KAGA ELECTRONICS

JPX-NIKKEI 400
2023 - 2024

JPX-NIKKEI Mid Small
2021 - 2024

Management Briefing Material

KAGA ELECTRONICS

TSE Prime Market 8154

August, 2025

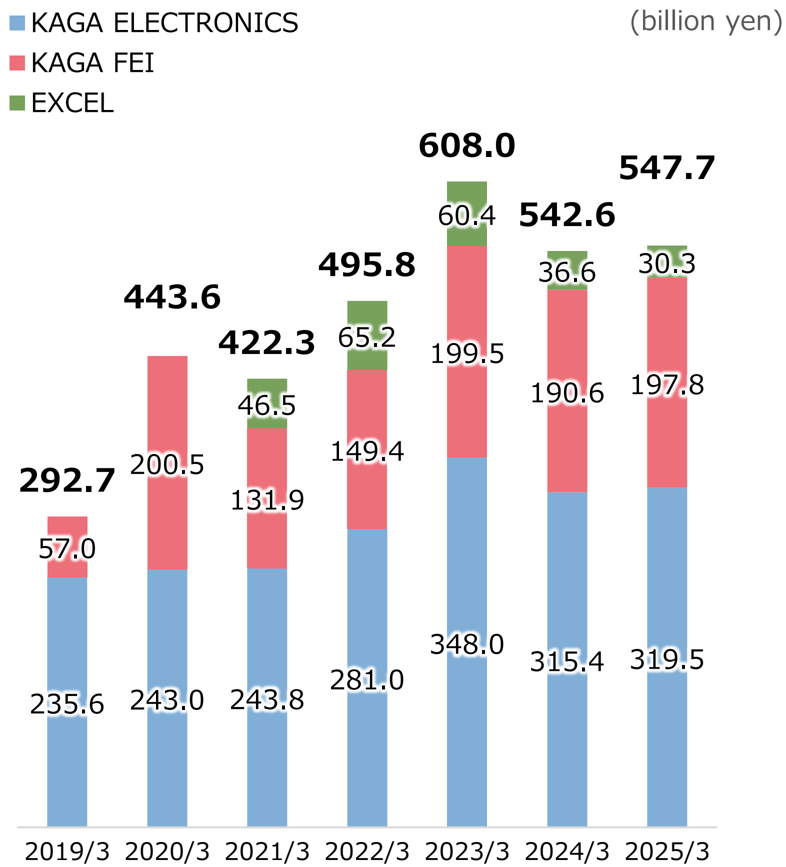
INDEX

Introduction

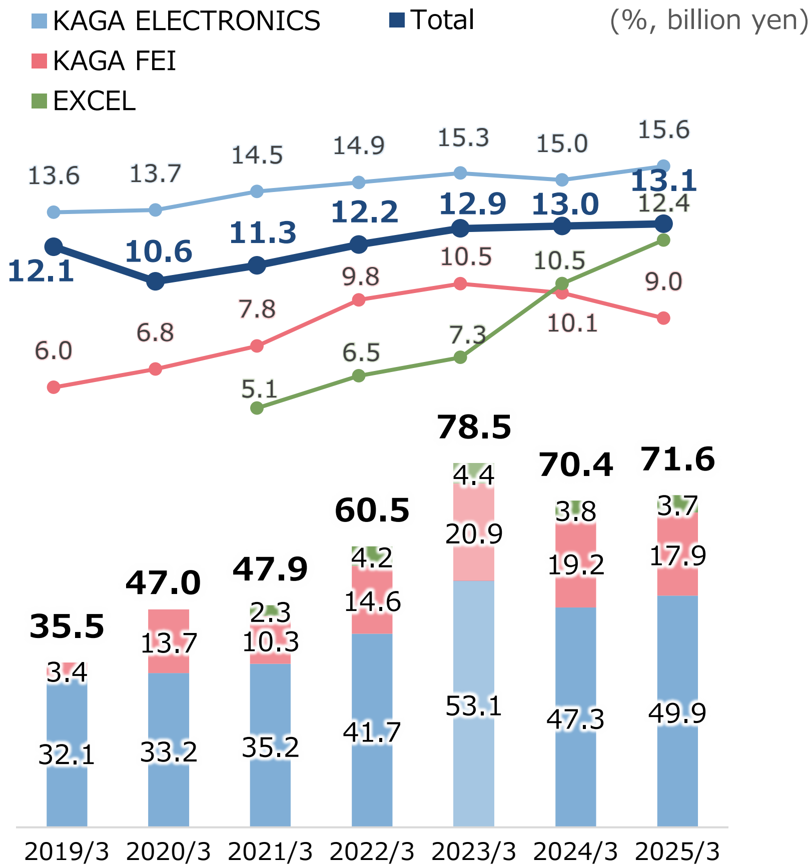
Sustainable profit growth

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

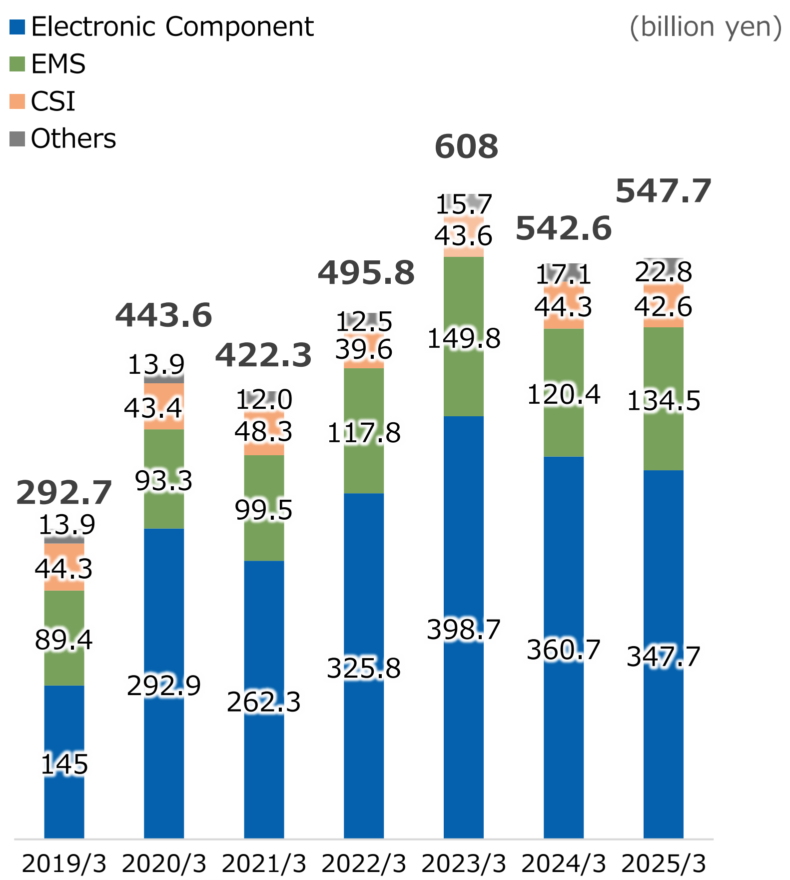


KAGA ELECTRONICS

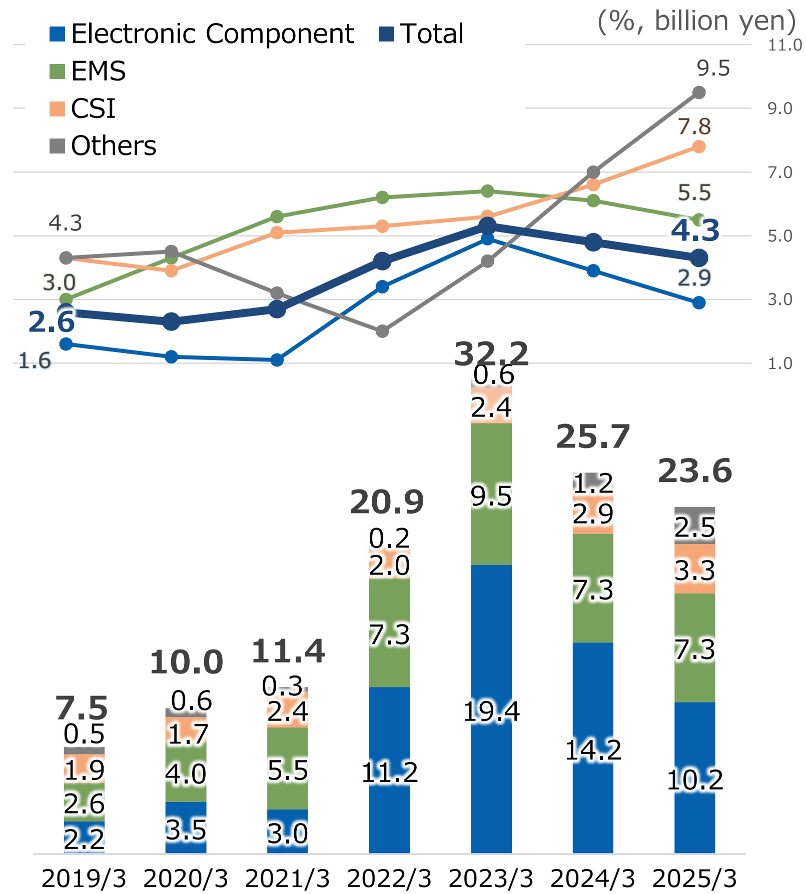
Profit-focused management

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

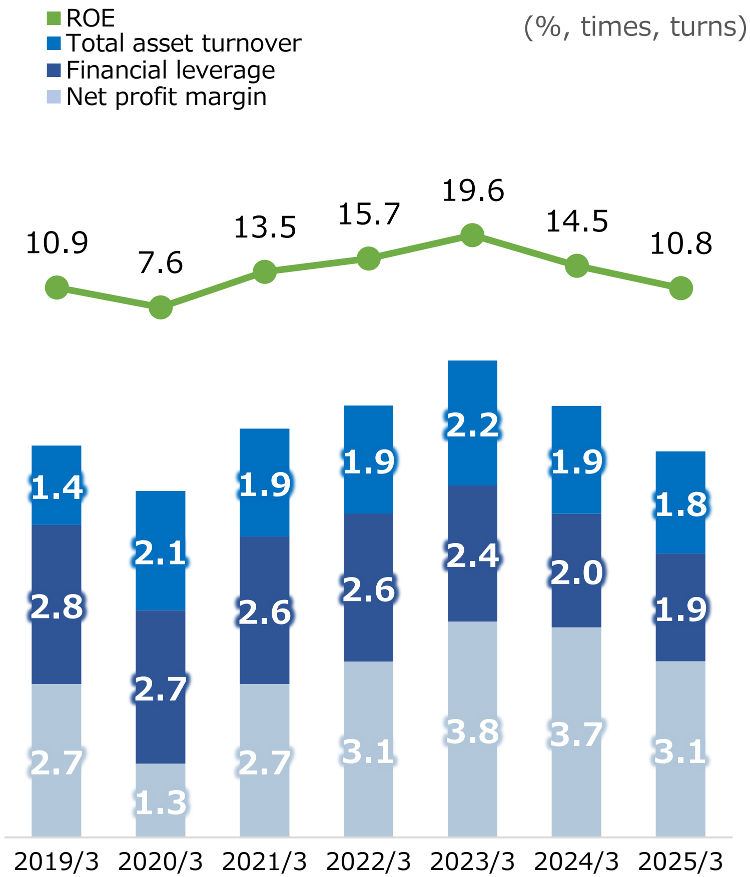


Management Focusing on Capital Efficiency

