

Management Briefing Material

KAGA ELECTRONICS

TSE Prime Market 8154

February, 2026



JPX-NIKKEI 400
2023 - 2025



JPX-NIKKEI Mid Small
2021 - 2025

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Corporate Profile

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

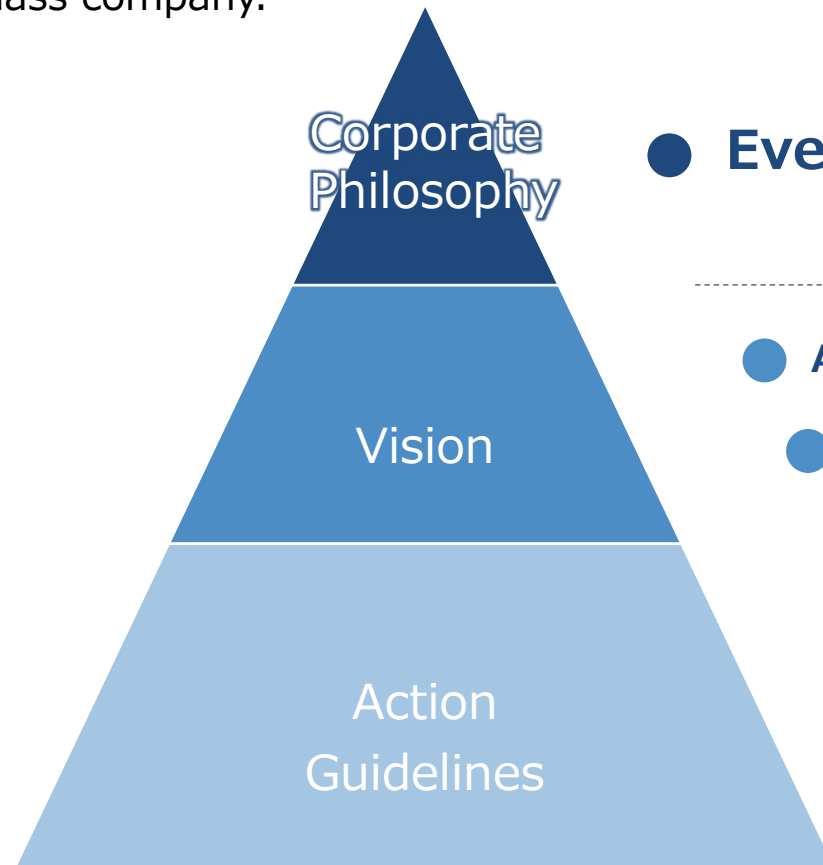
- Company Name: KAGA ELECTRONICS CO., LTD.
- Representatives: Founder & CEO: Isao TSUKAMOTO
President & COO: Ryoichi KADO
- Head Office: 20 Kanda matsunagacho,
Chiyoda-ku Tokyo 101-8629, Japan
- Established: September 12, 1968
- Paid-in Capital: JPY12,133 million
- Stock listing: Prime Market, Tokyo Stock Exchange
(securities code: 8154)
- Number of Group Companies: 73 Companies (FY ended September 2025)
- Number of Employees: 9,100 (FY ended September 2025)



Founder & CEO
Isao TSUKAMOTO

President & COO
Ryoichi KADO

“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

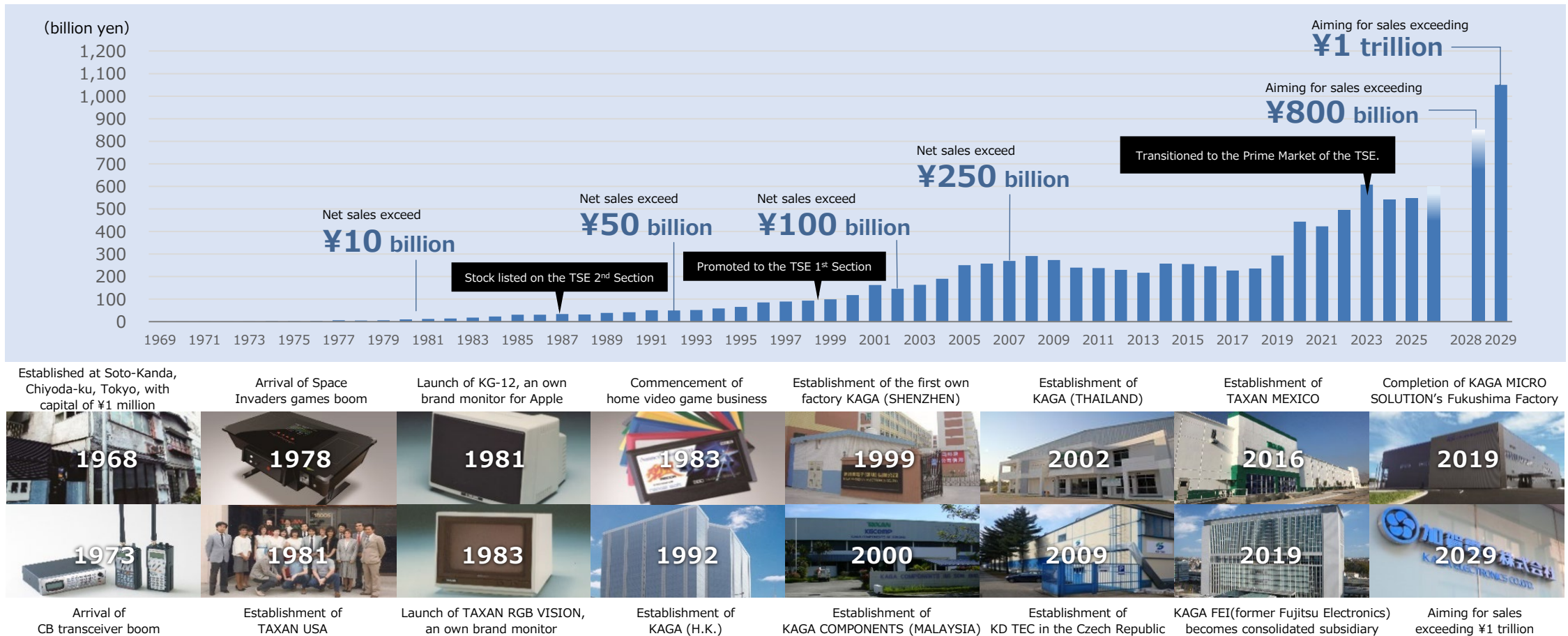
- “3G” : General, Global, Group

- “KAGA-ism” : Management mindset,
Sales mindset,
Readiness as a member of society

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
1. Mindsets as a manager 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
2. Mindsets as a salesperson 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
3. Mindsets as a member of society 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

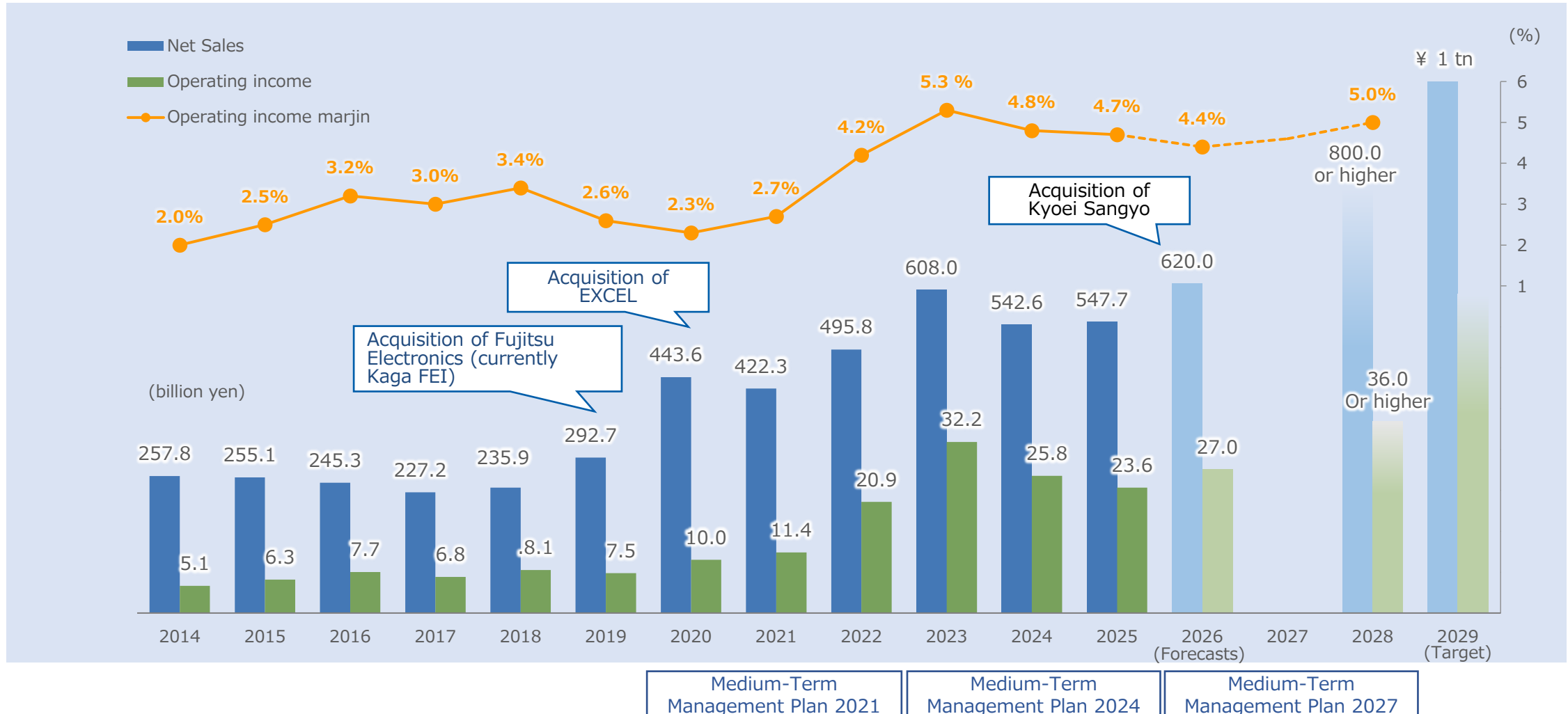
Kaga Electronics has continued to grow, driven by our keen ability to rapidly sense changes in the times. This ability has ensured our consistent growth in an era of accelerating technological innovation. In more recent years, we have been proactive in efforts to create new businesses. With the information-gathering 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.



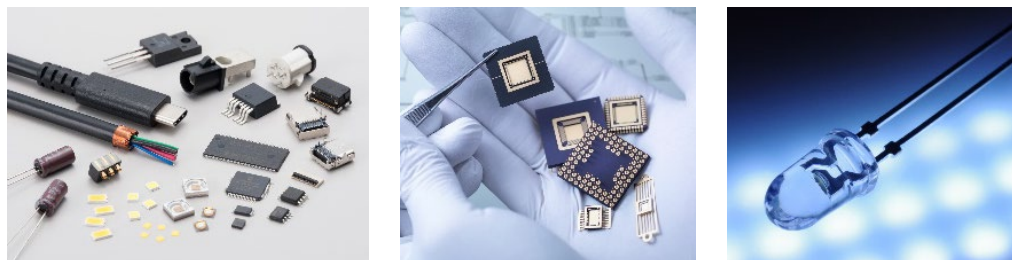
Earnings Trends Over Past 12 Years

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.



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



The Group's Strength-② : Global Network

Global network with 136 bases in 18 countries to respond swiftly and flexibly to customer needs.

