

Management Briefing Material

KAGA ELECTRONICS

TSE Prime Market 8154

March, 2025

KAGA ELECTRONICS CO., LTD.

INDEX

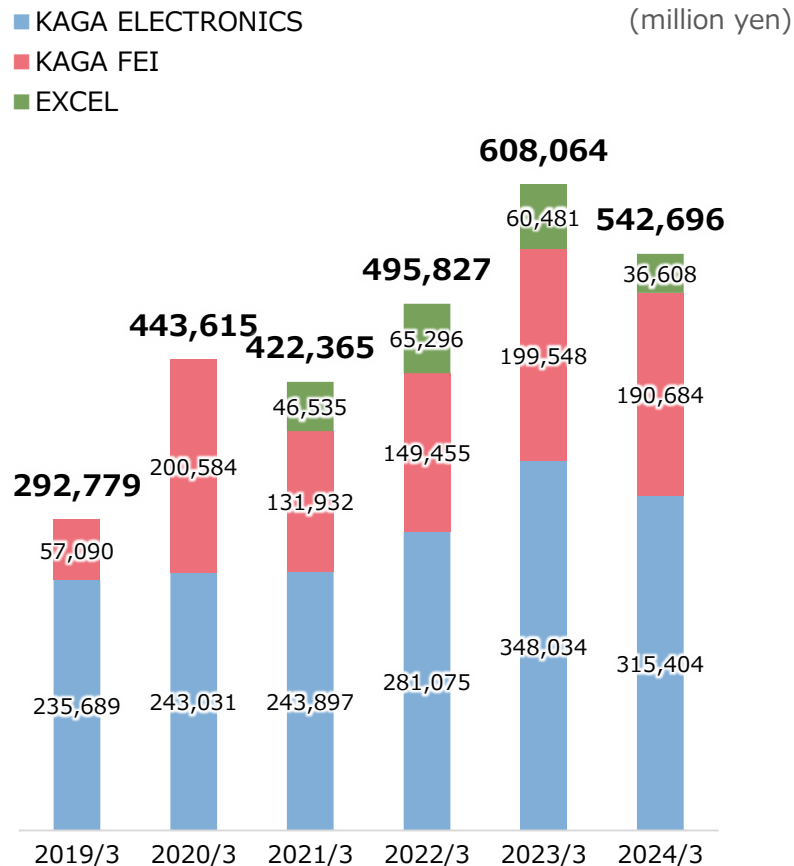
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Introduction

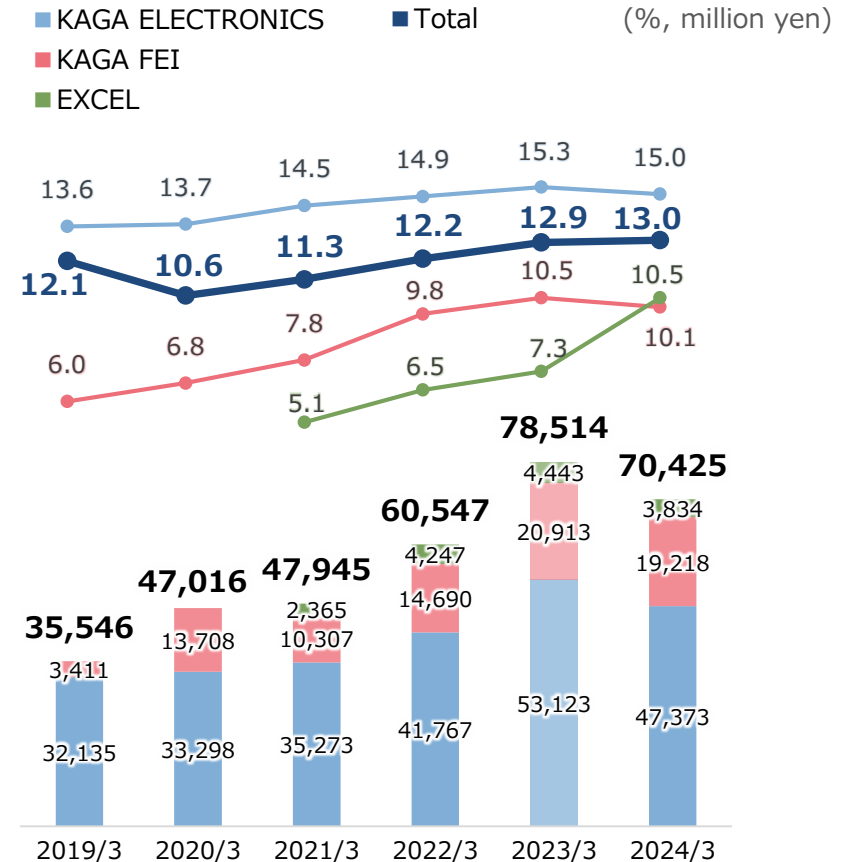
Sustainable profit growth

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)



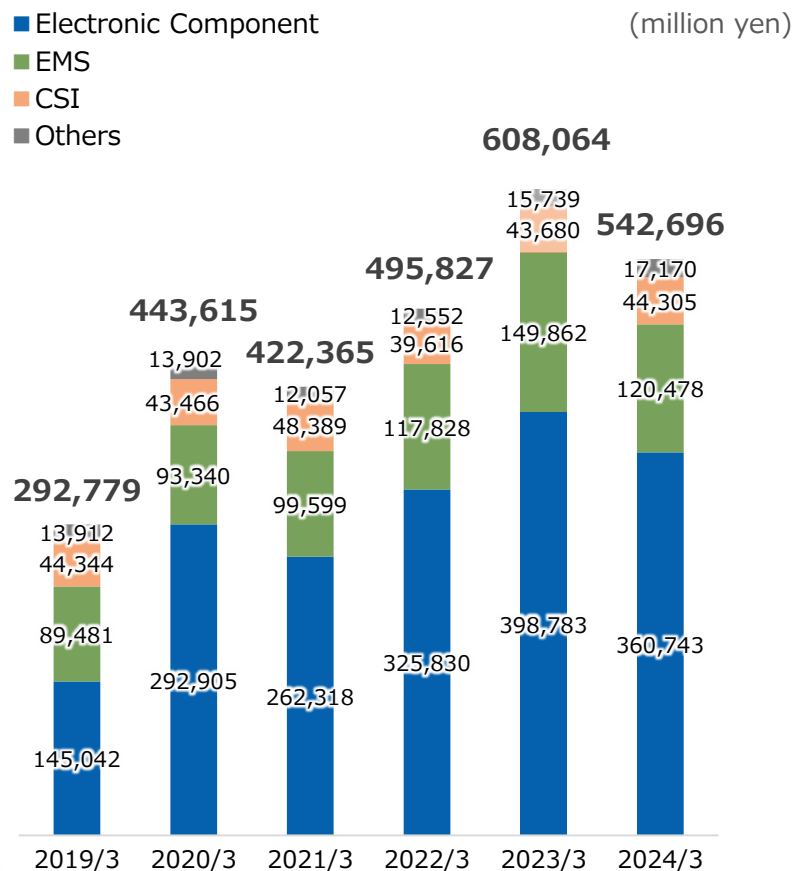
Gross profit / Gross profit margin



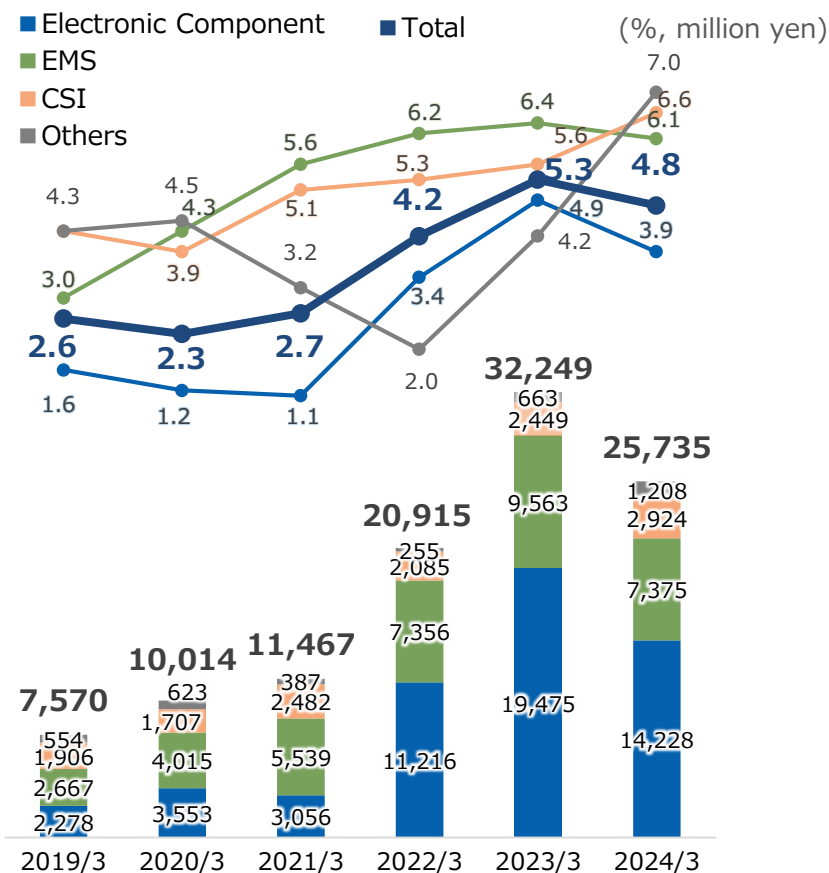
Profit-focused management

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



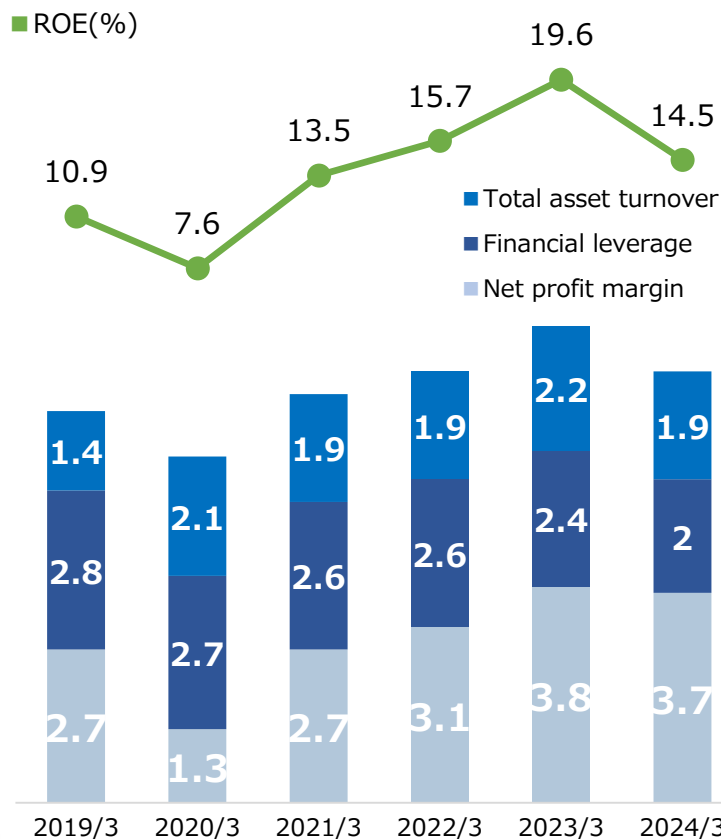
Management Focusing on Capital Efficiency

