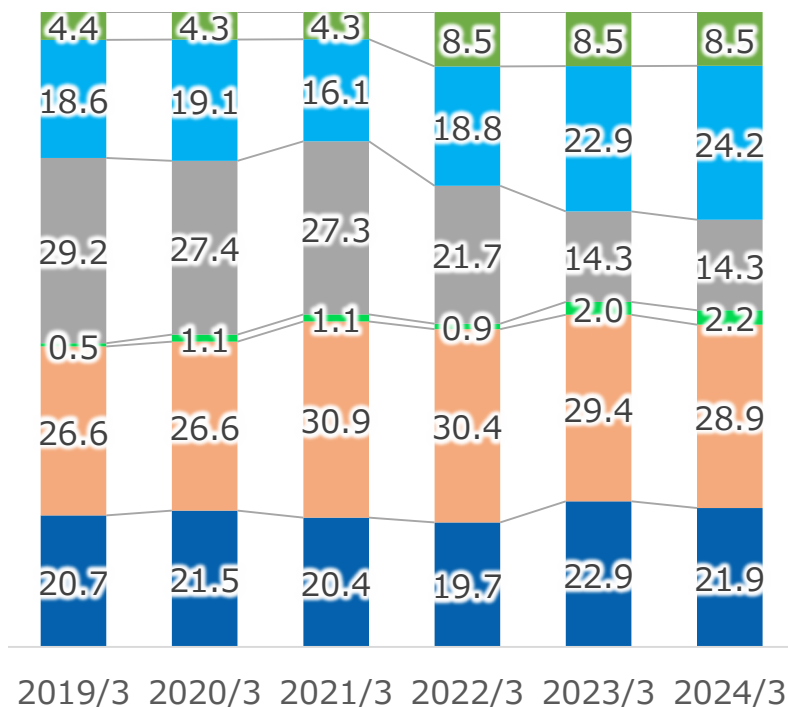


# Shareholders Information

## Shareholder Composition

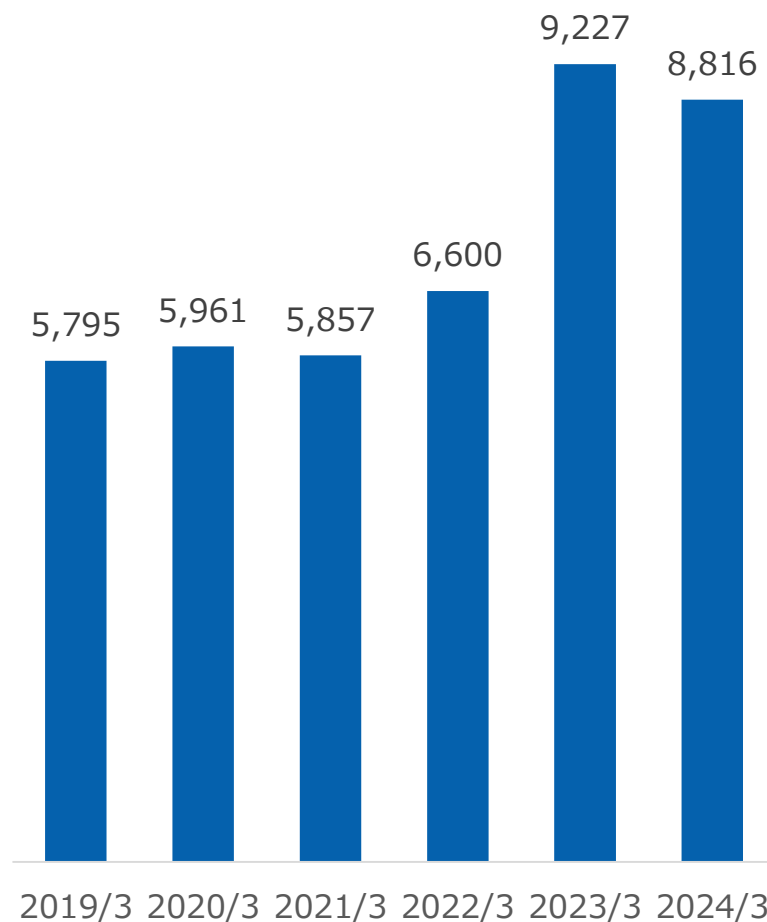
(%)

- treasury stock
- Foreign Corporations
- Other Japanese Corporations
- Financial Instruments Business Operators
- Financial Institutions
- Individuals



## Number of individual shareholders

(Persons)



## **Corporate Profile**

# Corporate Outline

**An independent trading company for general electronics with one-stop services**

- Company Name: KAGA ELECTRONICS CO., LTD.
- Representatives: Founder & CEO: Isao TSUKAMOTO  
President & COO: Ryoichi KADO
- Head Office: 20 Kanda matsunagacho,  
Chiyoda-ku Tokyo 101-8629, Japan
- Established: September 12, 1968
- Paid-in Capital: JPY12,133 million
- Stock listing: Prime Market, Tokyo Stock Exchange  
(securities code: 8154)
- Number of Group Companies: 66 Companies (as of April 1, 2024)
- Number of Employees: 8,021 (FY ended March 2024 )

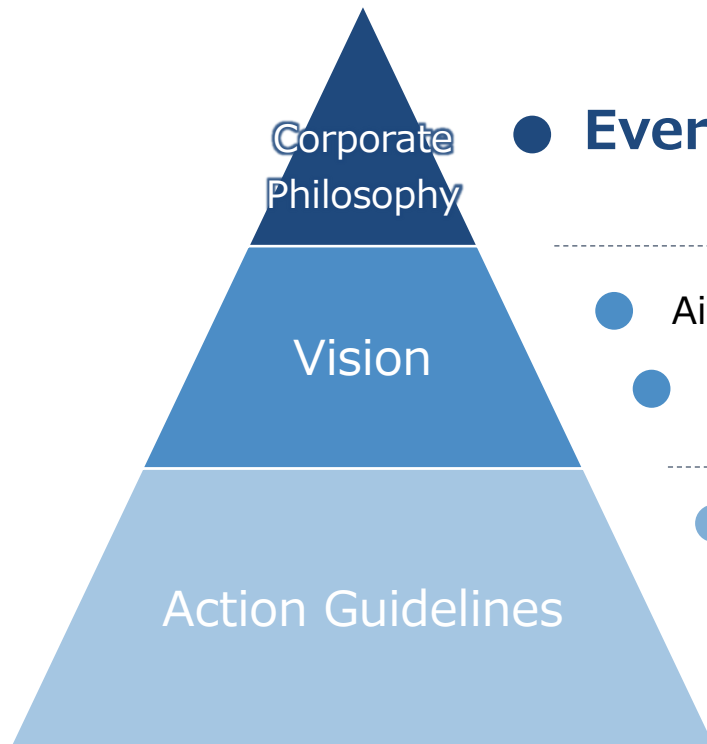


Founder & CEO  
Isao TSUKAMOTO

President & COO  
Ryoichi KADO

# Corporate Philosophy

“Everything we do is for our customers” – Since Kaga Electronics was founded, by intently listening to the voices of our customers and earnestly catering to their needs, we have expanded our business domain to include our EMS business, which includes everything from kitting to processing and manufacturing electronic components and semiconductors, and our information equipment business, which conducts sales of finished products. Going forward, we will continue to aim to be Japan’s No. 1 corporate group in the industry and become a competitive World-Class company.



## ● Everything we do is for our customers

- Aim to be “Japan’s No.1 corporate group in the industry”
  - Aim to become a competitive “World Class Company”
- 
- “F.Y.T.” : Flexibility, Young at heart, Try
  - “3G” : General, Global, Group
  - “KAGA-ism” : Management mindset,  
Sales mindset,  
Readiness as a member of society

