

# Management Briefing Material

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**KAGA ELECTRONICS**

TSE Prime Market 8154

**September, 2024**

**KAGA ELECTRONICS CO., LTD.**

## INDEX

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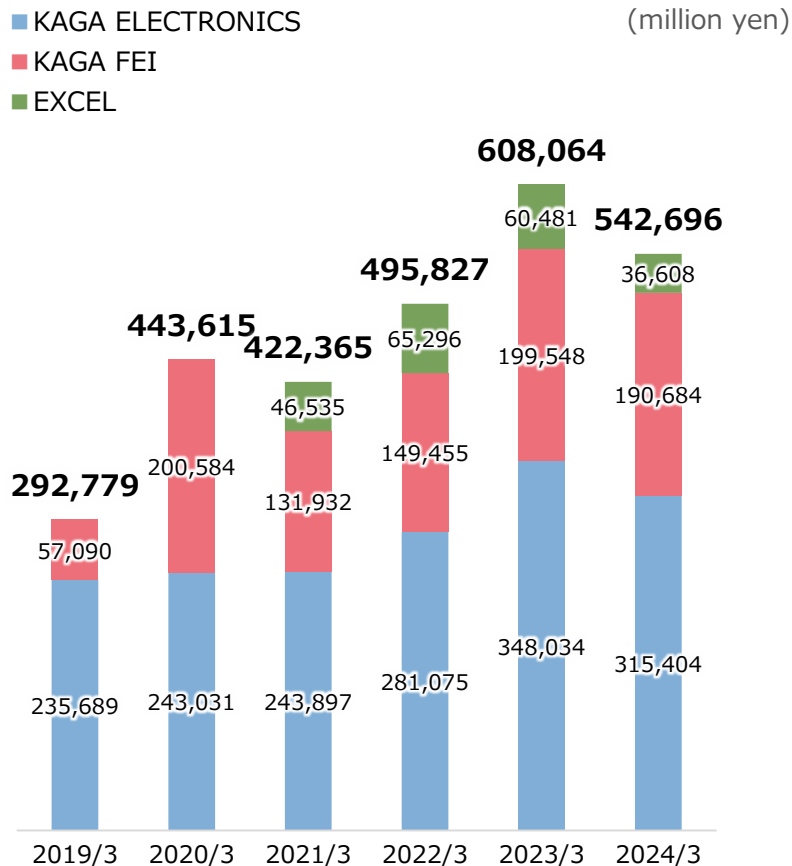
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# Introduction