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

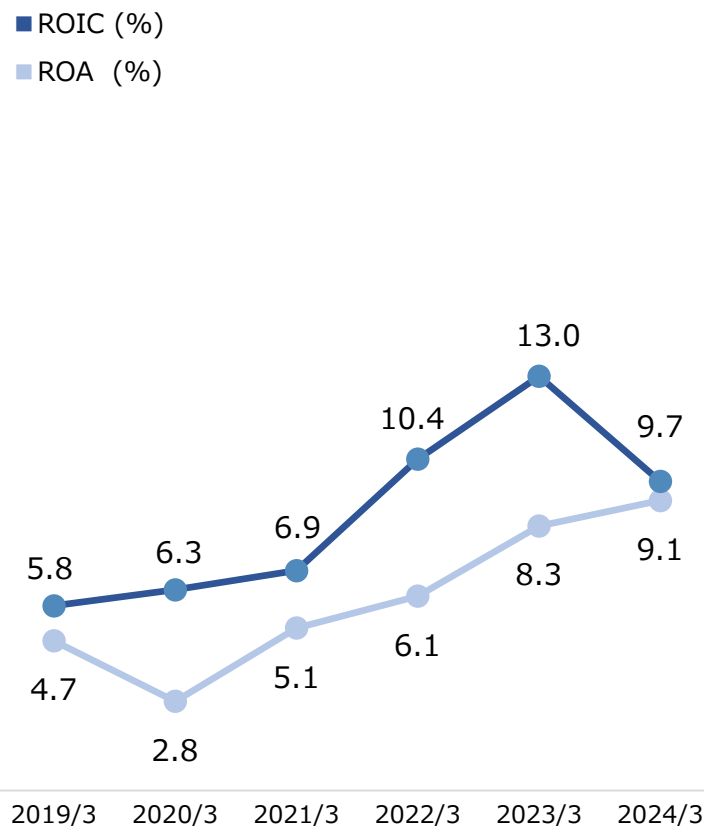
※ROE : 14.5% > Cost of Equity : 10.6%

ROIC : 9.7% > WACC : 9.1%

ROE



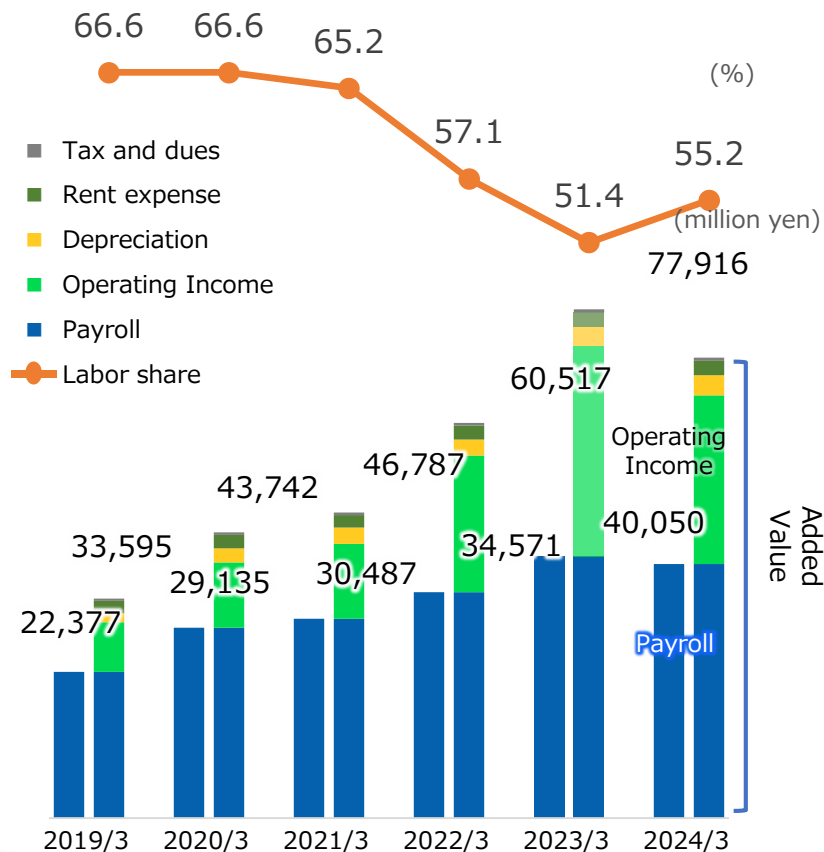
ROIC・ROA



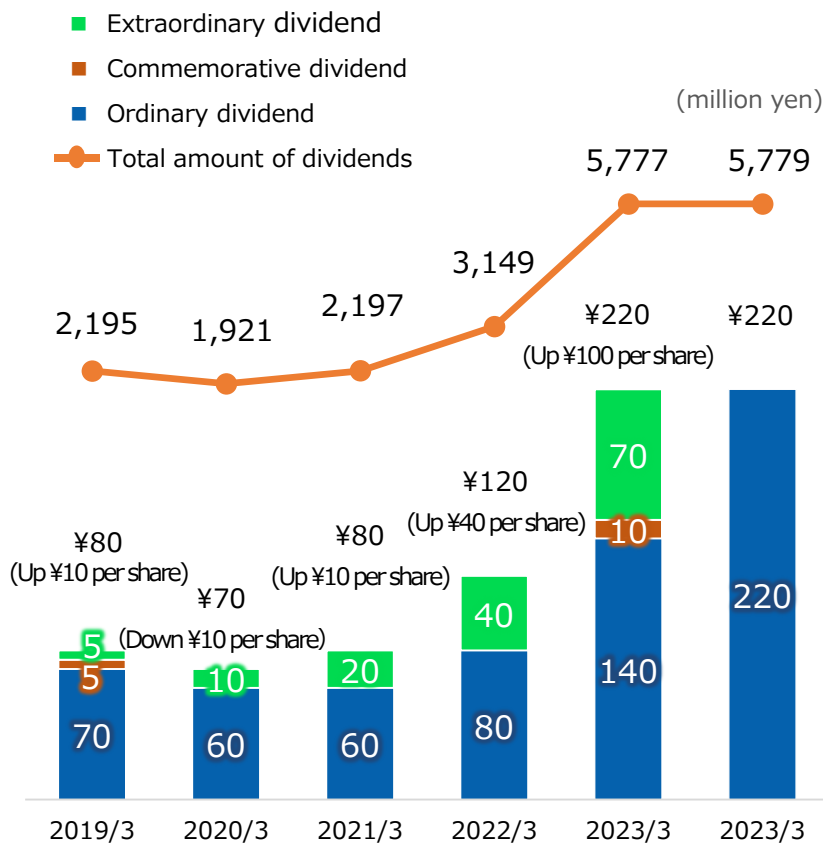
Proactive return to stakeholders

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

Labor share



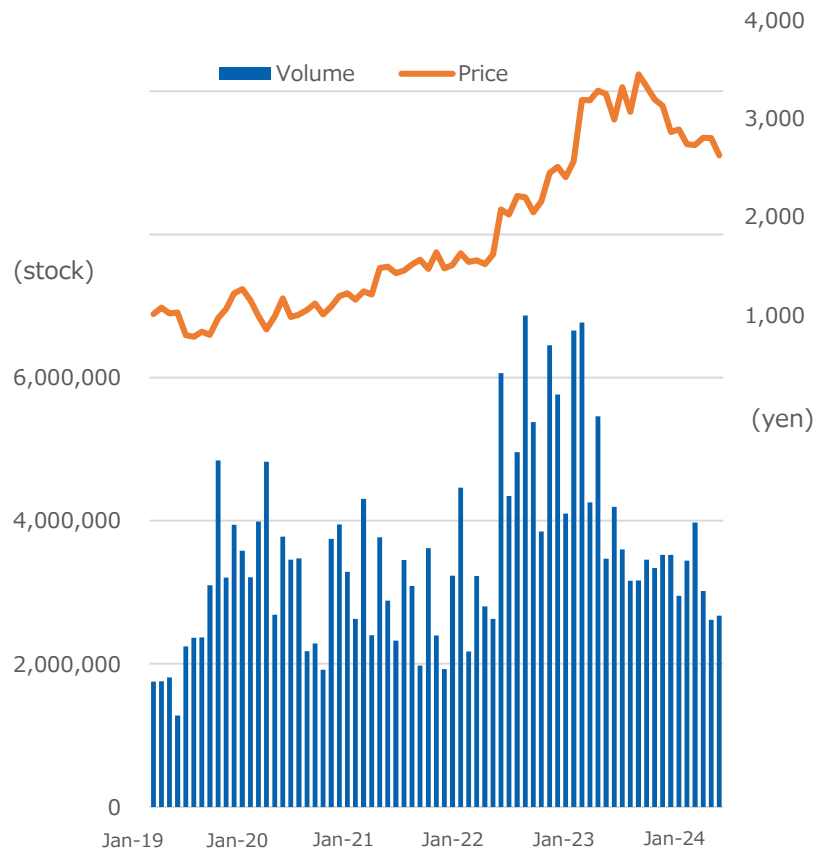
Dividend per share & Total dividends



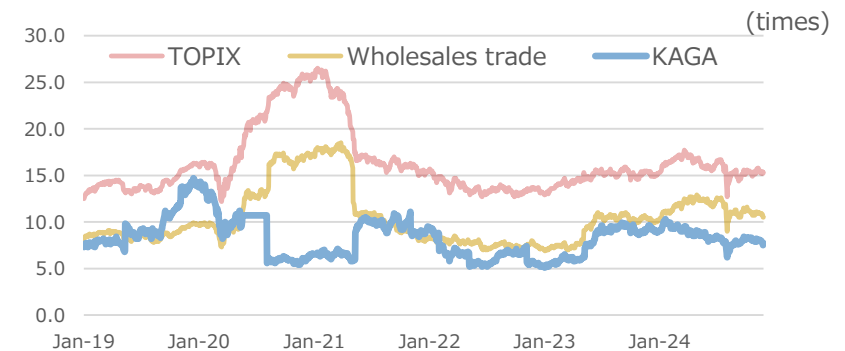
Form fair value and enhance corporate value