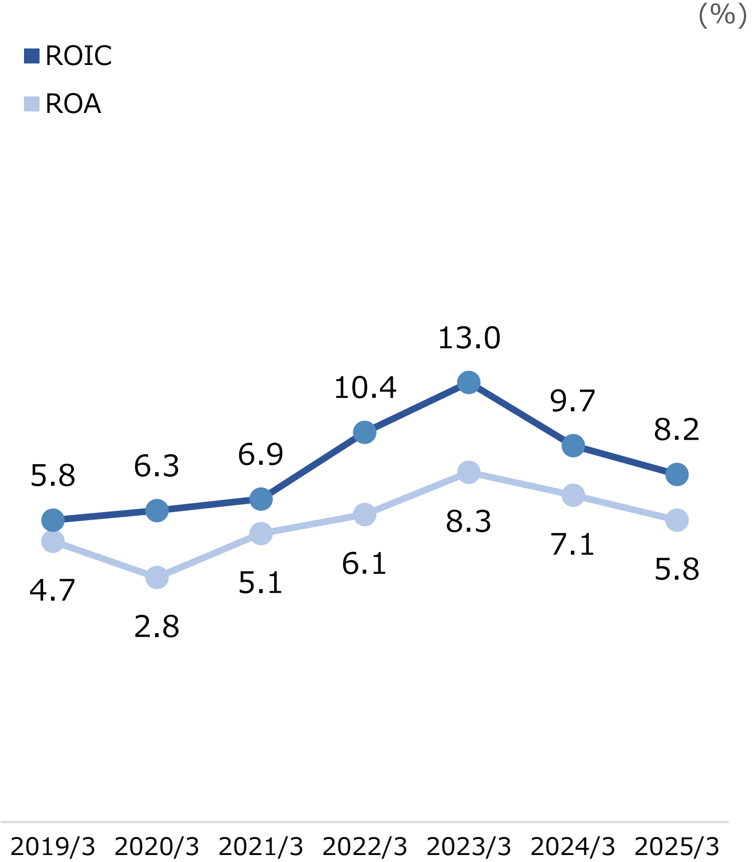
KAGA Electronics practices business management
focusing on the cost of equity and capital efficiency.

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

ROE



ROIC・ROA

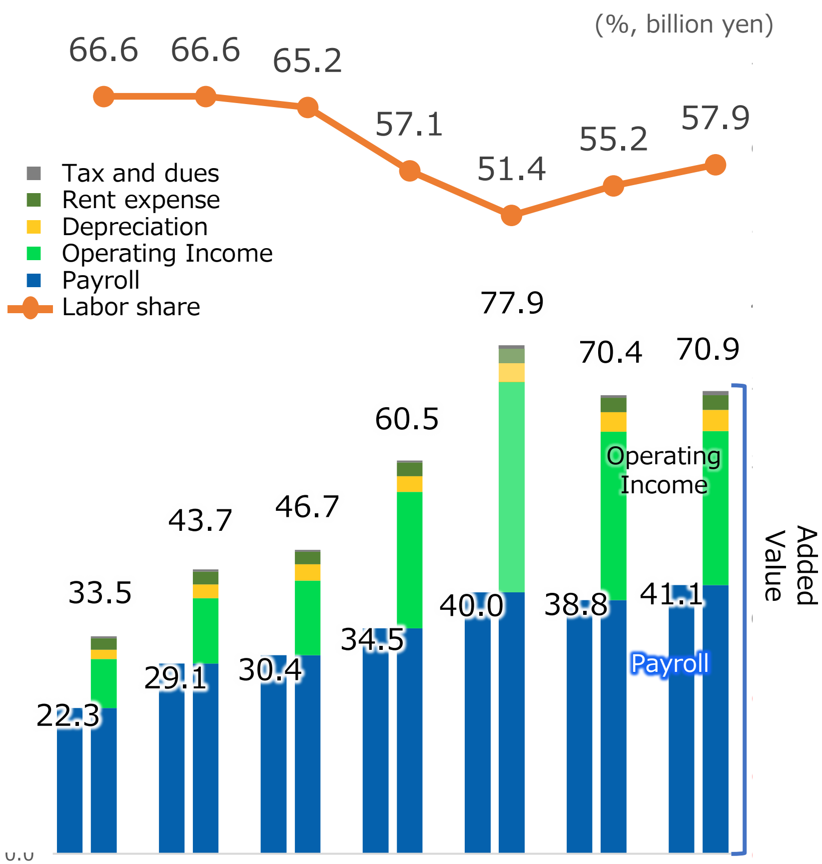


KAGA ELECTRONICS

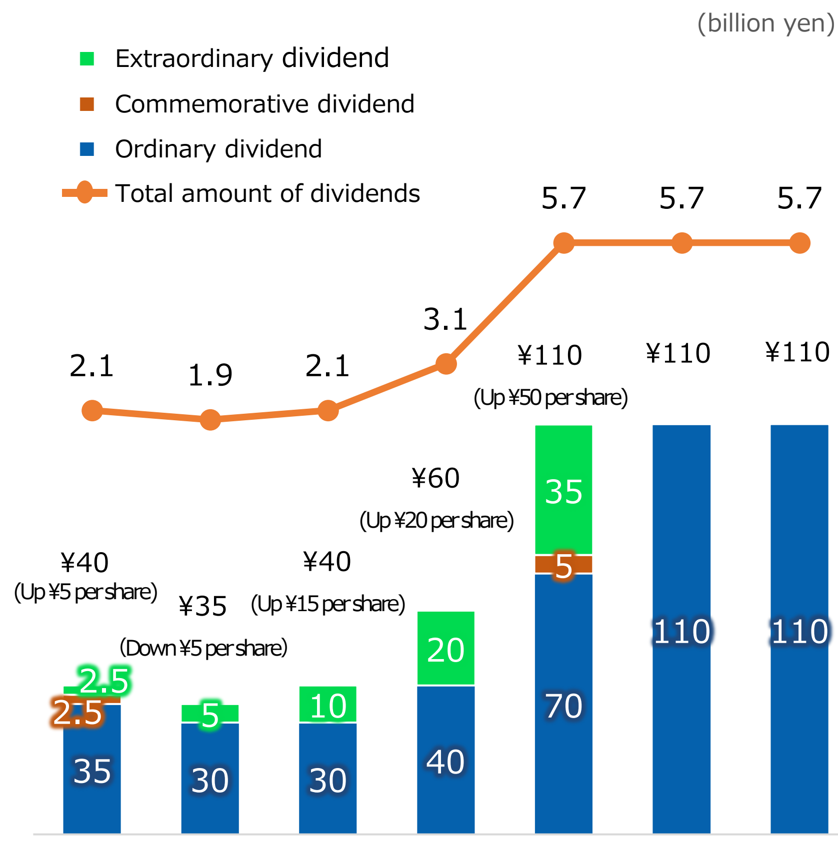
Proactive return to stakeholders

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

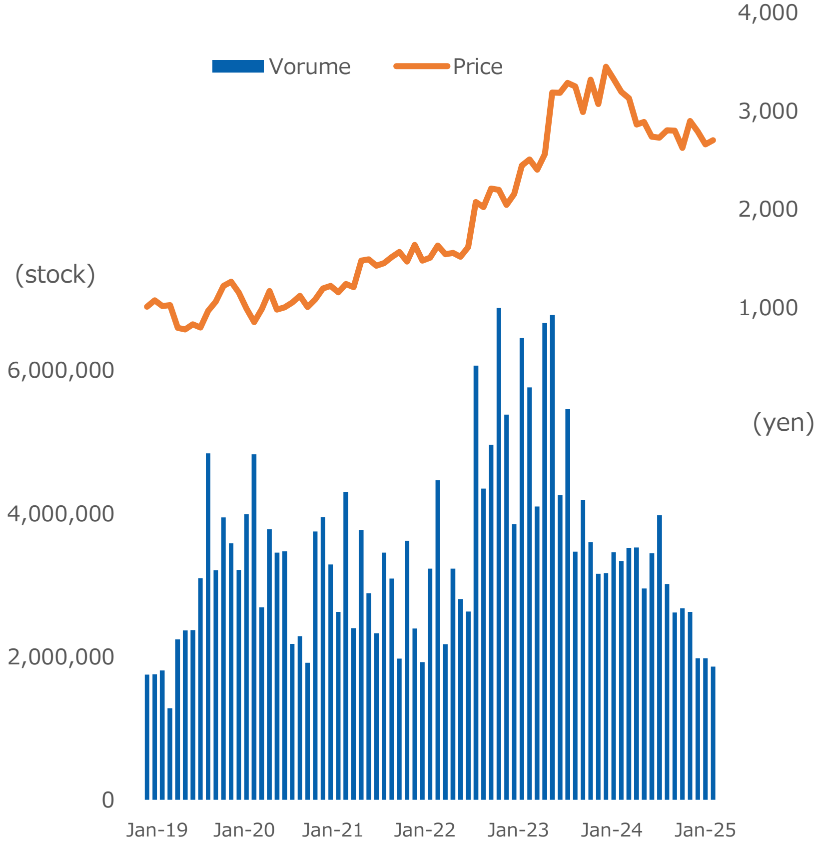


Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. The amounts indicated above related to dividends for the periods prior to October 1, 2024, are adjusted for the said stock split.