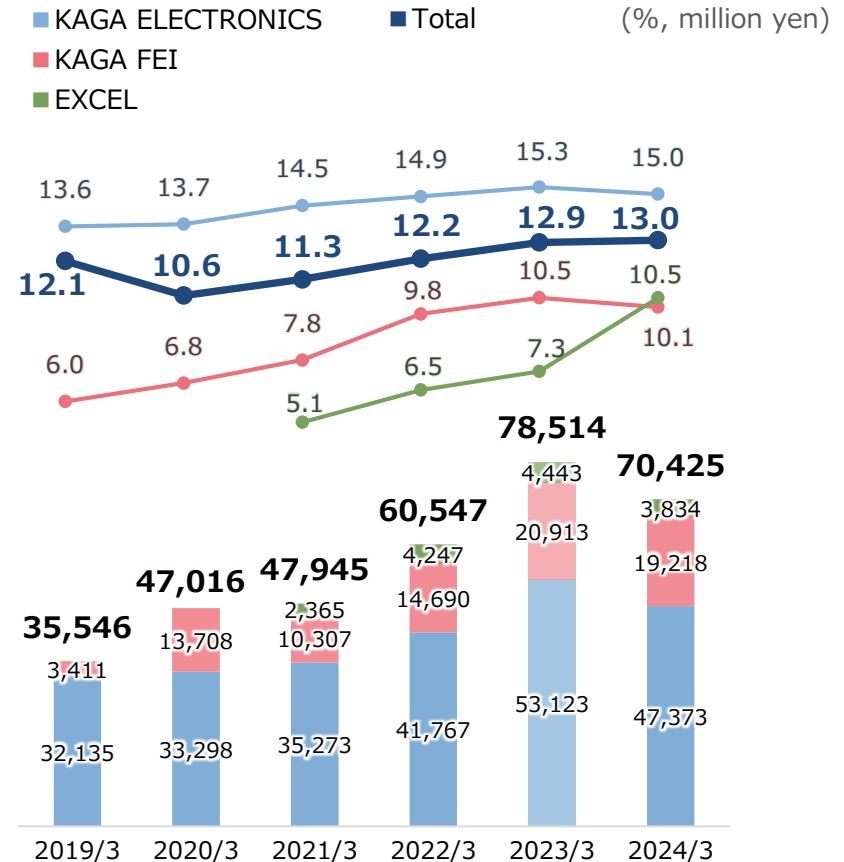
# Sustainable profit growth

**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)



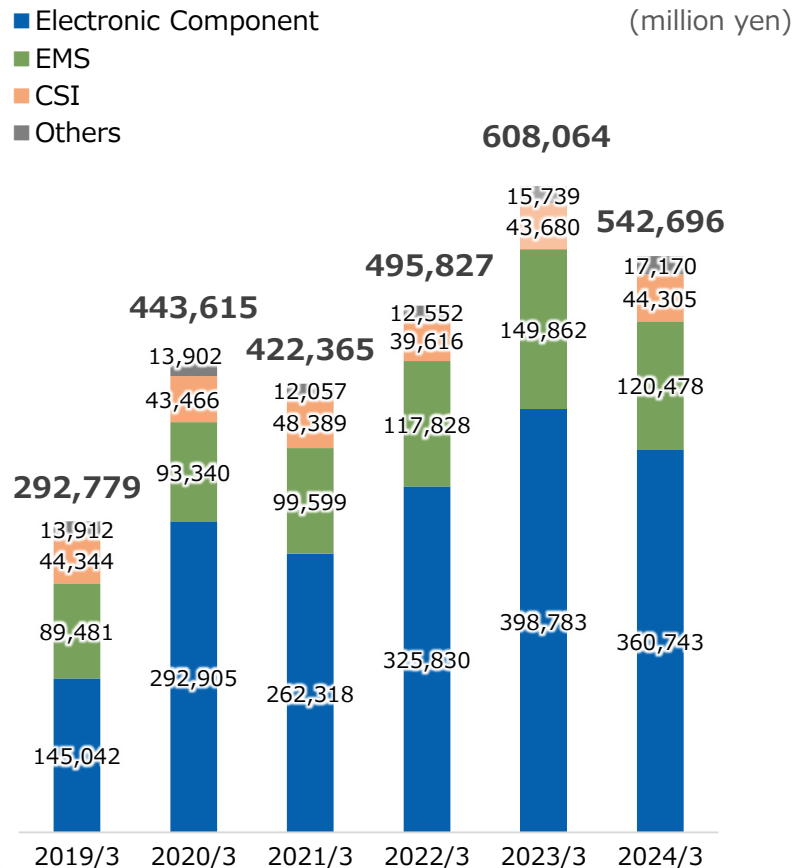
## Gross profit / Gross profit margin



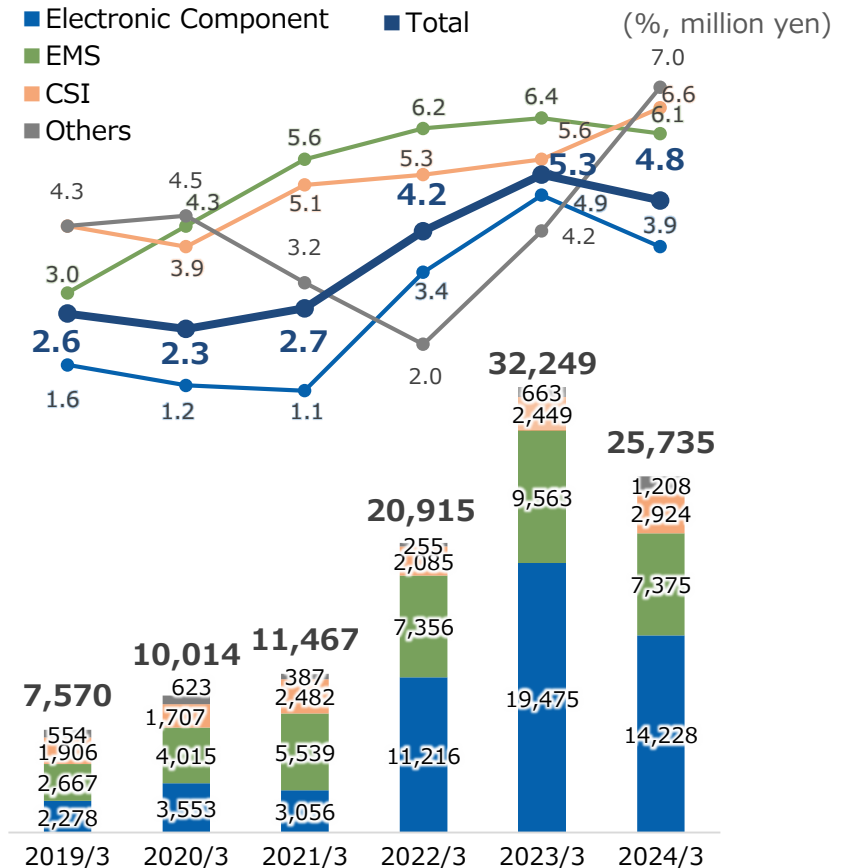
# Profit-focused management

**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

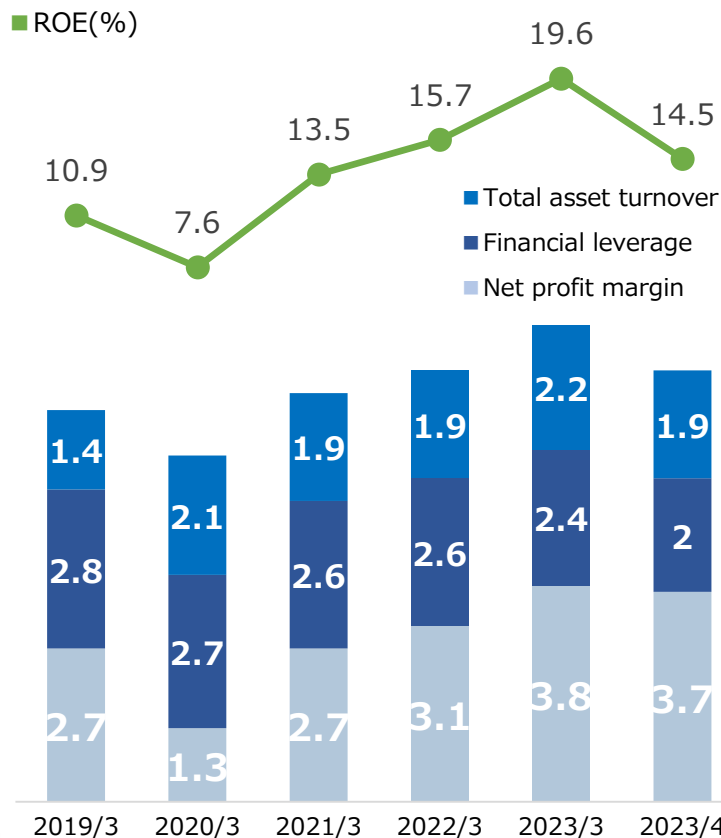


# Management focusing on capital efficiency

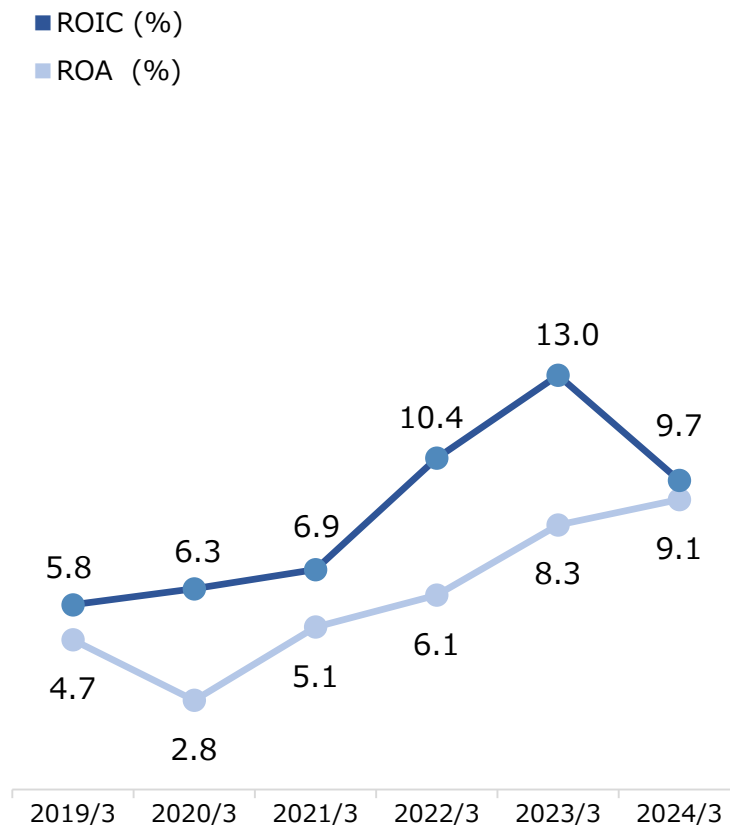
**KAGA Electronics practices business management focusing on the cost of equity and capital efficiency.**

※ROE : 14.5% > Cost of Equity : 10.6%      ROIC : 9.7% > WACC : 9.1%

## ROE



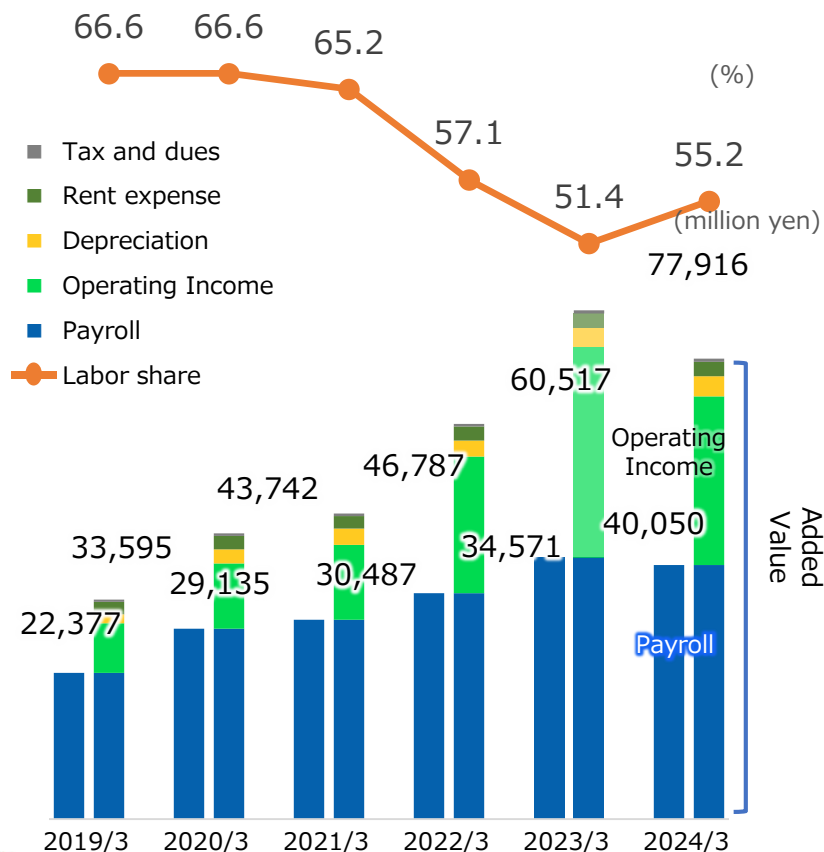
## ROIC・ROA



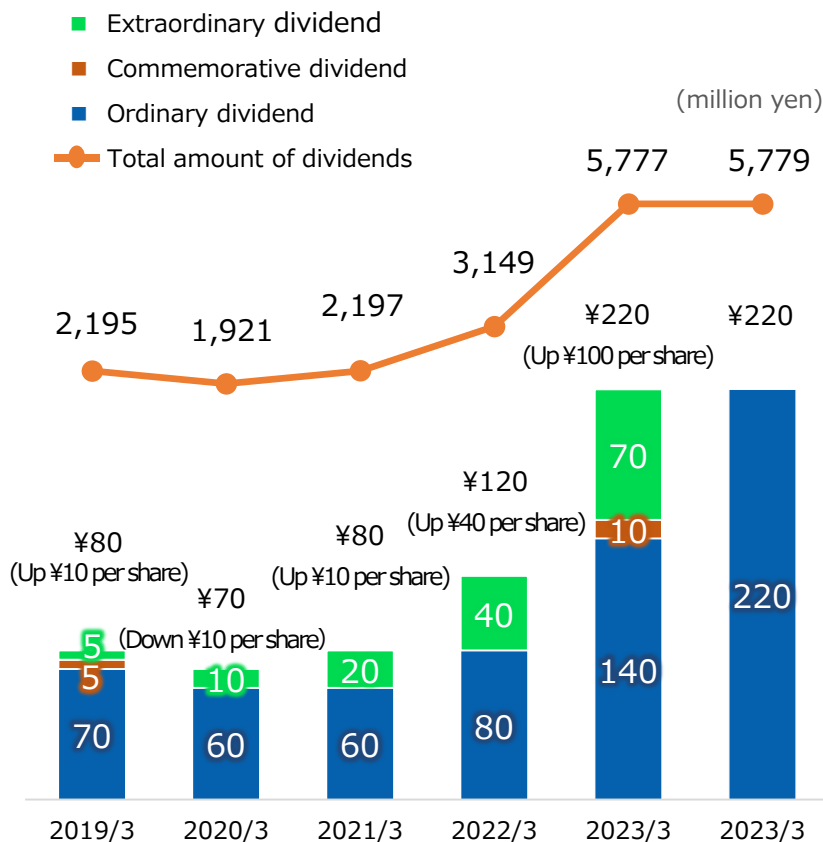
# Proactive return to stakeholders

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

## Labor share



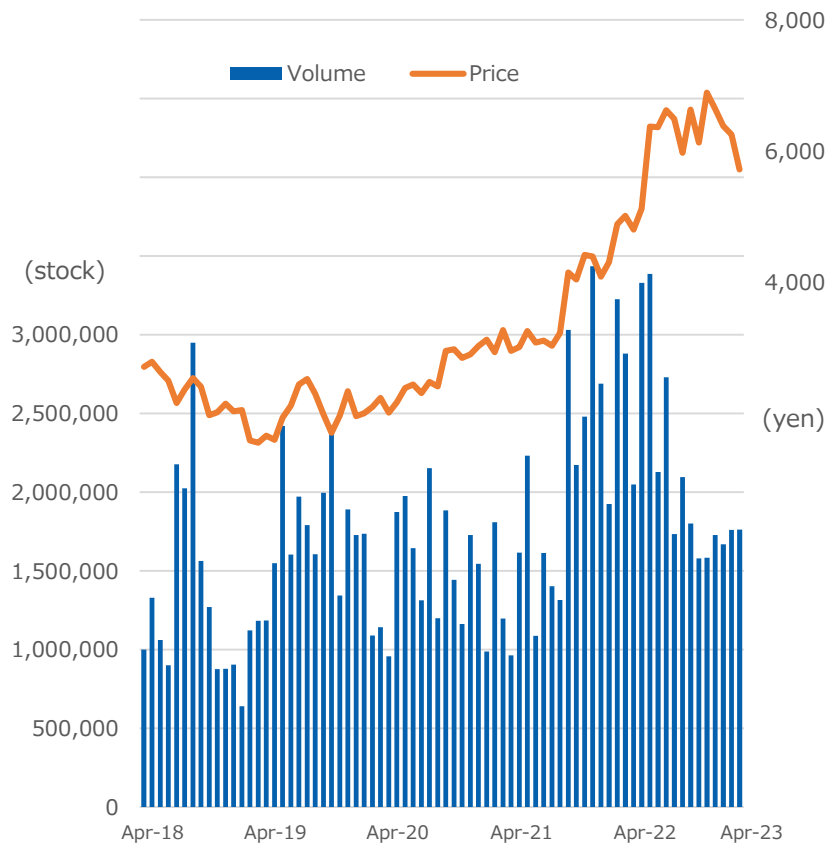
## Dividend per share & Total dividends



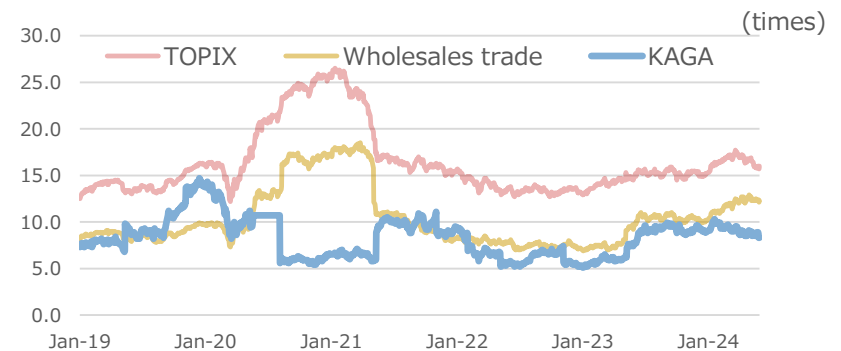
# Form fair value and enhance corporate value