# KAGA-ism (Behavior Guideline)

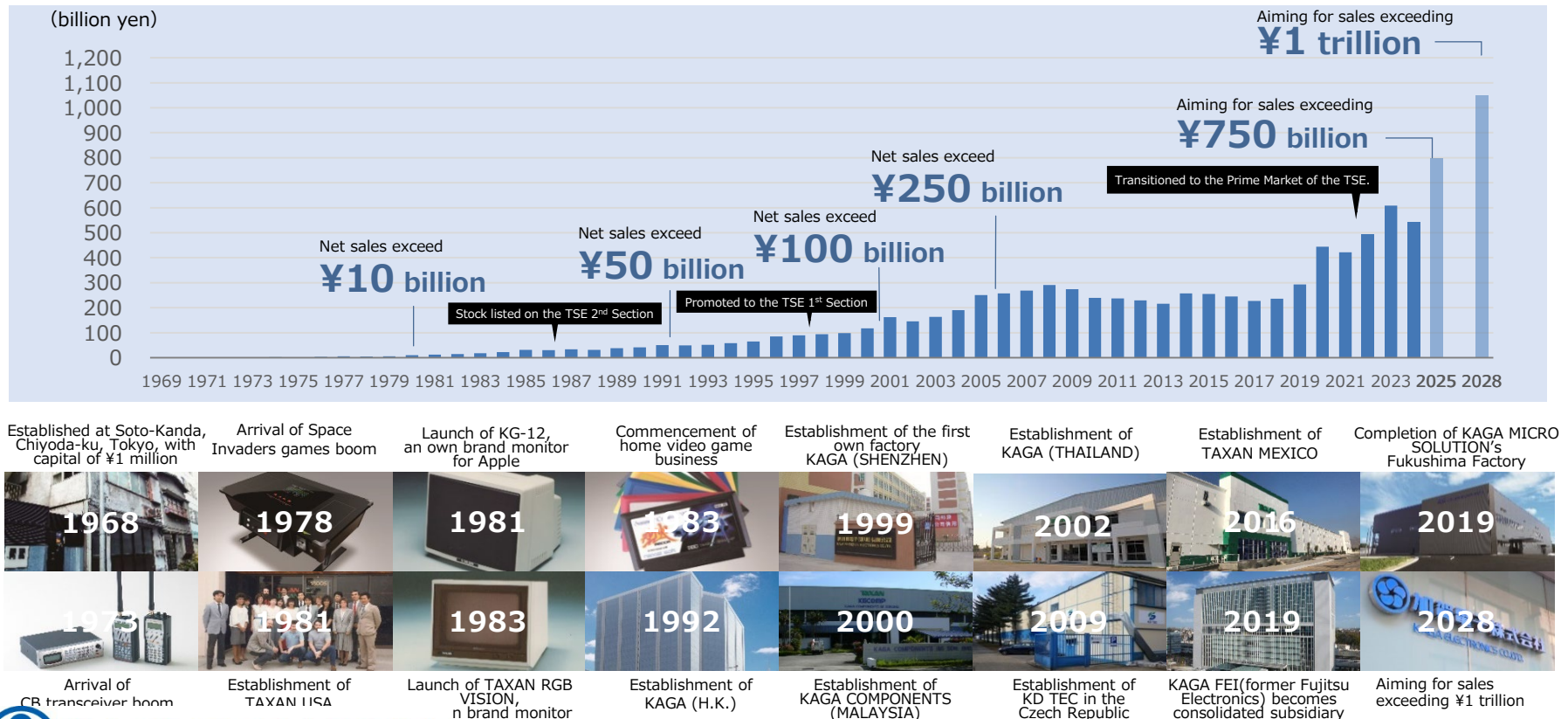
There have been many sayings supported by the experiences of the founder and our forebears since the company's foundation, and these should be treated as treasures. They are our DNA that we will carry into the future as a foundation for our actions to overcome daily competition.

Three Pillars	Basic Principle
<b>1. Mindsets as a manager</b> Behavior with the awareness of "being one of the managers"	1-1. Be a manager with a grand dream and a strong will 1-2. Cultivate a hungry spirit to continue challenging yourself in everything that you do 1-3. Act first with high ambition
<b>2. Mindsets as a salesperson</b> Awareness and behavior as a "trading company employee or businessman"	2-1. Make TAXAN (much) effort to gain TAXAN (a large) profit, and become TAXAN (very) happy 2-2. Personal connections are intangible assets 2-3. Always be curious
<b>3. Mindsets as a member of society</b> Awareness and behavior in proceeding with business as a member of society	3-1. Self-improvement 3-2. Reward good work and punish bad work 3-3. Be fair and upright

# History

## New technologies. New products. Always listening to the voice of the times. We grew together with the electronics industry.

Kaga Electronics has continued to grow, driven by our keen ability to rapidly sense changes in the times. This ability has ensured our consistent growth in an era of accelerating technological innovation. In more recent years, we have been proactive in efforts to create new businesses. With the information-gathering ability and sales network that we have cultivated over our long history as our foundation, we will continue to evolve towards unlimited possibilities, pushed ahead by unique ideas and unrestricted by our existing businesses.

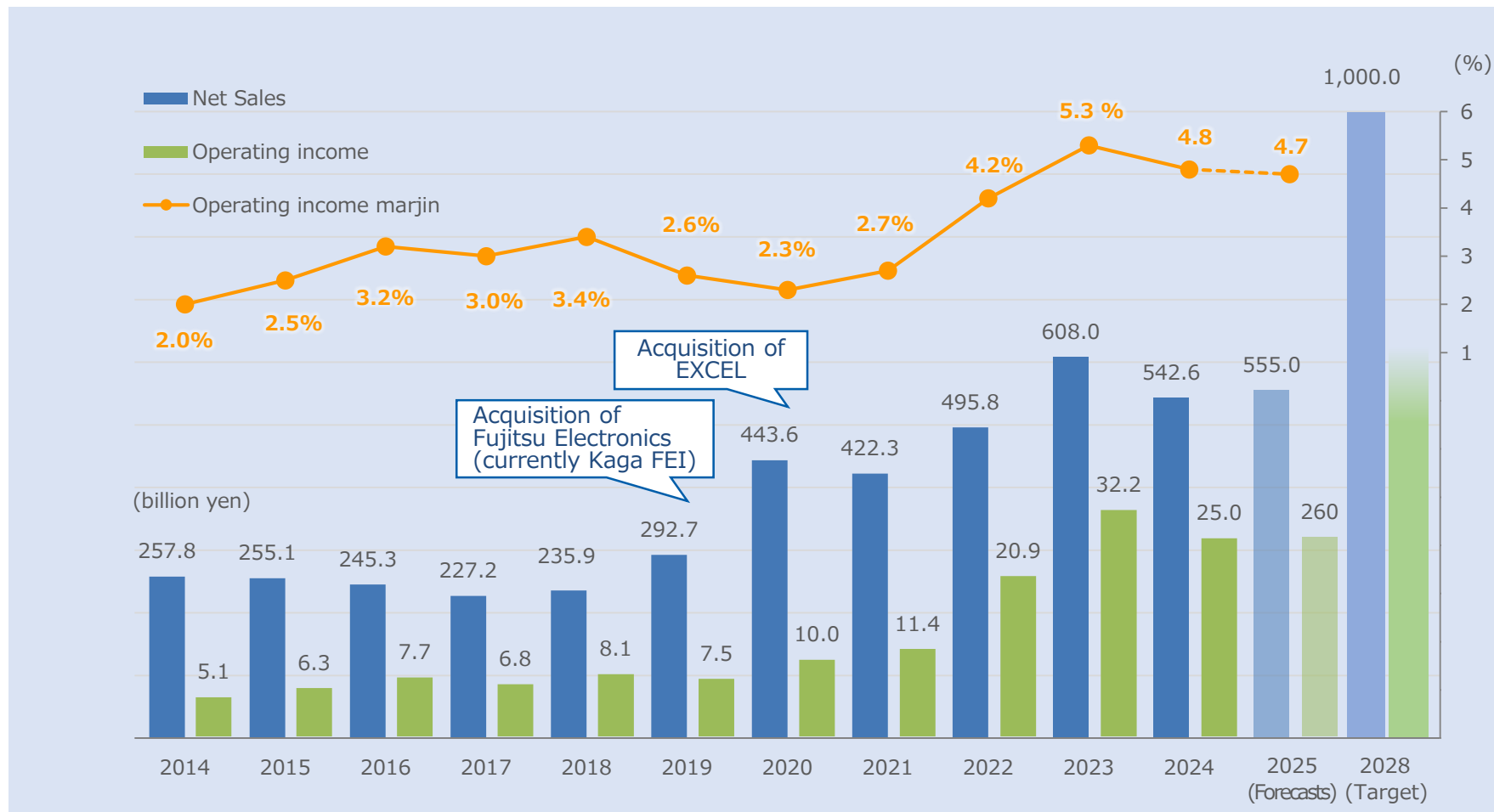


# Earnings Trends Over Past 10 Years

Management with an emphasis on profit has taken root in the Group since 2014, resulting in an improvement in both operating income and the operating income margin.

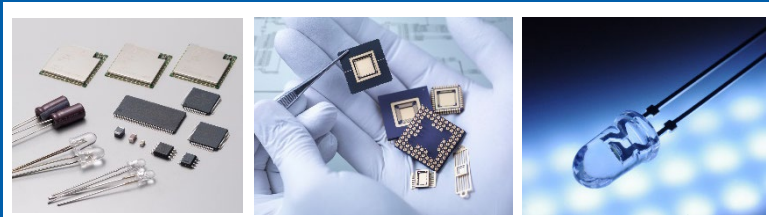
The Company has aggressively carried out M&A since 2019, shifting to a growth trajectory.

We aim for an ongoing increase in revenue.