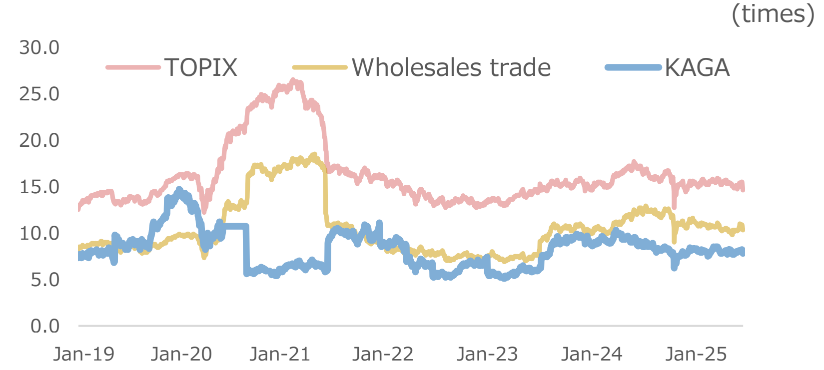
Form fair value and enhance corporate value

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

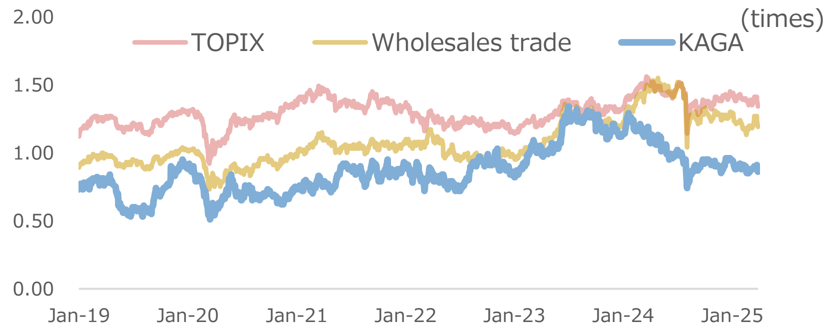
Changes in stock price/trading volume



Changes in PER



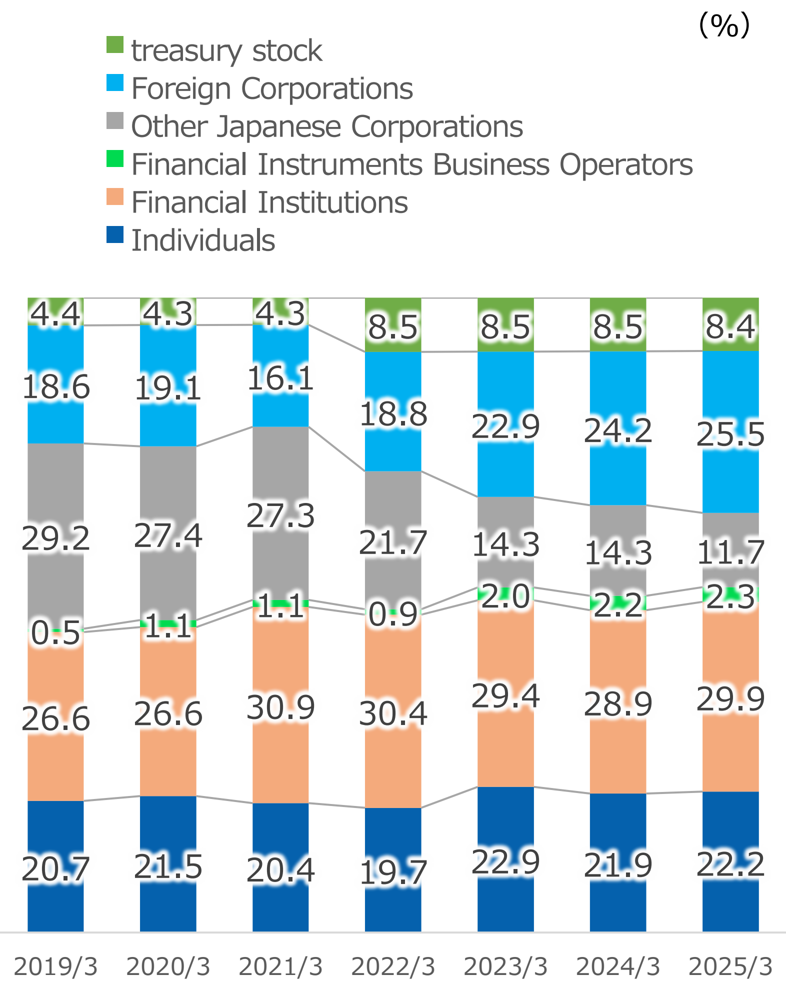
Changes in PBR



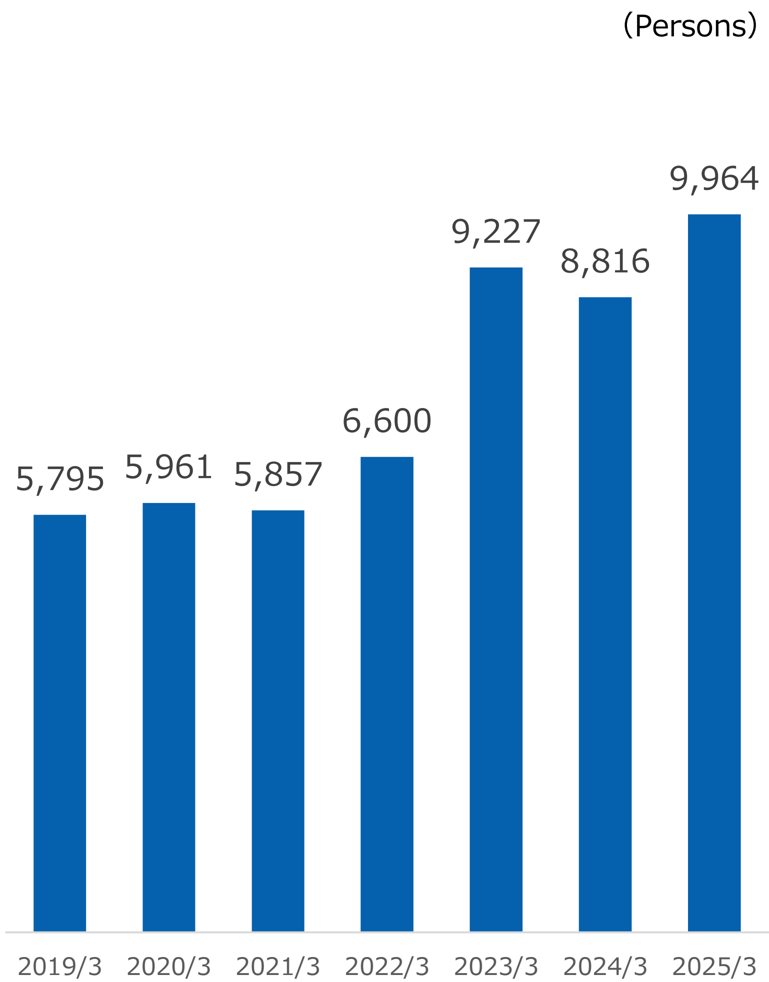
Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. The amounts indicated above related to stock price and stock volume for the periods prior to October 1, 2024, are adjusted for the said stock split.