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

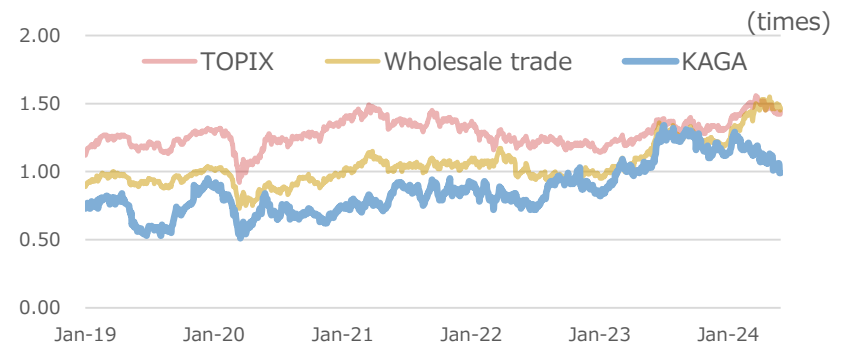
## Changes in stock price/trading volume



## Changes in PER



## Changes in PBR



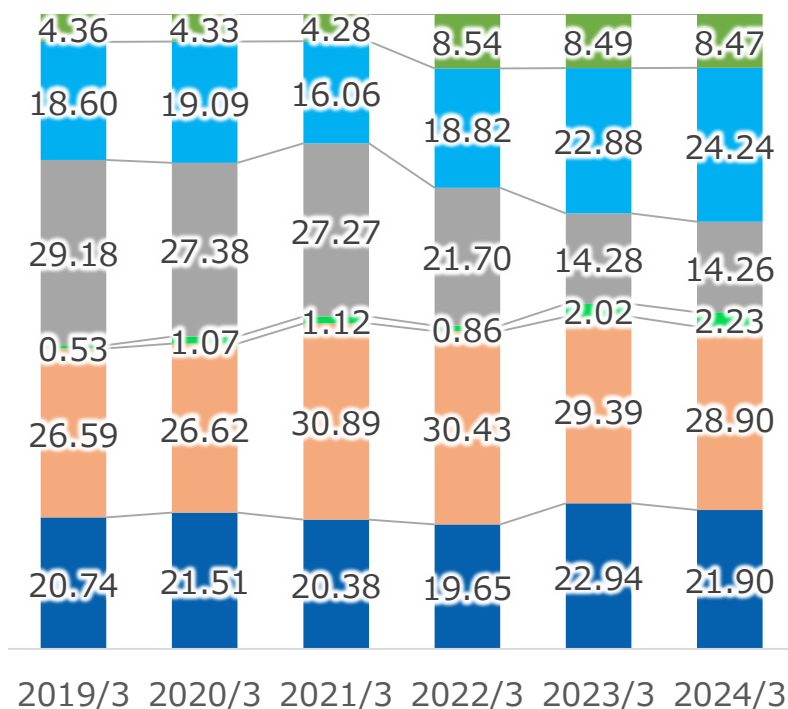


# Shareholders Information

## Shareholder Composition

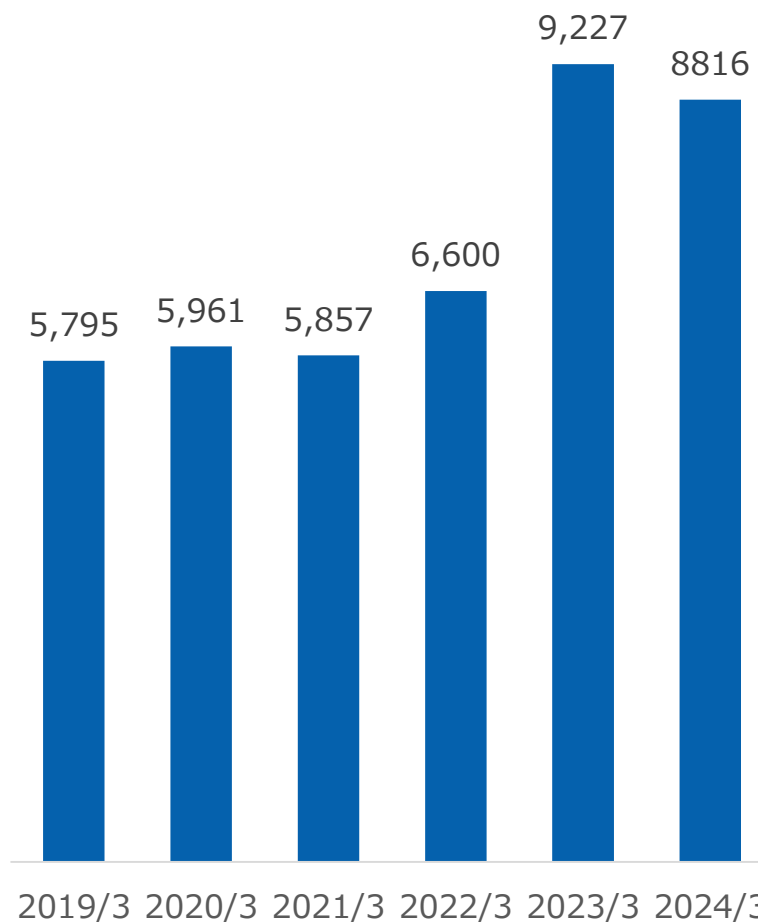
(%)

- 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 )

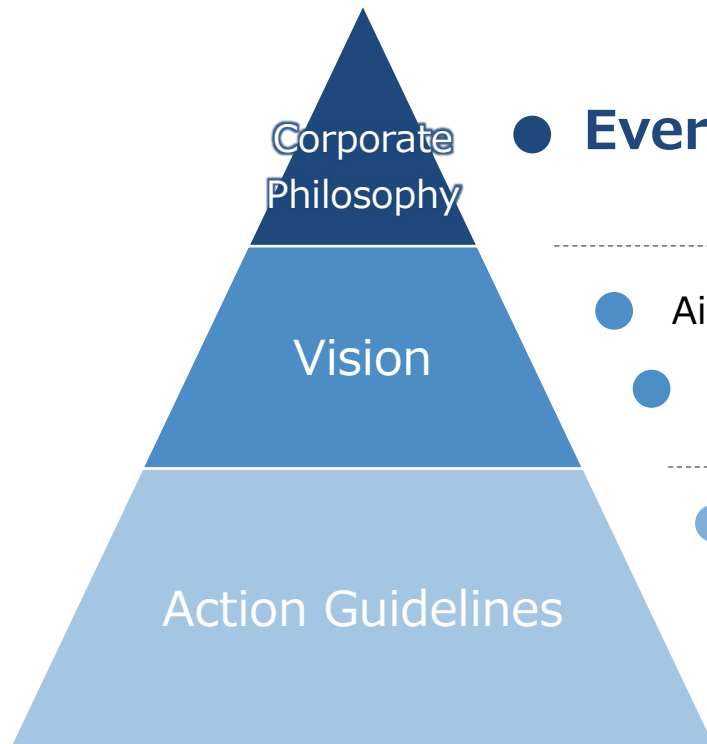


Founder & CEO  
Isao TSUKAMOTO

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)

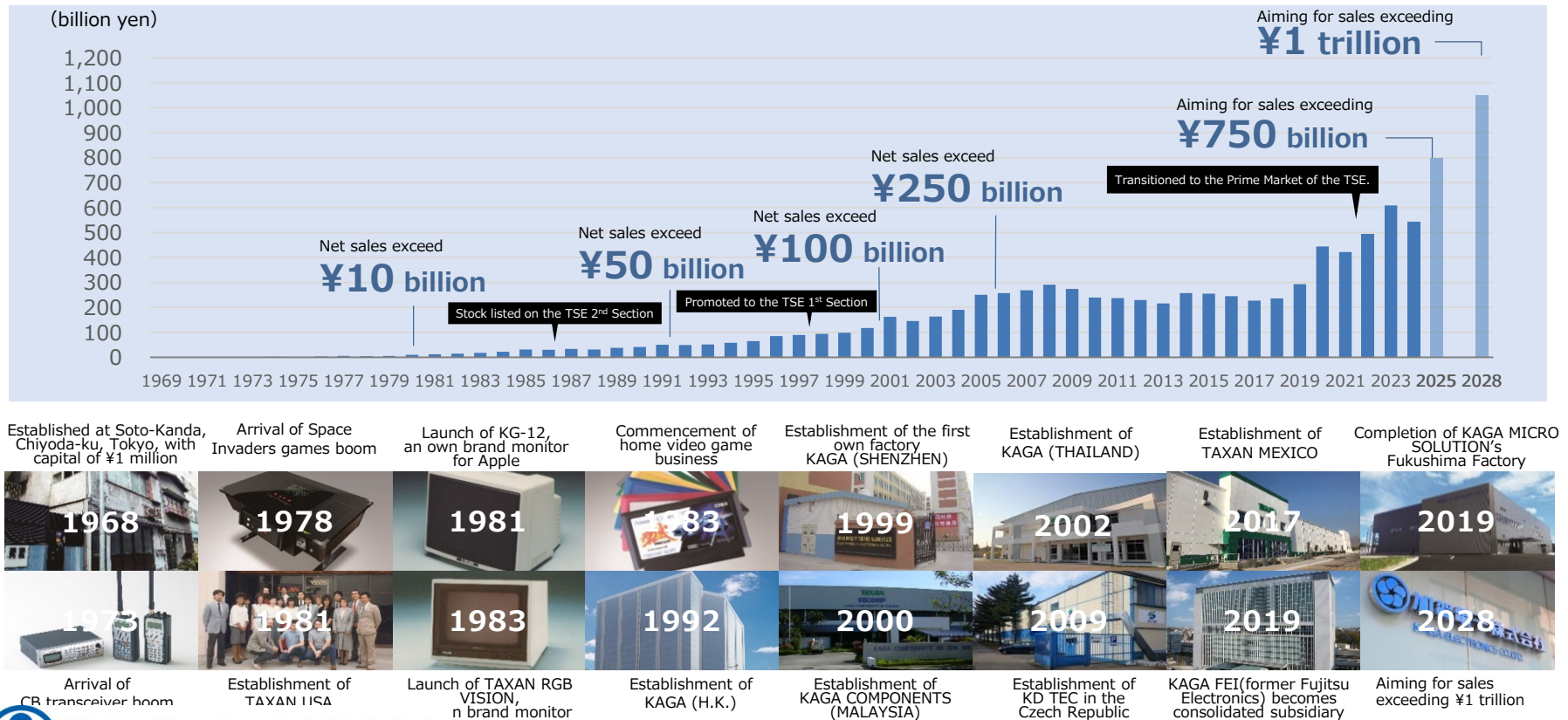
There have been many sayings supported by the experiences of the founder and our forebears since the company's foundation, and these should be treated as treasures. They are our DNA that we will carry into the future as a foundation for our actions to overcome daily competition.