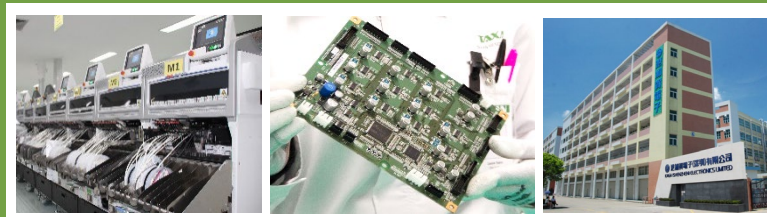
# The Group's Strength-① : Business Domain

## Electronic part and Semiconductors



Sales agent activities for general electronic components and semiconductors for customers in Japan and worldwide

## EMS



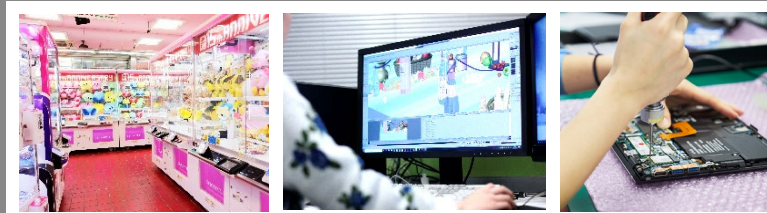
Providing total support for design, development, and manufacture of products ranging from semi-finished to finished products

## Information Equipment



Supplying PCs and peripherals to domestic and international distribution channels, and serving the network solutions field

## New Businesses



Development, manufacture, and sale of amusement-related products and software

Sales composition ratio

66.5%

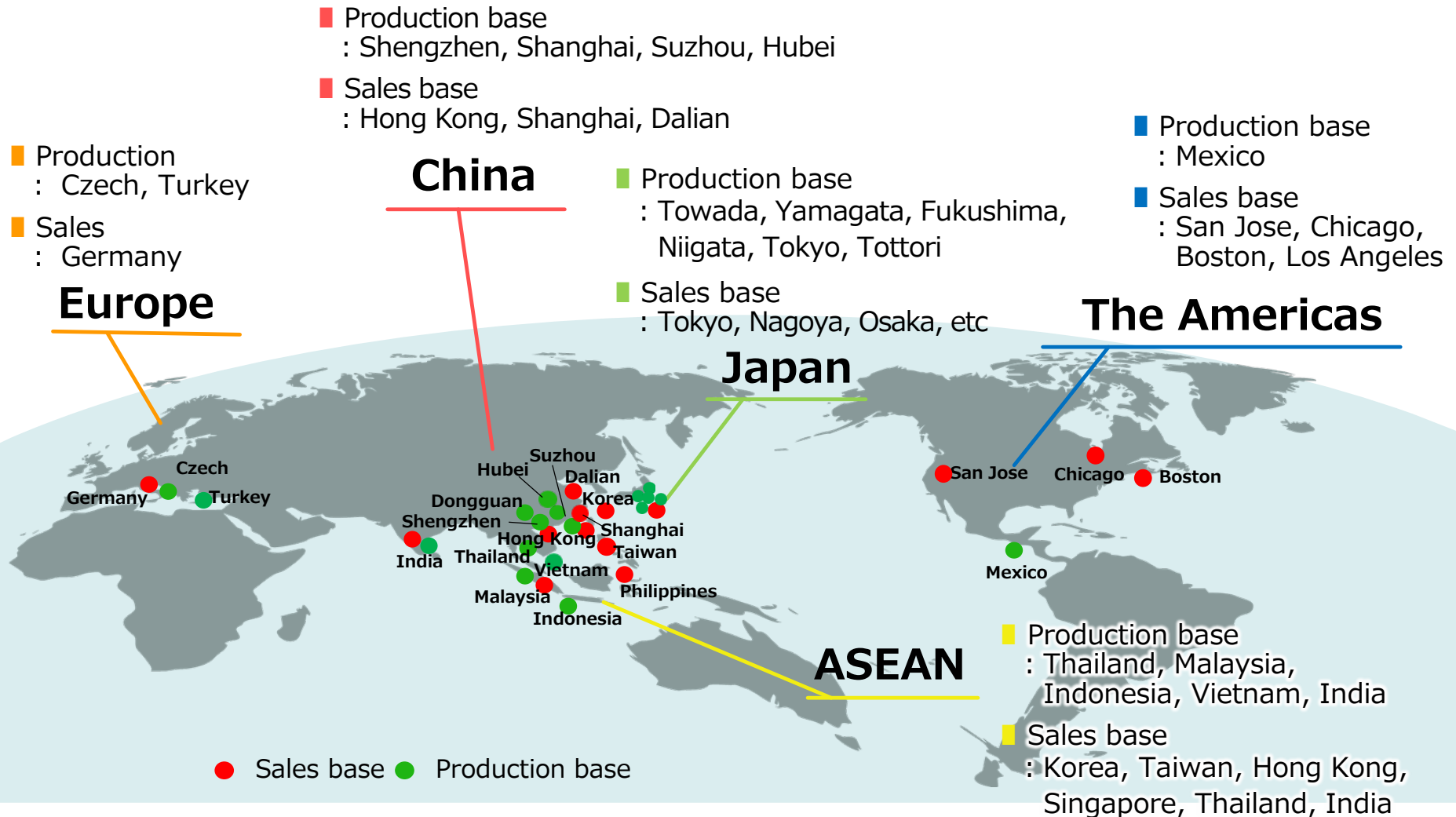
22.2%

8.2%

3.2%

# The Group's Strength-② : Global Network

Global EMS production system with 21 bases in 10 countries to respond swiftly and flexibly to customer needs.



# The Group's Strength-③ : One-Stop Service

Not just contract manufacturing but offer one-stop service from sales to after-sales support

Planning /Design/  
Development



Components  
Procurement/Kitting



EMS/Contract  
manufacturing



Sales/Distribution



Support/  
After-sales service



**KAGA ELECTRONICS**

KAGA TECHNO SERVICE

KAGA DEVICES

KAGA MICRO SOLUTION

KAGA SOLUTION NETWORK

KAGA AMUSEMENT

AD DEVICE

KAGA AMUSEMENT

DIGITAL MEDIA LAB

KAGA TECH

KAGA SPORTS

EXCEL

EXCEL

KAGA EMS TOWADA/Kyokuto Electric

KAGA AEROSYSTEMS

**KAGA FEI**

KAGA FEI AMERICA

KAGA (TAIWAN)  
KAGA FEI (DALIAN)

TAXAN MEXICO  
KAGA COMP(MALAYSIA)

KAGA (Shanghai) / KAGA (H.K.)

KAGA (THAILAND)/KAGA(VIETNAM)

KAGA (SINGAPORE)

KAGA (INDIA)

KDTEC (Czech) / KDTEC (Turkey)

# A Sound Financial Foundation to Support Growth Strategies

## Borrowing capacity

- ▲ Net D/E ratio: **- 0.21 times**
- ▲ Cash position: **JPY 66.5 bn**
- ▲ Commitment line: **JPY 15.0 bn**

\*End of March 2024

## Cash generation ability

- ▲ Total 3-year operating cash flow: **JPY 58.4 bn**  
\*FY2021-FY2023
- ▲ Use of cash: ① **Growth investments**  
② **Shareholder returns**  
③ **Repayment of borrowing**

## Capital efficiency

- ▲ ROE: **14.5%** > Cost of shareholders' equity 10.6%

Assumptions for calculations

- ① Risk-free interest rate : 0.9%/10-year Japanese government bond
- ② Market risk premium : 6.0%/TOPIX yield
- ③  $\beta$  (beta) : 1.6%/Five-year, monthly

\*FY2023 results

## Stability and credit rating

- ▲ Equity ratio : **52.6%**  
\*End of March 2024
- ▲ Bond rating : **A (Stable)**  
\*Japan Credit Rating Agency, Ltd. (JCR)

# **Medium Term Management Plan 2027**

**(Materials published on November 6, 2024)**

# Review of the current Medium-Term Management Plan 2024

- With the exception of new M&As, the management targets for the final year of the plan (FY2024), announced in November 2021, were achieved in FY2022, the first year of the plan, two years ahead of schedule for net sales, operating income, and ROE.
- Based on the results of this first fiscal year, the Company updated its outlook for the final year and announced it in May 2023.
- The forecasts for FY2024 deviate from the latest outlook due to the impact of unexpectedly prolonged inventory adjustments and wage hikes, but represent our commitment. The latest outlook is positioned as challenging targets, and the Company is working on them as the summation of the final year of the medium-term management plan.

	Management Plan Announced on Nov. 25, 2021	First-year results FY2023/3 Announced on May 11, 2023	Latest Outlook Same as on the left	Second-year results FY2024/3 Announced on May. 9, 2024	Final-year earnings forecast FY2025/3 Same as on the left
Net Sales	JPY 750.0 bn Organic Growth: JPY 600.0 bn Including new M&As: JPY 150.0 bn	JPY 608.0 bn	[No change]	JPY 542.6 bn	JPY 555.0 bn
Operating Income	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 26.0 bn
ROE	Stable 8.5% or higher	19.6%	stable 10% or higher	14.5%	11.5%

# Medium-Term Management Plan 2027 : Concept

## 『Medium-Term Management Plan 2027』 (FY2025–2027)

Enhancing corporate value through management  
focused on profitability and capital efficiency

Further increase  
in profitability

Advanced  
management base

Promotion of  
SDGs Management

60th anniversary of  
Company's founding  
(FY2029)

“World class company”

“Japan's No. 1 corporate group in the industry”

Net sales  
JPY **1** tn

Grow earnings through M&As and creating/  
acquiring new businesses

Net Sales  
JPY **800** bn or higher

Expand earnings in core businesses

Net Sales  
JPY **700** bn or higher

Expansion of trading company business  
will lead to growth of the EMS business



Quantitative expansion of  
trading company business



Qualitative improvement  
through EMS business

# Basic Policy and Priority Measures

## Basic policy

Enhance corporate value through management focused on profitability and capital efficiency