Shareholders Information

Shareholder Composition



Number of individual shareholders



Corporate Profile

Corporate Outline

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

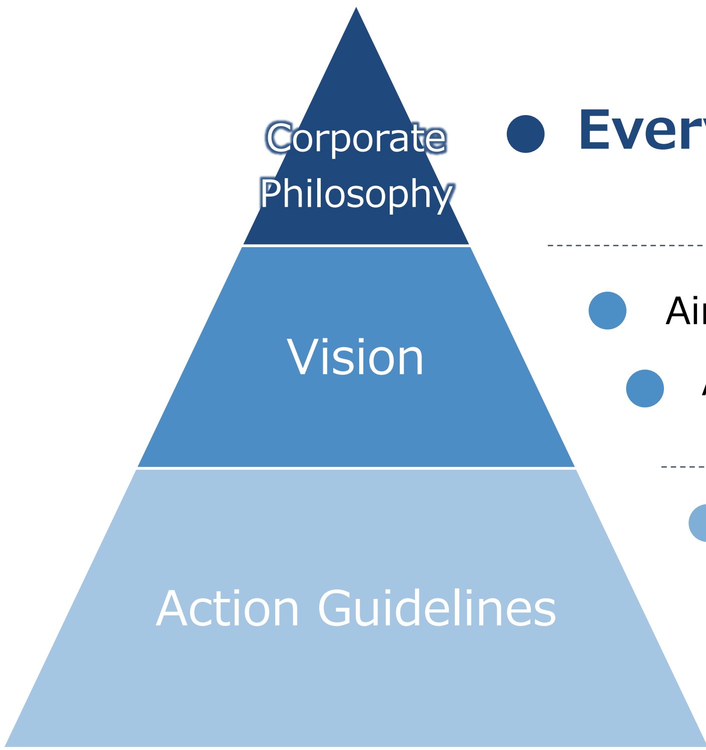
Company Name:	KAGA ELECTORONICS CO., LTD.
Representatives:	Founder & CEO: Isao TSUKAMOTO President & COO: Ryoichi KADO
Head Office:	20 Kanda matsunagacho, Chiyoda-ku Tokyo 101-8629, Japan
Established:	September 12, 1968
Paid-in Capital:	JPY12,133 million
Stock listing:	Prime Market, Tokyo Stock Exchange (securities code: 8154)
Number of Group Companies:	66 Companies（FY ended March 2025)
Number of Employees:	8,560 （FY ended March 2025)

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）

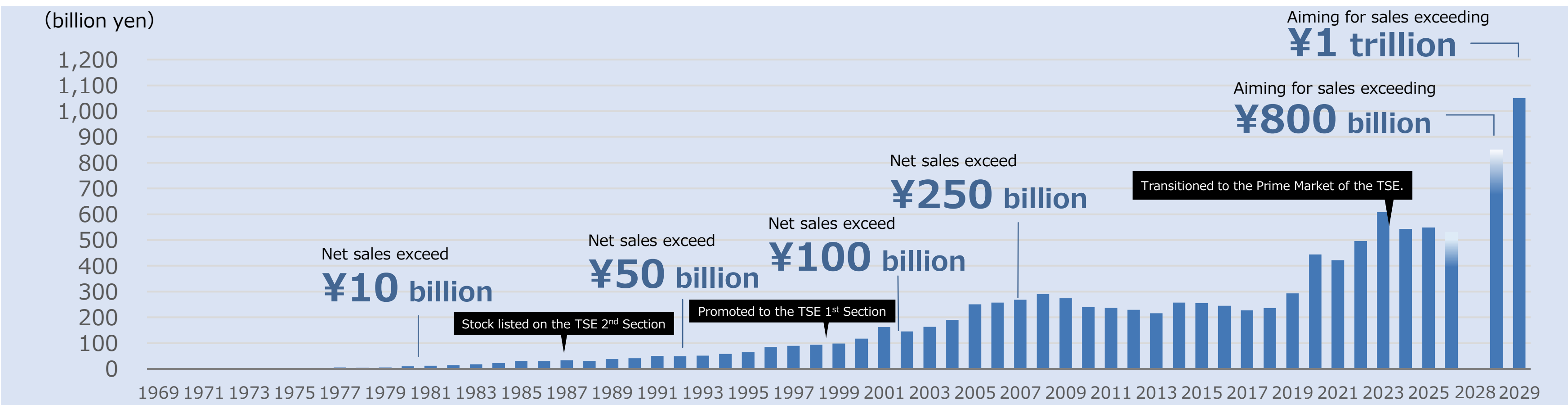
There have been many sayings supported by the experiences of the founder and our forebears since the company's foundation, and these should be treated as treasures. They are our DNA that we will carry into the future as a foundation for our actions to overcome daily competition.

Three Pillars	Basic Principle
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

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.

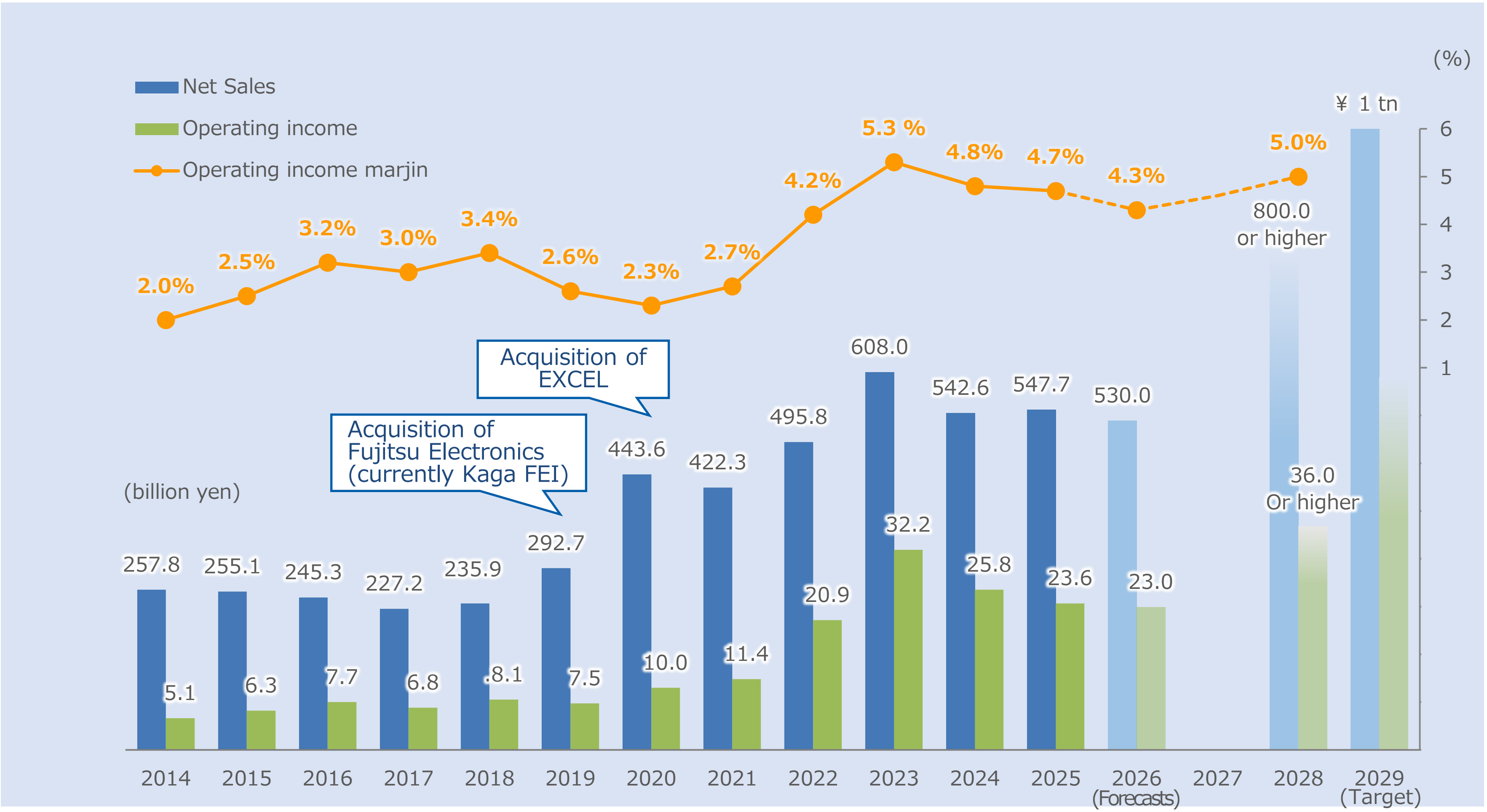


Established at Soto-Kanda, Chiyoda-ku, Tokyo, with capital of ¥1 million | Arrival of Space Invaders games boom | Launch of KG-12, an own brand monitor for Apple | Commencement of home video game business | Establishment of the first own factory KAGA (SHENZHEN) | Establishment of KAGA (THAILAND) | Establishment of TAXAN MEXICO | Completion of KAGA MICRO SOLUTION's Fukushima Factory

Arrival of CB transceiver boom | Establishment of TAXAN USA | Launch of TAXAN RGB VISION, n brand monitor | Establishment of KAGA (H.K.) | Establishment of KAGA COMPONENTS (MALAYSIA) | Establishment of KD TEC in the Czech Republic | KAGA FEI(former Fujitsu Electronics) becomes consolidated subsidiary | Aiming for sales exceeding ¥1 trillion

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.



Medium-Term Management Plan 2021

Medium-Term Management Plan 2024

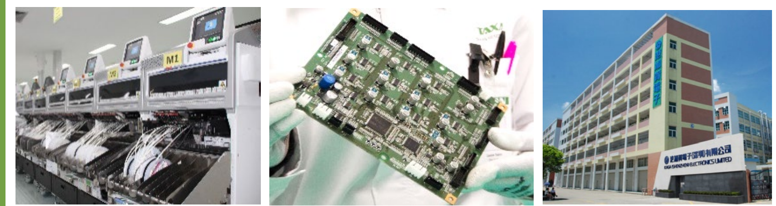
Medium-Term Management Plan 2027

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

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.