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

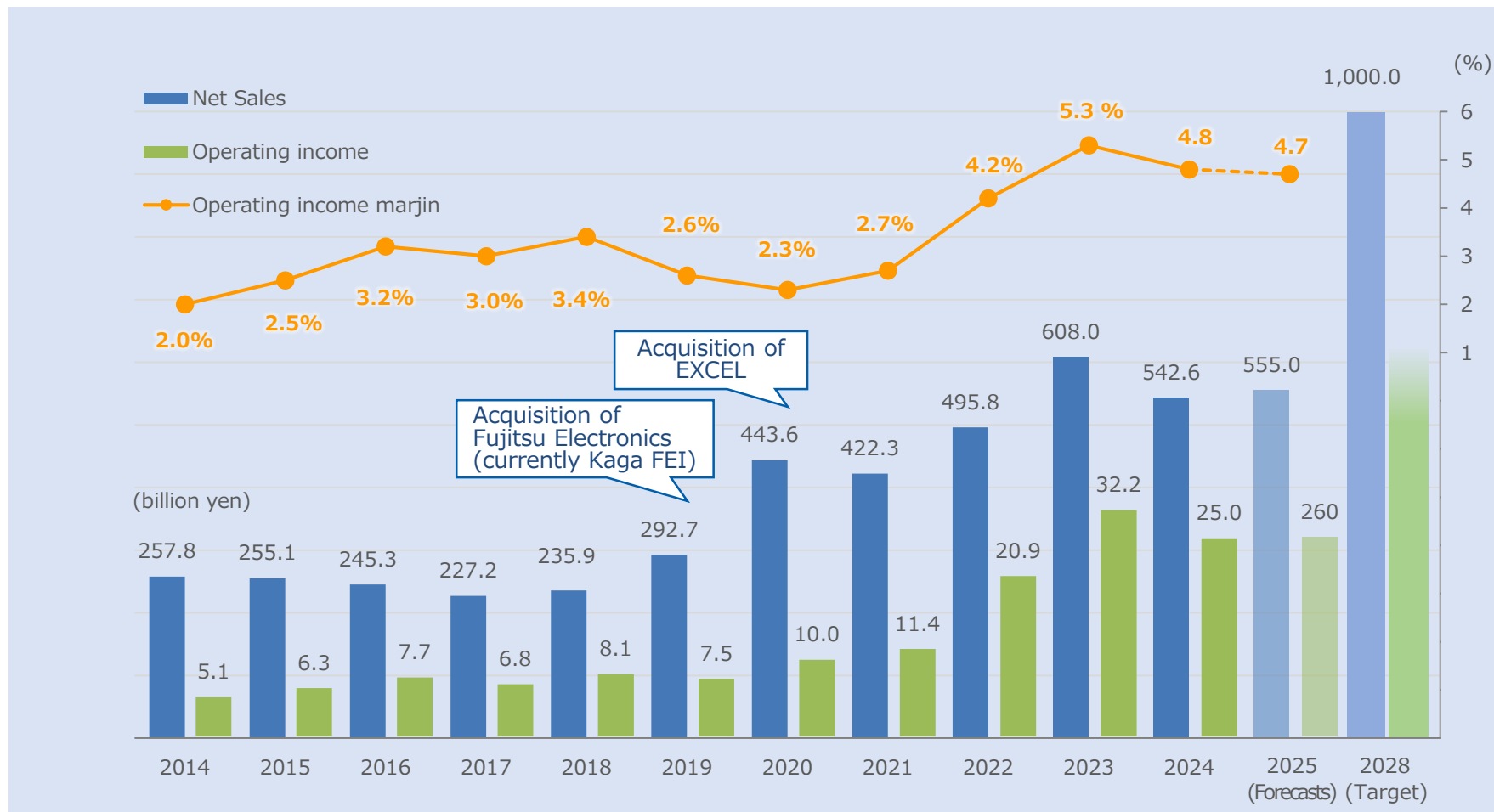
## New technologies. New products. Always listening to the voice of the times. We grew together with the electronics industry.

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

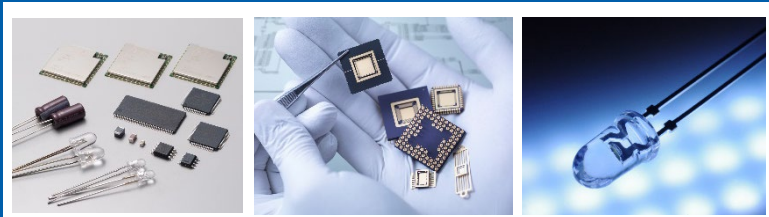
Management with an emphasis on profit has taken root in the Group since 2014, resulting in an improvement in both operating income and the operating income margin. The Company has aggressively carried out M&A since 2016, shifting to a growth trajectory. We aim for an ongoing increase in revenue.





# 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



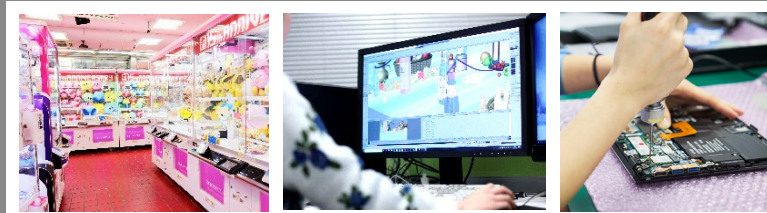
Providing total support for design, development, and manufacture of products ranging from semi-finished to finished products