Priority measures		Main action plan
<b>Further Reinforcement of Profitability</b>	Expansion of core businesses	<ul style="list-style-type: none"> <li>Put business portfolio management into practice</li> </ul>
	M&A challenges	<ul style="list-style-type: none"> <li>Generate more than JPY100bn in new business revenue during the next medium-term management plan period in order to achieve the JPY1trn target in FY2028</li> </ul>
	Creation of new businesses	<ul style="list-style-type: none"> <li>Set up a new Sales Strategy Office and explore new businesses with energy, infrastructure, transportation, and the environment as the priority themes</li> </ul>
<b>Advanced management base</b>	Implementation of capital strategies	<ul style="list-style-type: none"> <li>Strategic cash allocation and proactive shareholder returns</li> </ul>
	Investment in human capital	<ul style="list-style-type: none"> <li>Reform HR system (overseas Human Resource Development, promote diversification of human resources, etc.)</li> </ul>
<b>Promotion of SDGs Management</b>	Accelerated response to ESG management issues	<ul style="list-style-type: none"> <li>Environmental: Promote 100% renewable energy to become carbon neutral</li> <li>Social: Promotion of women's full participation in the workplace, work-style reform, employee engagement</li> <li>Governance: Early achievement of goals of appointing female directors and becoming a company with an audit and supervisory committee structure</li> </ul>

# Management Targets

		Final year of current medium-term plan (FY2024)	Final year of next medium-term plan (FY2027)	CAGR
Management targets aiming for JPY 1 tn in final year	Net Sales		JPY 800 bn or higher	
	Operating Income		JPY 36 bn or higher	
Increase in revenue through organic growth	Net Sales	JPY 555 bn	JPY 700 bn or higher	8.0%
	Operating Income (Profit Margin)	JPY 26 bn (4.7%)	JPY 35 bn or higher (5.0%)	10.4%
Index in capital efficiency	ROE [Equity Cost]	11.5% [around 10%]	12.0% or higher [around 10%]	

## <Reference> Breakdown by Business Segment

		Final year of current medium-term plan (FY2024)	Final year of next medium-term plan (FY2027)	CAGR
Electronic Component	Net Sales	JPY 368 bn	JPY 400 bn	2.8%
	Segment income	JPY 13.8 bn	JPY 16.5 bn	6.1%
EMS	Net Sales	JPY 125 bn	JPY 230 bn	22.5%
	Segment income	JPY 8 bn	JPY 13.5 bn	19.1%
CSI	Net Sales	JPY 45 bn	JPY 55 bn	6.9%
	Segment income	JPY 3 bn	JPY 4 bn	10.1%
Others	Net Sales	JPY 17 bn	JPY 15 bn	-
	Segment income	JPY 1.2 bn	JPY 1 bn	-
Total	Net Sales	JPY 555 bn	JPY 700 bn	8.0%
	Segment income	JPY 26 bn	JPY 35 bn	10.4%

# Growth Strategy Matrix by Business and Company

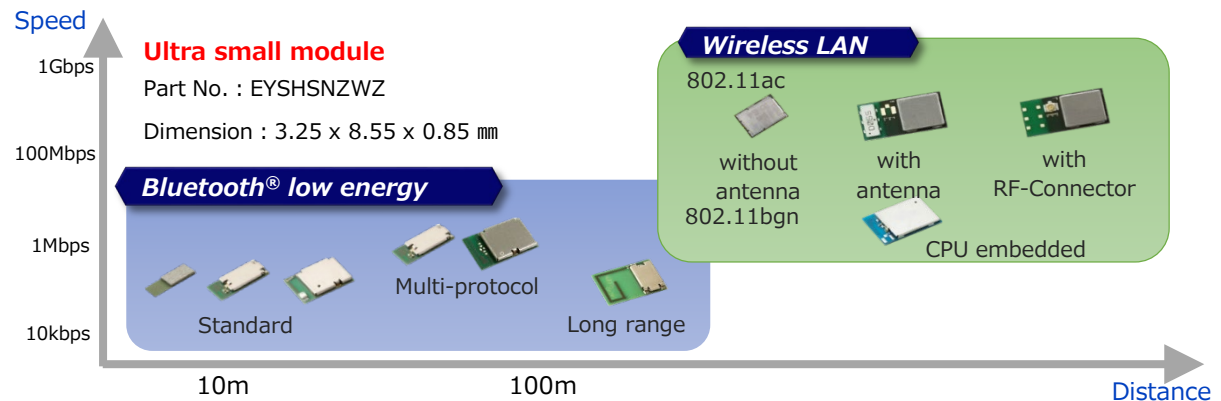
Supplemental  
Information

## Basic approach

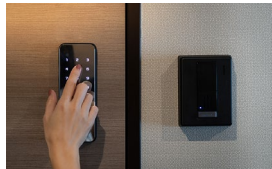
As an independent electronics general trading firm, we not only procure parts, but also maximize the strengths of our one-stop service that include the manufacture of semi-finished and finished products on a contract basis and cover every step from sales to after-service.

	Kaga Electronics	Kaga FEI	Excel	(billion yen) Net sales
Electronic Component	Based on our strengths in customer relations and procurement, which are one of the best in the industry, commit to Kaga Electronics-style marketing	Accelerate our sales strategy centered on large accounts by expanding our line card with SoC products at its core.	Transform into an electronics general trading firm through cross-selling of Kaga Electronics products	2025/3 (forecasts) 368.0 <b>2028/3 400.0</b>
EMS	Develop a customer-focused "local production for local consumption" EMS business based on a global five-region production system	Accelerate E2MS, involving from the design stage, and expand *small-sized wireless module business, integrating development, production, and sales.	Cultivate B2B customers in the transportation infrastructure sector by leveraging the strengths of display device distributor	2025/3 (forecasts) 125.0 <b>2028/3 230.0</b>
CSI (Information Equipment)	Utilize the strengths of sales channels such as mass retailers and schools and educational institutions			2025/3 (forecasts) 45.0 <b>2028/3 55.0</b>
Others	Total commitment to profit-oriented management and concentration on profitable businesses rather than simply expanding in size			2025/3 (forecasts) 17.0 <b>2028/3 15.0</b>
Net sales	2025/3 (forecasts) 325.0 <b>2028/3 400.0</b>	2025/3 (forecasts) 200.0 <b>2028/3 260.0</b>	2025/3 (forecasts) 30.0 <b>2028/3 40.0</b>	2025/3 (forecasts) 555.0 <b>2028/3 700.0</b>

We have launched our own brand "CONTINECT" to provide IoT solutions and solve issues of customers who are developing IoT products. We offer a wide range of over 20 types of modules, including the world's smallest ultra-compact BLE model and long-distance communication model.



## Solution using "CONTINECT"



Electronic lock



Wireless controller for Lighting

## Development Base



KAGA FEI  
Takasaki  
Development Center

## Production Bases



KAGA EMS TOWADA



KAGA ELECTRONICS  
(THAILAND)

## Basic approach

With a global production system based in Japan that covers five regions of the world, we will develop an EMS business focused on local production and local consumption that is rooted in the market, while supporting our customers' manufacturing.

In the 1970s, we began the processing business (today's EMS business) in Japan and China, using partner factories to meet customer needs.

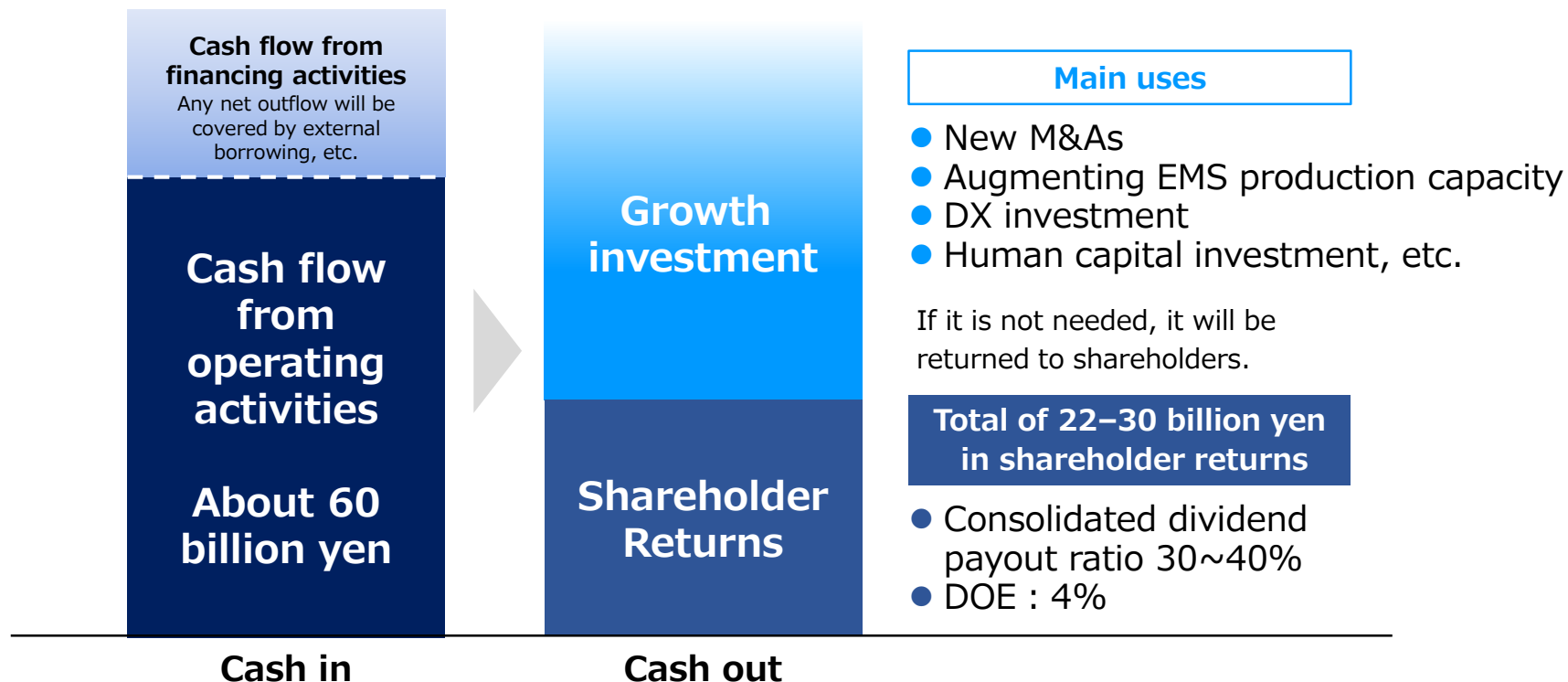
Since the 1990s, we have responded quickly to the overseas production shift of Japanese customers by establishing 21 bases in 10 countries around the world, starting with Shenzhen and gradually expanding our own factories.