China

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

Europe

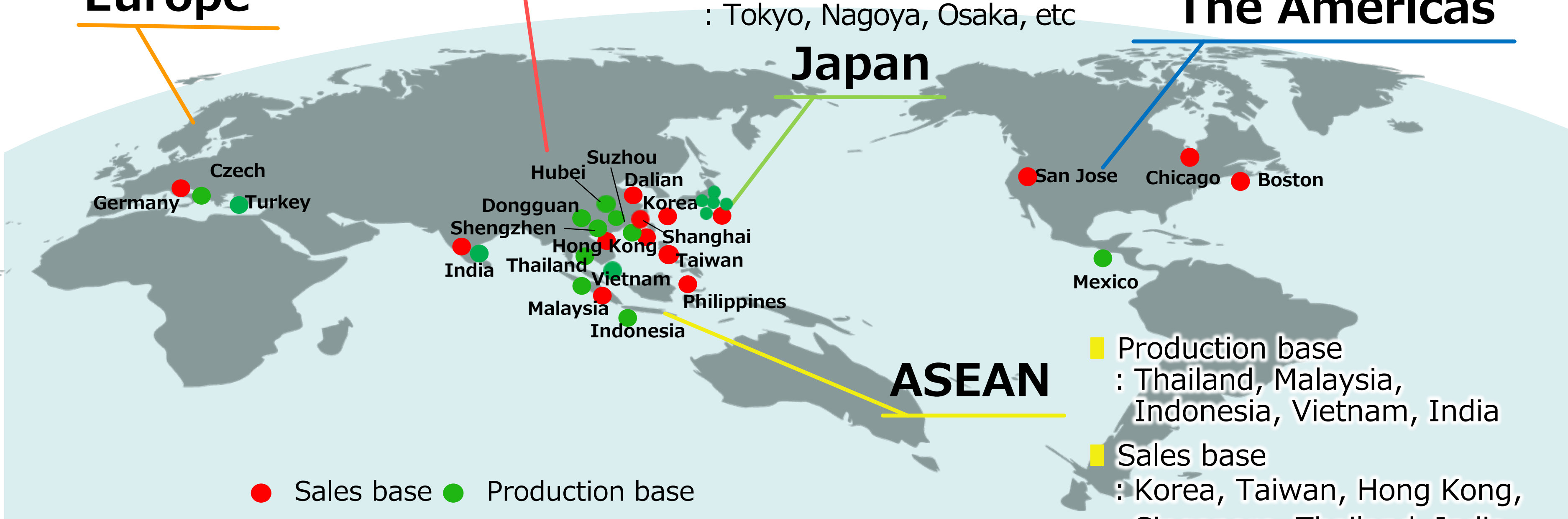
- Production
  : Czech, Turkey
- Sales
  : Germany

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, Boston, Los Angeles



ASEAN

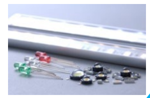
- Production base
  : Thailand, Malaysia, Indonesia, Vietnam, India
- Sales base
  : Korea, Taiwan, Hong Kong, Singapore, Thailand, India

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.

Planning/Design/Development → **Components Procurement/Kitting** → **EMS/Contract manufacturing** → **Sales/Distribution** → **Support/After-sales service**






KAGA ELECTRONICS

KAGA TECHNO SERVICE

KAGA DEVICES

KAGA MICRO SOLUTION

KAGA SOLUTION NETWORK

KAGA AMUSEMENT

AD DEVICE

KAGA AMUSEMENT

DIGITAL MEDIA LAB

KAGA TECH

KAGA SPORTS

EXCEL

EXCEL

KAGA EMS TOWADA/Kyokuto Electric

KAGA AEROSYSTEMS

KYOEI SANGYO

KAGA FEI

KAGA FEI AMERICA

KAGA (TAIWAN)
KAGA FEI (DALIAN)

TAXAN MEXICO

KAGA COMP(MALAYSIA)

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

KAGA (THAILAND)/KAGA(VIETNAM)

KAGA (SINGAPORE)

KAGA (INDIA)

KDTEC (Czech) / KDTEC (Turkey)

A Sound Financial Foundation to Support Growth Strategies

Borrowing capacity

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

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**

Capital efficiency

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

* Assumptions for calculations

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

Stability and credit rating

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

*Japan Credit Rating Agency, Ltd. (JCR)

*End of March 2025

Medium-Term Management Plan 2027

(Extract from materials published on November 28, 2024)

Review of the Medium-Term Management Plan (FY2022–2024): Quantitative Targets

- With the exception of new M&As, the management targets for the final year of the plan (FY2024), announced in November 2021, were achieved in FY2022, the first year of the plan, two years ahead of schedule for net sales, operating income, and ROE.
- Based on the results of this first fiscal year, the Company updated its outlook for the final year and announced it in May 2023.
- In FY2023 and FY2024, due partly to the impact of unexpectedly prolonged inventory adjustment and salary increases, net sales and operating income fell short of the "Latest Outlook," while ROE remained at 10% or higher throughout the plan period.

	Management Plan Announced on Nov. 25, 2021	First-year results 2023/3 Announced on May 11, 2023	Latest Outlook Same as on the left	Second-year results 2024/3 Announced on May. 9, 2024	Final-year results 2025/3 Announced on May. 14, 2025
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 547.7 bn
Operating Income	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 23.6 bn
ROE	Stable 8.5% or higher	19.6%	stable 10% or higher	14.5%	10.8%

Review of the Medium-Term Management Plan (FY2022–2024): Qualitative Targets

- In the EMS business, the Company aggressively worked to increase production capacity in Asia, Europe, and the Americas to strengthen profitability in anticipation of customers' shift away from China.
- The Company promoted DX by replacing the core system and introducing SFA tools to reinforce the management base.

	key issues	Major outcome
Further Reinforcement of Profitability	• Selection and concentration in growth fields • Reinforcement and expansion of EMS business and overseas business	○ ■ Relocated and expanded the Malaysia plant (Oct. 2022) ■ Relocated and expanded the Turkey plant (Jun. 2023) ■ Relocated and expanded the Mexico plant (Apr. 2024)
Reinforcement of Management Base	• Reinforcement of corporate governance • Efficient Group management • Investments in human capital	○ ■ DX investments: SFA (Aug. 2022), SAP (Apr. 2023) ■ Inflation allowance (Mar. 2023), wage increase implemented (Apr. 2024) ■ Established a special leave system for male employees (Apr. 2024)
Creation of New Businesses	• Initiatives in new fields • Promotion of open innovation through venture investments • M&A efforts aimed at discontinuous growth	△ ■ M&As: Four deals, including Taiyo Yuden small wireless module business ■ Investment in venture companies: JPY800mn/11 companies
Promotion of SDGs Management	• Addressing ESG management issues	○ ■ Environmental: Solar power generation facilities installed at six plants in Japan and overseas ■ Social: Recognized as a Health and Productivity Management Organization ■ Governance: Streamlining of the Board of Directors, appointment of female auditor (Jun. 2023)

Medium-Term Management Plan 2027 (FY2025–2027): Conceptual Diagram

『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

Increased Sales — Quantitative expansion of trading company business

Increased Profit Ratio — Qualitative improvement through EMS business

Basic Policy and Priority Measures

Basic policy	Enhance corporate value through management focused on profitability and capital efficiency

Priority measures		Main action plan
Further Reinforcement of Profitability	Expansion of core businesses	■ Put business portfolio management into practice
	M&A challenges	■ 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	■ 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	■ Strategic cash allocation and proactive shareholder returns
	Investment in human capital	■ Reform HR system (overseas Human Resource Development, promote diversification of human resources, etc.)
Promotion of SDGs Management	Accelerated response to ESG management issues	■ 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 medium-term plan (FY2024)	Final year of current medium-term plan (FY2027)	CAGR
Management targets aiming for JPY 1 tn in final year	Net Sales		JPY 800 bn or higher	
	Operating Income		JPY 36 bn or higher	
Increase in revenue through organic growth	Net Sales	JPY 544.7 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% [around 10%]	12.0% or higher [around 10%]	

KAGA ELECTRONICS

<Reference> Breakdown by Business Segment

		Final year of previous medium-term plan (FY2024)	Final year of current medium-term plan (FY2027)	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 544.7 bn	JPY 700.0 bn	8.5%
	Segment income	JPY 23.6 bn	JPY 35.0 bn	14.5%

Growth Strategy Matrix by Business and Company

Supplemental materials

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.

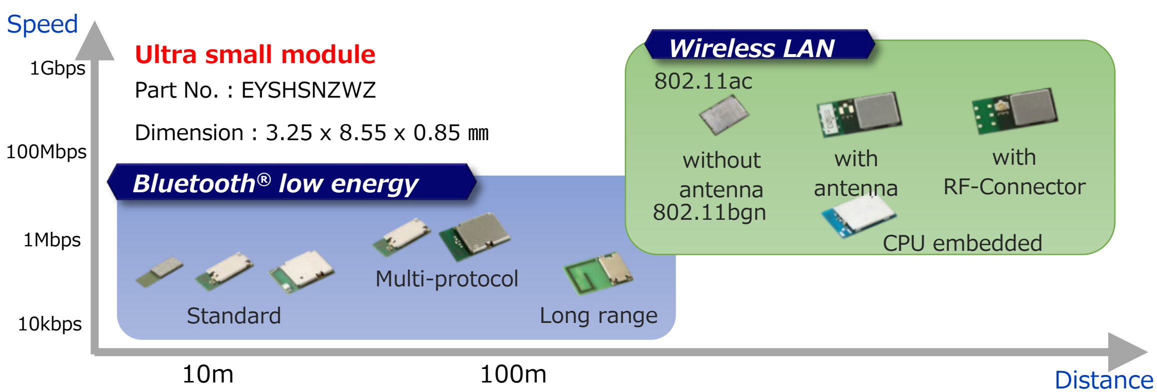
(billion yen)

	Kaga Electronics	Kaga FEI	Excel	Net sales
Electronic Component	Based on our strengths in customer relations and procurement, which are one of the best in the industry, commit to Kaga Electronics-style marketing	Accelerate our sales strategy centered on large accounts by expanding our line card with SoC products at its core.	Transform into an electronics general trading firm through cross-selling of Kaga Electronics products	2025/3) 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 devise 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**

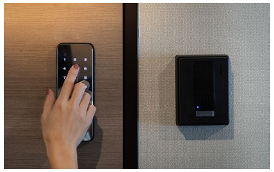
Module: IoT Solution “CONTINECT”

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.

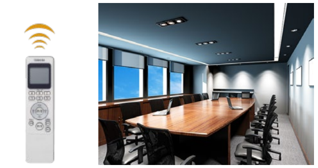
Product Lineups



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

Global Strategy for EMS Business

Supplemental materials

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

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

(billion yen)

	1990s	2000s	2010s	After 2020	Priority measures	Priority areas	Net Sales
Japan		Acquisition of Heiman Electronics (Yamagata) ('02)	Acquisition of Towada Pioneer, Construction of factory in Fukushima ('19)	Kyokuto Electric (Tottori) becomes a subsidiary ('20)	• 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)		• 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)	• 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)	• 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)	• 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**

Cash allocation

Supplemental materials

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 flow from financing activities
Any net outflow will be covered by external borrowing, etc.