## 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%

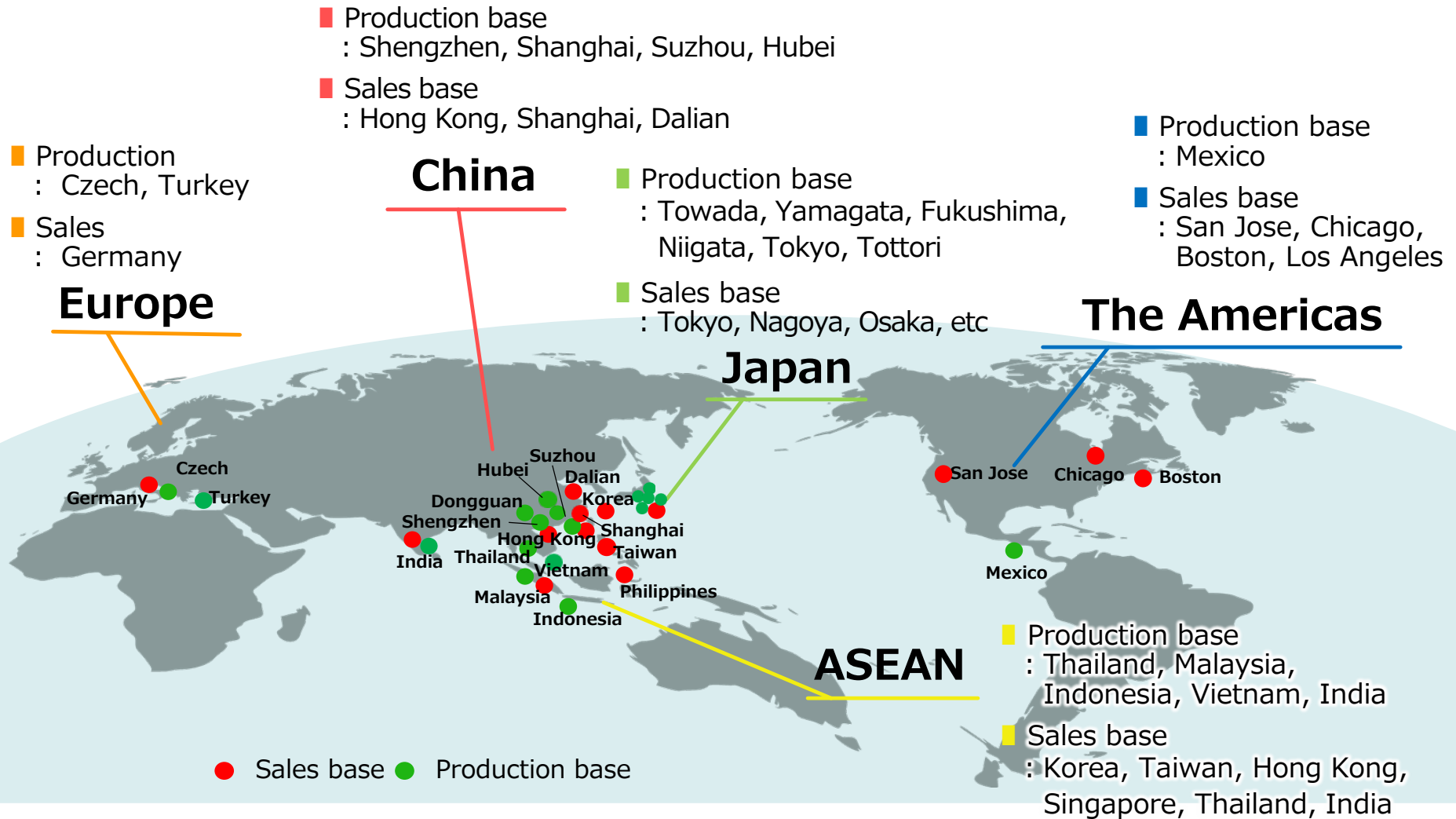
8.2%

3.2%



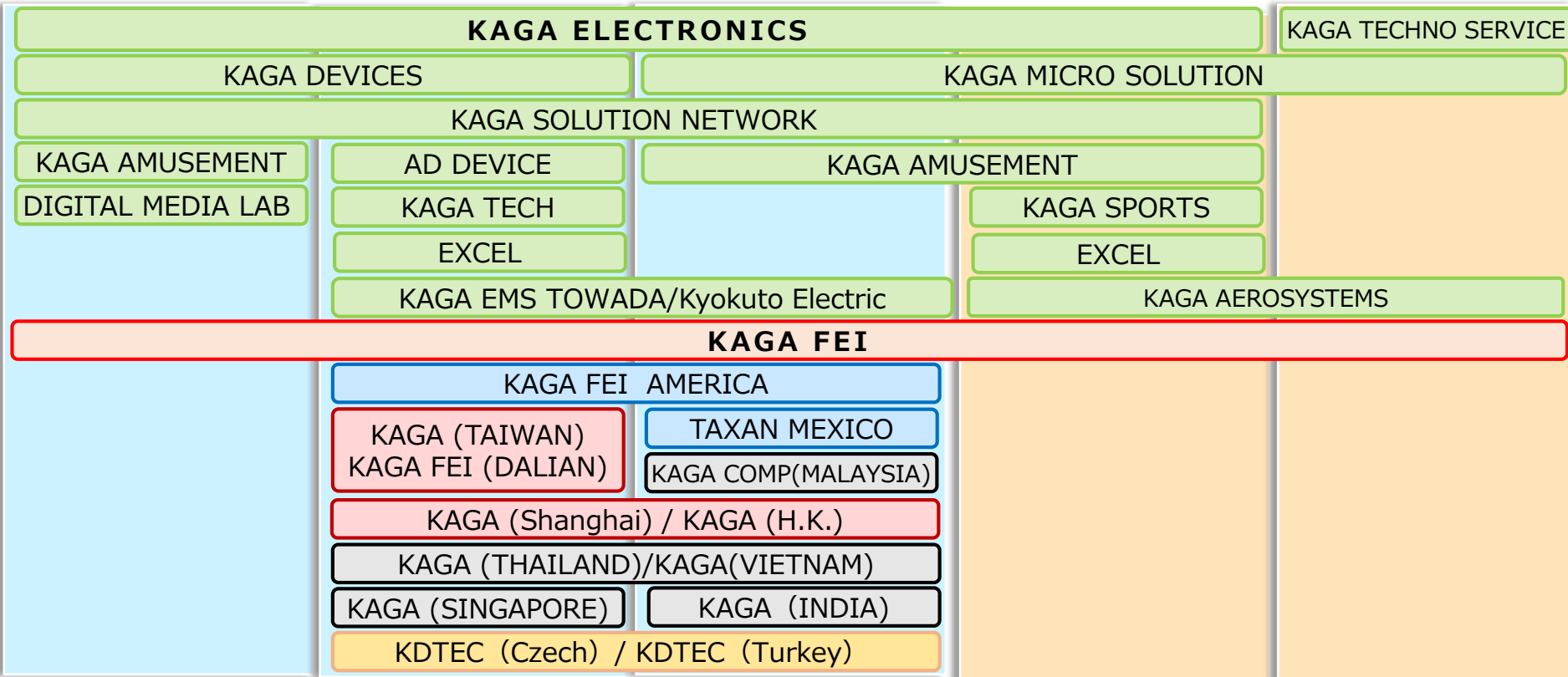
# The Group's Strength-② : Global Network

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

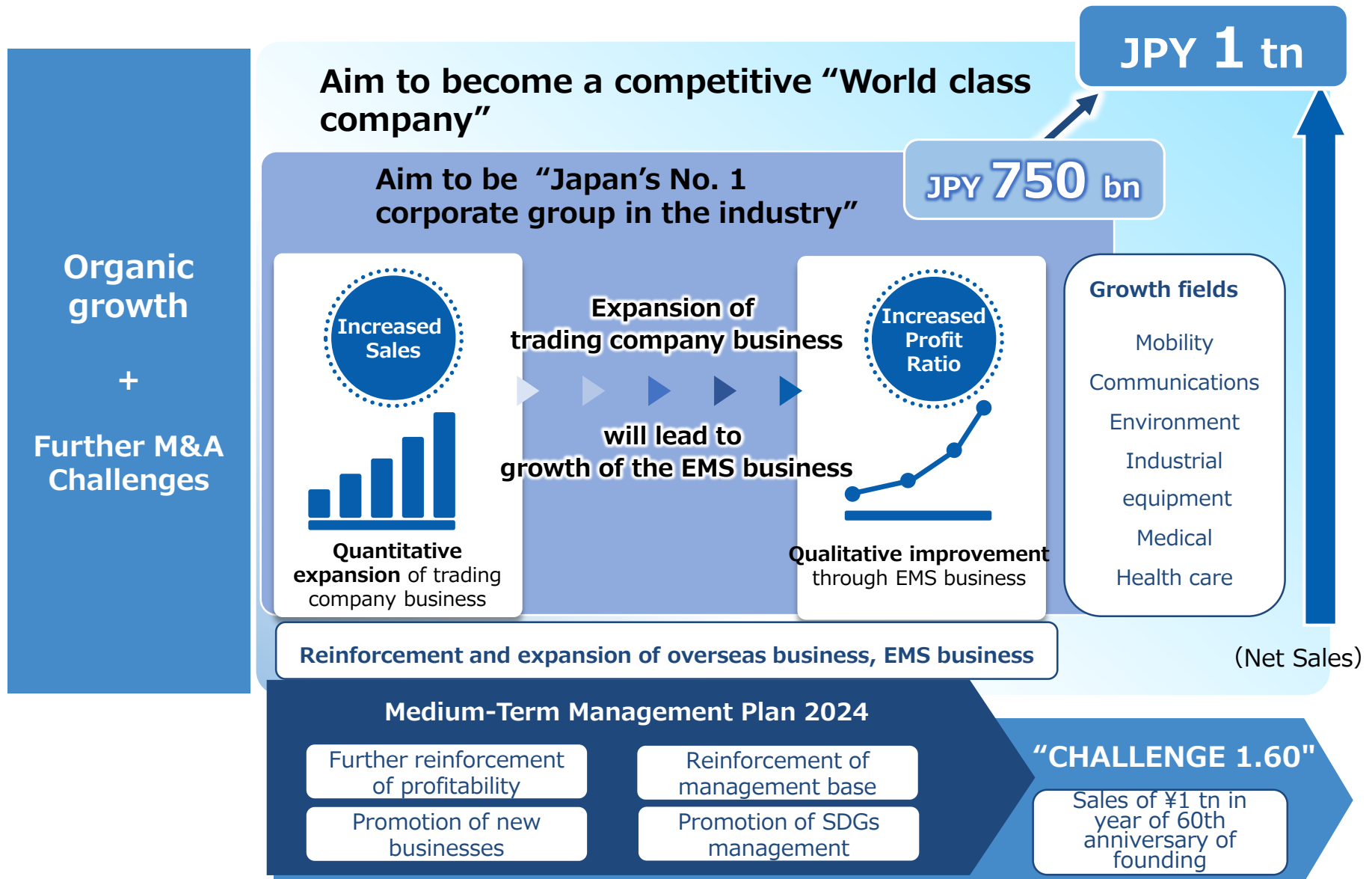


**KAGA's Growth Scenario**

# **Medium Term Management Plan 2024**

**(Extract from materials published on November 25, 2021)**

# Medium-Term Management Plan 2024 : Summary



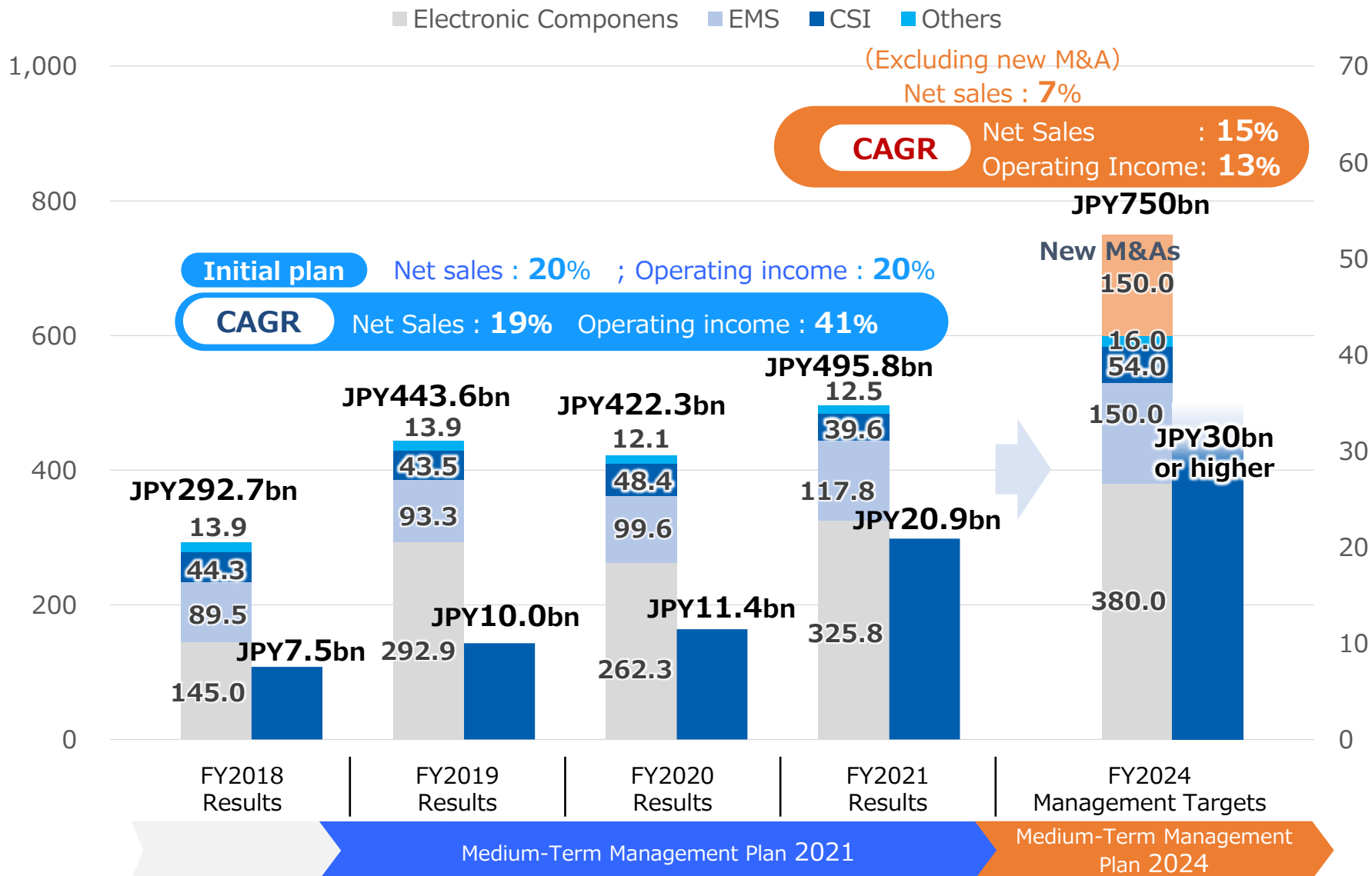
# Medium-Term Management Plan 2024: Basic Policy