Europe

- Production : Czech, Turkey
- Sales : Germany, Austria

China

- Production base : Shengzhen, Shanghai, Suzhou, Hubei
- Sales base : Hong Kong, Shanghai, Dalian

Japan

- Production base : Towada, Yamagata, Fukushima, Niigata, Tokyo, Tottori
- Sales base : Tokyo, Nagoya, Osaka, etc

The Americas

- Production base : Mexico
- Sales base : San Jose, Chicago, Los Angeles, Denver

Germany
Austria

Czech
Turkey

Suzhou
Hubei
Dalian
Dongguan
Shengzhen
Hong Kong
Thailand
Malaysia
Indonesia
Korea
Shanghai
Taiwan
Vietnam
Philippines

San Jose
Los Angeles
Mexico
Denver
Chicago

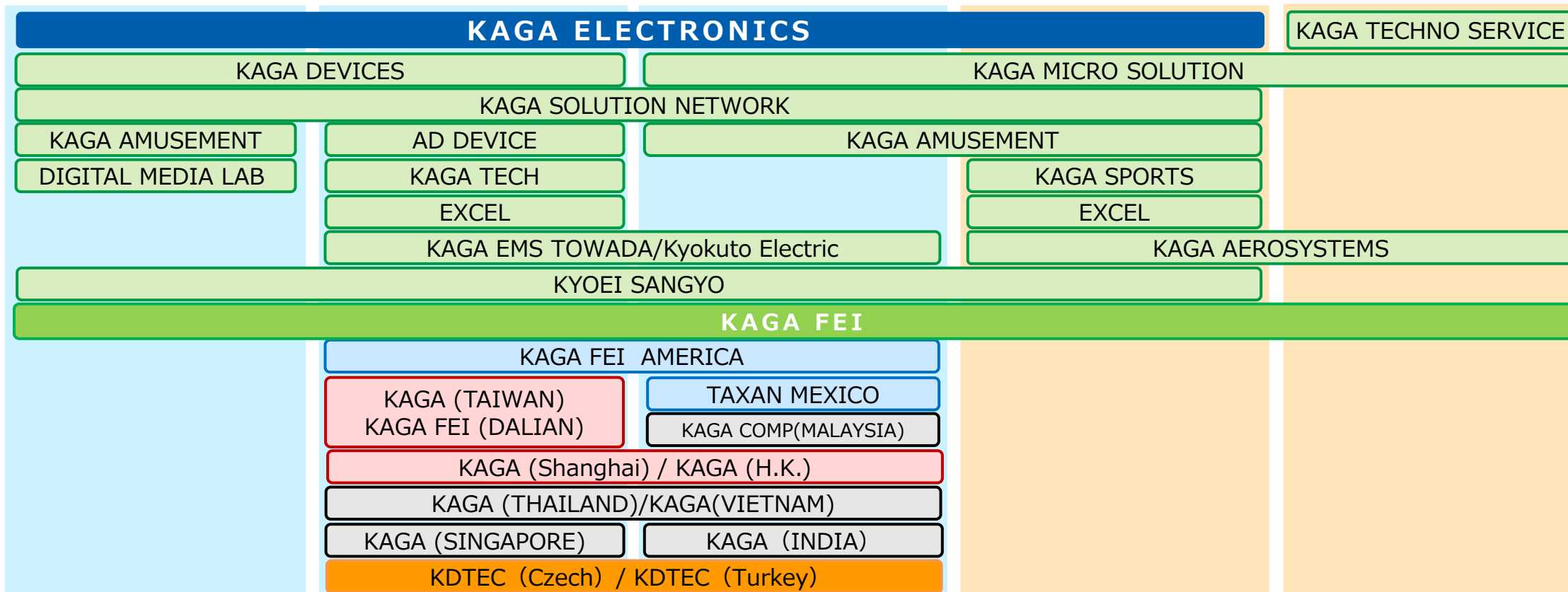
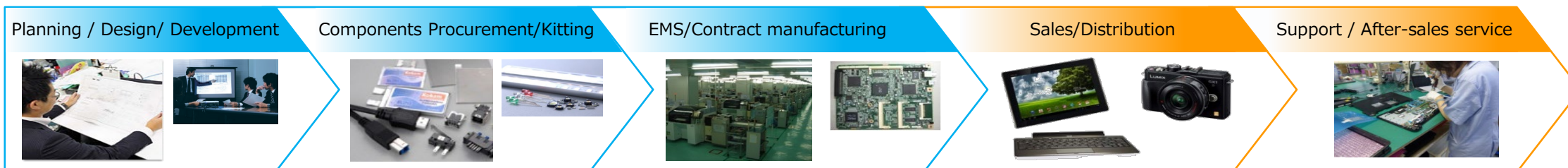
ASEAN

- Production base : Thailand, Malaysia, Indonesia, Vietnam, India
- Sales base : Korea, Taiwan, Singapore, Thailand, India

● Sales base ● Production base

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

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



A Sound Financial Foundation to Support Growth Strategies

Borrowing capacity

- ▲ Net D/E ratio: - **0.28 times**
- ▲ Cash position: **JPY 80.1 bn**
- ▲ Commitment line: **JPY 15.0 bn**

Capital efficiency

- ▲ ROE: **10.8%** > Cost of shareholders' equity 9.4% *

* Assumptions for calculations

- (1) Risk-free interest rate : 1.3%/10-year Japanese government bond
- (2) Market risk premium : 5.9%/TOPIX yield
- (3) β (beta) : 1.4%/Five-year, monthly

Cash generation ability

- ▲ Total 3-year operating cash flow: **JPY 85.0 bn**
- ▲ Use of cash: (1) **Growth investments**
(2) **Shareholder returns**
(3) **Repayment of borrowing**

Stability and credit rating

- ▲ Equity ratio : **54.4%**
- ▲ Bond rating : **A (Stable)**

*Japan Credit Rating Agency, Ltd. (JCR)

*End of March 2025

Trends in Earnings over Last 9 Years

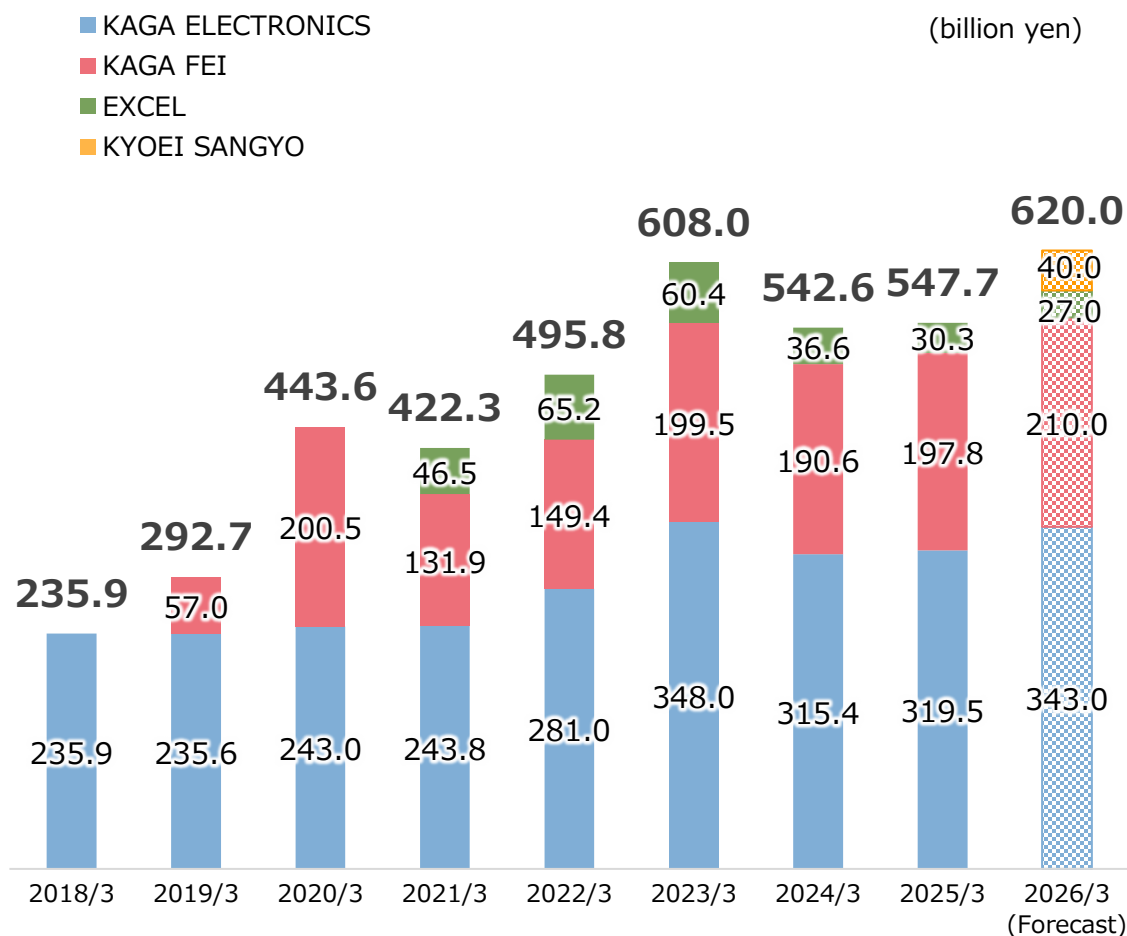
Track Record of Self-Sustaining Growth + M&As + PMIs

Forecasts for FY2026/3 (after upward revision)

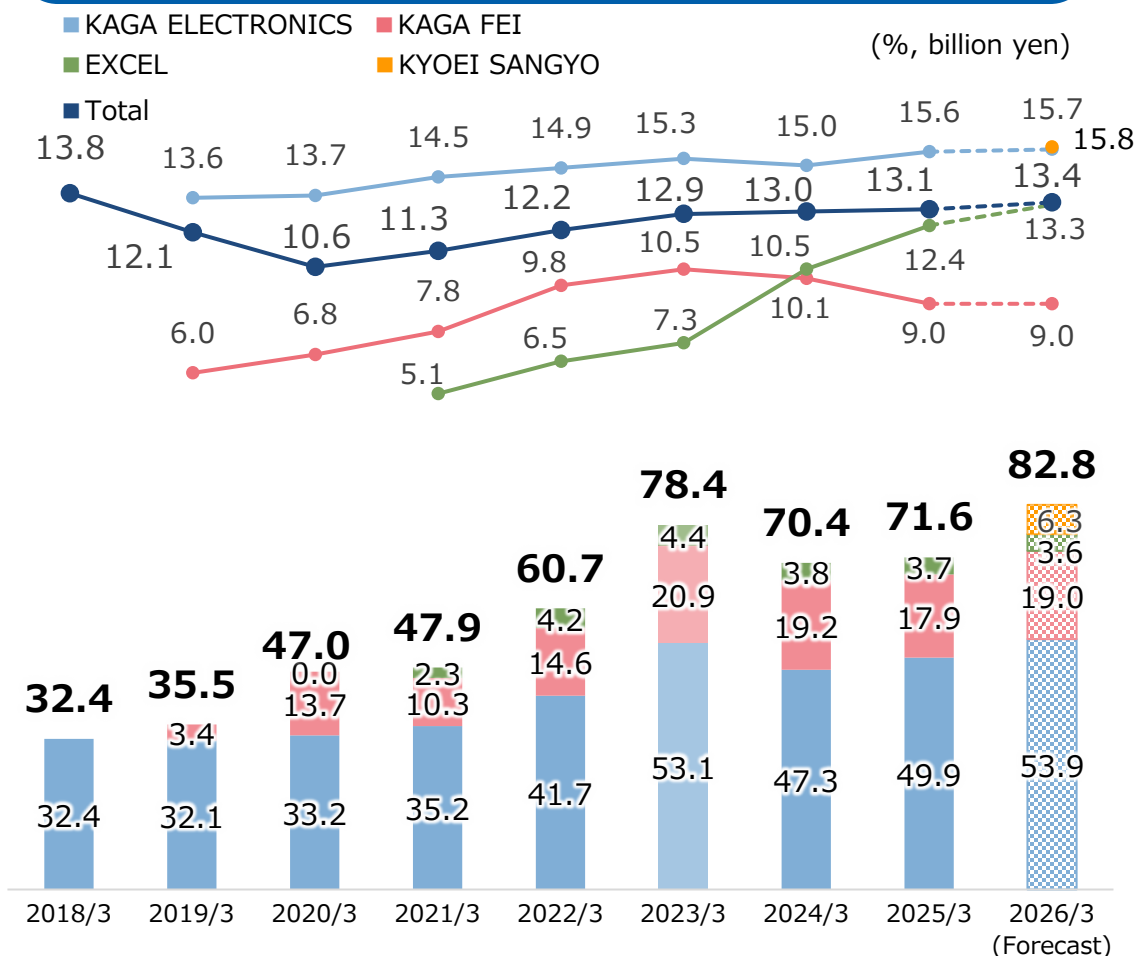
Sustainable profit growth

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)