Cash flow from operating activities

About 60 billion yen

Cash out

Growth investment

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.

Shareholder Returns

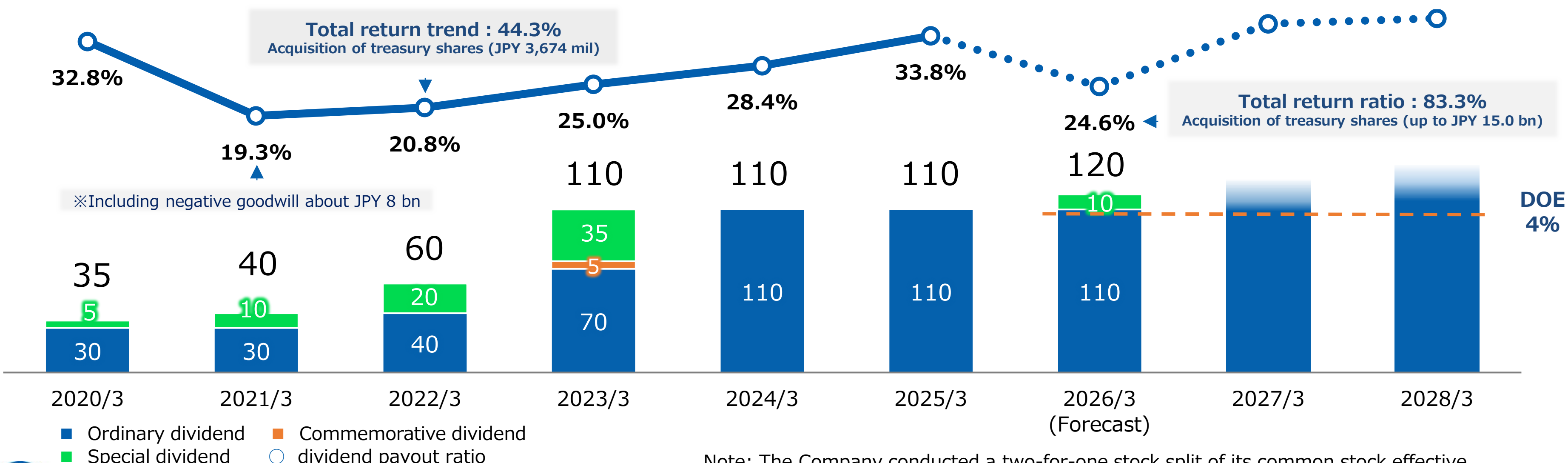
Total of 22–30 billion yen in shareholder returns

- 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.

Medium- to long-term dividend growth guideline	Target for stable dividends	Flexible return policies
Consolidated dividend payout ratio 30～40%	DOE (consolidated dividend on equity ratio) 4.0%	Special dividends, acquisition of treasury shares



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.

KAGA ELECTRONICS

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.

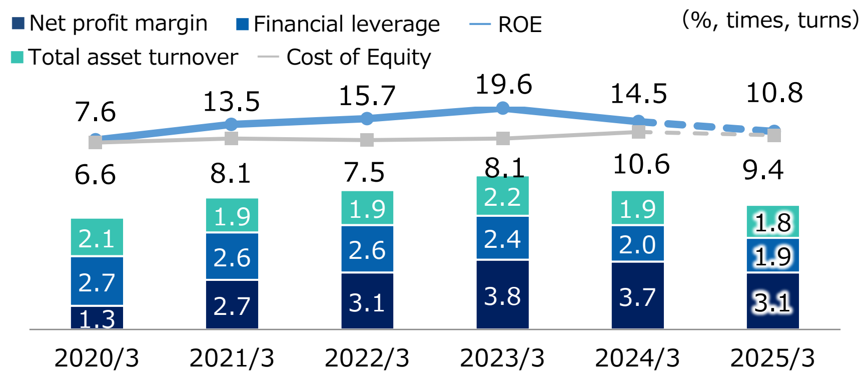
	Main themes	Typical KPI
Environmental Create a clean global environment	Achievement of shift to 100% renewable energy	■ Domestic sales offices: 2030 Domestic manufacturing sites: 2050
	Shift to electricity for company-owned vehicles	■ Domestic sales vehicles – 2030: 100%
	Reduction of CO2 emissions	■ FY2030 [Scope 1+2:-42%、Scope 3:-25%]
Social Create an inclusive company as well as an affluent society	Diversity and human resource management	■ Percentage of women in management positions 2029: 17%
	Work–life management and enhancement of productivity	■ Continuation of certification as a Health and Productivity Management Organization
Governance Create a sustainable management base	Governance systems complying with TSE reforms	■ Early achievement of appointment of female outside directors
	Further strengthening the supervisory and oversight functions of top management over business execution	■ Early transition to a company with an audit and supervisory committee structure

KAGA ELECTRONICS

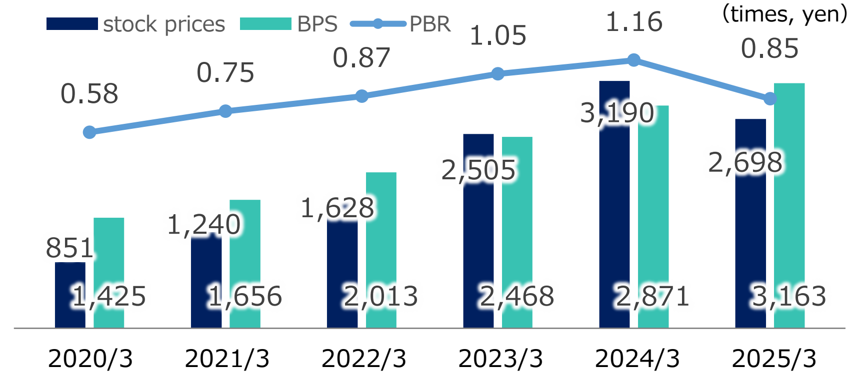
Management that is Conscious of Cost of Capital and Stock Price

Supplemental materials

Trends in ROE



Trends in PBR



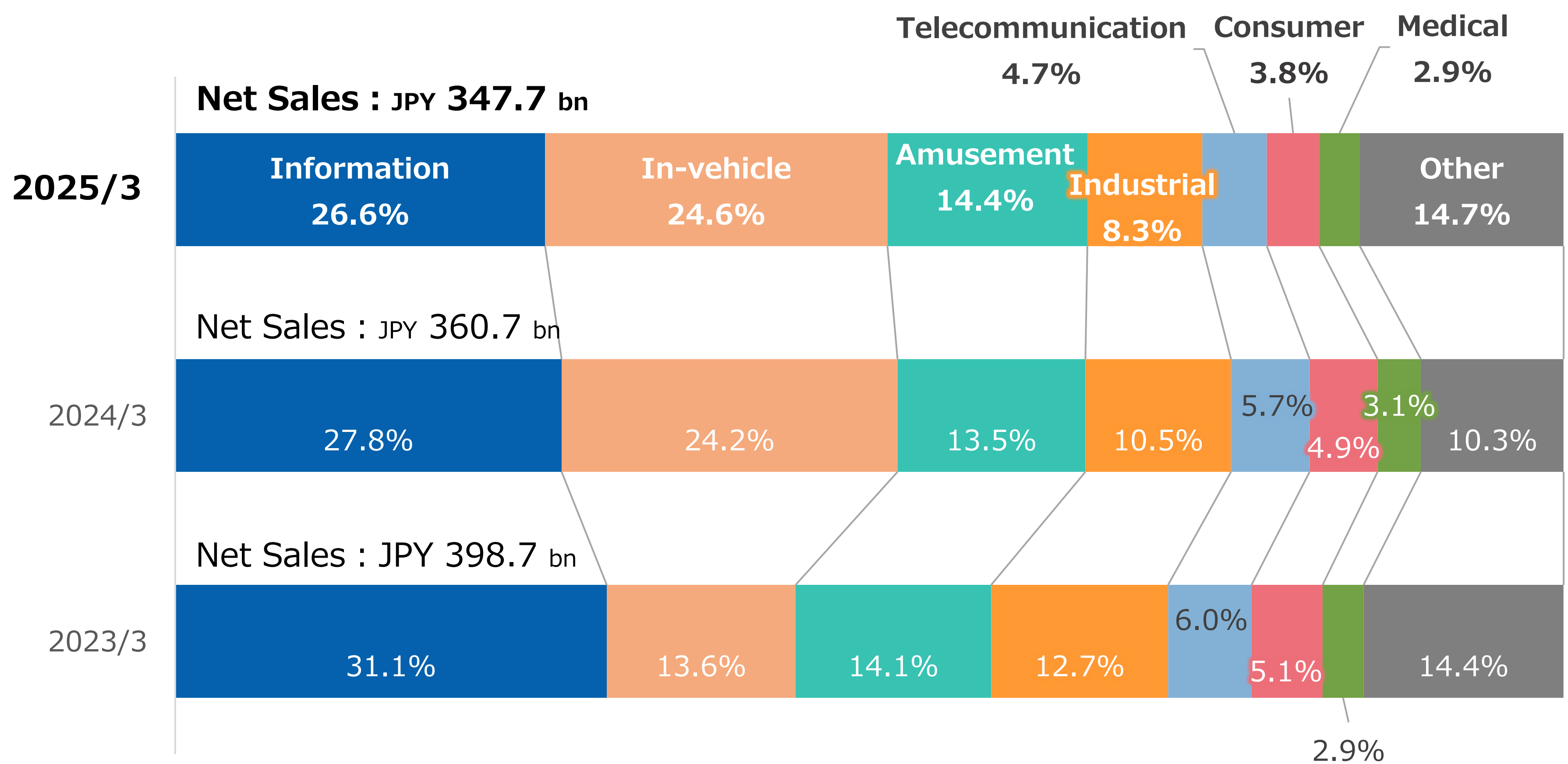
Current assessment	■ ROE has remained in the double-digit percentage level, exceeding the cost of capital, but has been on a gradual downward trend for the past two years. ■ PBR has been improving noticeably since the previous medium-term management plan period, and has remained above 1x since February 2023. However, it has been slow to recover from the sharp drop in the TSE in August 2024, and has recently fallen below 1x.	
Future initiatives	1. Steady implementation of the medium-term management plan	■ Aim to achieve management targets by working on business growth and profitability improvements in line with the medium-term management plan.
	2. Improvements to shareholder satisfaction	■ Raise the consolidated dividend payout ratio to 30–40% and set DOE at 4.0% as a guideline for stable and sustainable dividends.
	3. Promotion of SDGs Management	■ Establish and announce GHG emission reduction targets in Scope 1–3, and improve evaluations by external organizations such as CDP and TCFD.
	4. Maintenance and reinforcement of proactive IR activities	■ Further increase confidence in the Company's management and reduce the cost of capital through broader disclosure to capital markets and active dialogue.