						(billion yen)	
1990s	2000s	2010s	After 2020	Priority measures	Priority areas	Net Sales	
<b>Japan</b>	Acquisition of Heiman Electronics (Yamagata) ('02)	Acquisition of Towada Pioneer, Construction of factory in Fukushima ('19)	Kyokuto Electric (Tottori) becomes a subsidiary ('20)	<ul style="list-style-type: none"> <li>Capturing demand from customers returning to domestic production</li> <li>Standardization and advancement as a mother factory</li> </ul>	<b>In-vehicle·Air-conditioner·Medical, etc.</b>	2025/3 (forecasts)	34.0
						<b>2028/3</b>	<b>80.0</b>
<b>China</b>	Shenzhen ('99)	Suzhou (2 factories) ('09)	Xiaogan (Hubei)('15)	<ul style="list-style-type: none"> <li>Cultivating local Chinese customers and supporting production at optimal locations within the Group</li> <li>Developing and strengthening sales of automated equipment</li> </ul>	<b>In-vehicle·Industrial</b>	2025/3 (forecasts)	45.0
						<b>2028/3</b>	<b>55.0</b>
<b>Asia</b>	Thailand('02) Malaysia('00)	Vietnam('17) India('18) Indonesia('14)	Second plant in Thailand('19) new factory in Malaysia('22)	<ul style="list-style-type: none"> <li>Investment in own factory in anticipation of demand in India and for exports</li> </ul>	<b>In-vehicle·Air-conditioner·Information, etc.</b>	2025/3 (forecasts)	34.0
						<b>2028/3</b>	<b>50.0</b>
<b>Europe</b>	Czech Republic('19)	Turkey('18)	New factory in Turkey('23)	<ul style="list-style-type: none"> <li>Capture Japanese customers' demand for local production for local consumption</li> <li>Developing local customers in Europe</li> </ul>	<b>Air-conditioner·Industrial·Telecommunication, etc.</b>	2025/3 (forecasts)	5.0
						<b>2028/3</b>	<b>10.0</b>
<b>America</b>		Mexico('16)	New Factory in Mexico('24)	<ul style="list-style-type: none"> <li>Investment in second phase of factory in Mexico in anticipation of stronger demand from South America</li> </ul>	<b>Air-conditioner·In-vehicle·Medical, etc.</b>	2025/3 (forecasts)	7.0
						<b>2028/3</b>	<b>35.0</b>

## Basic approach

We will actively allocate the cash we generate to growth investments and shareholder returns in order to improve corporate value while maintaining financial discipline.

FY2025–FY2027



# Policy on Shareholder Returns

- With the aim of more actively paying dividends to shareholders, we will increase the consolidated dividend payout ratio to 30–40% and strive for dividend growth through medium- to long-term profit growth.
- For the ordinary dividend, “DOE of 4.0%” will be used as the new target for stable and continuous ordinary dividend payments.
- Additional measures aligned with profit levels and capital efficiency will be flexibly implemented through special dividends and acquisition of treasury shares.

## Medium- to long-term dividend growth guideline

Consolidated dividend payout ratio

30 ~ 40 %

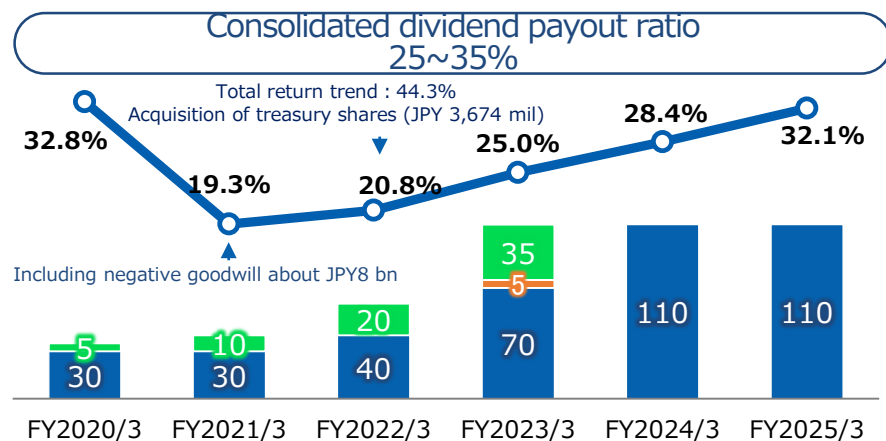
## Target for stable dividends

DOE  
(consolidated dividend on equity ratio)

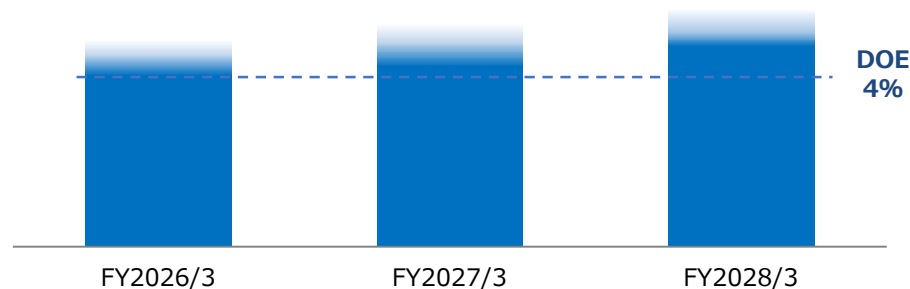
4.0 %

## Flexible return policies

Special dividends,  
acquisition of treasury shares



Consolidated dividend payout ratio 30~40% + DOE4%



Medium-Term Management Plan 2021

Medium-Term Management Plan 2024

Medium-Term Management Plan 2027

# SDGs Management (Sustainability) Initiatives

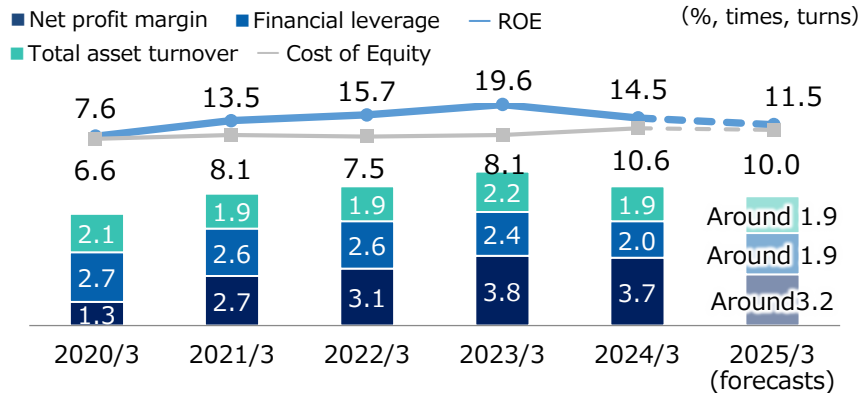
While aiming to achieve the quantitative targets established in the Medium- to Long-Term Sustainability Management Plan, we will play an active role in realizing a sustainable society and work to achieve sustainable growth in corporate value.

	Main themes	Typical KPI
<u>Environmental</u>  Create a clean global environment	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Domestic sales offices: 2030</li> <li>Domestic manufacturing sites: 2050</li> </ul>
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>Domestic sales vehicles – 2030: 100%</li> </ul>
	Reduction of CO2 emissions	<ul style="list-style-type: none"> <li>FY2030 [Scope 1+2:-42%, Scope 3:-25%]</li> </ul>
<u>Social</u>  Create an inclusive company as well as an affluent society	Diversity and human resource management	<ul style="list-style-type: none"> <li>Percentage of women in management positions 2029: 17%</li> </ul>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>Continuation of certification as a Health and Productivity Management Organization</li> </ul>
<u>Governance</u>  Create a sustainable management base	Governance systems complying with TSE reforms	<ul style="list-style-type: none"> <li>Early achievement of appointment of female outside directors</li> </ul>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>Early transition to a company with an audit and supervisory committee structure</li> </ul>

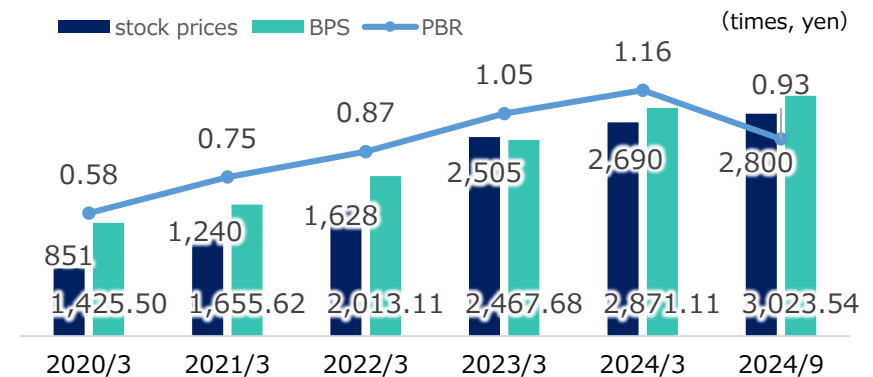
# Management Conscious of Capital Cost & Stock Price

Supplemental  
Information

## Trends in ROE



## Trends in PBR



### Current assessment

- ROE has remained in the double-digit percentage level, exceeding the cost of capital, but has been on a gradual downward trend for the past two years.
- PBR has been improving noticeably since the previous medium-term management plan period, and has remained above 1x since February 2023. However, it has been slow to recover from the sharp drop in the TSE in August 2024, and has recently fallen below 1x.