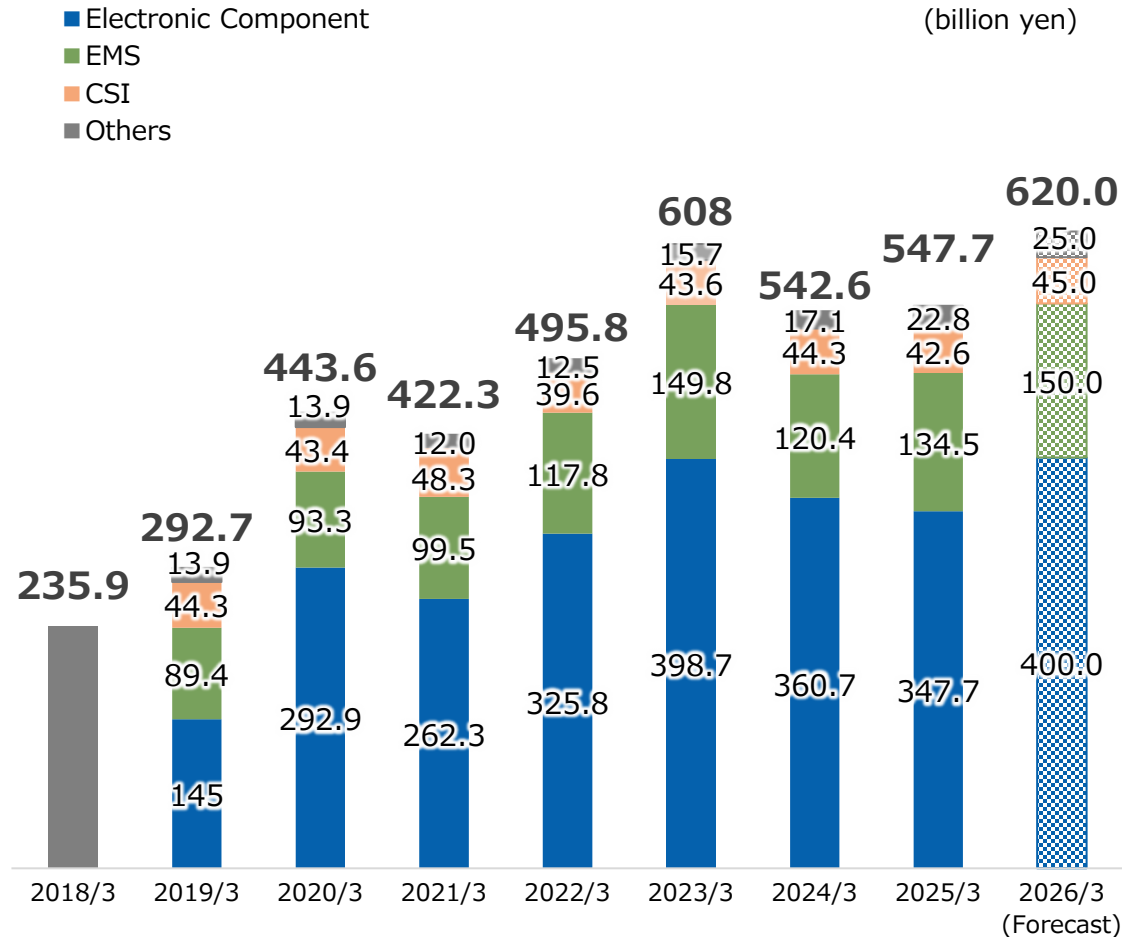
Gross profit / Gross profit margin



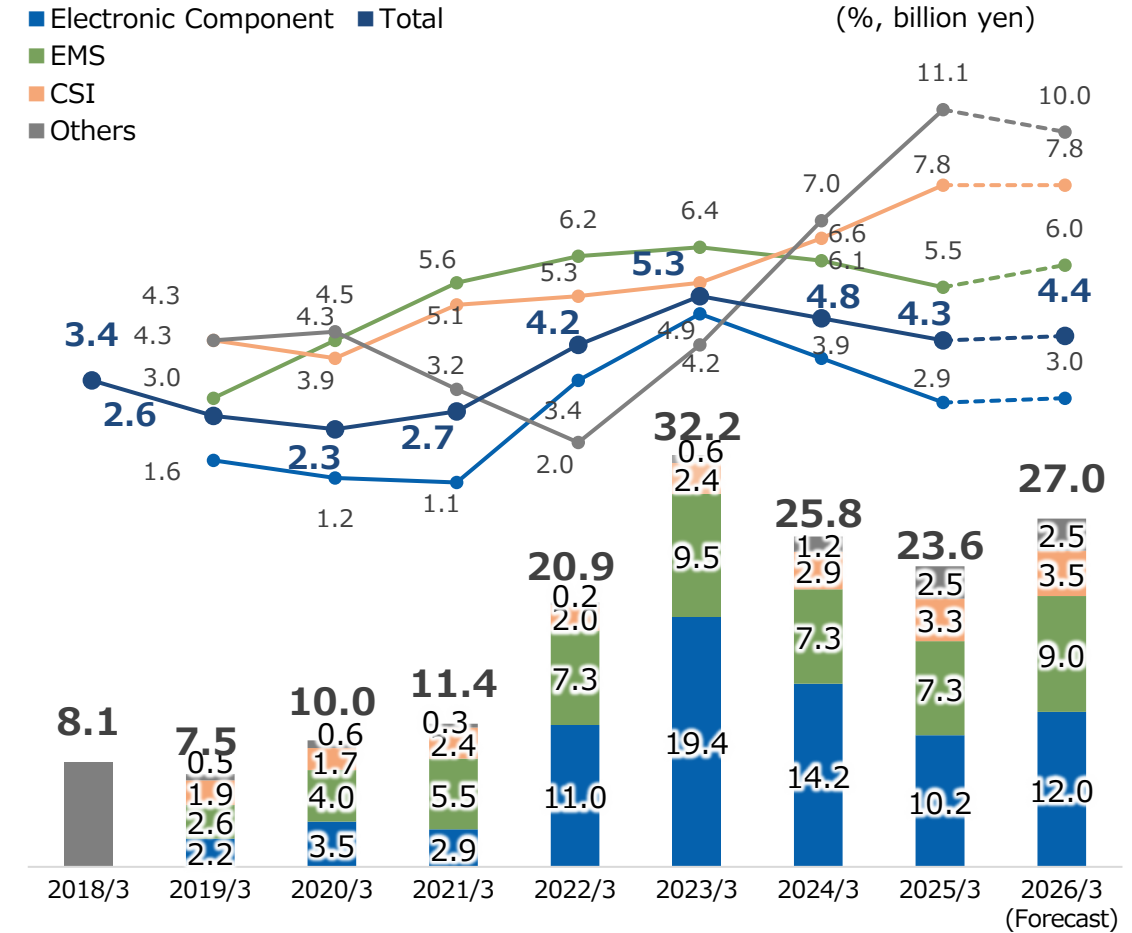
Profit-focused management

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



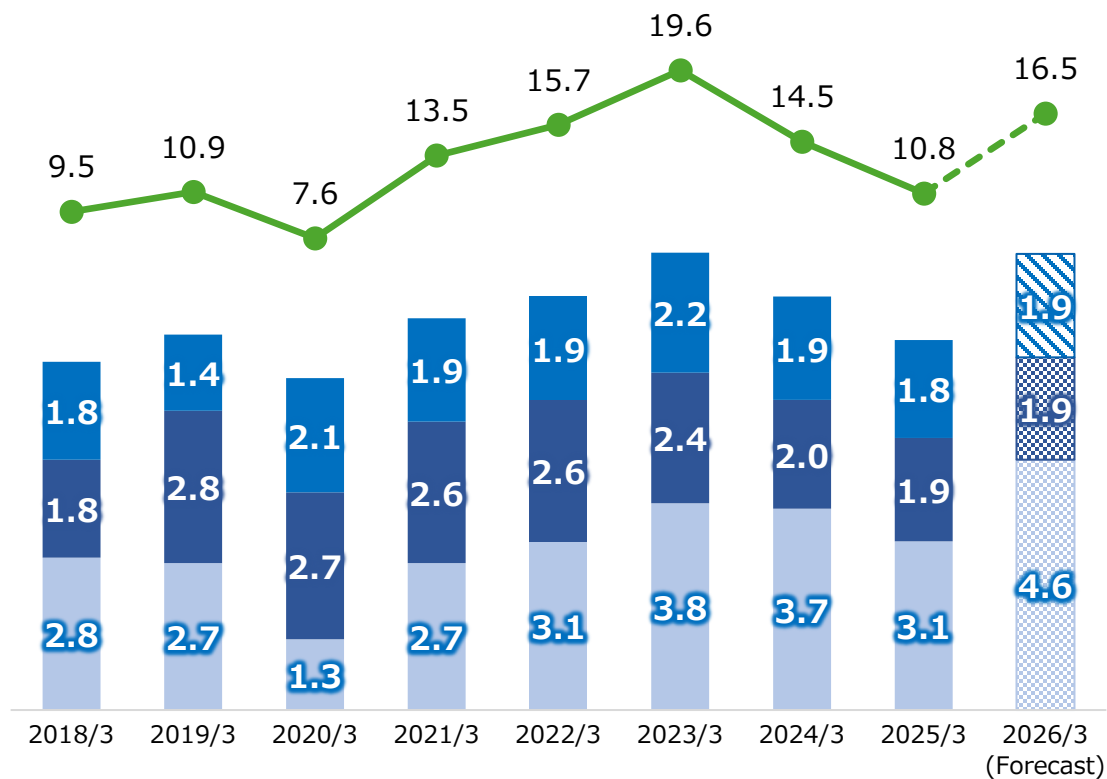
Management Focusing on Capital Efficiency

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

※ROE : 10.8% > Cost of Equity : 9.4% ROIC : 8.2% > WACC : 7.9%

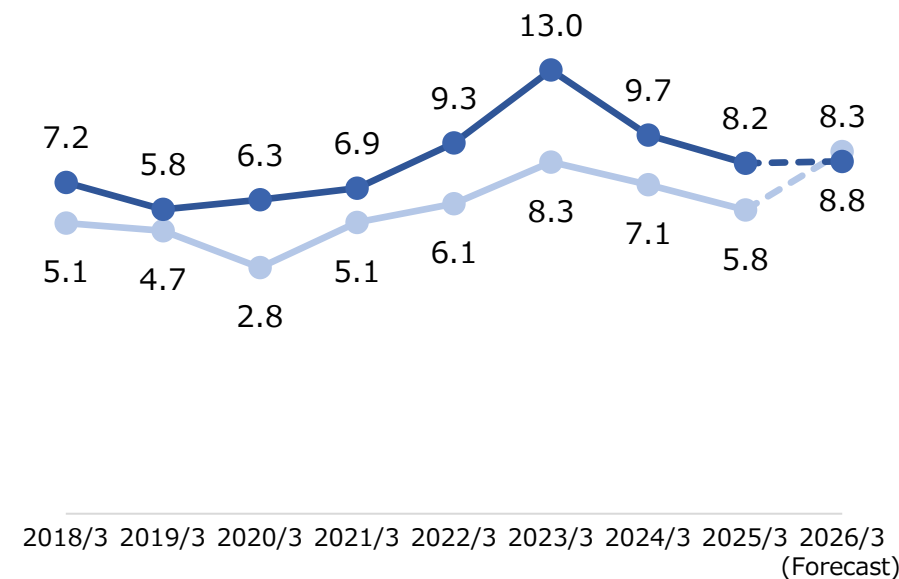
ROE

■ ROE (%, times, turns)
 ■ Total asset turnover
 ■ Financial leverage
 ■ Net profit margin



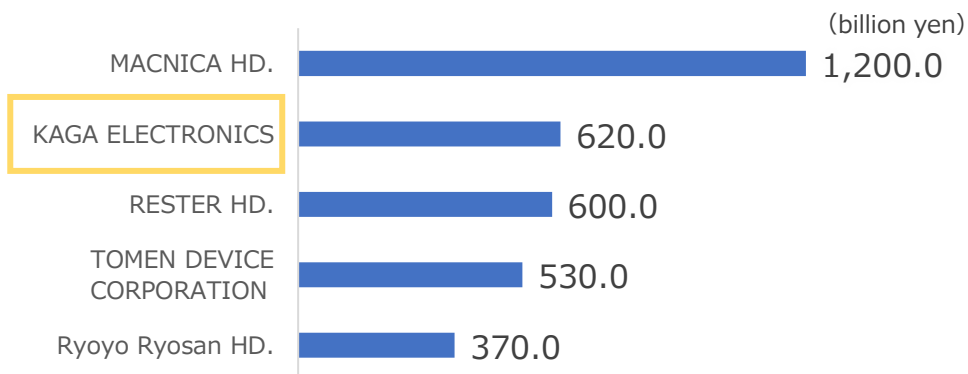
ROIC·ROA

■ ROIC (%)
 ■ ROA (%)