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.

KAGA ELECTRONICS’
Electronic Components Business

Portfolio by Industry in Electronic Component Business

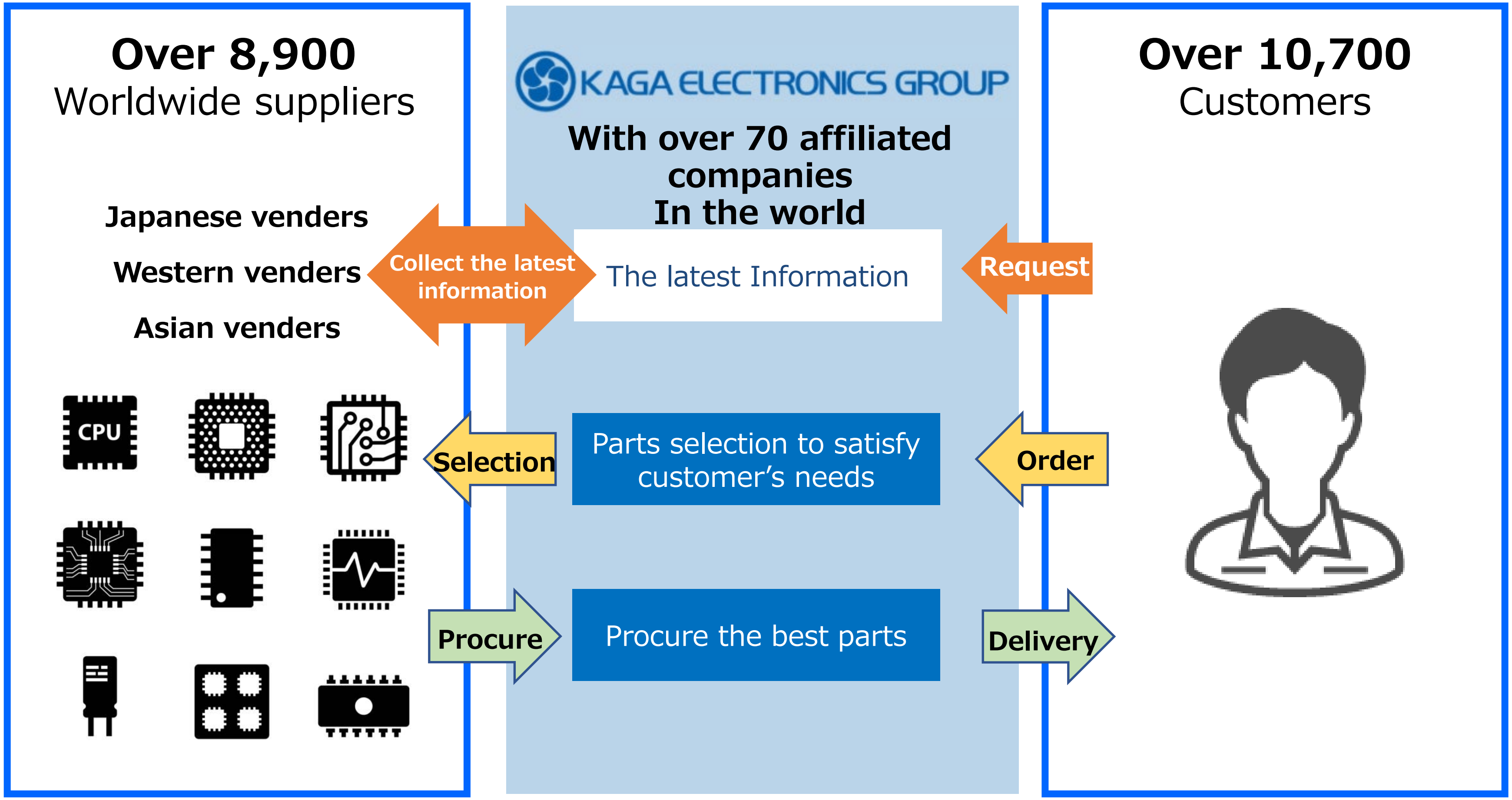
Trend in Net Sales by Industry



KAGA ELECTRONICS

Business Flow of the Electronic Components Business

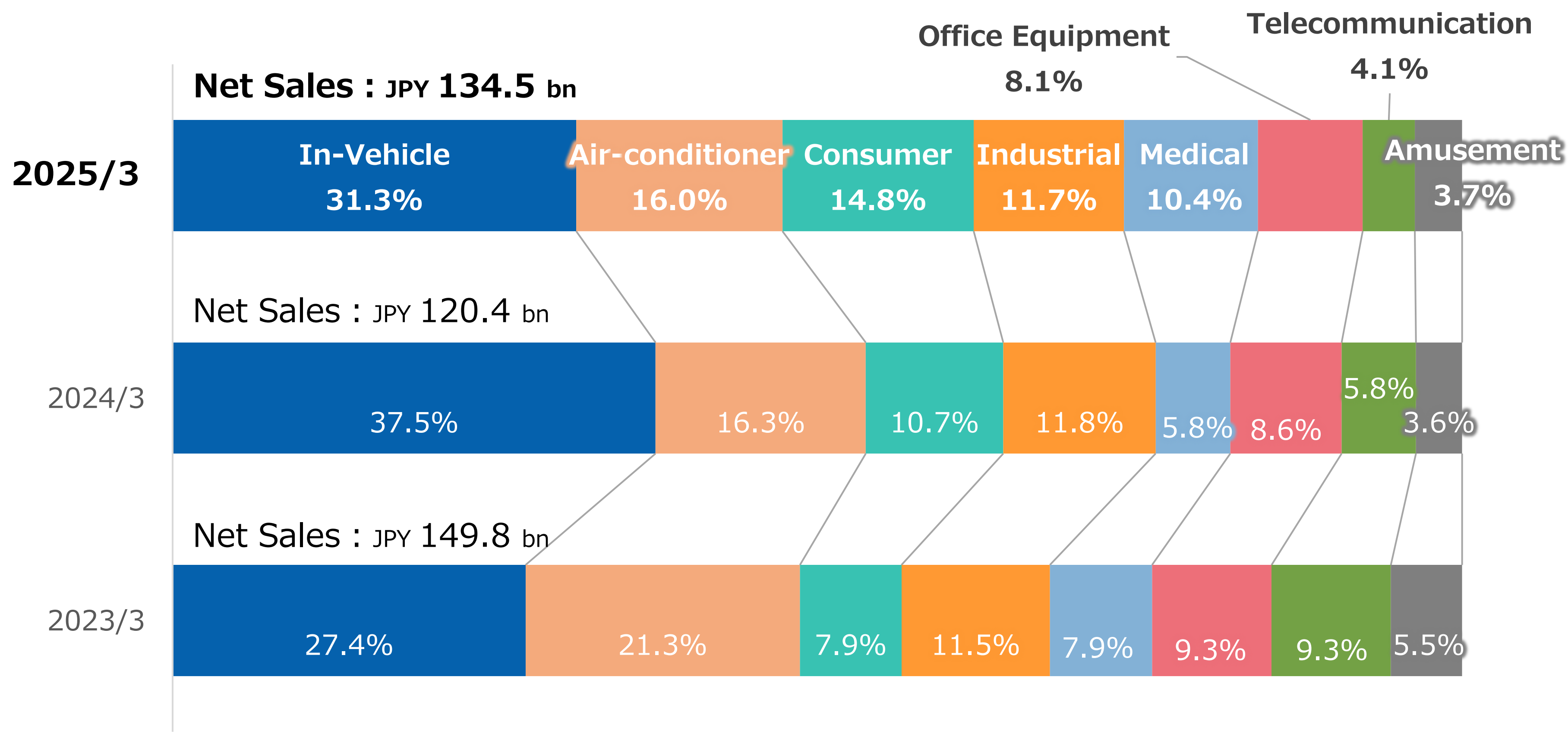
We provide optimal solutions to customers through our cutting-edge information network and our component procurement system, which leverage the Group’s network.