### Future initiatives

1. Steady implementation of the medium-term management plan

- Aim to achieve management targets by working on business growth and profitability improvements in line with the medium-term management plan.

2. Improvements to shareholder satisfaction

- Raise the consolidated dividend payout ratio to 30–40% and set DOE at 4.0% as a guideline for stable and sustainable dividends.

3. Promotion of SDGs Management

- Establish and announce GHG emission reduction targets in Scope 1–3, and improve evaluations by external organizations such as CDP and TCFD.

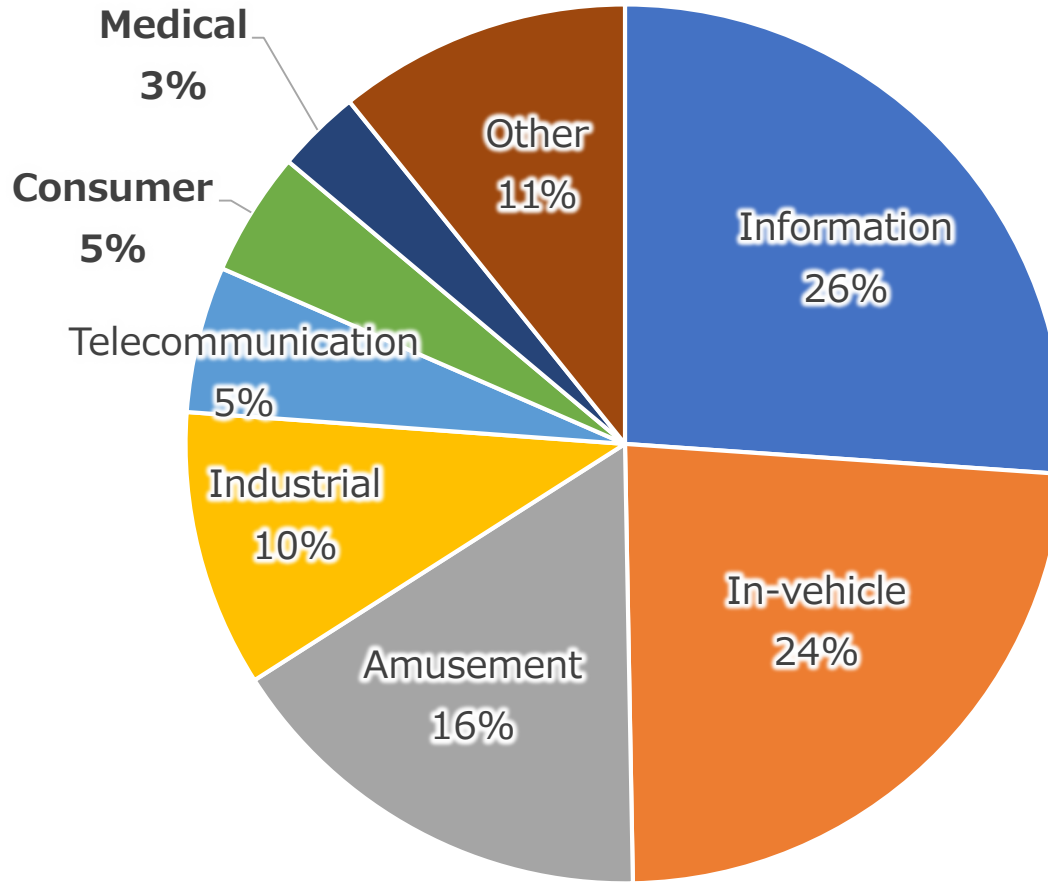
4. Maintenance and reinforcement of proactive IR activities

- Further increase confidence in the Company's management and reduce the cost of capital through broader disclosure to capital markets and active dialogue.