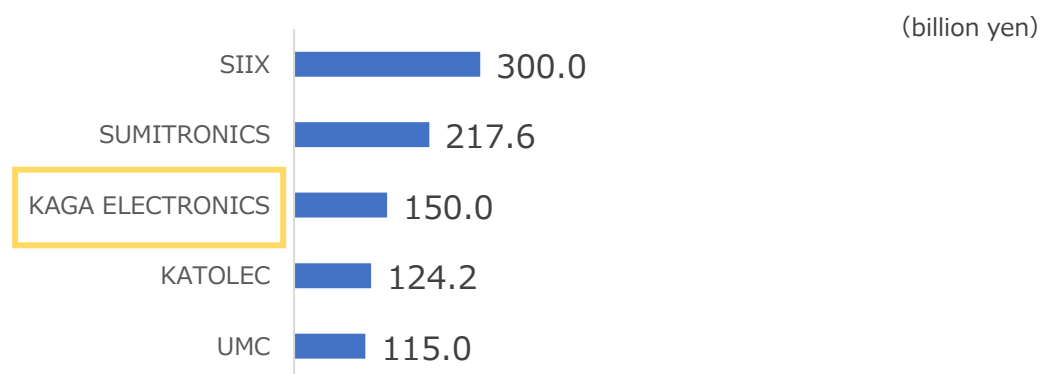
Total

Net Sales

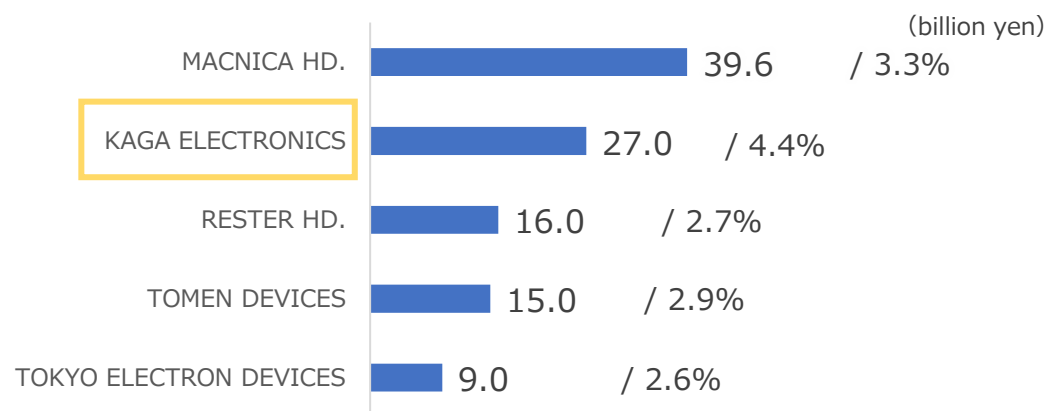


EMS Business

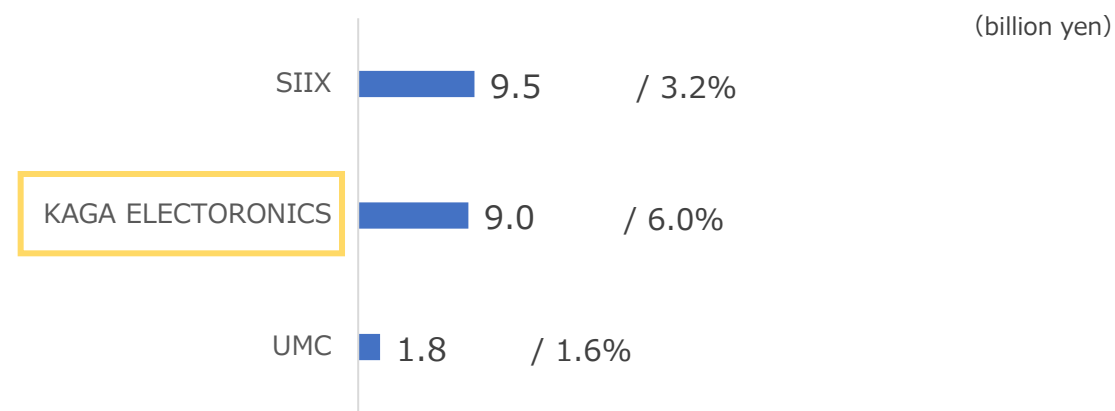
Net Sales



Operating Income / Operating Income Margin



Operating Income / Operating Income Margin

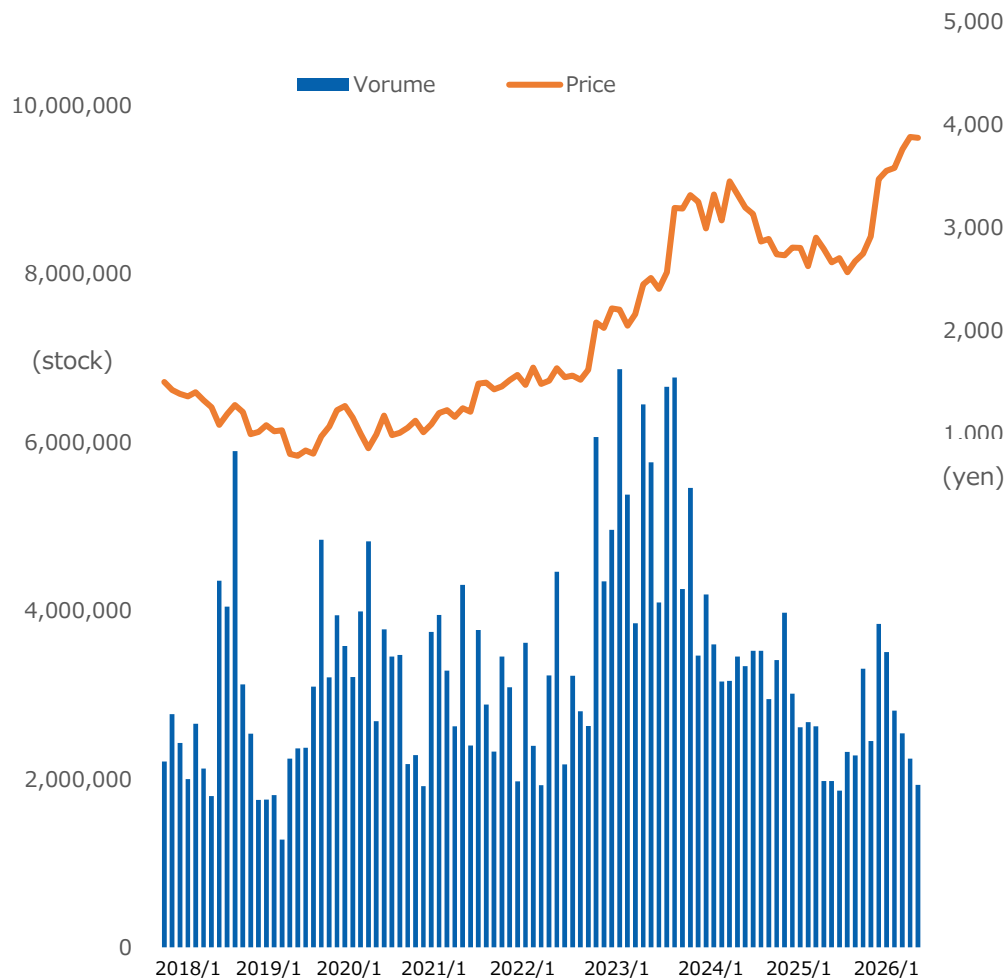


Note. SIIX figures for forecast FY 2026/12, SUMITRONICS and KATOLEC figures for FY2025/3

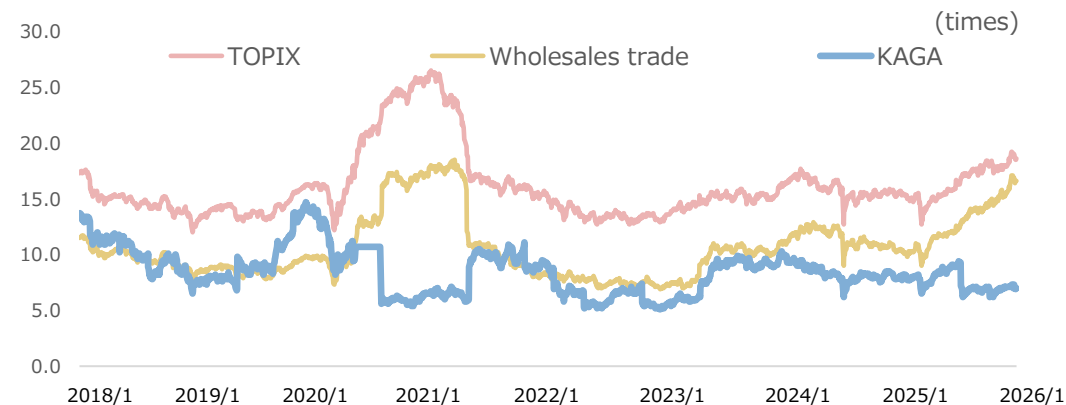
Form fair value and enhance corporate value

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

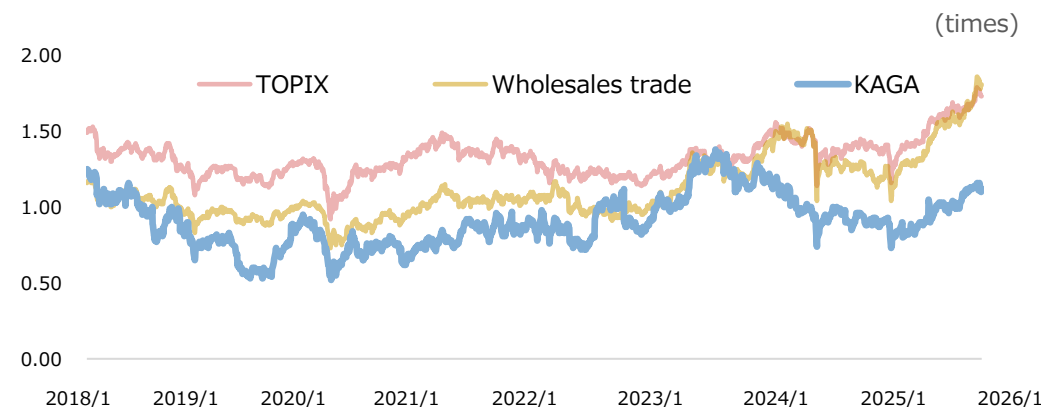
Changes in stock price/trading volume



Changes in PER



Changes in PBR



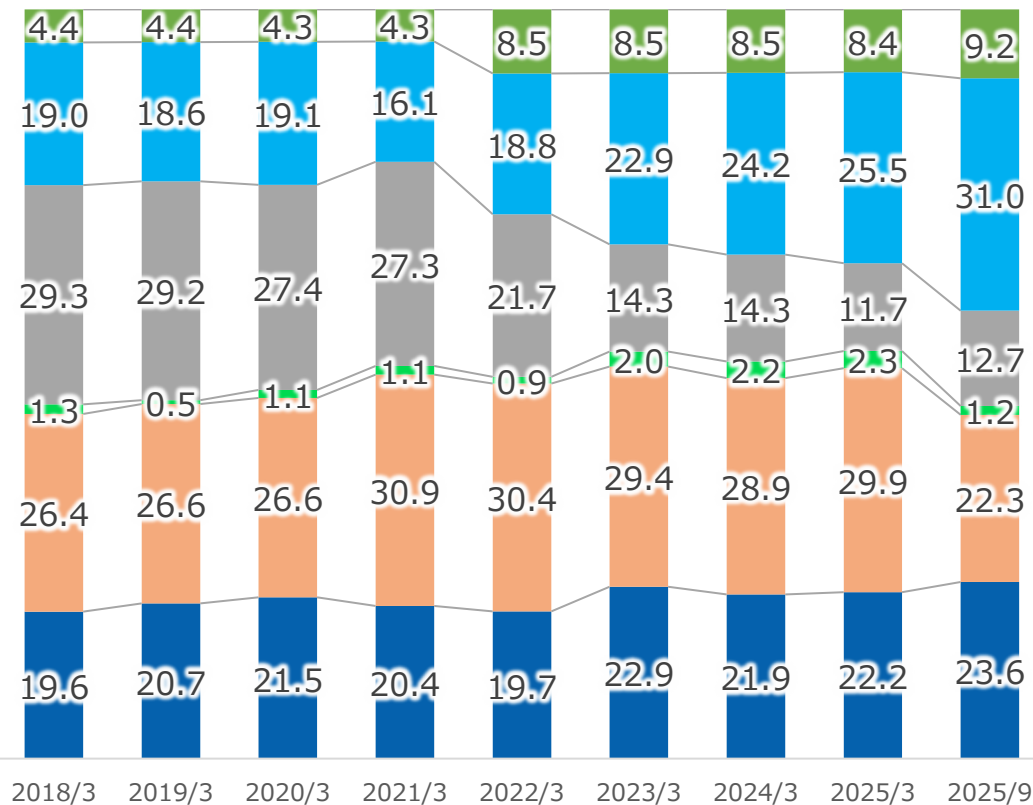
Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.

The amounts indicated above related to stock price and stock volume for the periods prior to October 1, 2024, are adjusted for the said stock split.