## Basic policy and key issues/actions

Further Reinforcement of Profitability	Predicting the era to <b>focus on markets with potential for high growth and profitability</b>	<ul style="list-style-type: none"><li>• Selection and concentration in growth fields: Mobility, Communications, Environment, Industrial equipment, Medical/Health care</li><li>• Reinforcement and expansion of EMS business and overseas business</li></ul>
Reinforcement of Management Base	Pursuit of further efficiency and soundness, and <b>transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry"</b>	<ul style="list-style-type: none"><li>• Reinforcement of corporate governance</li><li>• Efficient Group management</li><li>• Investments in human capital</li></ul>
Creation of New Businesses	Active use of venture investments and M&As to create new businesses and <b>strengthen resistance to change in the external environment</b>	<ul style="list-style-type: none"><li>• Initiatives in new fields</li><li>• Promotion of open innovation through venture investments</li><li>• M&amp;A efforts aimed at discontinuous growth</li></ul>
Promotion of SDGs Management	Promotion of management that seeks to <b>achieve solutions to social issues and sustainable growth as a company</b>	(See "Medium-Term Sustainability Management Plan" for details)

# Medium-Term Management Plan 2024 : Business Portfolio

\*CSI: Consumer & System Integrator



# 『Medium-Term Management Plan 2024』

## Progress of Management targets

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

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

# Medium-Term Management Plan 2024 - Progress of Management Measures

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

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



# 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

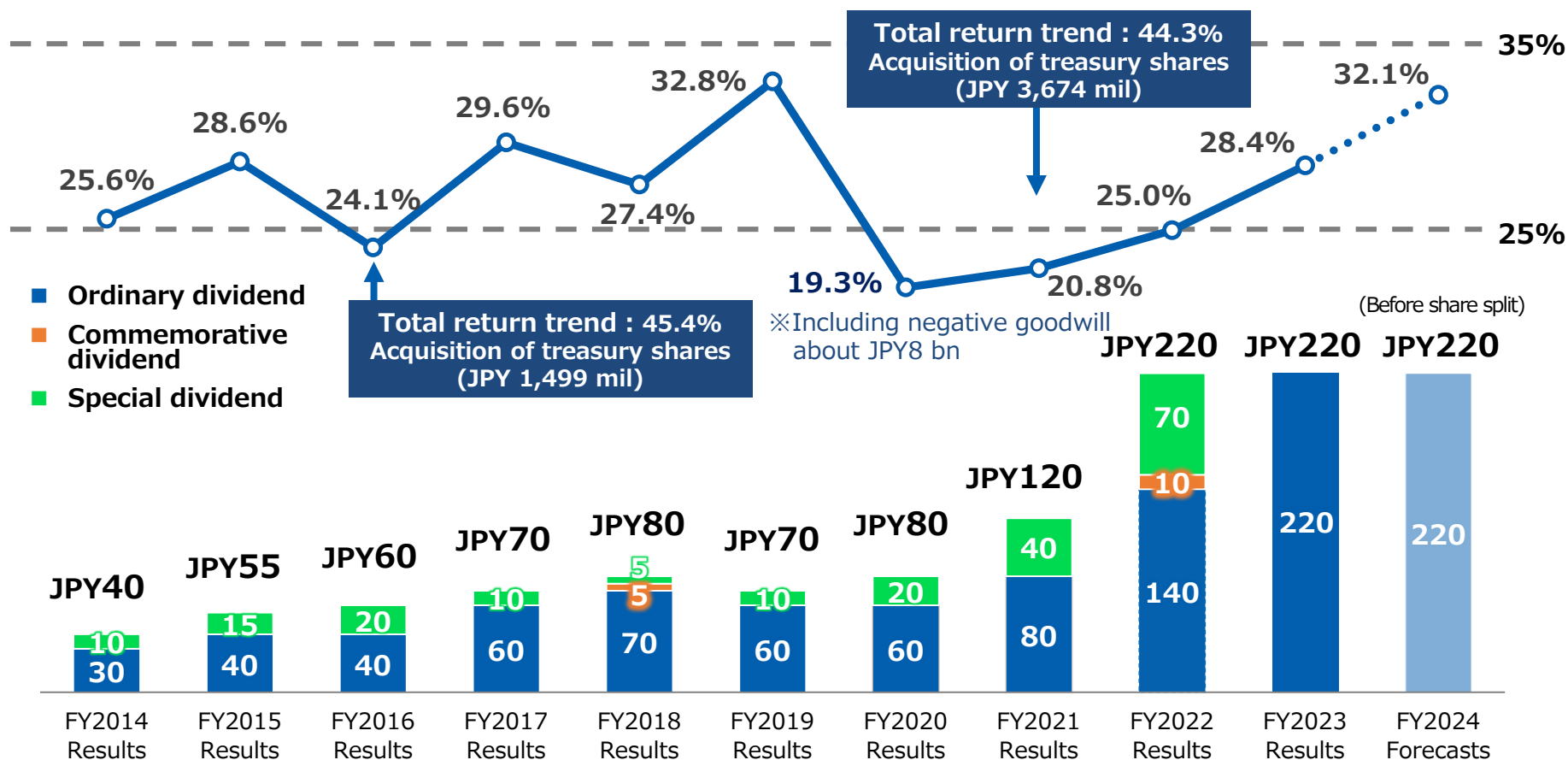
## Stability and credit rating

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

# Shareholder Return

## Basic Policy on Dividends of Surplus

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



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

# The Strengths of Kaga's Electronic Components Business

**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.**

## The advantage of an independent trading company

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.

- 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.

## The power of a global network

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.

- 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.

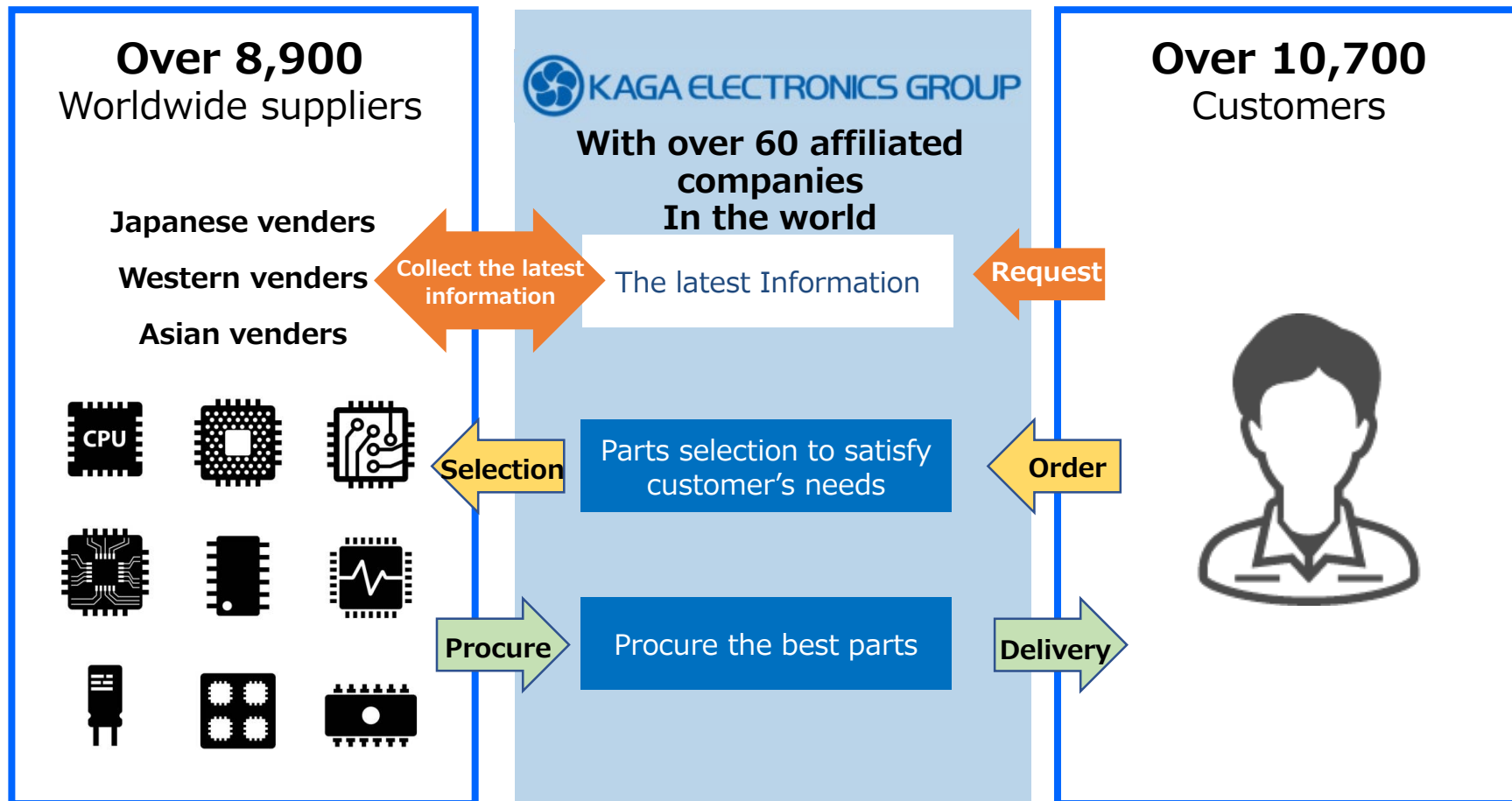
## Technical support system

Our experienced technical teams can be counted on. Our dependable system today is the product of years of earning trust.

- 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.