**KAGA ELECTRONICS'**  
**Electronic Components Business**

# Portfolio by Industry in Electronic Component Business

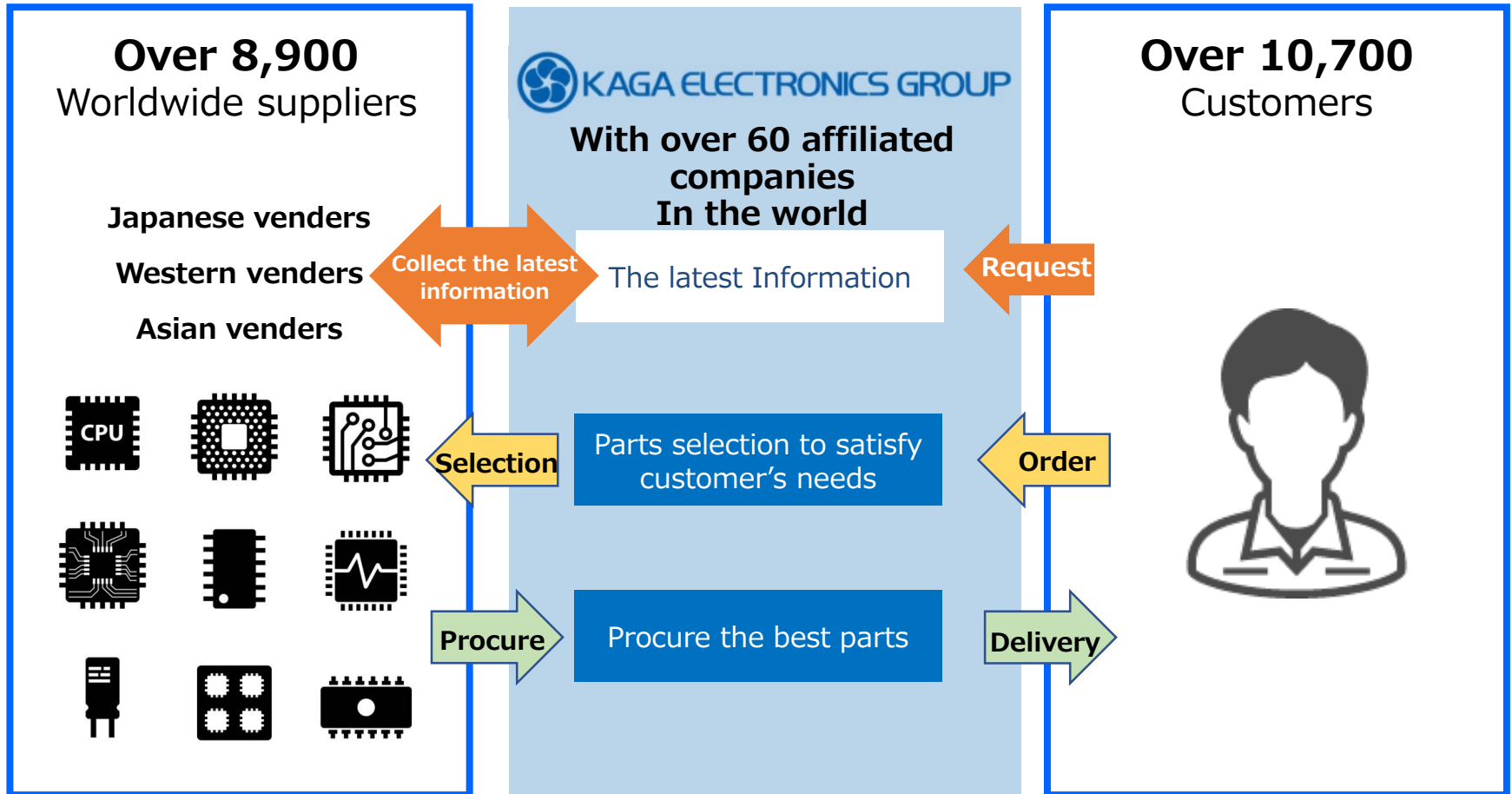
**Net Sales : JPY360.7<sub>bn</sub>**



**FY2024/3**

# Business Flow of the Electronic Components Business

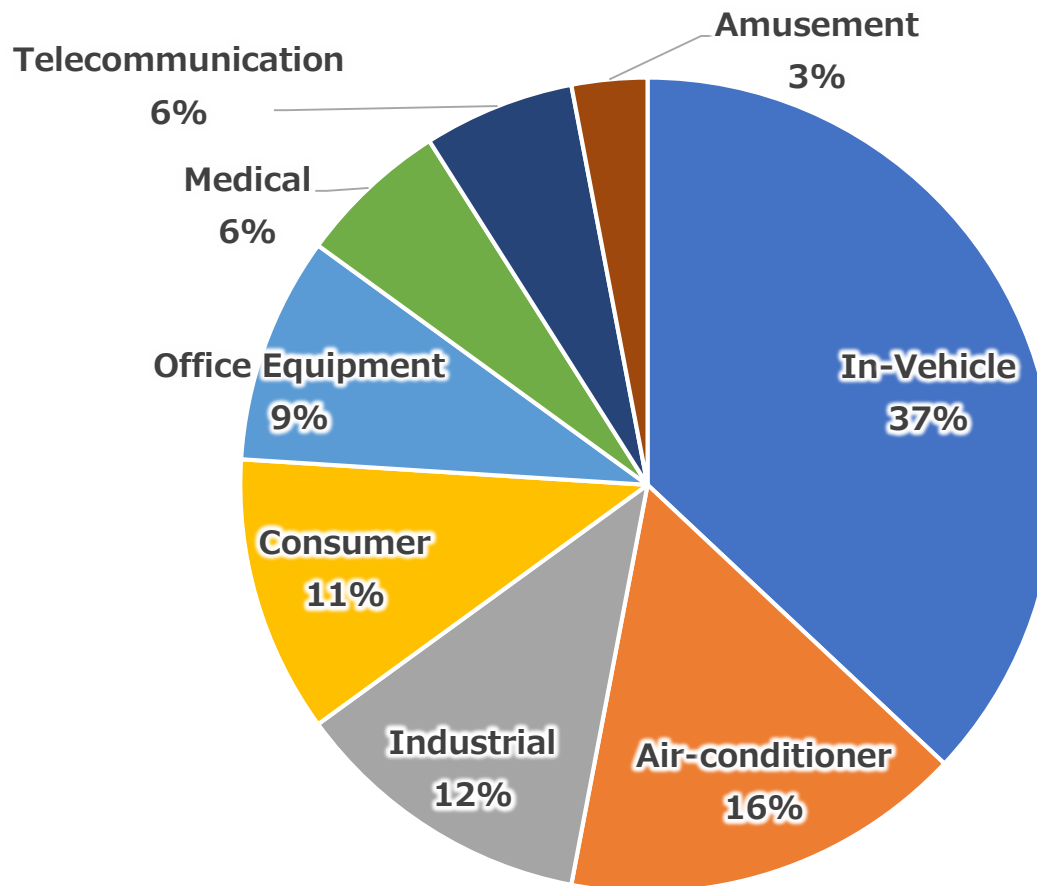
We provide optimal solutions to customers through our cutting-edge information network and our component procurement system, which leverage the Group's network.



## **EMS Business**

# Portfolio by Industry in EMS Business

**Net Sales: JPY120.4bn**

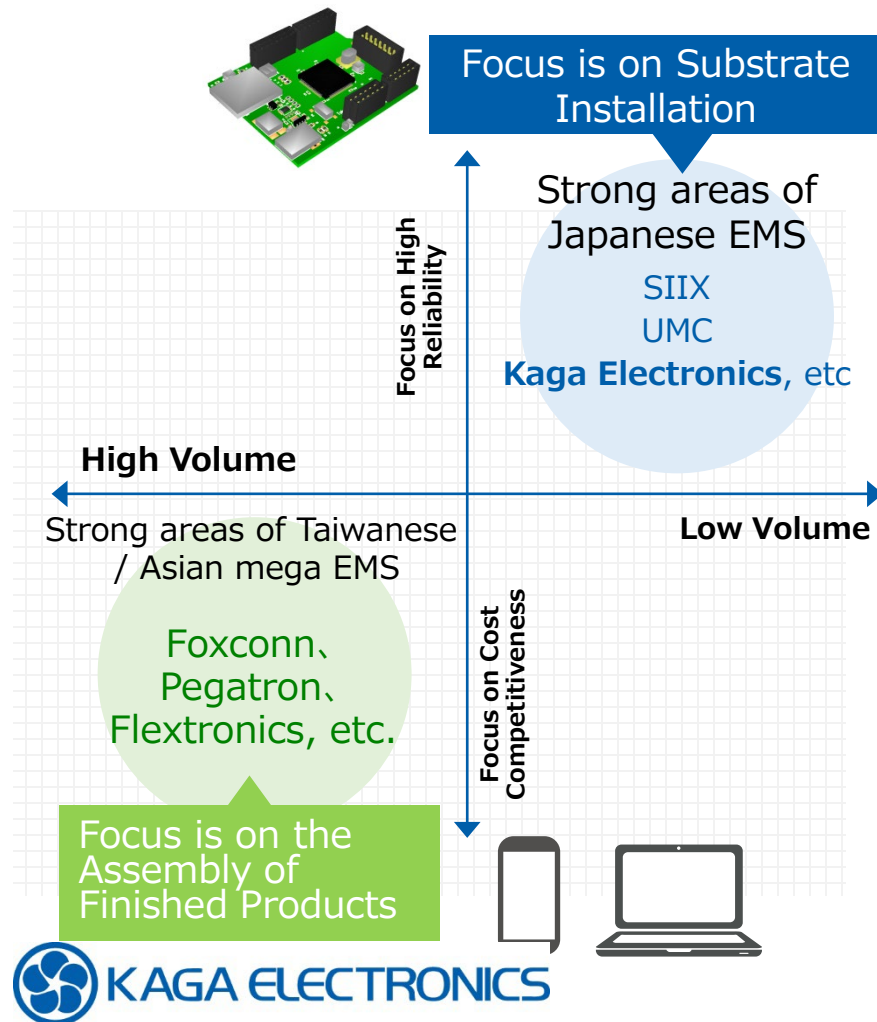


**FY2024/3**

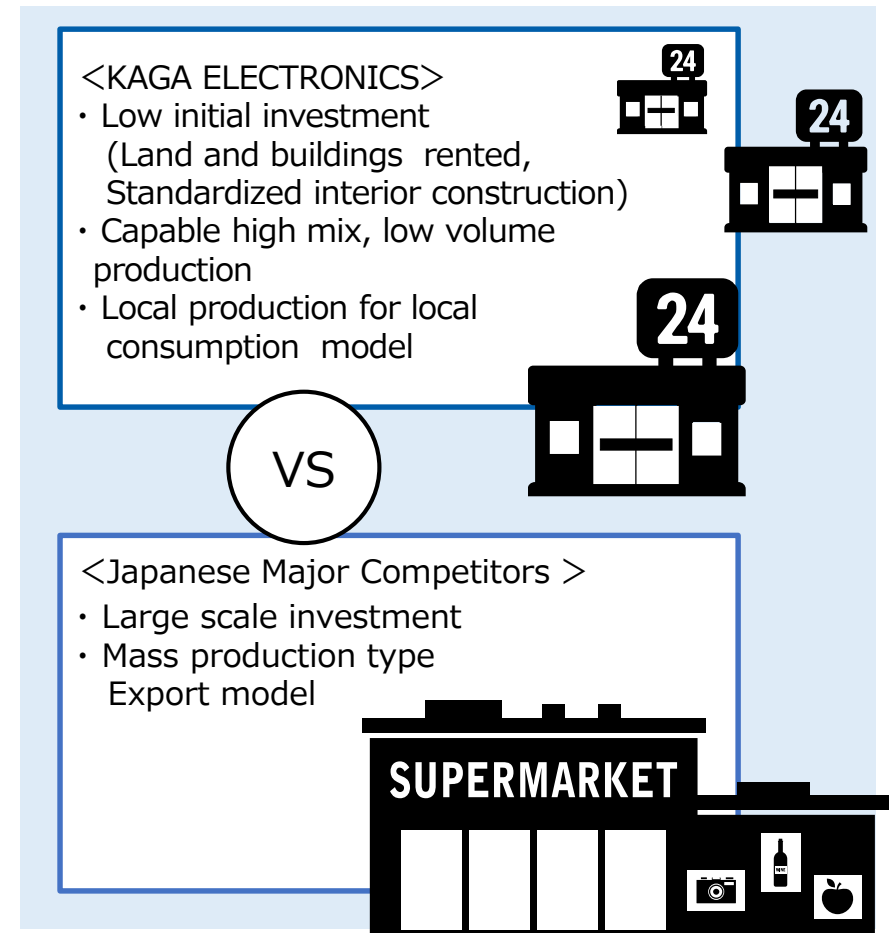
# The Strengths of Kaga's EMS : Convenience Store EMS

Kaga Electronics globally deploys a "Convenience Store EMS" that is convenience and valuable for its customers.

## Japanese EMS vs Taiwanese / Asian EMS



## Convenience Store EMS vs GMS EMS



# Strengthening Manufacturing Capabilities

Through the acquisition of Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.), we will further improve the quality level of the EMS business and improve our competitive advantage compared to other competitors, by sharing the tangible and intangible assets developed through many years as a specialist electronics manufacturer, such as manufacturing know-how, exceptional production personnel and equipment, jig design, and quality assurance systems. We will also designate KAGA EMS TOWADA as the “mother factory” of the EMS business, connect with overseas sites, promote overall optimization, strengthen the management framework, and improve business efficiency.