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

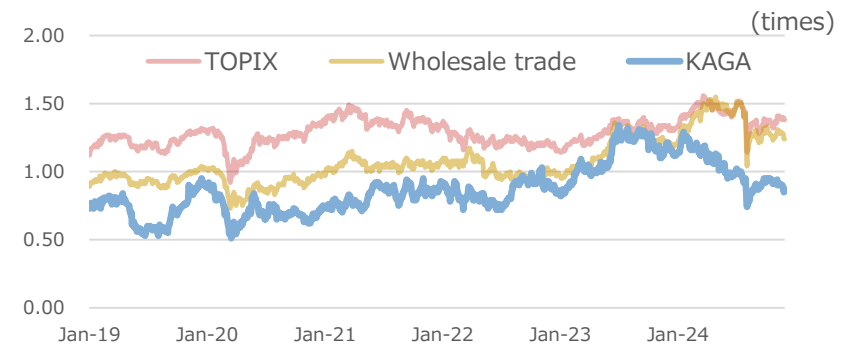
Changes in stock price/trading volume



Changes in PER



Changes in PBR

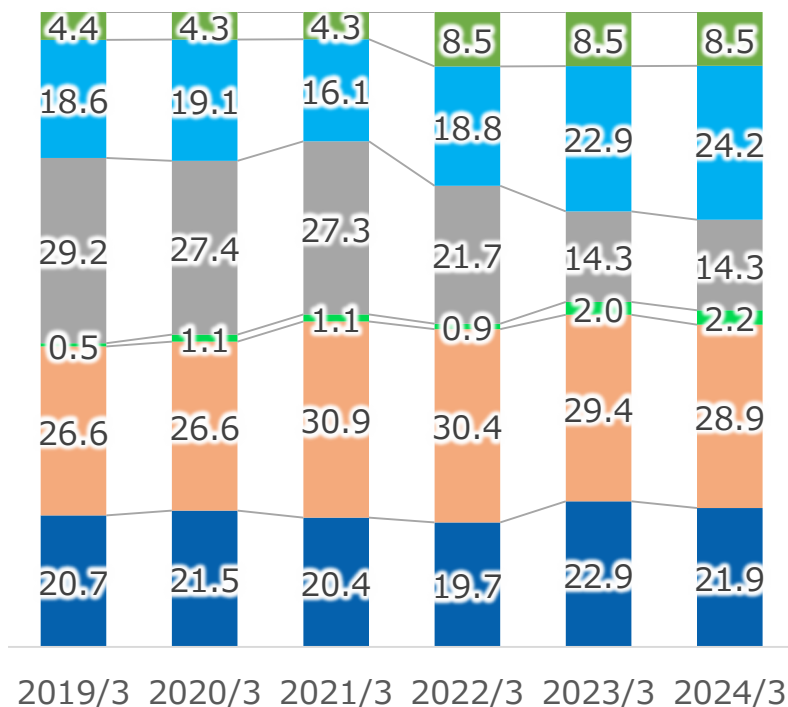


Shareholders Information

Shareholder Composition

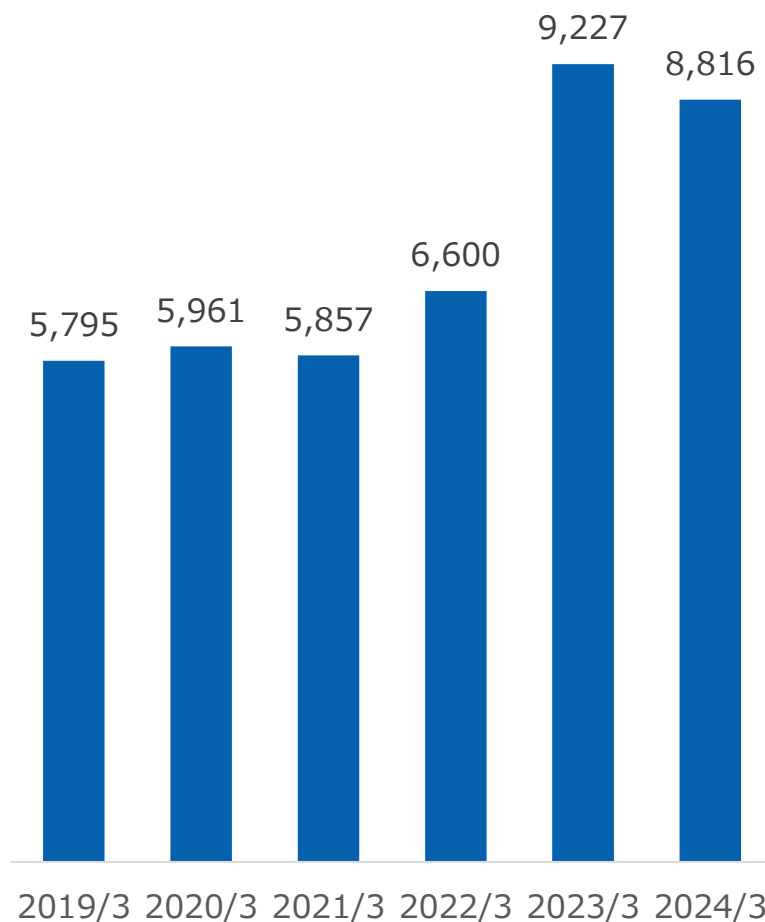
(%)

- 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)

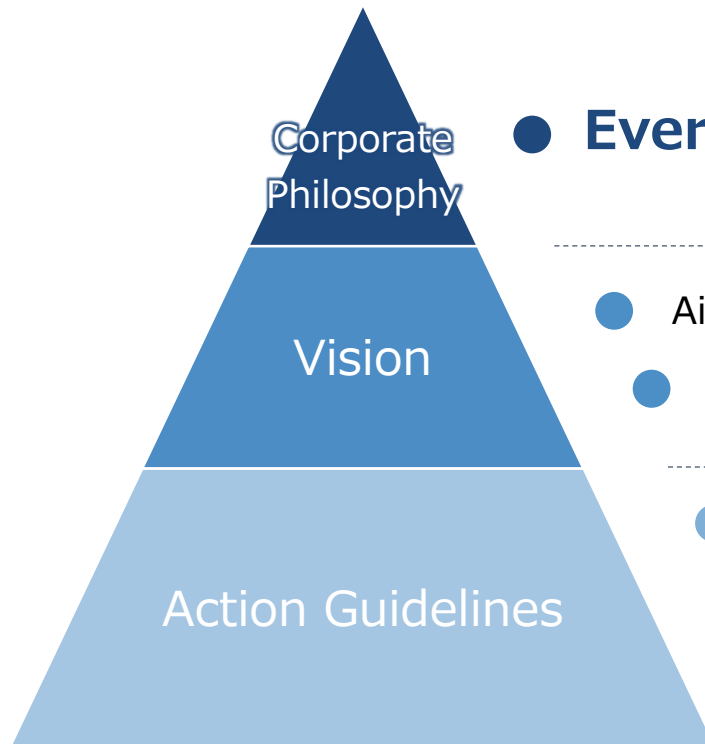


Founder & CEO
Isao TSUKAMOTO

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)

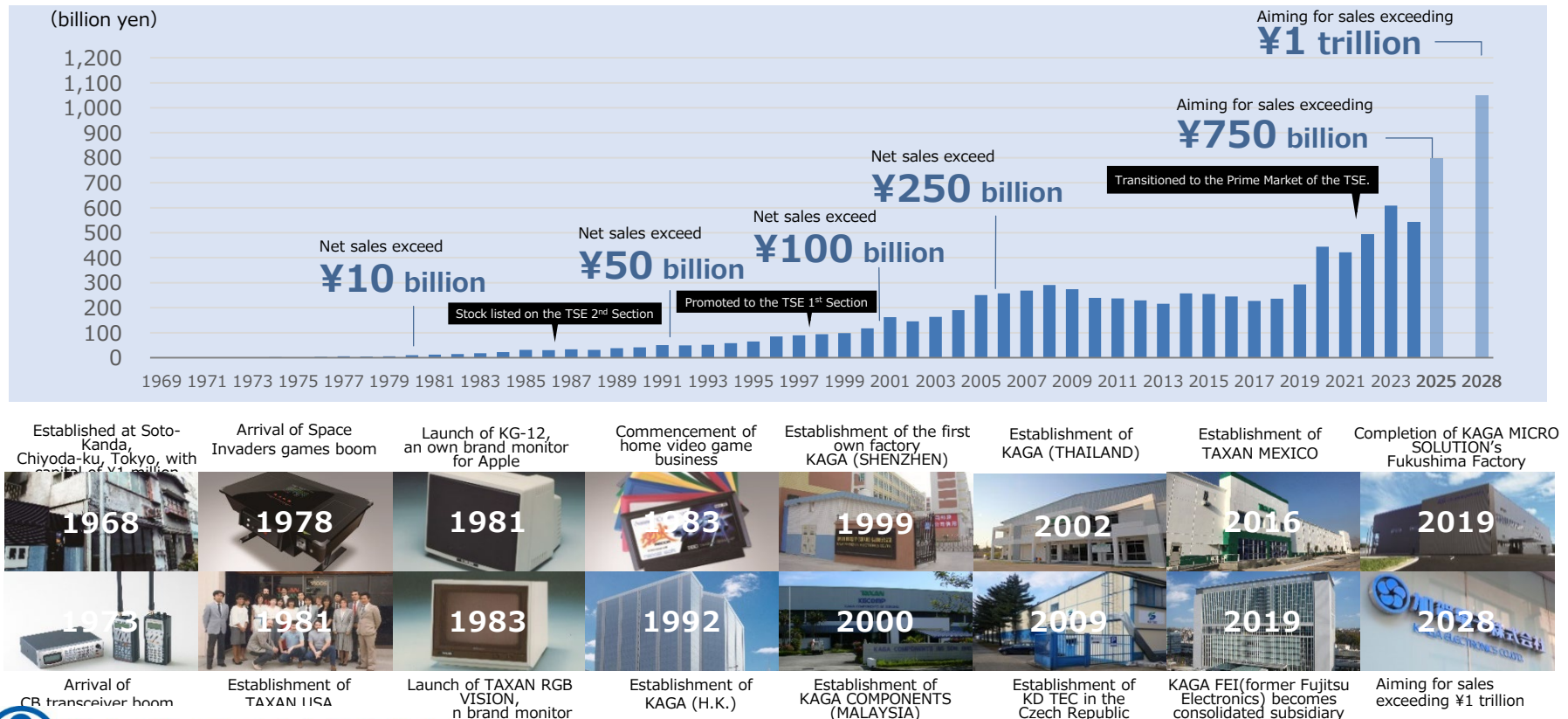
There have been many sayings supported by the experiences of the founder and our forebears since the company's foundation, and these should be treated as treasures. They are our DNA that we will carry into the future as a foundation for our actions to overcome daily competition.

Three Pillars	Basic Principle
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.