EMS Business

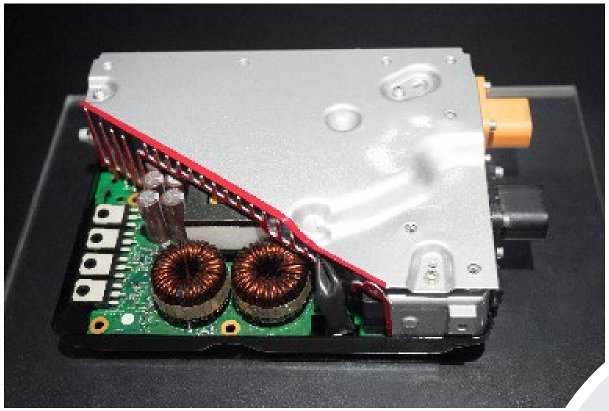
Portfolio by Industry in EMS Business

Trend in Net Sales by Industry

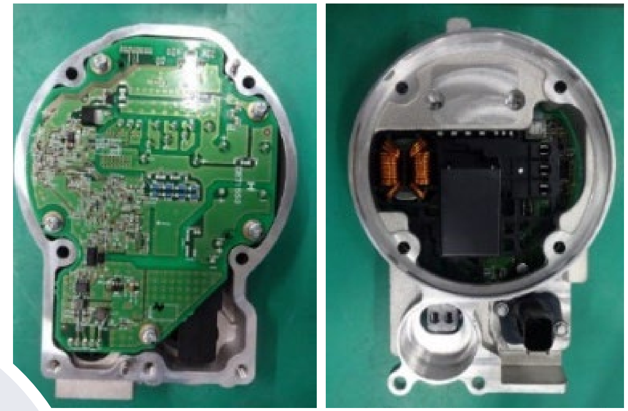


Major Products: In-vehicle Products

AC Inverter Units



Electrical Compressor Units



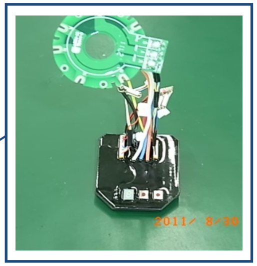
Lighting Units for Automotive

Automotive Navigation System

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

Air Conditioner Unit

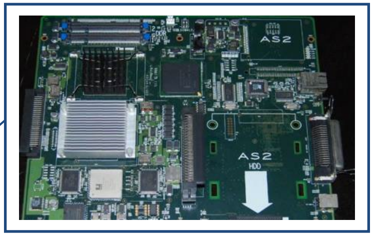
Products for Electrical Tools



Medical Equipment

<Automated Medication Dispensing Cabinet>

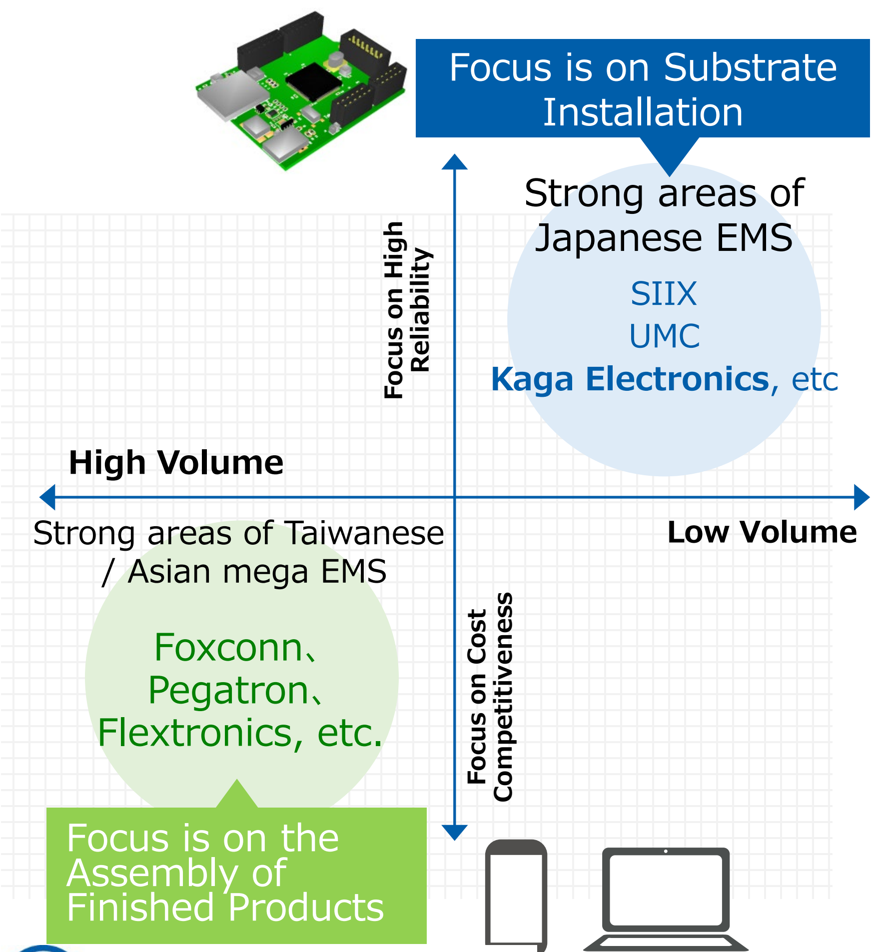
Substrate for Office Equipment



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

<KAGA ELECTRONICS>
- Low initial investment (Land and buildings rented, Standardized interior construction)
- Capable high mix, low volume production
- Local production for local consumption model

VS

<Japanese Major Competitors >
- Large scale investment
- Mass production type Export model

Measures to Increase Competitiveness : 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】		【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

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 : 2016
Number of employees : 478

Production Items

Automotive, OA and Industrial equipment

EURO : KD TEC TURKEY

Outline

Established : 2023
Number of employees : 163

Production Items

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

Started a New Factory in Mexico to expand EMS Business

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

TAXAN MEXICO S.A. DE C.V.

Outline of the New Factory

Location : Parque Industrial Millenium, Arroyos, San Luis Potosí
Nomber of Employees : 700 (at start)
Land area : 80,000㎡
Floor area : 20,000㎡
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

Measures to Increase Competitiveness : 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

HATTEN

① Modular soldering baths

Product lineup

①1-head unit ISF-300
②2-head unit ISF-450-II
③4-head unit ISF-450D
④4-head unit ISF-450-4H
Modular high-speed soldering bath
⑤Modular flux applicator

② Surface Mounting Equipment

Product lineup

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

③ Testing Equipment

Product lineup

①3D SPI
Cream solder testing
②Post-SMT AOI equipment
Visual inspection of mounted components
③Pre-soldering bath S-AOI
Inspection of hand-inserted components
④Post-soldering bath AOI
Solder-lifting inspection
Component float inspection

④ Vertical High-temperature Furnaces

Product lineup

①Coating hardening furnace
After coating final hardening
②Potting hardening furnace
After potting final hardening
③High 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_2 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	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	• Growing seriousness of global warming and other environmental problems • Urgent call for carbon neutrality	• 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	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• 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	• 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	16 PEACE, JUSTICE AND STRONG INSTITUTIONS 17 PARTNERSHIPS FOR THE GOALS	• Public calls for more robust corporate governance • Growing need for business resilience against changes in the operating environment	• Further strengthen corporate governance and compliance • Thoroughly practice a profit-focused management approach
B	Realize sustainable business growth	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 17 PARTNERSHIPS FOR THE GOALS	• 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	• 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	• Adoption of renewable energy at domestic sales offices	2024: 40% (1%)	Achieved target of 40% adoption of renewable energy through purchase of non-fossil certificates
		• Adoption of renewable energy at domestic manufacturing sites	By 2024: Information gathering/analysis and determination of policy ・In-house power generation/external procurement ・Solar panel/biomass power generation/renewable energy businesses	Installation of additional solar power generation system in Towada factory under consideration
		• Adoption of renewable energy at overseas manufacturing sites		Started operation of solar power generation system in the new Mexico factory
	Shift to electricity for company-owned vehicles	• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)	2024: 85% (78.5%)	Ratio of electric vehicles: 90.2%
S	Diversity and human resource management	• Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) • Initiatives to employ elderly workers and persons with disabilities	Percentage of female new graduates in general positions 2023: 30% (5.8%) Percentage of women in management positions 2024: 15% (13.3%)	<Percentage of female new graduates in general positions> 22.7% <Percentage of women in management positions> 17.3%
	Work–life management and enhancement of productivity	• Acquisition of certification as a Health and Productivity Management Organization	2022: Implementation of review 2023: Certification	Continued acquisition of certification as a Health and Productivity Management Organization
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	• Diversification of the Board of Directors	By June 2022: Determination of policy	Appointment of a female outside director subject to approval at the general shareholders' meeting in June 2025
		• Full compliance with Corporate Governance Code for Prime Market	Performed in November 2021	No revision of the CG Code
	Further strengthening the supervisory and oversight functions of top management over business execution	• Adoption of delegation-based executive officer structure	April 2022: Enactment	Decision made on expanding membership of important meetings to delegation-based executive officers
		• Transition to structure of company with committees	By March 2023: Determination of policy	Transition to a Company with an Audit & Supervisory Committee structure subject to approval at the general shareholders' meeting in June 2025

KAGA ELECTRONICS

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

Latest 12 years Financial Trend

Reference

	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

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

Latest 12 years Financial Trend

Reference

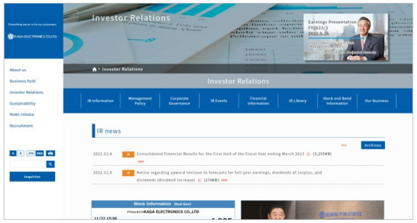
	2020/3	2021/3	2022/3	2023/3	2024/3	2025/3
Operating results (million yen)						
Net sales	443,615	422,365	495,827	608,064	542,697	547,779
Gross profit	47,016	47,936	60,547	78,514	70,452	71,665
Gross profit margin	10.6%	11.3%	12.2%	12.9%	13.0%	13.1%
Operating income	10,014	11,467	20,915	32,249	25,845	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

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

Other IR Information

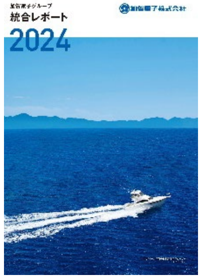
- Investor Relations Website

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



- Integrated Report 2024

  https://www.taxan.co.jp/en/ir/ir_library/library_05.html



- IR Information Services

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

"Everything we do is for our customers

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- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

- 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.