Shareholder Composition

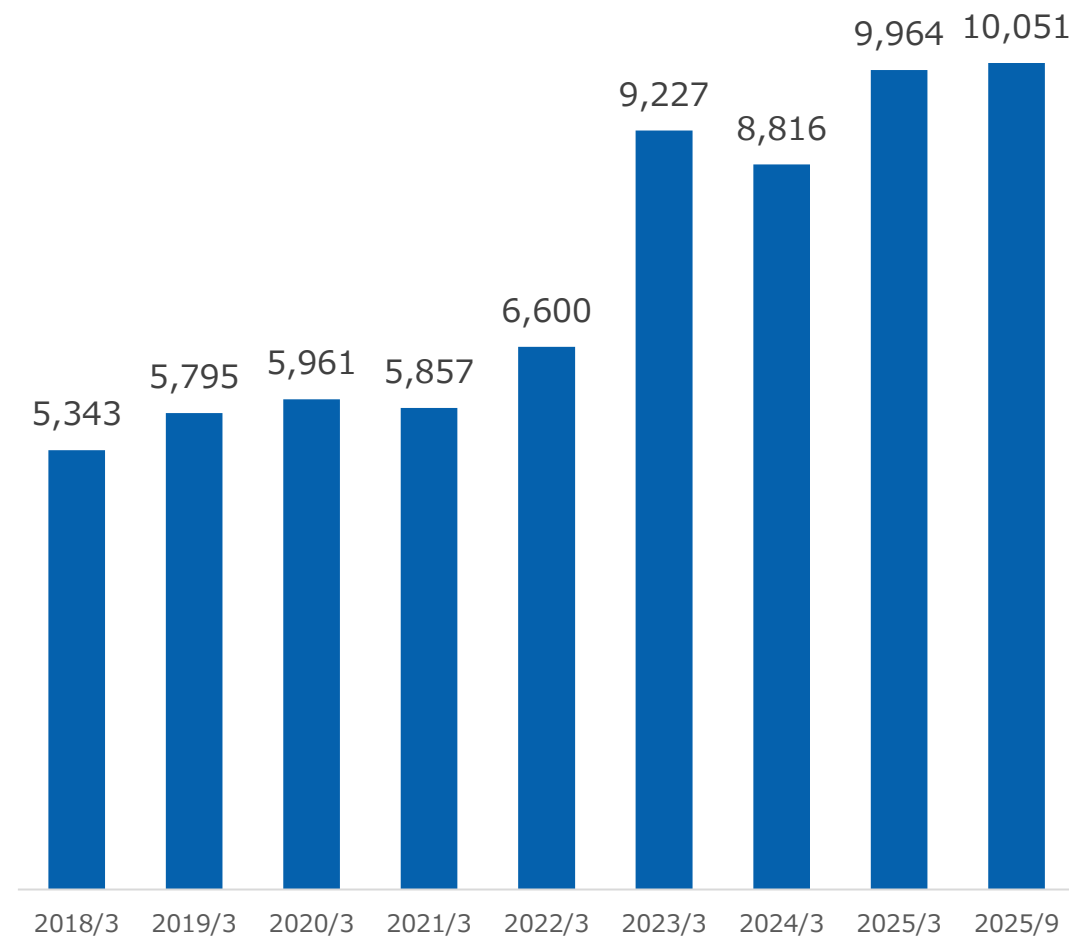
(%)

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



Number of individual shareholders

(Persons)



Medium-Term Management Plan 2027

(Extract from materials announced on November 28, 2024)

『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 (FY2028)

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

Management Targets

		Final year of previous MTMP※ 2024 (FY2025/3)	Final year of current MTMP※ 2027 (FY2028/3)	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 547.7 bn	JPY 700 bn or higher	8.5%
	Operating Income (Profit Margin)	JPY 23.6 bn (4.3%)	JPY 35 bn or higher (5.0%)	14.0%
Index in capital efficiency	ROE [Equity Cost]	10.8% [9.4%]	12.0% or higher [around 10%]	

※MTMP : Medium-Term Management Plan

<Reference> Breakdown by Business Segment

		Final year of previous MTMP※ 2024 (FY2025/3)	Final year of current MTMP※ 2027 (FY2028/3)	CAGR
Electronic Component	Net Sales	JPY 347.7 bn	JPY 400.0 bn	4.8%
	Segment income	JPY 10.2 bn	JPY 16.5 bn	17.4%
EMS	Net Sales	JPY 134.5 bn	JPY 230.0 bn	19.6%
	Segment income	JPY 7.3 bn	JPY 13.5 bn	22.7%
CSI (Information Equipment)	Net Sales	JPY 42.6 bn	JPY 55.0 bn	8.9%
	Segment income	JPY 3.3 bn	JPY 4.0 bn	6.6%
Others	Net Sales	JPY 22.8 bn	JPY 15.0 bn	-
	Segment income	JPY 2.5 bn	JPY 1.0 bn	-
Total	Net Sales	JPY 547.7 bn	JPY 700.0 bn	8.5%
	Segment income	JPY 23.6 bn	JPY 35.0 bn	14.5%

※MTMP : Medium-Term Management Plan

Basic approach

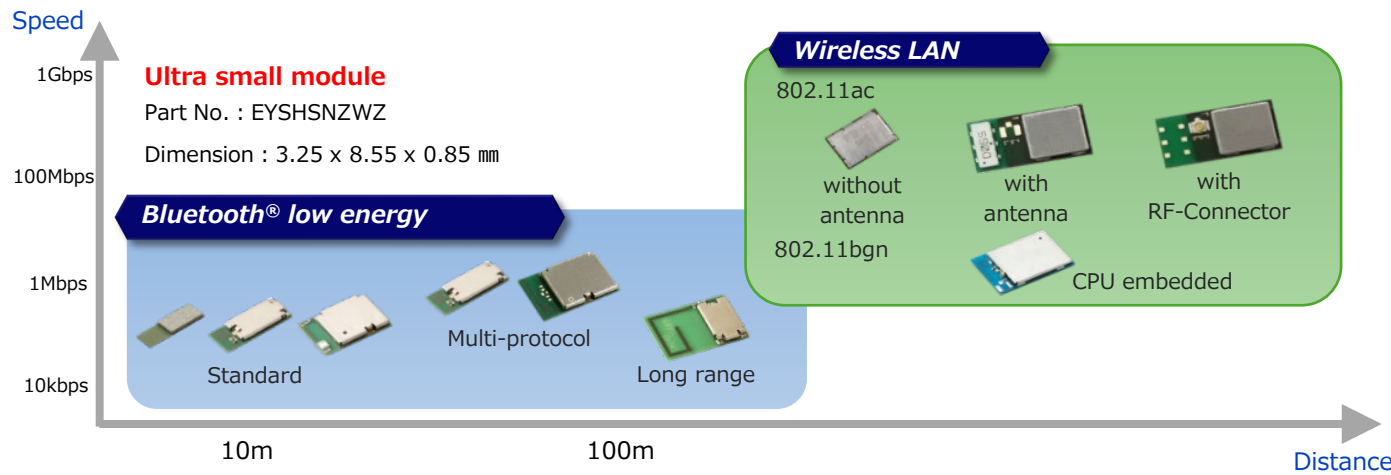
As an independent electronics general trading firm, we not only procure parts, but also maximize the strengths of our one-stop service that include the manufacture of semi-finished and finished products on a contract basis and cover every step from sales to after-service.

	Kaga Electronics	Kaga FEI	Excel	Net sales (billion yen)
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	2025/3 344.7 2028/3 400.0
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	2025/3 134.5 2028/3 230.0
CSI (Information Equipment)	Utilize the strengths of sales channels such as mass retailers and schools and educational institutions			2025/3 42.6 2028/3 55.0
Others	Total commitment to profit-oriented management and concentration on profitable businesses rather than simply expanding in size			2025/3 22.8 2028/3 15.0
Net sales	2025/3 319.5 2028/3 400.0	2025/3 197.8 2028/3 260.0	2025/3 30.3 2028/3 40.0	2025/3 547.7 2028/3 700.0

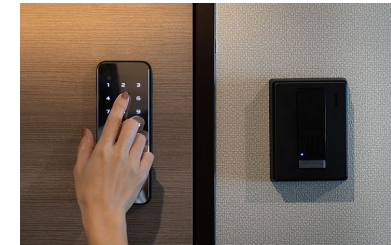
Wireless Module: IoT Solution "CONTINECT"

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.

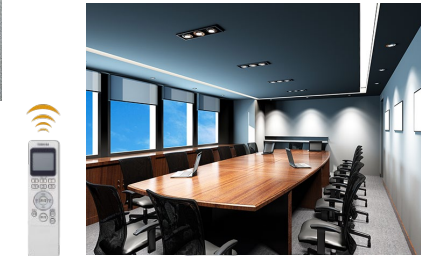
Product Lineups



Solution using "CONTINECT"



Electronic lock



Wireless controller for Lighting

Development Base

KAGA FEI
Takasaki Development Center

Production Bases

KAGA EMS TOWADA

KAGA ELECTRONICS (THAILAND)

Sales

- KAGA FEI
- KAGA Electronics Group

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.

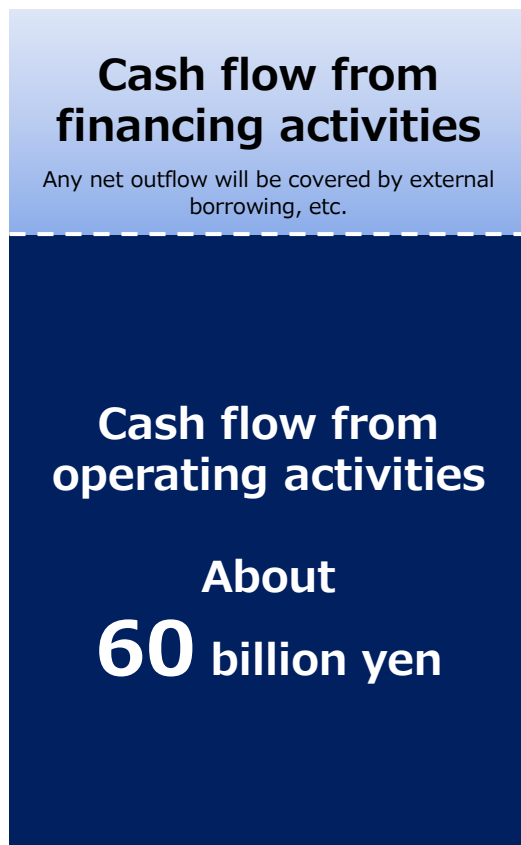
In the 1970s, we began the processing business (today's EMS business) in Japan and China, using partner factories to meet customer needs. Since the 1990s, we have responded quickly to the overseas production shift of Japanese customers by establishing 21 bases in 10 countries around the world, starting with Shenzhen and gradually expanding our own factories.

	1990s	2000s	2010s	After 2020	Priority measures	Priority areas	Net Sales (billion yen)
Japan		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"> Capturing demand from customers returning to domestic production Standardization and advancement as a mother factory 	In-vehicle·Air-conditioner·Medical, etc.	2025/3 35.0 2028/3 80.0
China	Shenzhen ('99)	Suzhou (2 factories) ('09)	Xiaogan (Hubei)('15)		<ul style="list-style-type: none"> Cultivating local Chinese customers and supporting production at optimal locations within the Group Developing and strengthening sales of automated equipment 	In-vehicle·Industrial	2025/3 47.0 2028/3 55.0
Asia		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"> Investment in own factory in anticipation of demand in India and for exports 	In-vehicle·Air-conditioner·Information, etc.	2025/3 38.0 2028/3 50.0
Europe		Czech Republic('19)	Turkey('18)	New factory in Turkey('23)	<ul style="list-style-type: none"> Capture Japanese customers' demand for local production for local consumption Developing local customers in Europe 	Air-conditioner·Industrial·Telecommunication, etc.	2025/3 7.0 2028/3 10.0
America			Mexico('16)	New Factory in Mexico('24)	<ul style="list-style-type: none"> Investment in second phase of factory in Mexico in anticipation of stronger demand from South America 	Air-conditioner·In-vehicle·Medical, etc.	2025/3 7.5 2028/3 35.0

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



Cash in



Cash out

Main uses

- New M&As
- Augmenting EMS production capacity
- DX investment
- Human capital investment, etc.

If it is not needed, it will be returned to shareholders.

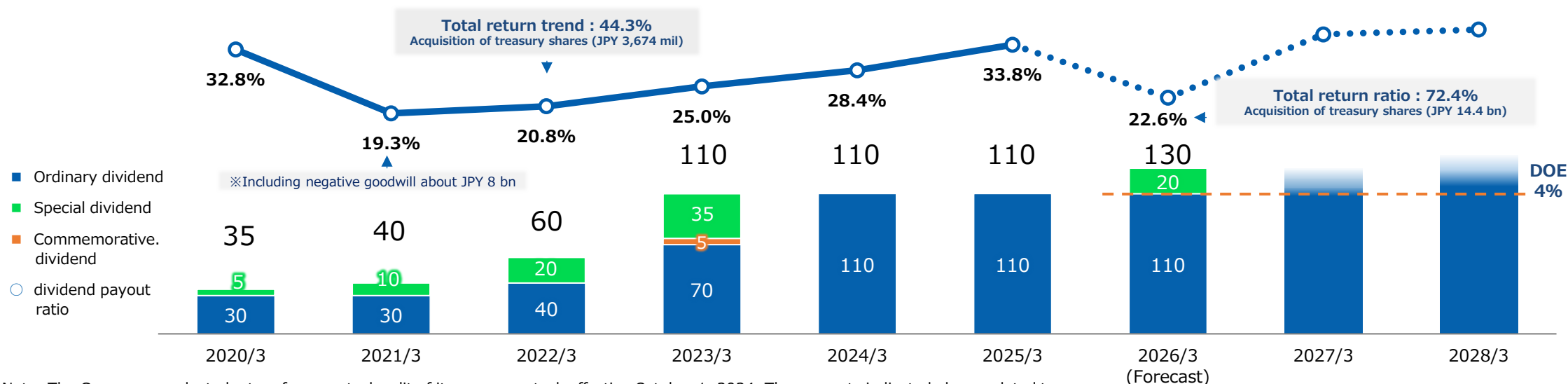
Total of 22–30 billion yen in shareholder returns

- Consolidated dividend payout ratio 30~40%
- DOE : 4%

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.