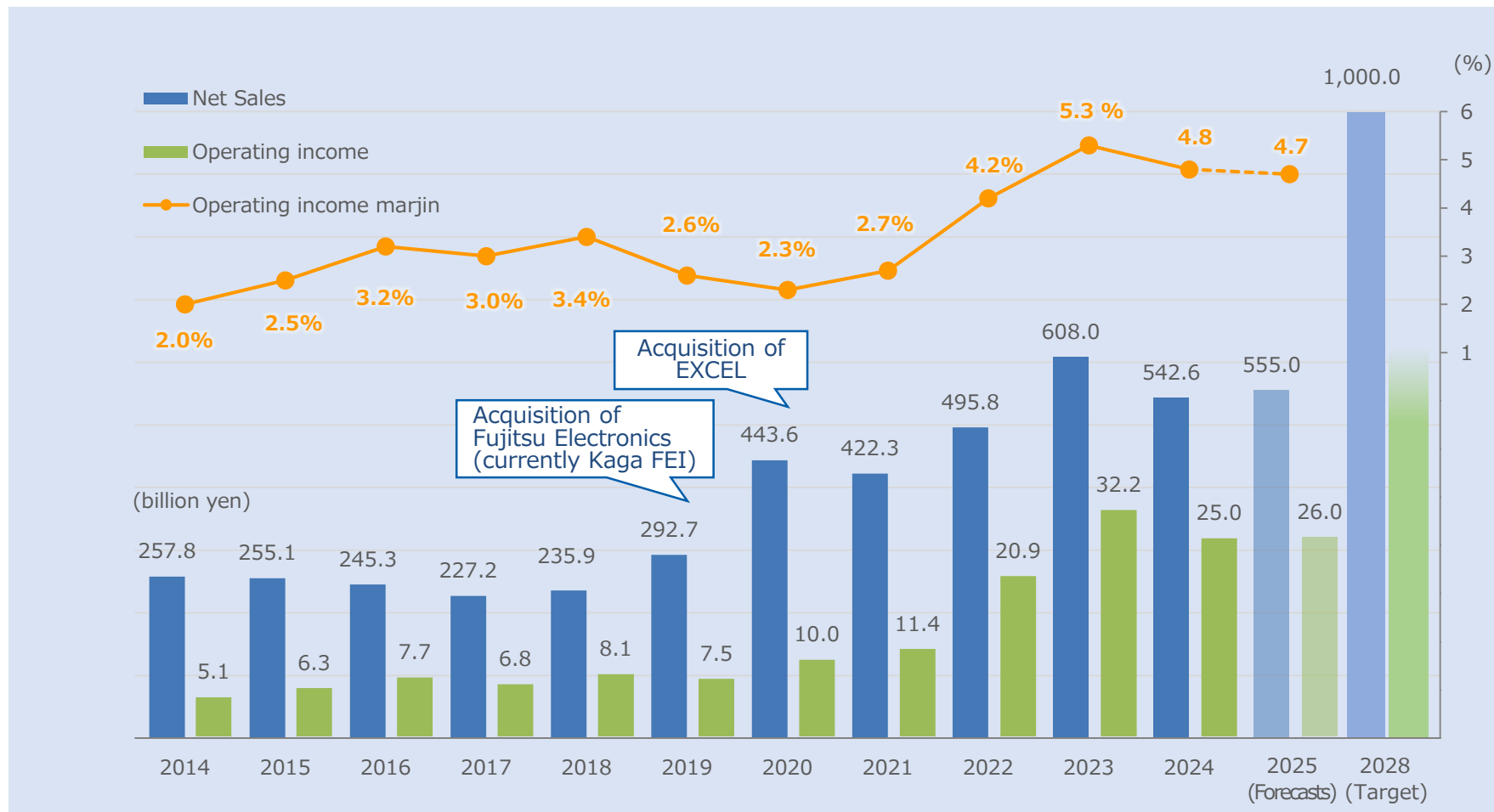


Earnings Trends Over Past 10 Years

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

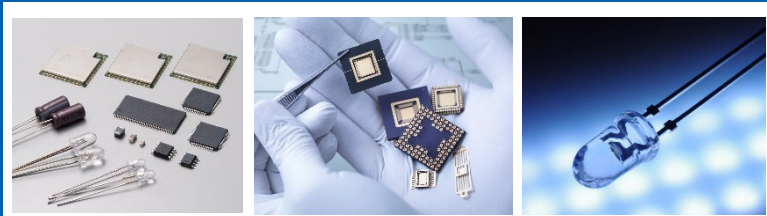
The Company has aggressively carried out M&A since 2019, shifting to a growth trajectory.

We aim for an ongoing increase in revenue.



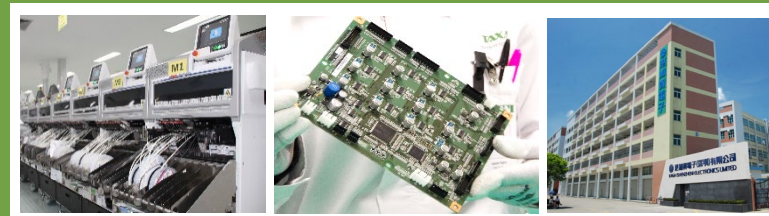
The Group's Strength-① : Business Domain

Electronic part and Semiconductors



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

EMS



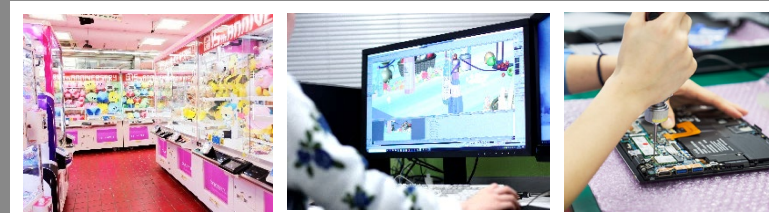
Providing total support for design, development, and manufacture of products ranging from semi-finished to finished products

Information Equipment



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

New Businesses



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

Sales composition ratio

66.5%

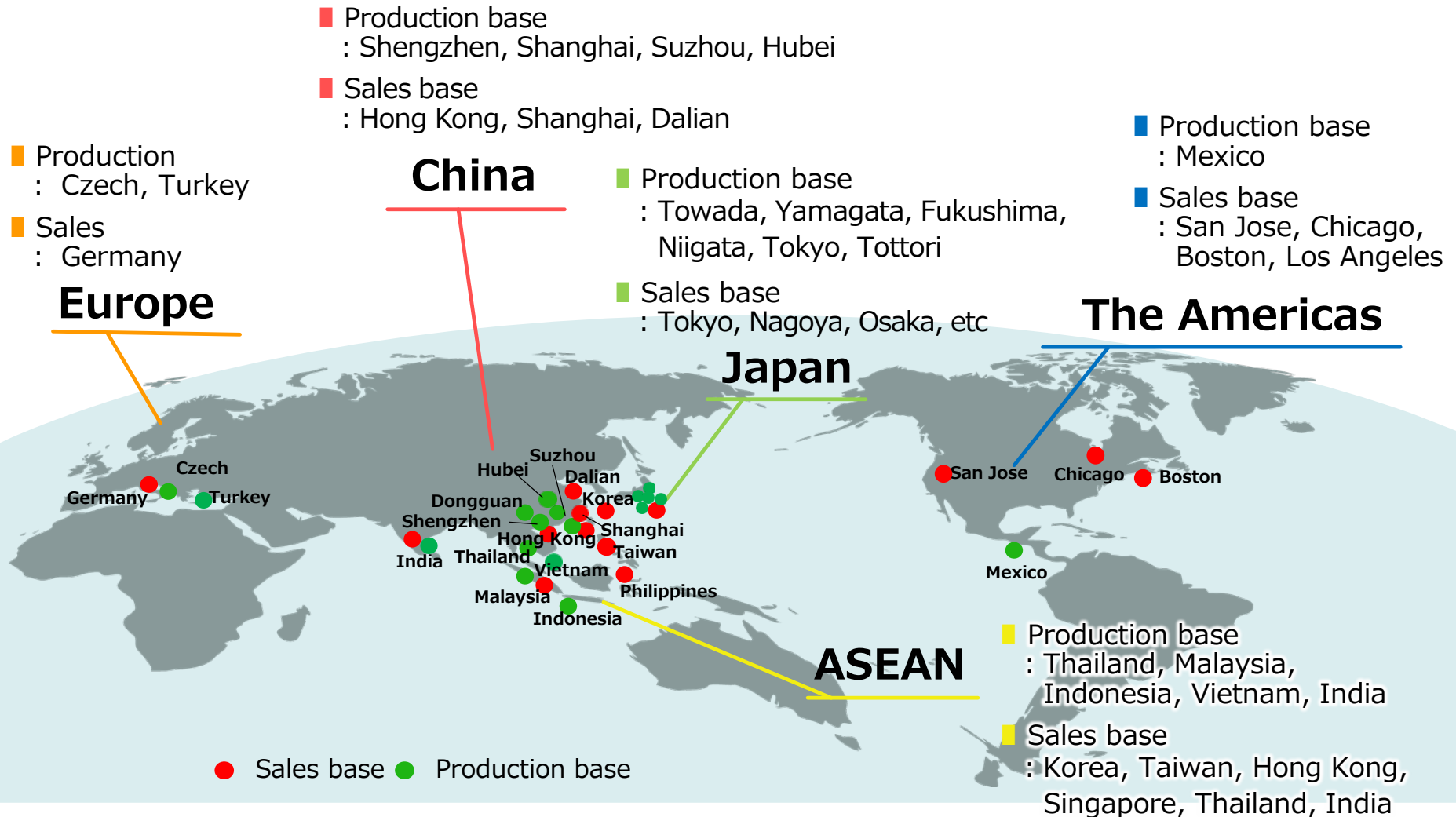
22.2%

8.2%

3.2%

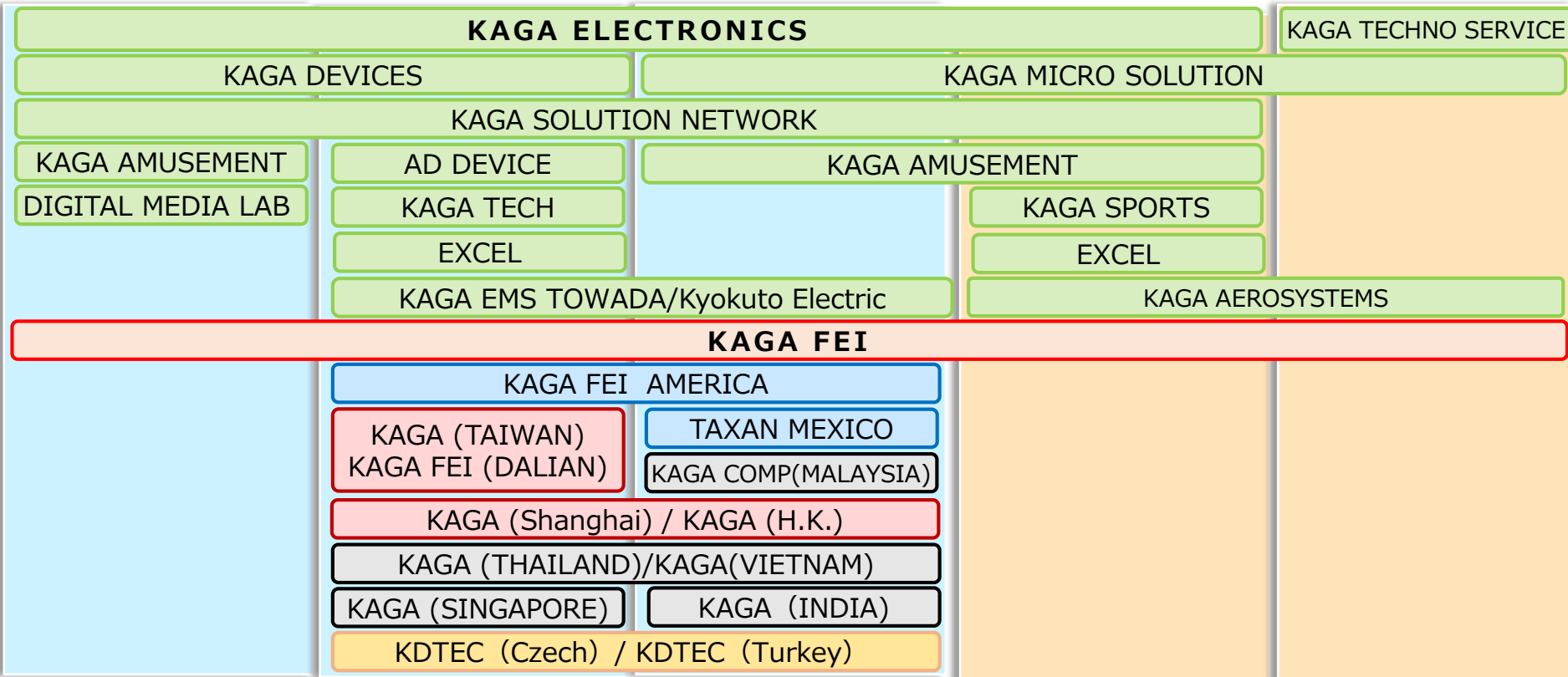
The Group's Strength-② : Global Network

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



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

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



A Sound Financial Foundation to Support Growth Strategies

Borrowing capacity

- ▲ Net D/E ratio: **- 0.21 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 β (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)

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.