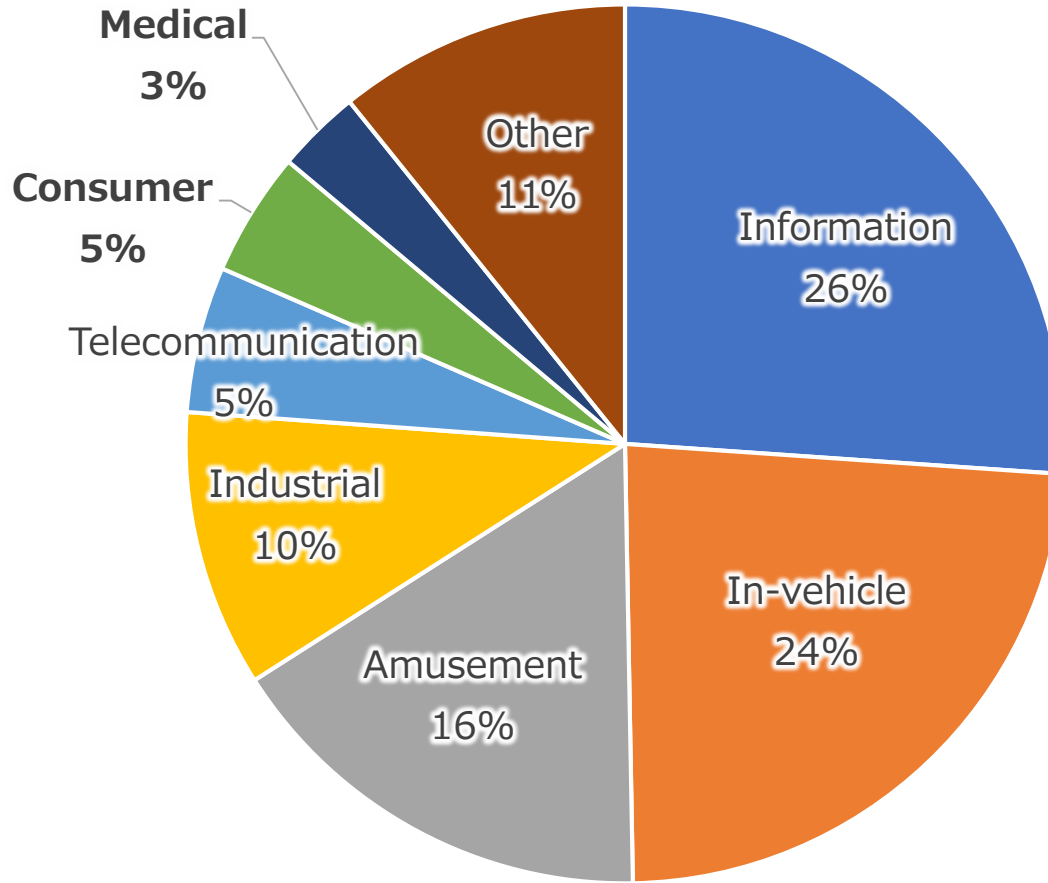
# Business Flow of the Electronic Components Business

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



# Portfolio by Industry in Electronic Component Business

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



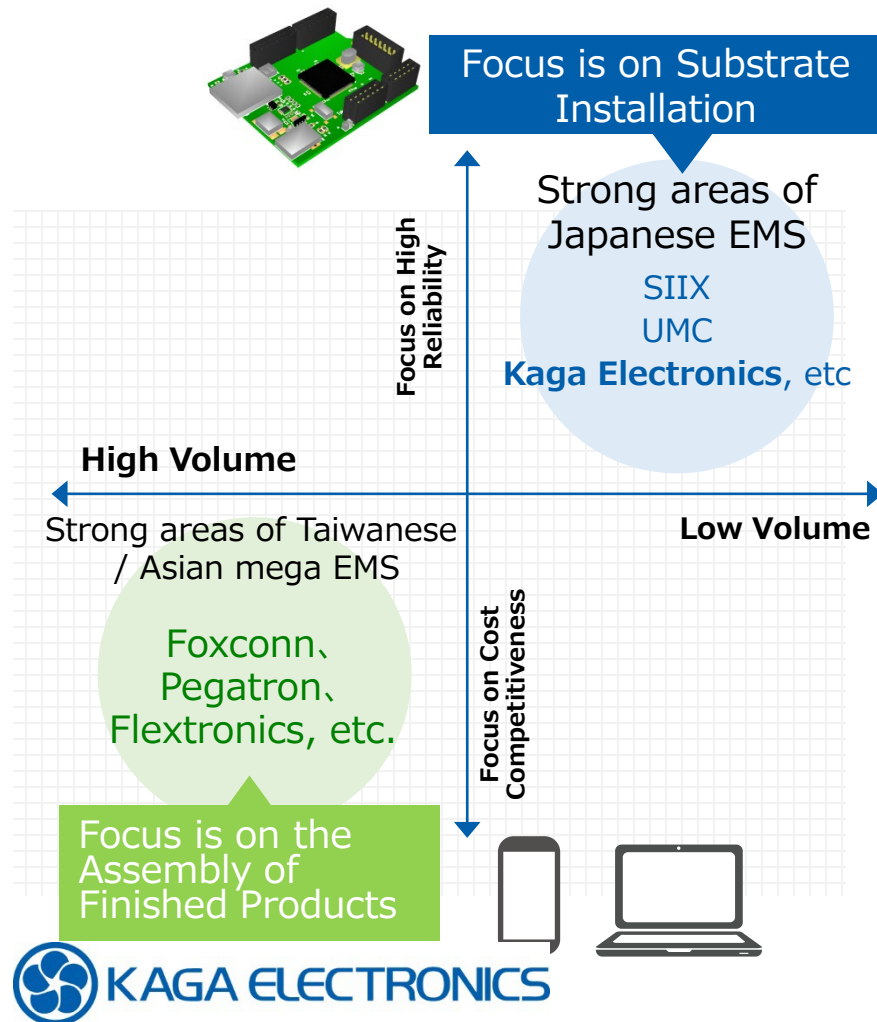
**FY2024/3**

# EMS Business

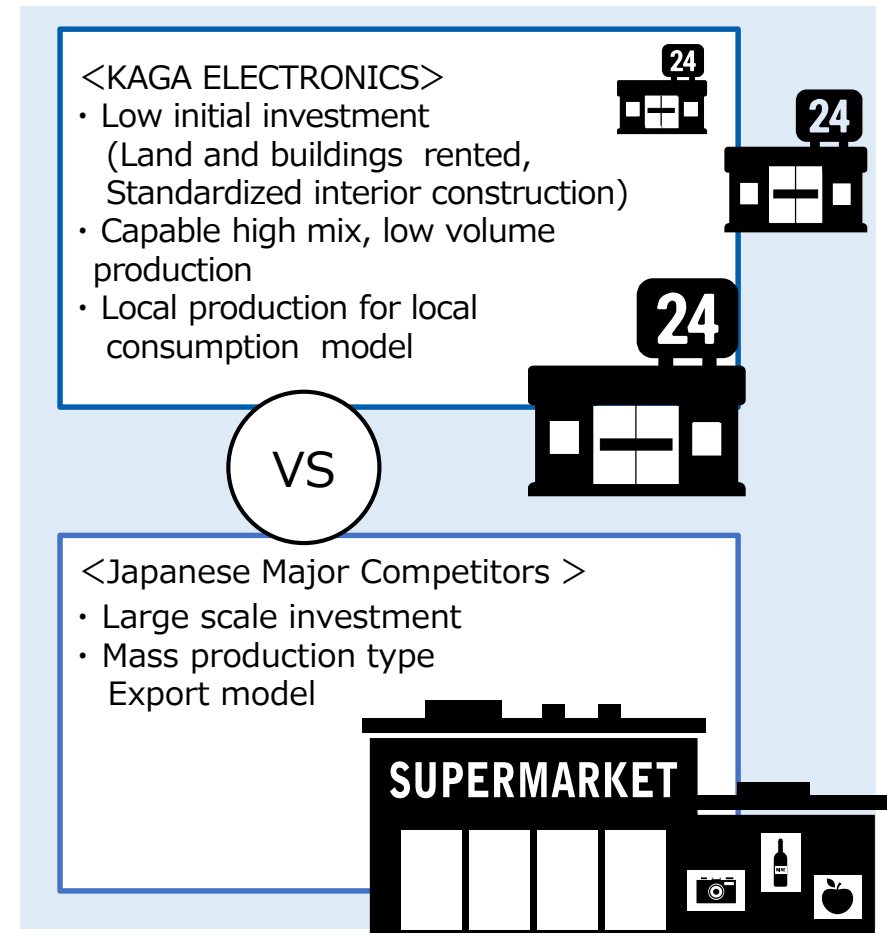
# The Strengths of Kaga's EMS : Convenience Store EMS

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





# Introduction to 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 : 2017  
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

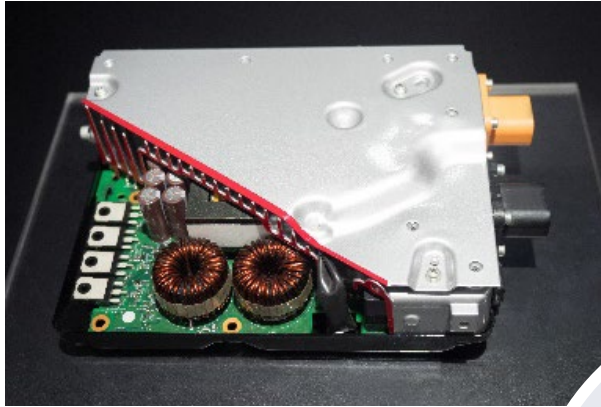
Assembly of automotive lighting units and circuit boards for air-conditioning equipment, etc.