<p>Medium- to long-term dividend growth guideline</p> <hr/> <p>Consolidated dividend payout ratio</p> <p>30 ~ 40 %</p>	<p>Target for stable dividends</p> <hr/> <p>DOE (consolidated dividend on equity ratio)</p> <p>4.0 %</p>	<p>Flexible return policies</p> <hr/> <p>Special dividends, acquisition of treasury shares</p>
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Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. The amounts indicated above related to dividend paid for the periods prior to October 1, 2024, are adjusted for the said stock split.

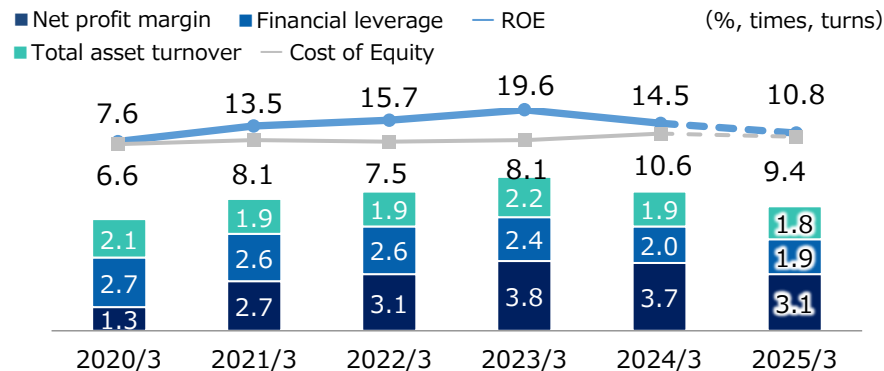
Progress in the First Year (FY2026/3)

- Aiming to further enhance corporate value by accelerating, starting in the first year, execution of the priority measures set out in the MTMP※.

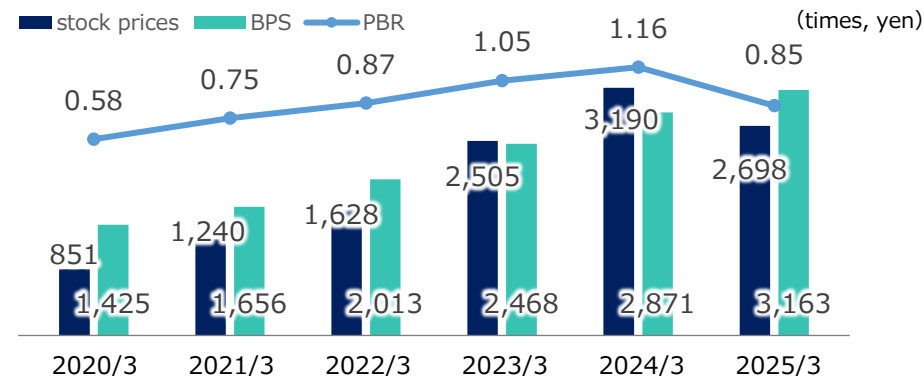
Priority measures	Major corporate action																																																					
M&A Challenges	<p>■ July 2025: Acquisition of Kyoei Sangyo Co., Ltd.</p> <p>Made Kyoei Sangyo a consolidated subsidiary through a tender offer, at an acquisition price of 10.7 billion yen, and recognized a 7.6 billion yen gain on bargain purchase</p>																																																					
Implementation of capital strategy	<p>■ August 2025: Acquisition and cancellation of treasury shares totaling 14.4 billion yen, 4.92 million shares (9.4% of shares issued)</p> <p>Acquired all of our common shares held by our four main banks and canceled all of them</p>																																																					
Recent earnings progress	<p>■ August 2025, November 2025, and February 2026: Steady earnings progress, with three upward revisions during the fiscal year</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 10%;">FY2025/3 Results Announced on May. 14, 2025</th> <th style="width: 10%;">FY2026/3 Initial Forecasts Announced on May. 14, 2025</th> <th style="width: 10%;">Earlier Forecasts Announced on Aug. 7, 2025</th> <th style="width: 10%;">Previous Forecasts Announced on Nov. 6, 2025</th> <th style="width: 10%; background-color: #003366; color: white;">Revised Forecasts Announced on Feb. 12, 2026</th> </tr> </thead> <tbody> <tr> <td style="text-align: right;">(million yen)</td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Net Sales</td> <td style="text-align: right;">547,779</td> <td style="text-align: right;">530,000</td> <td style="text-align: right;">574,000</td> <td style="text-align: right;">595,000</td> <td style="text-align: right; background-color: #ADD8E6;">620,000</td> </tr> <tr> <td>Operating income</td> <td style="text-align: right;">23,601</td> <td style="text-align: right;">23,000</td> <td style="text-align: right;">24,000</td> <td style="text-align: right;">25,500</td> <td style="text-align: right; background-color: #ADD8E6;">27,000</td> </tr> <tr> <td>Ordinary income</td> <td style="text-align: right;">22,593</td> <td style="text-align: right;">23,000</td> <td style="text-align: right;">23,800</td> <td style="text-align: right;">25,500</td> <td style="text-align: right; background-color: #ADD8E6;">28,000</td> </tr> <tr> <td>Gain on bargain purchase</td> <td style="text-align: center;">—</td> <td style="text-align: center;">—</td> <td style="text-align: right;">7,200</td> <td style="text-align: right;">7,200</td> <td style="text-align: right; background-color: #ADD8E6;">7,600</td> </tr> <tr> <td>Profit attributable to owners of parent</td> <td style="text-align: right;">17,083</td> <td style="text-align: right;">16,500</td> <td style="text-align: right;">24,200</td> <td style="text-align: right;">26,000</td> <td style="text-align: right; background-color: #ADD8E6;">28,500</td> </tr> <tr> <td>ROE</td> <td style="text-align: right;">10.8%</td> <td style="text-align: right;">10.0%</td> <td style="text-align: right;">14.6%</td> <td style="text-align: right;">15.0%</td> <td style="text-align: right; background-color: #ADD8E6;">16.5%</td> </tr> </tbody> </table>							FY2025/3 Results Announced on May. 14, 2025	FY2026/3 Initial Forecasts Announced on May. 14, 2025	Earlier Forecasts Announced on Aug. 7, 2025	Previous Forecasts Announced on Nov. 6, 2025	Revised Forecasts Announced on Feb. 12, 2026	(million yen)						Net Sales	547,779	530,000	574,000	595,000	620,000	Operating income	23,601	23,000	24,000	25,500	27,000	Ordinary income	22,593	23,000	23,800	25,500	28,000	Gain on bargain purchase	—	—	7,200	7,200	7,600	Profit attributable to owners of parent	17,083	16,500	24,200	26,000	28,500	ROE	10.8%	10.0%	14.6%	15.0%	16.5%
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Management that is Conscious of Cost of Capital and Stock Price

Trends in ROE



Trends in PBR



Current assessment	<ul style="list-style-type: none"> 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. We expected it to be 16.5% for FY2026/3. PBR has been improving noticeably since the previous medium-term management plan period, and has remained above 1x since February 2023. After falling below 1x following the sharp drop in the TSE in August 2024, the PBR recovered to above 1x after the share repurchase in August 2025. 	
Future initiatives	1. Steady implementation of the medium-term management plan	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Further increase confidence in the Company's management and reduce the cost of capital through broader disclosure to capital markets and active dialogue.

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

SDGs Management (Sustainability) Initiatives

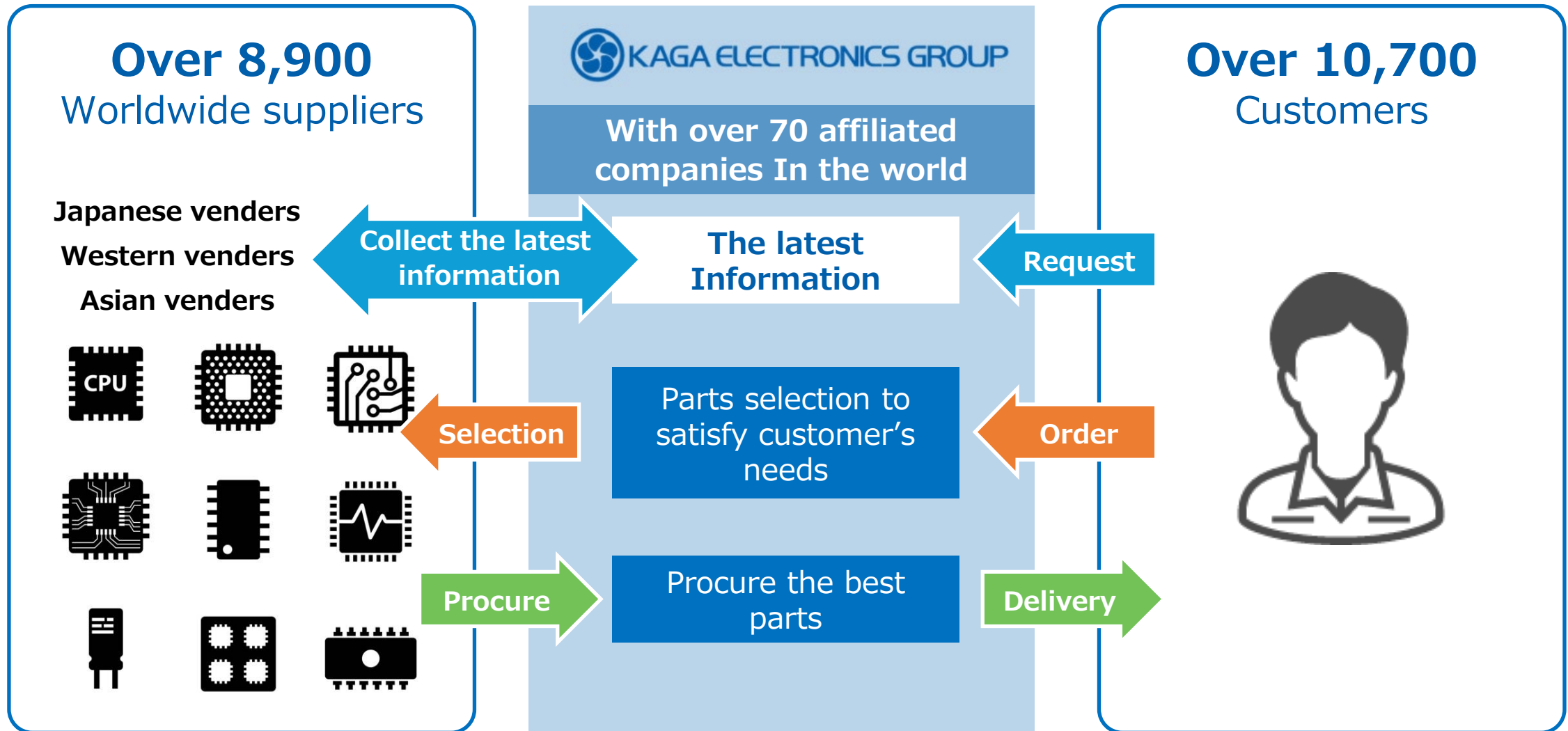
While aiming to achieve the quantitative targets established in the Medium- to Long-Term Sustainability Management Plan, we will play an active role in realizing a sustainable society and work to achieve sustainable growth in corporate value.