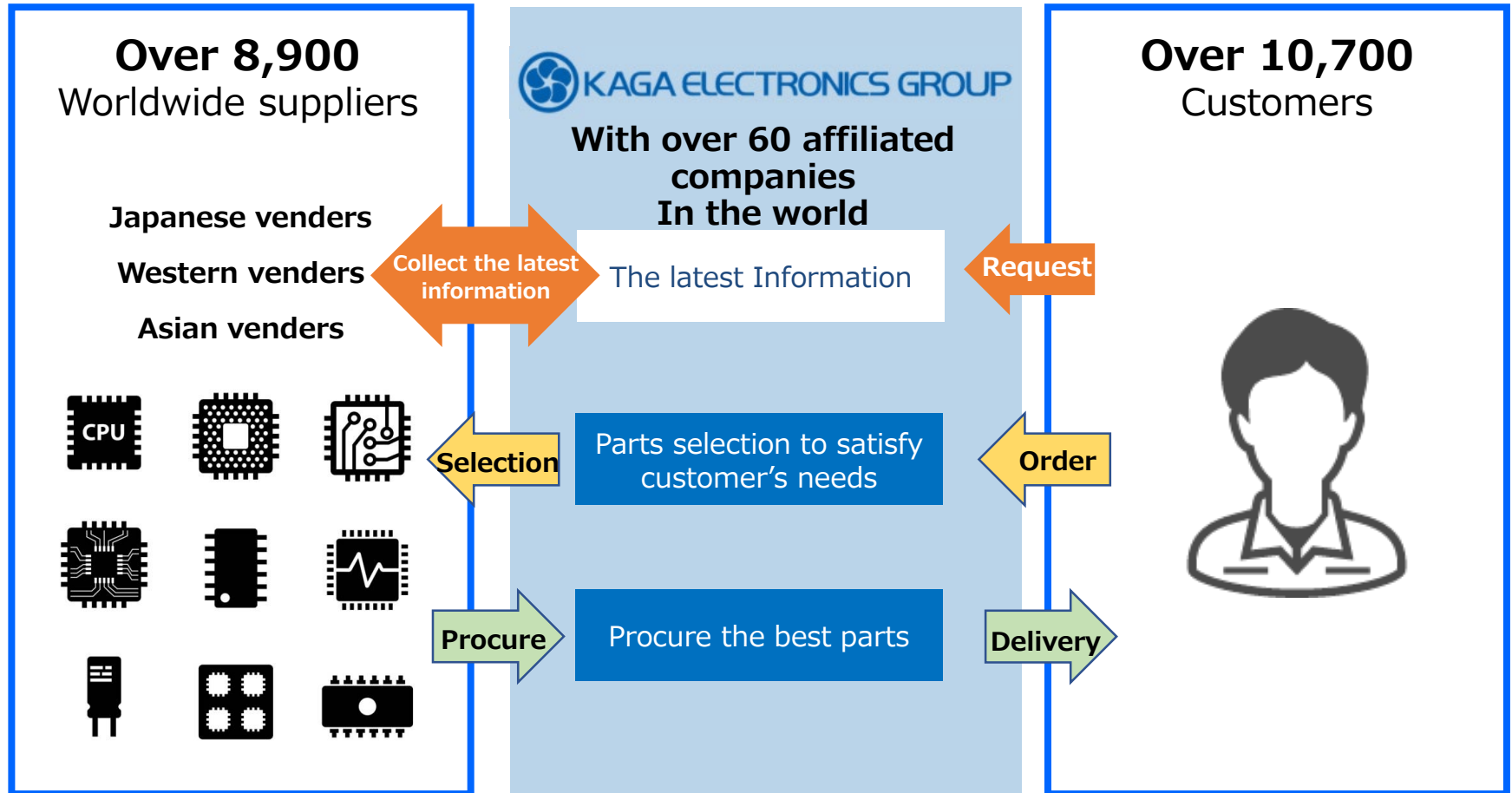
Technical support system

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.

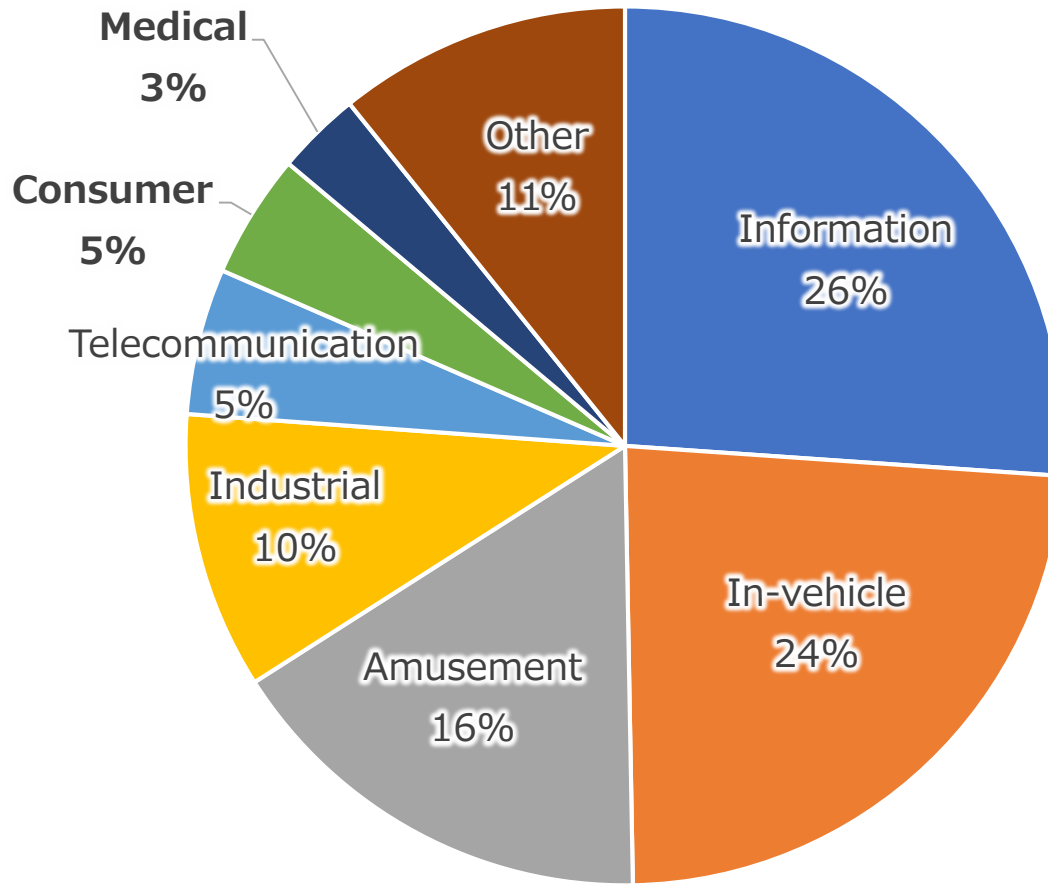
Business Flow of the Electronic Components Business