## KAGA EMS TOWADA



### Factory Outline

Address : 15-1, MOTOMACHI HIGASHI 1-CYOME,  
TOWADA-SHI, AOMORI, JAPAN

Number of employees : 195

#### 【1st Factory】

Site area 22,363m<sup>2</sup>

Building area 10,719m<sup>2</sup>

#### 【2nd Factory】

Site area 7,201m<sup>2</sup>

Building area 2,545m<sup>2</sup>

### Main production items

Circuit board mounting and electronic equipment  
assembly and inspection

- ◆ Automotive related
- ◆ Medical device related
- ◆ Consumer product and industrial equipment  
related, food processing equipment related, etc.

### Acquisition date

October 2019

# Main Production Centers

With global production plants located in China, ASEAN, Europe, and the Americas, we have the capacity for local production that meets the needs of customers. We provide comprehensive support, including product design and development as well as high-mix low-volume production, so that we can flexibly accommodate everything from semi-finished to finished products.

## CHINA : KAGA(SHENZHEN)ELECTRONICS



### Outline

Established : 1999  
Number of employees : 998

### Production Items

Automotive, Industrial, OA, Amusement and communication equipment

## ASEAN : KAGA ELECTRONICS (THAILAND)



### Outline

Established : 2002  
Number of Employees : 979

### Production Items

Automotive, OA, Air conditioning and Industrial equipment

## AMERICA : TAXAN MEXICO



### Outline

Established : 2016  
Number of employees : 478

### Production Items

Automotive, OA and Industrial equipment

## EURO : KD TEC TURKEY



### Outline

Established : 2023  
Number of employees : 163

### Production Items

Electrical units for air conditioners and Substrates for electric tools, Automotive equipment substrates

# Started a New Factory in Mexico to expand EMS Business

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

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

## TAXAN MEXICO S.A. DE C.V.



### Outline of the New Factory

Location : Parque Industrial Millenium, Arroyos, San Luis Potosí

Number of Employees : 700 (at start)

Land area : 80,000m<sup>2</sup>

Floor area : 20,000m<sup>2</sup>

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

### Items produced

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

### Start of operation

Scheduled for April 2024

# In-house Development of Manufacturing Equipments

We will provide customers with total substrate mounting solutions with overwhelming cost competitiveness, high quality, and high reliability, by merging with major Chinese equipment manufacturers and developing, designing, and producing manufacturing equipment.

## Introduction of HATTEN Equipment

**HATTEN**

### ① Modular soldering baths

Product lineup

- ① 1-head unit ISF-300
- ② 2-head unit ISF-450-II
- ③ 4-head unit ISF-450D
- ④ 4-head unit ISF-450-4H
- Modular high-speed soldering bath
- ⑤ Modular flux applicator



### ② Surface Mounting Equipment

Product lineup

- ① CPM H2  
Chip component mounting
- ② CPM F2  
Non-standard component mounting
- ③ CPM/FH  
Miniature chip component mounting
- ④ HATTEN line  
\*Mass production underway by Kaga in Jiangsu



### ③ Testing Equipment

Product lineup

- ① 3D SPI  
Cream solder testing
- ② Post-SMT AOI equipment  
Visual inspection of mounted components
- ③ Pre-soldering bath S-AOI  
Inspection of hand-inserted components
- ④ Post-soldering bath AOI  
Solder-lifting inspection  
Component float inspection



### ④ Vertical High-temperature Furnaces

Product lineup

- ① Coating hardening furnace  
After coating final hardening
- ② Potting hardening furnace  
After potting final hardening
- ③ High temperature deterioration testing furnace  
Product deterioration testing













# Medium- to Long-Term Sustainability Management Plan

(Extract from materials published on November 25, 2021)



# Materiality

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

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

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

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

\*Numbers in parentheses represent current values

# Progress toward Sustainability Targets: Environmental

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

# Introduction of Renewable Energy

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

## KAGA EMS TOWADA CO.,LTD.



### Generating capacity

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

### Instruction period

December, 2023

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



### Generating capacity

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

### Instruction period

February, 2024

## Vietnam Factory



### Generating capacity

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

### Instruction period

November, 2022

## Hubei Factory



### Generating capacity

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

### Instruction period

April, 2022

# Progress toward Sustainability Targets: Social

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

# Progress toward Sustainability Targets: Governance

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

# Latest 11 years Financial Trend

Supplemental  
Information

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
<b>Operating results (million yen)</b>						
Net sales	257,852	255,143	245,387	227,209	235,921	292,779
Gross profit	32,522	32,738	33,648	31,225	32,498	35,546
Gross profit margin	12.6%	12.8%	13.7%	13.7%	13.8%	12.1%
Operating income	5,106	6,362	7,788	6,879	8,119	7,570
Operating income margin	2.0%	2.5%	3.2%	3.0%	3.4%	2.6%
Profit attributable to owners of parent	3,877	4,416	5,437	6,975	6,490	8,014
Profit attributable to owners of the parent margin	1.5%	1.7%	2.2%	3.1%	2.8%	2.7%
Cash flows from operating activities	3,334	9,127	9,546	10,746	10,077	-1,547
Cash flows from investing activities	-3,339	-1,465	-1,263	-258	-4,173	-6,860
Free Cash flow	-5	7,661	8,283	10,487	5,904	-8,408
Cash flows from financing activities	1,024	-4,431	-3,067	-6,118	-2,811	11,684
<b>Financial condition (million yen)</b>						
Total assets	126,028	127,948	124,281	125,751	128,755	213,761
Net assets	52,825	59,603	61,808	65,932	70,631	84,259
Interest bearing debts	17,244	14,573	12,739	9,805	8,900	32,851
Net interest-bearing debt	3,052	-3,557	-9,777	-16,618	-21,903	-2,152
<b>Per Share Information (yen)</b>						
Net assets (BPS)	934.04	1,054.02	1,092.97	1,200.50	1,285.90	1,395.49
Net income (EPS)	68.61	78.14	96.21	124.71	118.29	146.04
Annual Dividend (DPS)	17.50	20.00	27.50	30.00	35.00	40.00
<b>Key Financial Indicators</b>						
Equity ratio (%)	41.9	46.6	49.7	52.4	54.8	35.8
ROE (%)	7.6	7.8	9	10.9	9.5	10.9
Total asset turnover (times)	2.0	2.0	2.0	1.8	1.8	1.4
DOE (%)	1.9	2.0	2.6	2.6	2.8	3.0
Total payout Ratio (%)	25.5	25.6	28.6	24.1	29.6	27.4

Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. The amounts indicated above related to Per Share Information for the periods prior to October 1, 2024, are adjusted for the said stock split.

# Latest 11 years Financial Trend

	2020/3	2021/3	2022/3	2023/3	2024/3
<b>Operating results (million yen)</b>					
Net sales	443,615	422,365	495,827	608,064	542,697
Gross profit	47,016	47,936	60,547	78,514	70,452
Gross profit margin	10.6%	11.3%	12.2%	12.9%	13.0%
Operating income	10,014	11,467	20,915	32,249	25,845
Operating income margin	2.3%	2.7%	4.2%	5.3%	4.8%
Profit attributable to owners of parent	5,852	11,399	15,401	23,070	20,345
Profit attributable to owners of the parent margin	1.3%	2.7%	3.1%	3.8%	3.7%
Cash flows from operating activities	22,406	9,999	-1,554	30,569	29,385
Cash flows from investing activities	-3,651	-2,453	-6,772	-4,805	-2,968
Free Cash flow	18,754	7,545	-8,327	25,763	26,417
Cash flows from financing activities	-7,544	-6,851	1,155	-15,549	-16,973

<b>Financial condition (million yen)</b>					
Total assets	207,638	237,004	272,139	286,217	286,792
Net assets	86,250	95,062	105,800	129,737	151,231
Interest bearing debts	28,736	38,261	51,171	41,938	34,270
Net interest-bearing debt	-14,684	-7,375	10,120	-10,662	-32,326

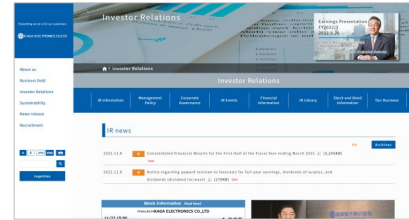
<b>Per Share Information (yen)</b>					
Net assets (BPS)	1,425.50	1,655.62	2,013.11	2,467.68	2,871.11
Net income (EPS)	106.60	207.53	288.23	439.32	387.30
Annual Dividend (DPS)	35.00	40.00	60.00	110.00	110.00

<b>Key Financial Indicators</b>					
Equity ratio (%)	37.7	38.4	38.8	45.3	52.6
ROE (%)	7.6	13.5	15.7	19.6	14.5
Total asset turnover (times)	2.1	1.9	1.9	2.2	1.9
DOE (%)	2.5	2.6	3.3	4.9	4.1
Total payout Ratio (%)	32.8	19.3	20.8	25.0	28.4

## Other IR Information

- Investor Relations Website

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



- Integrated Report 2024

[https://www.taxan.co.jp/en/ir/ir\\_library/library\\_05.html](https://www.taxan.co.jp/en/ir/ir_library/library_05.html)



- IR Information Services

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



# “Everything we do is for our customers



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : [webmaster@taxan.co.jp](mailto:webmaster@taxan.co.jp)

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

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