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

KAGA ELECTRONICS'
Electronic Components Business

Business Flow of the Electronic Components Business

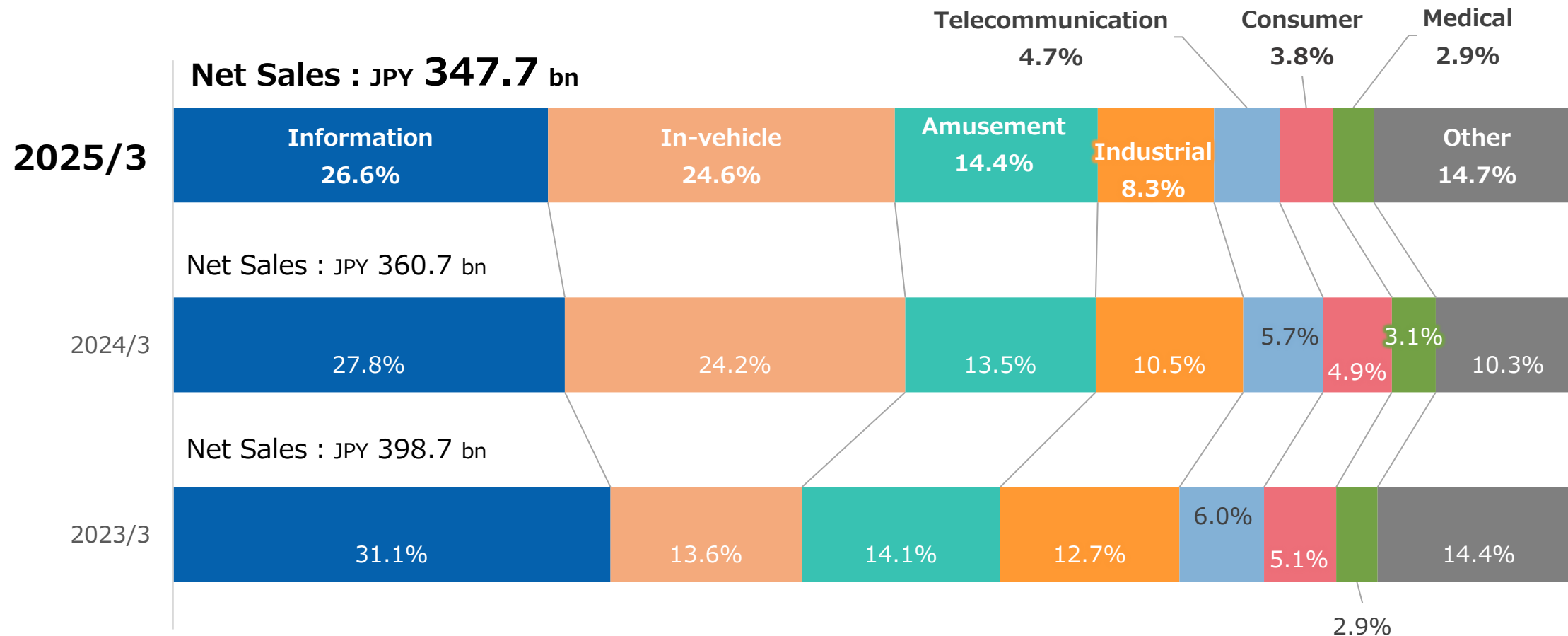
We provide optimal solutions to customers through our cutting-edge information network and our component procurement system, which leverage the Group's network.



Our strengths are our independence, meaning that we are not affiliated with any other manufacturer, our global reach, which extends around the world, and the professional skills of our technical teams.

<p>The advantage of an independent trading company</p>	<p>As an independent comprehensive trading company, we have access to a vast range of parts. We have earned our customers' trust and developed vast expertise in our 50 years of business.</p>	<ul style="list-style-type: none">• Kaga Electronics trades directly with more than 8,900 suppliers in Japan and abroad and more than 10,700 customer businesses.• As an independent trading company, we are not limited in the goods that we carry. We use this advantage and our worldwide network to connect large numbers of suppliers and customers and ensure that customers get the optimal product in the ideal form.
<p>The power of a global network</p>	<p>We utilize our ability to gather information to foresee the future, as well as the power of a Group working in a wide range of fields.</p>	<ul style="list-style-type: none">• Kaga Electronics boasts a global network of more than 60 companies around the world, including North America, Europe, and Asia. Our Group power enables us to rapidly gather and deliver the latest knowledge and unpublished information that is unavailable to our competitors.• We also offer full support through our local subsidiaries. We provide the solutions you need, wherever you need them.
<p>Technical support system</p>	<p>Our experienced technical teams can be counted on. Our dependable system today is the product of years of earning trust.</p>	<ul style="list-style-type: none">• Our technical teams include field application engineers (FAEs) who are experts in the latest technologies. We offer not only optimal products, but also a sense of trust backed up by our track record.• This gives our customers peace of mind even when using products developed by cutting-edge venture companies that are not yet well known.

Trend in Net Sales by Industry

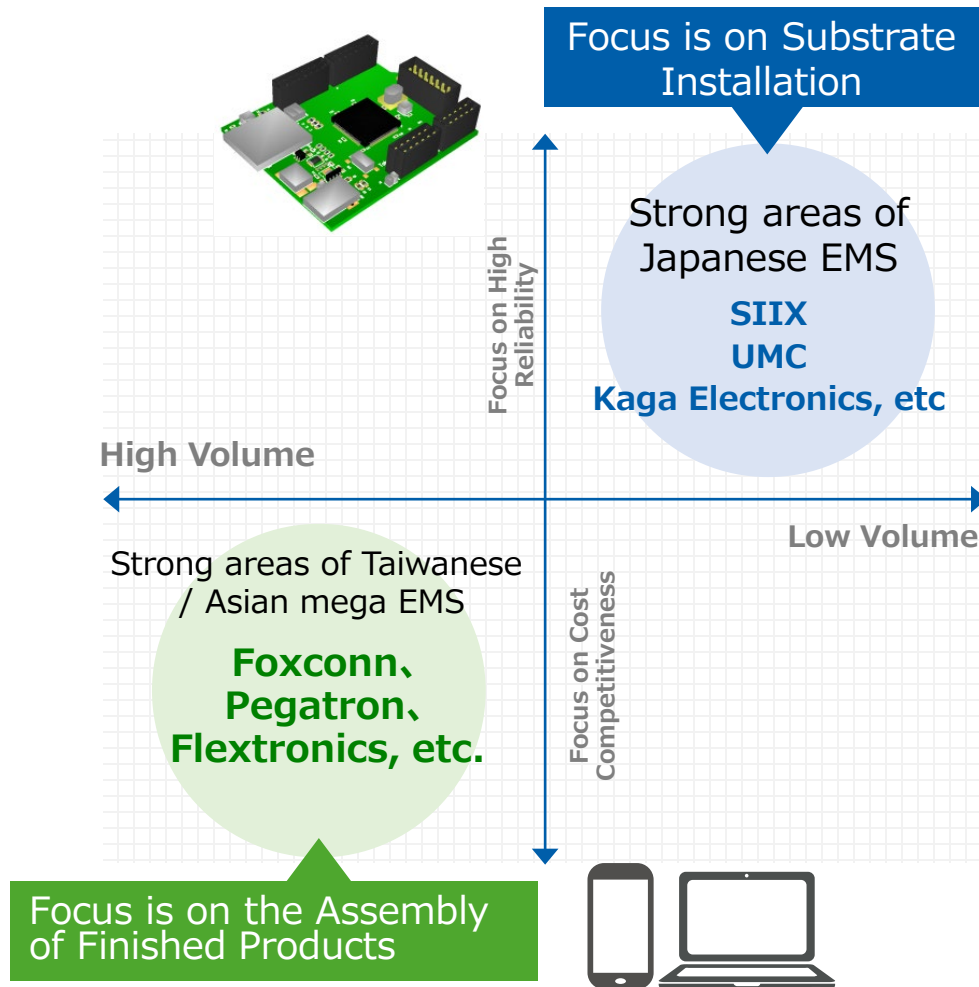


EMS Business

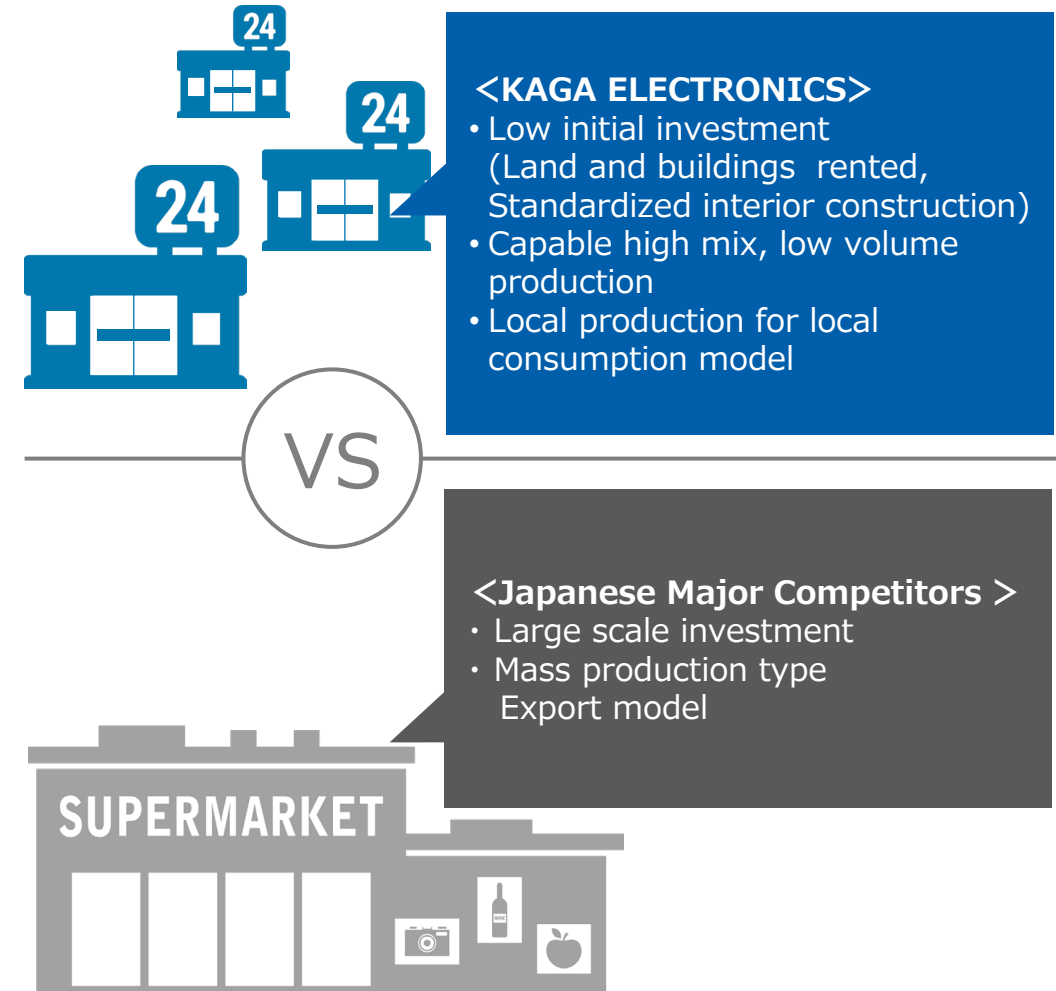
The Strengths of Kaga's EMS : Convenience Store EMS

We 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

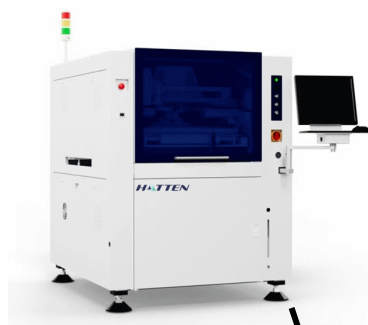


In-house Development of Manufacturing Equipment

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.



(1) Solder paste printer



A machine for printing solder paste on printed circuit boards

(2) Insertion machine



A machine for wave soldering components such as through-hole components that cannot be mounted with surface mounting technology

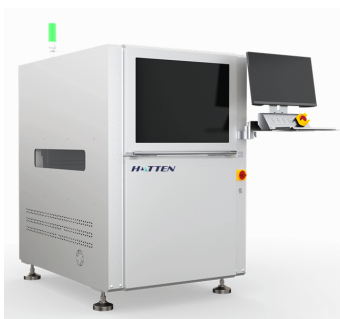
(3) Reflow oven



A device that transports printed circuit boards on a horizontal conveyor and uses hot air to melt and solidify solder paste



(4) Solder paste inspection machine



A 3D solder inspection machine that measures solder volume and position deviation to prevent defects

(5) Surface mounting equipment



An automated high-speed, high-precision machine that mounts tiny electronic components onto printed circuit boards

(6) Automated optical inspection



An automated optical inspection machine that detects soldering defects such as bridging and insufficient solder

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】 【2nd Factory】

Site area 22,363m² Site area 7,201m²

Building area 10,719m² Building area 2,545m²

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

Production base for the U.S. market: New Factory in Mexico

- In April 2024, the new Mexico plant began operation as initially planned.
- Aiming for 'sales of 50 billion yen' over the next 5 years to meet the growing production demand that is expected for North and Latin American markets
- Launched "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant in Mexico We will establish an integrated production base that encompasses component molding, and sheet metal processing, in addition to circuit board assembly.

TAXAN MEXICO S.A. DE C.V.