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_{bn}



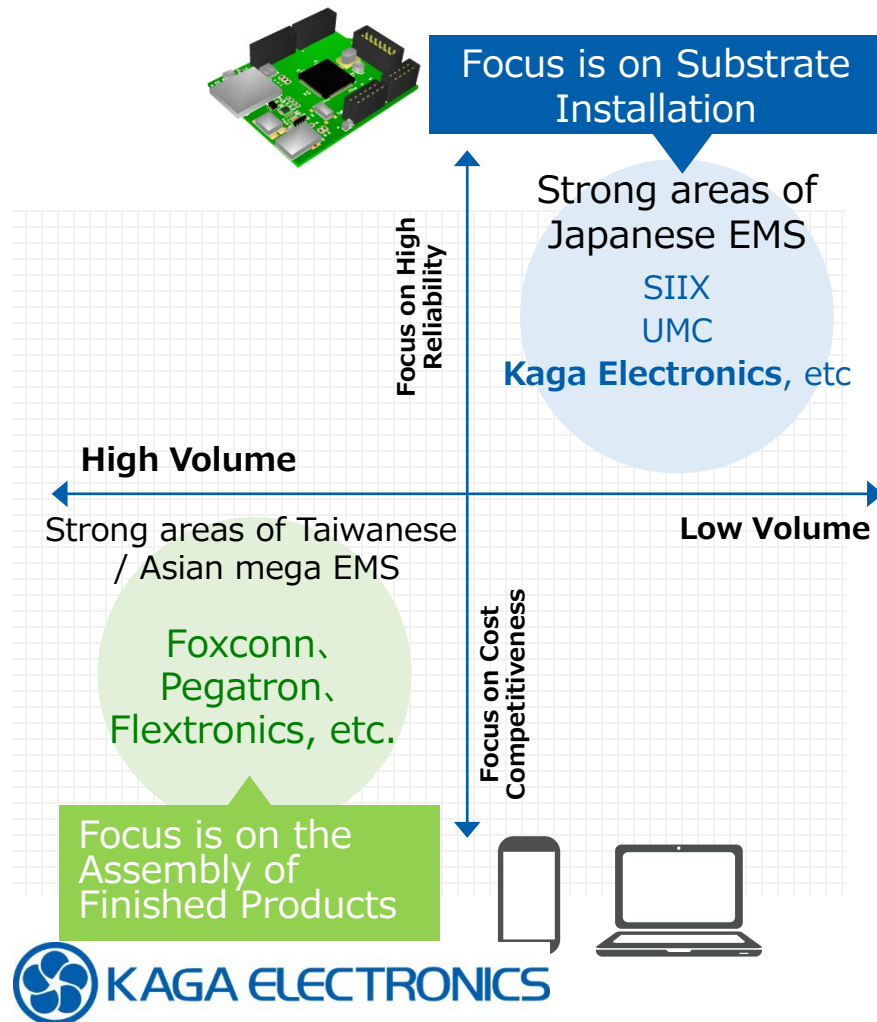
FY2024/3

EMS Business

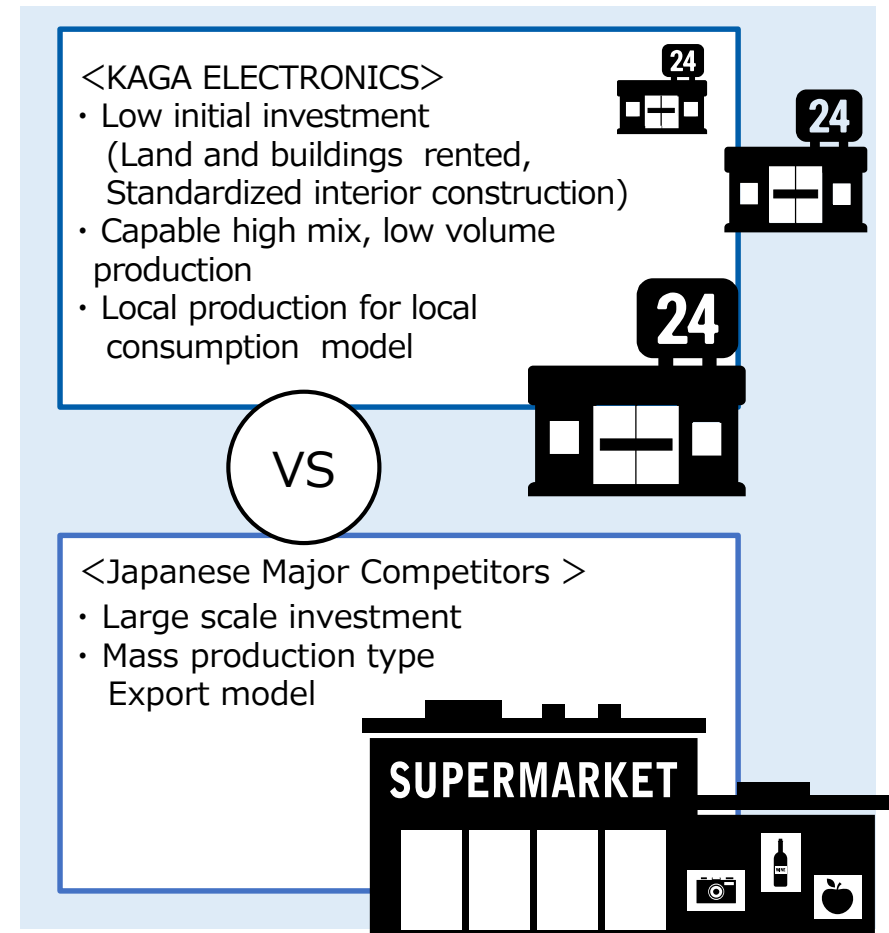
The Strengths of Kaga's EMS : Convenience Store EMS

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 : 2016
Number of employees : 478

Production Items

Automotive, OA and Industrial equipment

EURO : KD TEC TURKEY



Outline

Established : 2023
Number of employees : 163

Production Items

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

Started a New Factory in Mexico to expand EMS Business

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

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

TAXAN MEXICO S.A. DE C.V.



Outline of the New Factory

Location : Parque Industrial Millenium, Arroyos, San Luis Potosí

Number of Employees : 700 (at start)

Land area : 80,000m²

Floor area : 20,000m²

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

Items produced

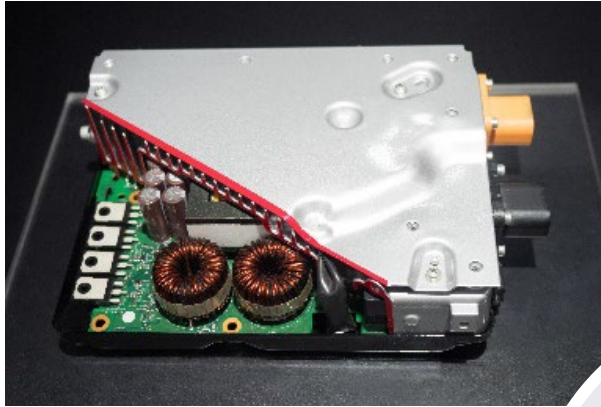
Assembly of automotive lighting units and circuit boards for air-conditioning equipment, etc.

Start of operation

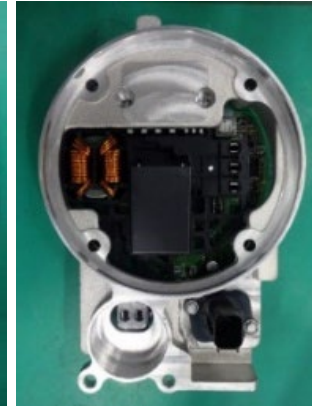
Scheduled for April 2024

Major Products: In-vehicle Products

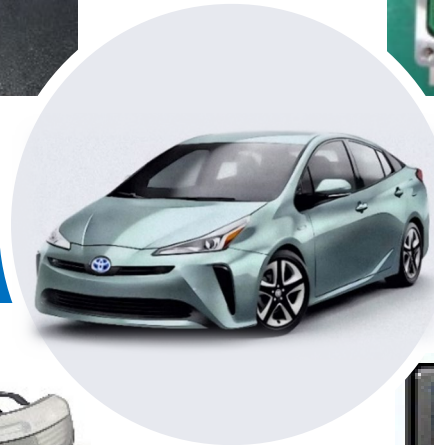
AC Inverter Units



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

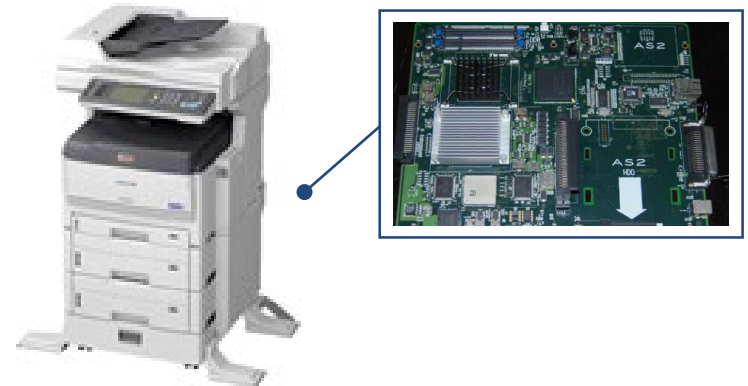


Medical Equipment



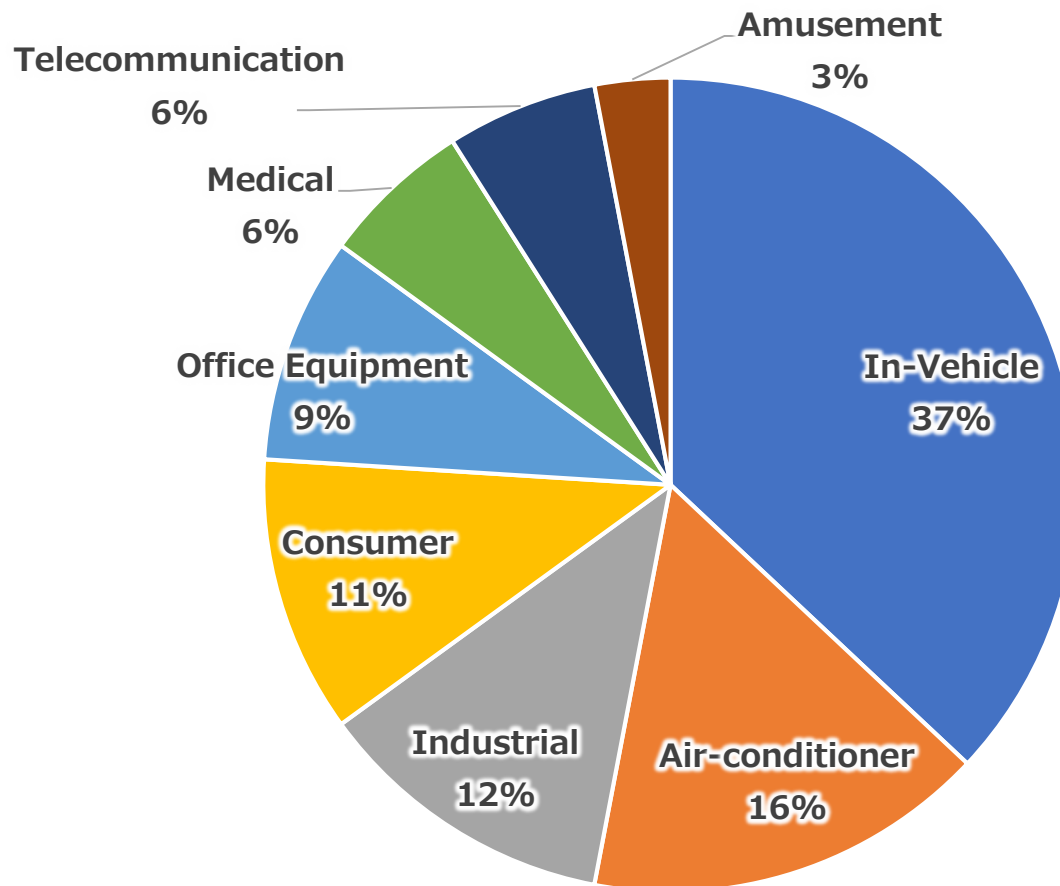
<Automated Medication Dispensing Cabinet>

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 2nd 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 22,363m²

Building area 10,719m²

【2nd Factory】

Site area 7,201m²

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

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

HATTEN

① Modular soldering baths

Product lineup

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



② Surface Mounting Equipment

Product lineup

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



③ Testing Equipment

Product lineup

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



④ Vertical High-temperature Furnaces

Product lineup

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



Medium-Term Management Plan 2027

(Extract from materials published on November 28, 2024)

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

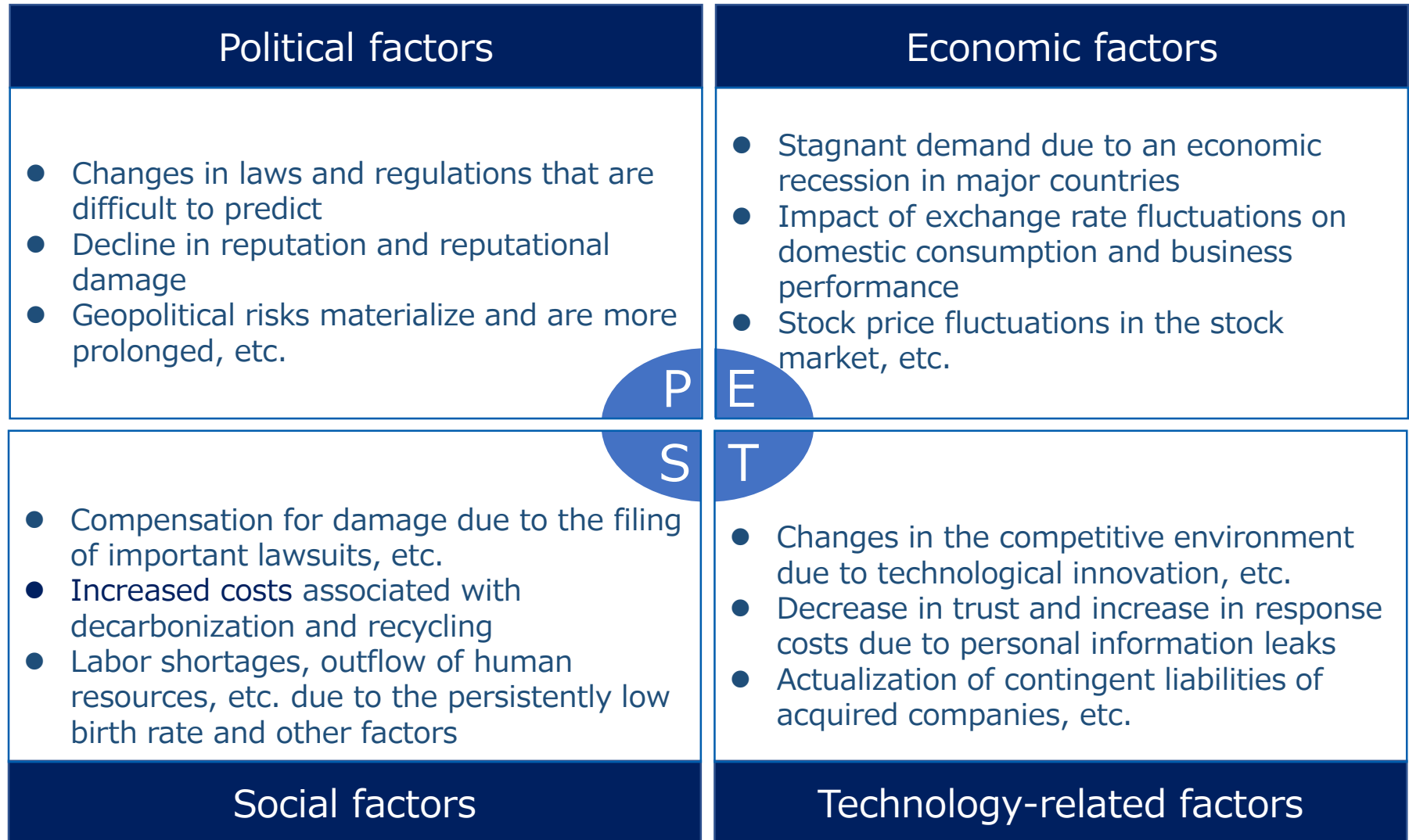
- With the exception of new M&As, the management targets for the final year of the plan (FY2024), announced in November 2021, were achieved in FY2022, the first year of the plan, two years ahead of schedule for net sales, operating income, and ROE.
- Based on the results of this first fiscal year, the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