### Start of operation

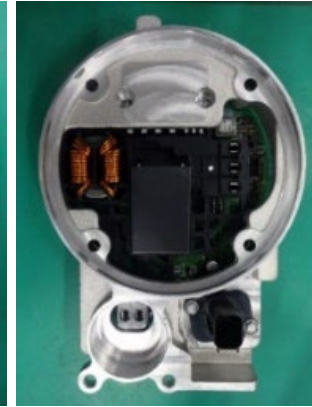
Scheduled for April 2024

# Major Products: In-vehicle Products

## AC Inverter Units



## Electrical Compressor Units



## Lighting Units for Automotive



## Automotive Navigation System





# Major Products: HVAC, Industrial, Medical related and Office Equipment

## Air Conditioner Unit



## Products for Electrical Tools

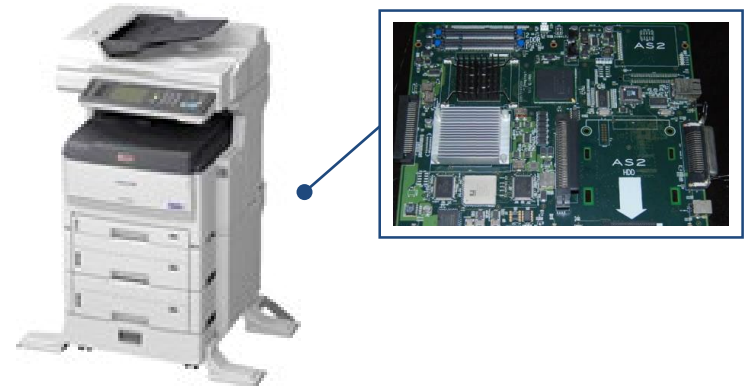


## Medical Equipment



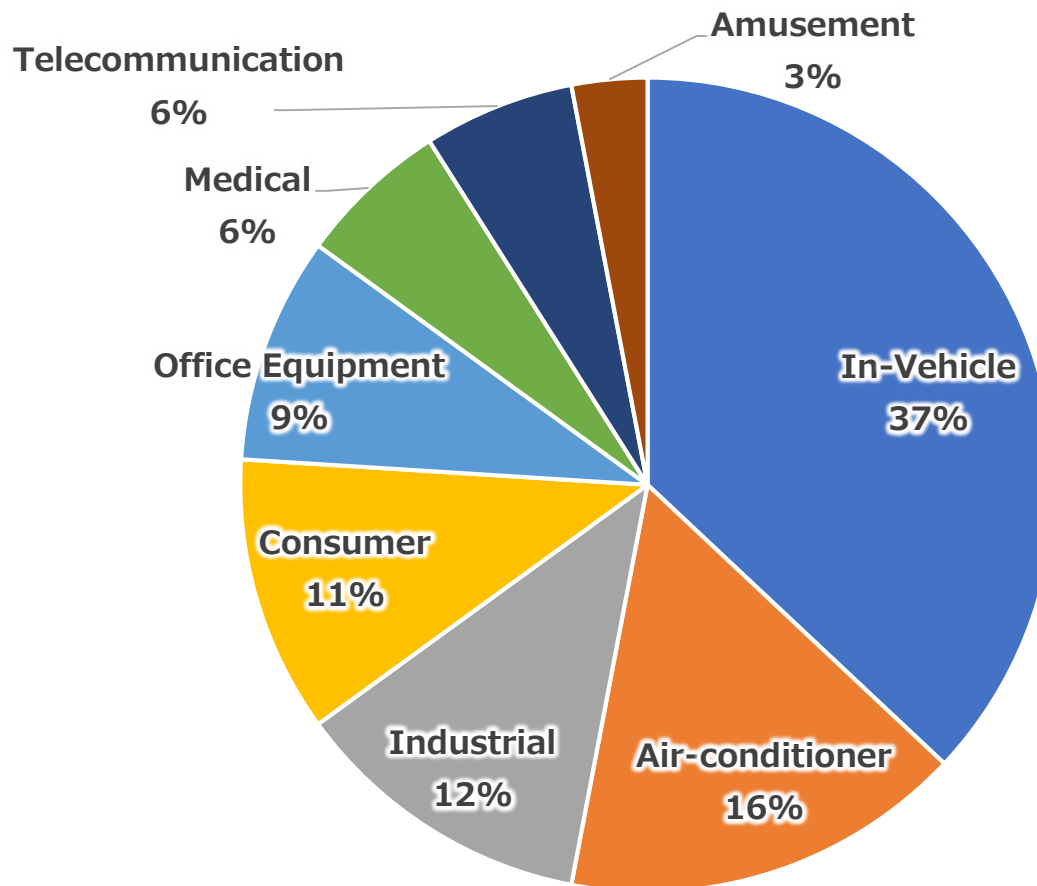
<Automated Medication Dispensing Cabinet>

## Substrate for Office Equipment



# Portfolio by Industry in EMS Business

**Net Sales: JPY120.4bn**



**FY2024/3**

# Measures to Increase Competitiveness -① : Increasing of Production Capacity

We will respond flexibly and nimbly to the movement to shift production out of China due to the prolonged trade tensions between the US and China and the movement to restore domestic production to avoid exchange rate fluctuations and increasing labor expenses.

## Fukushima Factory



### Business Content

Manufacture, repair, reuse, and recycling of communications equipment, PCs, and PC peripherals

### Operation start date

October 2019

## Amata Nakhon 2<sup>nd</sup> Factory



### Business Content

Installation of substrates for multifunction devices, printers and automotive related units

### Operation start date

December 2019

## Malaysia Factory (Relocation)



### Business Content

Various power supply products and sanitary equipment, industrial equipment, and electrical equipment substrates for consumer electronics

### Operation start date

October 2022

## Turkey Factory (Relocation)



### Business Content

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

### Operation start date

June 2023

## Measures to Increase Competitiveness -② : 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



# Measures to Increase Competitiveness -③ : 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.

## Introduction of HATTEN Equipment



### 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)



# Sustainability Policy

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 CO<sub>2</sub> 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.

# 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 of medium- to long-term sustainability targets : Environmental

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <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, FCEV)</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 of medium- to long-term sustainability targets : Social

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
S	Diversity and human resource management	<ul style="list-style-type: none"> <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>	<ul style="list-style-type: none"> <li>FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023) FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)</li> </ul>
	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>	<ul style="list-style-type: none"> <li>FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023.</li> </ul>
		<ul style="list-style-type: none"> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	<ul style="list-style-type: none"> <li>FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024</li> </ul>

# Progress of medium- to long-term sustainability targets :

## Governance

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<ul style="list-style-type: none"> <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>

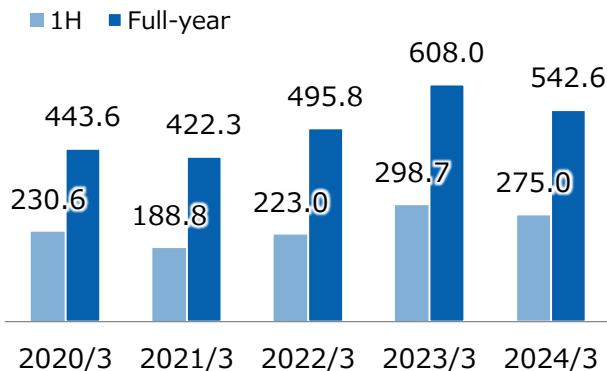


## References

# Latest 5 years Financial Trends

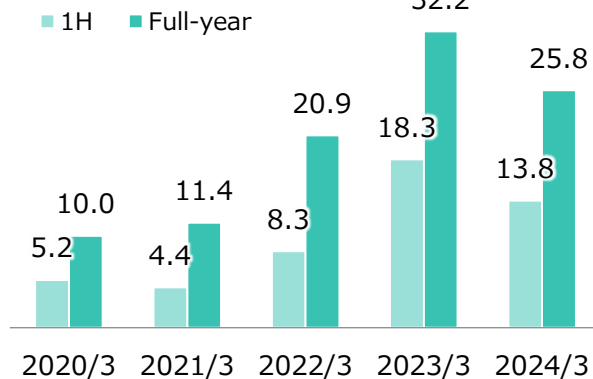
## Net Sales

(billion yen)



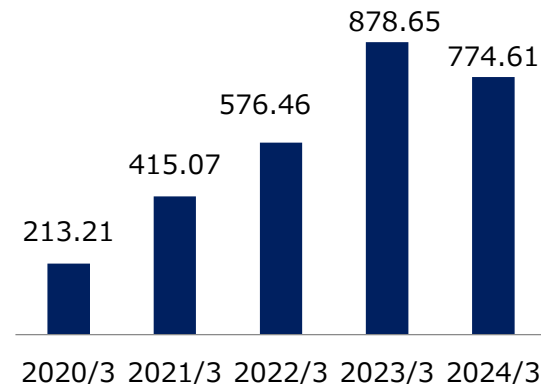
## Operating Income

(billion yen)



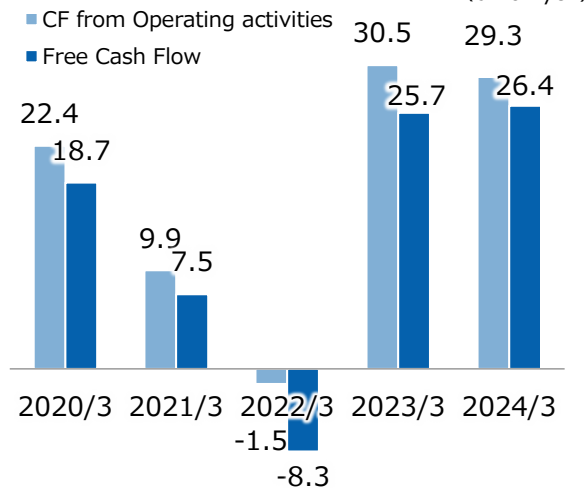
## EPS

(yen)



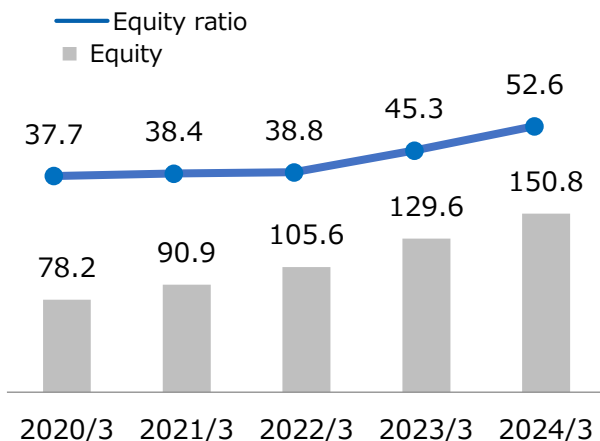
## Cash Flow

(billion yen)



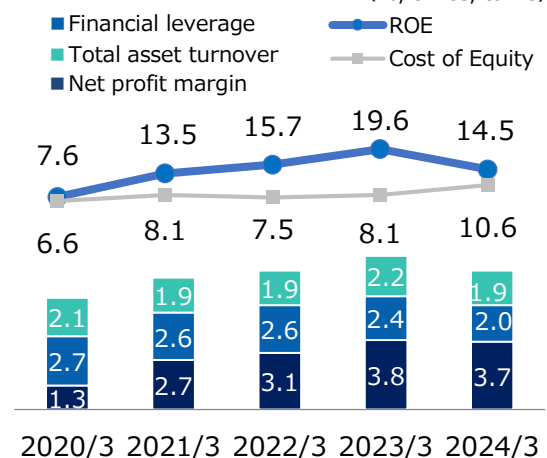
## Equity ratio

(%, billion yen)



## ROE

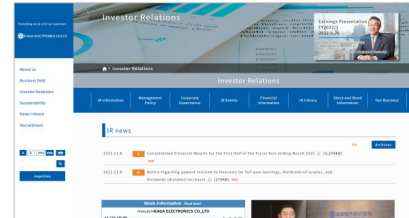
(%, times, turns)



## Other IR Information

- Investor Relations Website

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



- Integrated Report 2023

[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>



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