Outline of the New Factory

Location : Parque Industrial
Millenium, Arroyos,
San Luis Potosí

Number of
Employees : 700 (at start)

Land area : 80,000m²

Floor area : 20,000m²

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

Items produced

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

Start of operation

Scheduled for April 2024

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



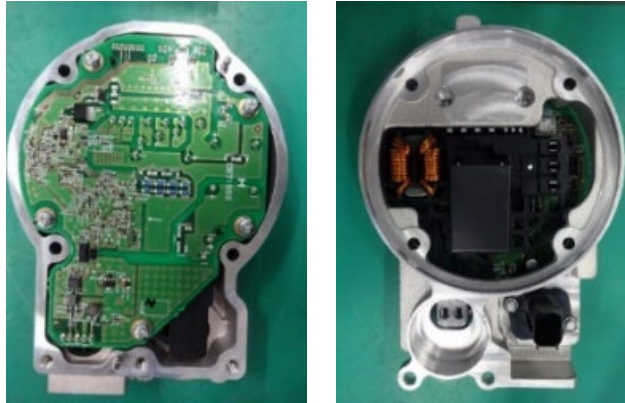
Outline

Established : 2023
Number of employees : 163

Production Items

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

Electrical Compressor Units



Lighting Units for Automotive



Medical Equipment

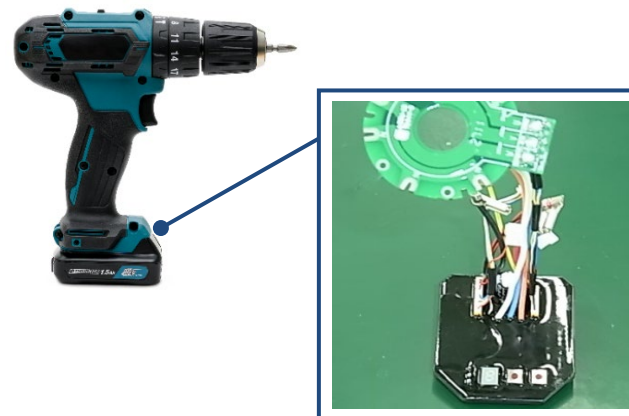


Automated Medication
Dispensing Cabinet

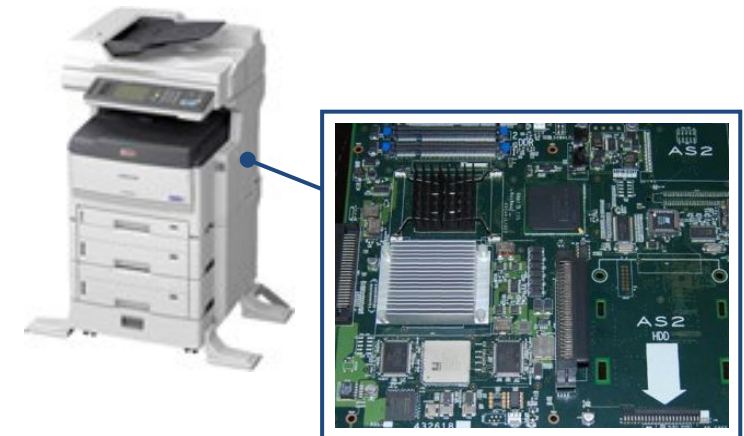
Air Conditioner Unit



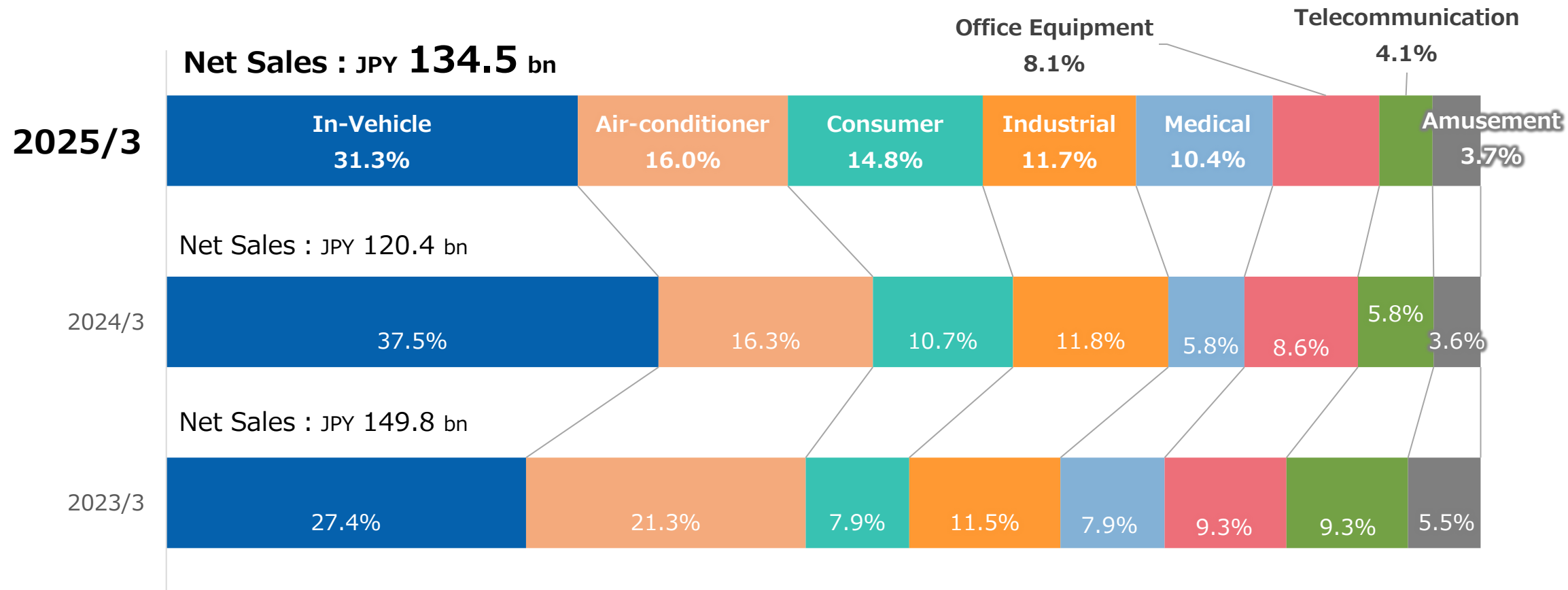
Products for Electrical Tools



Substrate for Office Equipment



Trend in Net Sales by Industry



Medium- to Long-Term Sustainability Management Plan

(Extract from materials published on November 25, 2021)



Under our corporate philosophy of "Everything we do is for our customers," the Kaga Electronics Group seeks to achieve both a sustainable society and sustainable growth of the Group.

Toward this purpose, we will respect dialogue with customers, business partners, shareholders, investors, employees, local communities, and all other stakeholders, based on our Basic CSR Policy, Environmental Policy, and Action Guidelines. We will work to increase our corporate value as we play an active role in achieving a sustainable society.

1 We will tackle environmental issues through our business activities

Through our business activities, we will take action to cut CO₂ emissions, reduce waste, and promote reuse. At the same time, by providing environmentally considerate products and services, we will contribute to bringing about a society that values the global environment.











2 We will respect human rights and develop human resources

We will respect the human rights of all stakeholders, regardless of gender, age, nationality, social status, disabilities, or other personal attributes. We will develop work environments in which diverse employees can work in safety and health, both physically and mentally, and will develop personnel systems and education and training systems that allow these employees to maximize their individual abilities. We will further work to develop human resources who will take on the challenge of innovation.

3 We will work to build mutual trust with society

We will work to be a company that earns the trust of society by observing laws and regulations, by strengthening our governance structure, and by sincerely engaging in fair competition, the provision of high-quality products and services, timely and appropriate information disclosure, and other corporate activities.

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

Medium-to long-term sustainability targets and major KPIs

	Key themes	Issues to address and issues to examine	Medium-term targets	FY2024 Results
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> Adoption of renewable energy at domestic sales offices Adoption of renewable energy at domestic manufacturing sites Adoption of renewable energy at overseas manufacturing sites 	<p>2024: 40% (1%)</p> <p>By 2024: Information gathering/analysis and determination of policy</p> <ul style="list-style-type: none"> In-house power generation/external procurement Solar panel/biomass power generation/renewable energy businesses 	<p>Achieved target of 40% adoption of renewable energy through purchase of non-fossil certificates</p> <p>Installation of additional solar power generation system in Towada factory under consideration</p> <p>Started operation of solar power generation system in the new Mexico factory</p>
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	<p>2024: 85% (78.5%)</p>	<p>Ratio of electric vehicles: 90.2%</p>
S	Diversity and human resource management	<ul style="list-style-type: none"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) Initiatives to employ elderly workers and persons with disabilities 	<p>Percentage of female new graduates in general positions</p> <p>2023: 30% (5.8%)</p> <p>Percentage of women in management positions</p> <p>2024: 15% (13.3%)</p>	<p><Percentage of female new graduates in general positions></p> <p>22.7%</p> <p><Percentage of women in management positions></p> <p>17.3%</p>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> Acquisition of certification as a Health and Productivity Management Organization 	<p>2022: Implementation of review</p> <p>2023: Certification</p>	<p>Continued acquisition of certification as a Health and Productivity Management Organization</p>
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"> Diversification of the Board of Directors Full compliance with Corporate Governance Code for Prime Market 	<p>By June 2022: Determination of policy</p> <p>Performed in November 2021</p>	<p>Appointment of a female outside director subject to approval at the general shareholders' meeting in June 2025</p> <p>No revision of the CG Code</p>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> Adoption of delegation-based executive officer structure 	<p>April 2022: Enactment</p>	<p>Decision made on expanding membership of important meetings to delegation-based executive officers</p>
		<ul style="list-style-type: none"> Transition to structure of company with committees 	<p>By March 2023: Determination of policy</p>	<p>Transition to a Company with an Audit & Supervisory Committee structure subject to approval at the general shareholders' meeting in June 2025</p>

*Numbers in parentheses represent values at the time of planning: Nov. 2021

Latest 12 years Financial Trend

	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3
Operating results (million yen)						
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
Financial condition (million yen)						
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
Per Share Information (yen)						
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
Key Financial Indicators						
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	2.1	2.7	2.7	2.9	3.0
Total payout Ratio (%)	25.5	25.6	28.6	24.1	29.6	27.4

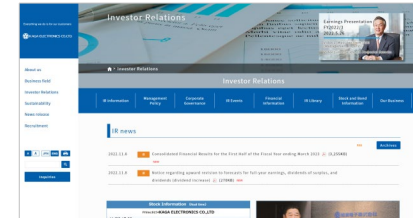
Latest 12 years Financial Trend

	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Operating results (million yen)						
Net sales	443,615	422,365	495,827	608,064	542,697	547,779
Gross profit	47,016	47,936	60,547	78,514	70,452	71,665
Gross profit margin	10.6%	11.3%	12.2%	12.9%	13.0%	13.1%
Operating income	10,014	11,467	20,915	32,249	25,845	23,601
Operating income margin	2.3%	2.7%	4.2%	5.3%	4.8%	4.3%
Profit attributable to owners of parent	5,852	11,399	15,401	23,070	20,345	17,083
Profit attributable to owners of the parent margin	1.3%	2.7%	3.1%	3.8%	3.7%	3.1%
Cash flows from operating activities	22,406	9,999	-1,554	30,569	29,385	25,047
Cash flows from investing activities	-3,651	-2,453	-6,772	-4,805	-2,968	-9,967
Free Cash flow	18,754	7,545	-8,327	25,763	26,417	15,080
Cash flows from financing activities	-7,544	-6,851	1,155	-15,549	-16,973	-7,343
Financial condition (million yen)						
Total assets	207,638	237,004	272,139	286,217	286,792	305,671
Net assets	86,250	95,062	105,800	129,737	151,231	166,379
Interest bearing debts	28,736	38,261	51,171	41,938	34,270	33,496
Net interest-bearing debt	-14,684	-7,375	10,120	-10,662	-32,326	-46,692
Per Share Information (yen)						
Net assets (BPS)	1,425.50	1,655.62	2,013.11	2,467.68	2,871.11	3,162.68
Net income (EPS)	106.60	207.53	288.23	439.32	387.30	325.08
Annual Dividend (DPS)	35.00	40.00	60.00	110.00	110.00	110.00
Key Financial Indicators						
Equity ratio (%)	37.7	38.4	38.8	45.3	52.6	54.4
ROE (%)	7.6	13.5	15.7	19.6	14.5	10.8
Total asset turnover (times)	2.1	1.9	1.9	2.2	1.9	1.8
DOE (%)	2.5	2.6	3.4	5.4	4.6	4.2
Total payout Ratio (%)	32.8	19.3	20.8	25.0	28.4	33.8

Other IR Information

- Investor Relations Website

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



- Integrated Report 2025

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>



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- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable.
Actual results may differ significantly from these statements for a number of reasons.
- Display method in this material
Number : Truncated less than the display unit.
Ratio : After calculation in yen units, Round down one digit of Display unit.