	Management Plan <small>Announced on Nov. 25, 2021</small>	First-year results 2023/3 <small>Announced on May 11, 2023</small>	Latest Outlook <small>Same as on the left</small>	Second-year results 2024/3 <small>Announced on May. 9, 2024</small>	Final-year earnings forecast 2025/3 <small>Same as on the left</small>
Net Sales	JPY 750.0 bn Organic Growth: JPY 600.0 bn Including new M&As: JPY 150.0 bn	JPY 608.0 bn	[No change]	JPY 542.6 bn	JPY 555.0 bn
Operating Income	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 26.0 bn
ROE	Stable 8.5% or higher	19.6%	stable 10% or higher	14.5%	11.5%

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	<ul style="list-style-type: none"> • Selection and concentration in growth fields • Reinforcement and expansion of EMS business and overseas business 	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> • Reinforcement of corporate governance • Efficient Group management • Investments in human capital 	<ul style="list-style-type: none"> ■ 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	<ul style="list-style-type: none"> • Initiatives in new fields • Promotion of open innovation through venture investments • M&A efforts aimed at discontinuous growth 	<ul style="list-style-type: none"> ■ M&As: Four deals, including Taiyo Yuden small wireless module business ■ Investment in venture companies: JPY800mn/11 companies
Promotion of SDGs Management	<ul style="list-style-type: none"> • Addressing ESG management issues 	<ul style="list-style-type: none"> ■ 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
(FY2029)

“World class company”

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

Net sales
JPY **1** tn

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

Net Sales
JPY **800** bn or higher

Expand earnings in core businesses

Net Sales
JPY **700** bn or higher

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



Quantitative expansion of
trading company business



Qualitative improvement
through EMS business

Basic Policy and Priority Measures

Basic policy

Enhance corporate value through management focused on profitability and capital efficiency

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

Management Targets

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

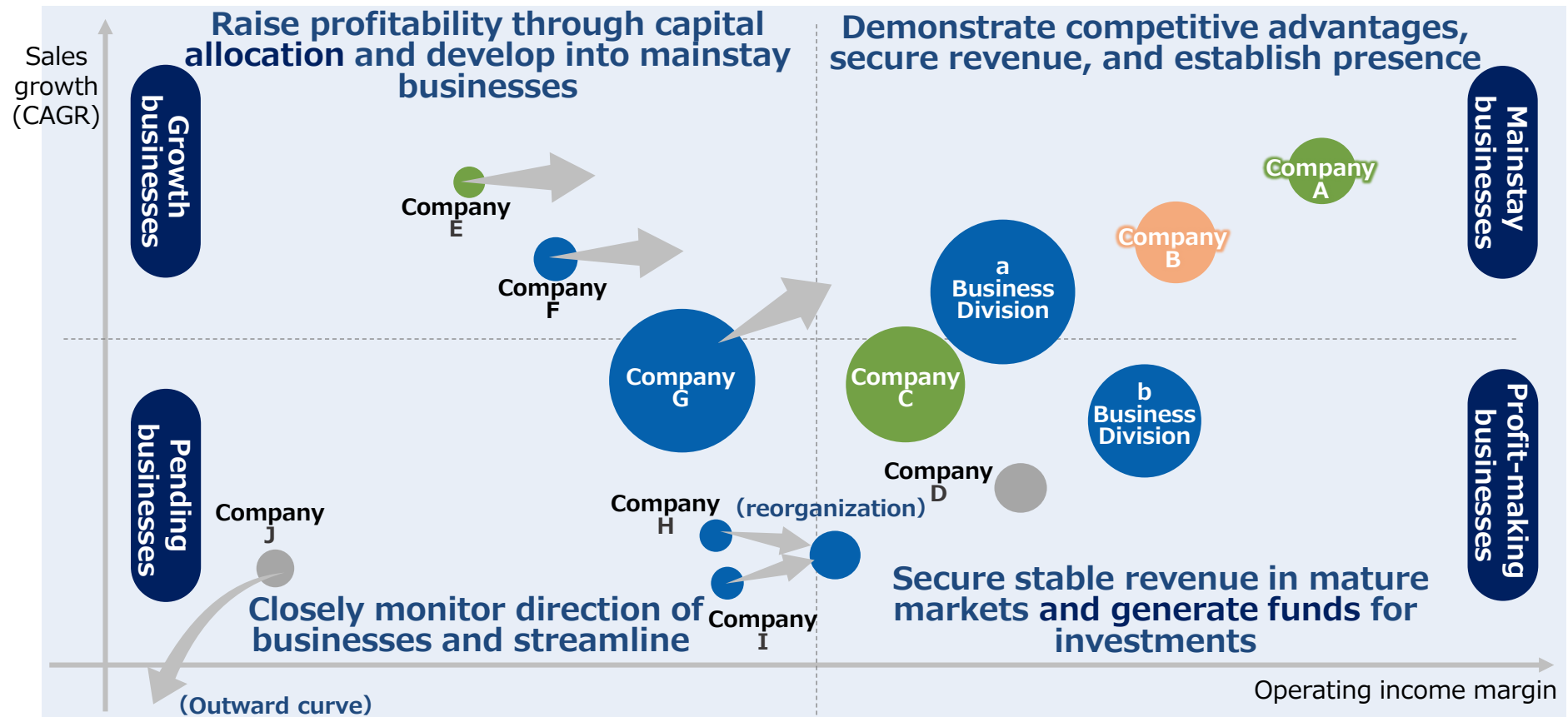
<Reference> Breakdown by Business Segment

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

Basic approach

Based on business segments, we will analyze the medium- and long-term direction of each business and appropriately allocate management resources in accordance with growth potential and competitiveness on the basis of each business division and Group company.

Framework (image)



Growth Strategy Matrix by Business and Company

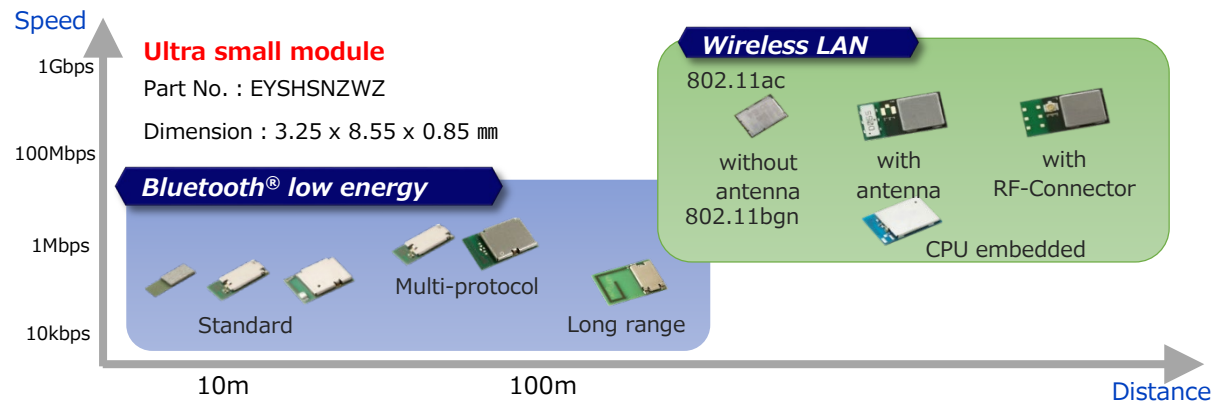
Supplemental materials

Basic approach

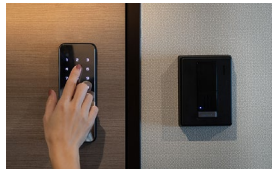
As an independent electronics general trading firm, we not only procure parts, but also maximize the strengths of our one-stop service that include the manufacture of semi-finished and finished products on a contract basis and cover every step from sales to after-service.

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

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



Solution using "CONTINECT"



Electronic lock



Wireless controller for Lighting

Development Base



KAGA FEI
Takasaki
Development Center

Production Bases



KAGA EMS TOWADA



KAGA ELECTRONICS
(THAILAND)

Basic approach

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

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

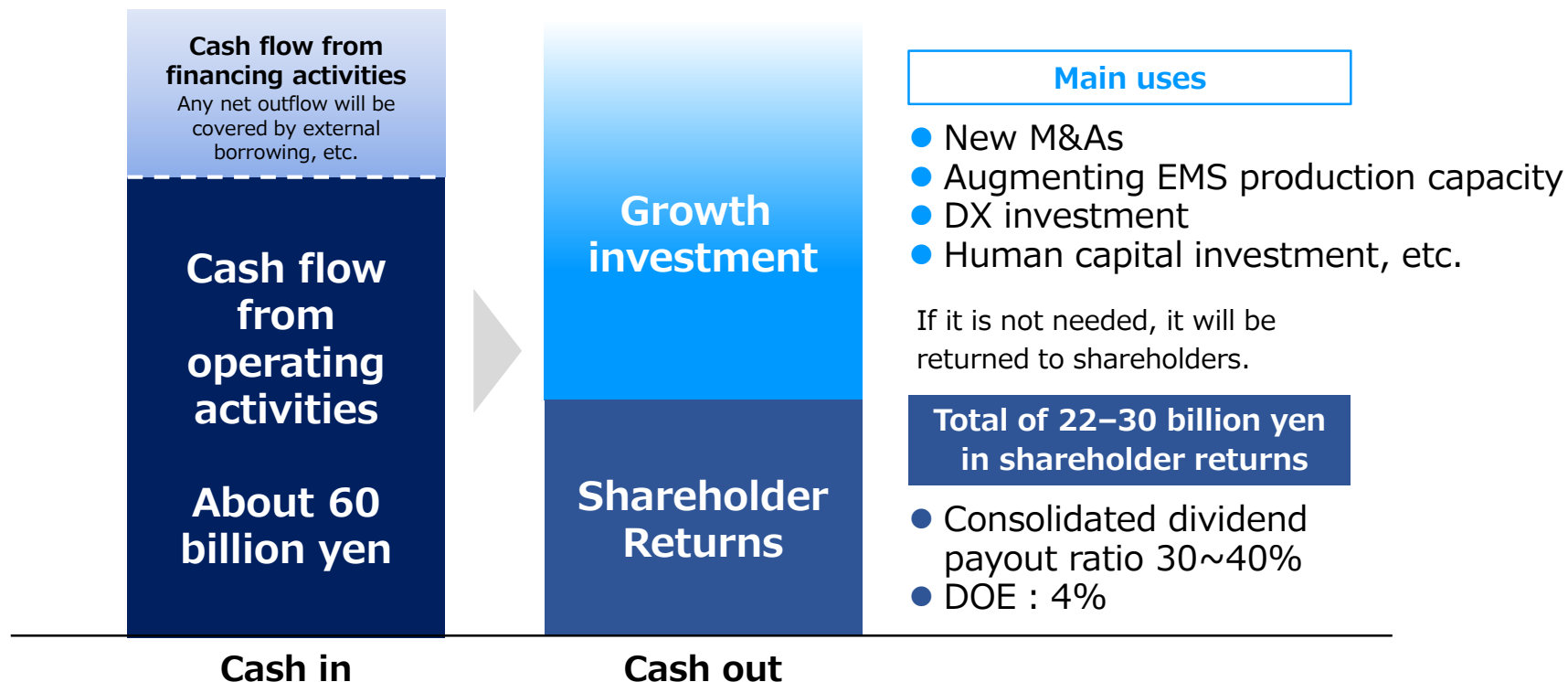
Since the 1990s, we have responded quickly to the overseas production shift of Japanese customers by establishing 21 bases in 10 countries around the world, starting with Shenzhen and gradually expanding our own factories.

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

Basic approach

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

FY2025–FY2027



Policy on Shareholder Returns

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

Medium- to long-term
dividend growth guideline

Consolidated dividend
payout ratio

30 ~ 40 %

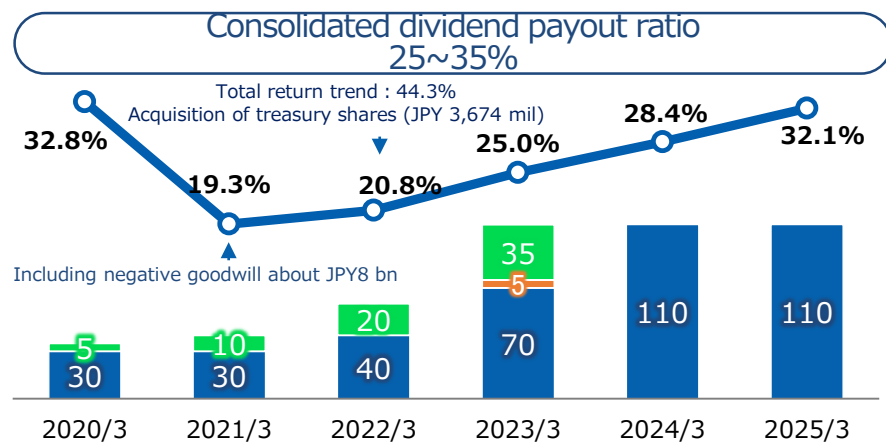
Target for stable dividends

DOE
(consolidated dividend on equity ratio)

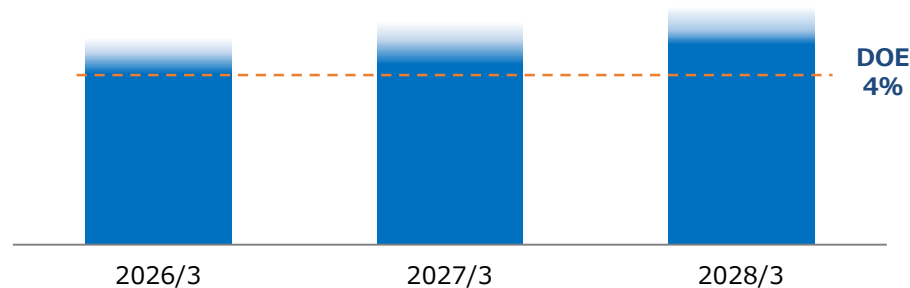
4.0 %

Flexible return policies

Special dividends,
acquisition of treasury shares



Consolidated dividend payout ratio
30~40% + DOE4%



Medium-Term
Management Plan 2021

Medium-Term
Management Plan 2024

Medium-Term Management Plan 2027



KAGA ELECTRONICS

■ Ordinary dividend ■ Commemorative dividend
■ Special dividend ○ dividend payout ratio

SDGs Management (Sustainability) Initiatives

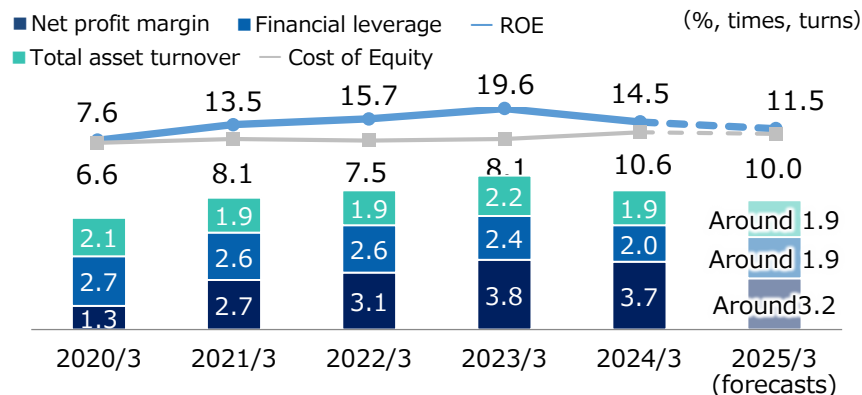
While aiming to achieve the quantitative targets established in the Medium- to Long-Term Sustainability Management Plan, we will play an active role in realizing a sustainable society and work to achieve sustainable growth in corporate value.

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

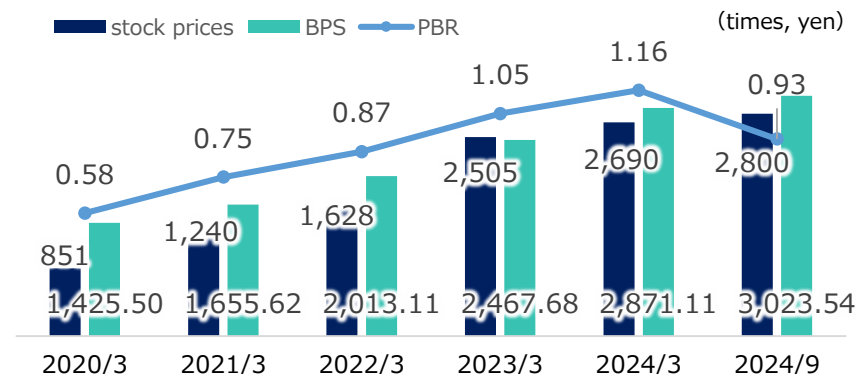
Management that is Conscious of Cost of Capital and Stock Price

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.

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

② We will respect human rights and develop human resources











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

③ We will work to build mutual trust with society

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

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

Medium- to long-term sustainability targets and major KPIs

	Key themes	Issues to address and issues to examine	Medium-term targets	Long-term targets
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> Adoption of renewable energy at domestic sales offices Adoption of renewable energy at domestic manufacturing sites Adoption of renewable energy at overseas manufacturing sites 	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"> Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) Initiatives to employ elderly workers and persons with disabilities 	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"> Enhancement of programs such as childcare/family-care and telework Acquisition of certification as a Health and Productivity Management Organization 	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"> Independent Outside Directors: at least 1/3 Establishment of Nomination and Compensation Committee 	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"> Diversification of the Board of Directors Full compliance with Corporate Governance Code for Prime Market Adoption of delegation-based executive officer structure Transition to structure of company with committees 	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"> Adoption of renewable energy at domestic sales offices 	<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"> Adoption of renewable energy at domestic manufacturing sites 	<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"> Adoption of renewable energy at overseas manufacturing sites 	<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"> Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV) 	<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"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) 	<ul style="list-style-type: none"> 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% 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
		<ul style="list-style-type: none"> Initiatives to employ elderly workers and persons with disabilities 	<p>FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023)</p> <p>FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)</p>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> Enhancement of programs such as childcare/family-care and telework 	<p>FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023.</p>
		<ul style="list-style-type: none"> Acquisition of certification as a Health and Productivity Management Organization 	<p>FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024</p>

Progress of medium- to long-term sustainability targets :

Governance

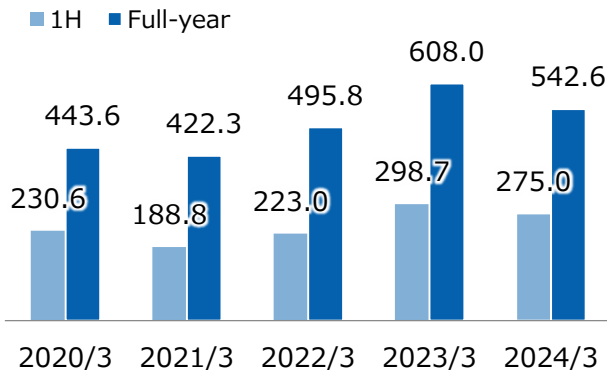
	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<ul style="list-style-type: none"> Independent Outside Directors: at least 1/3 Establishment of Nomination and Compensation Committee 	<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"> Diversification of the Board of Directors 	<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"> Full compliance with Corporate Governance Code for Prime Market 	<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"> Adoption of delegation-based executive officer structure 	<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"> Transition to structure of company with committees 	<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

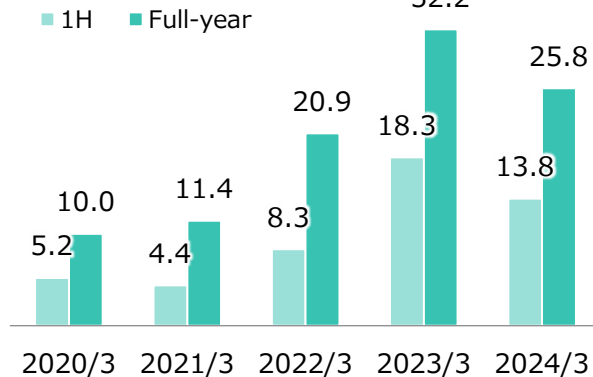
Net Sales

(billion yen)



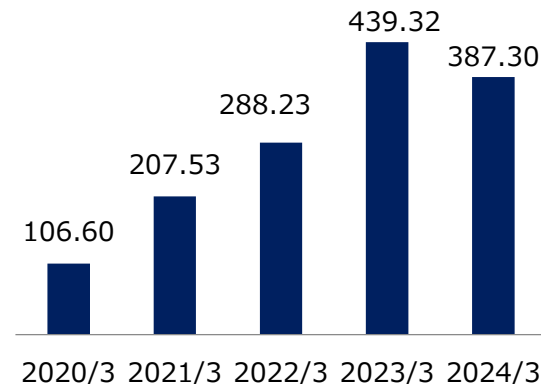
Operating Income

(billion yen)



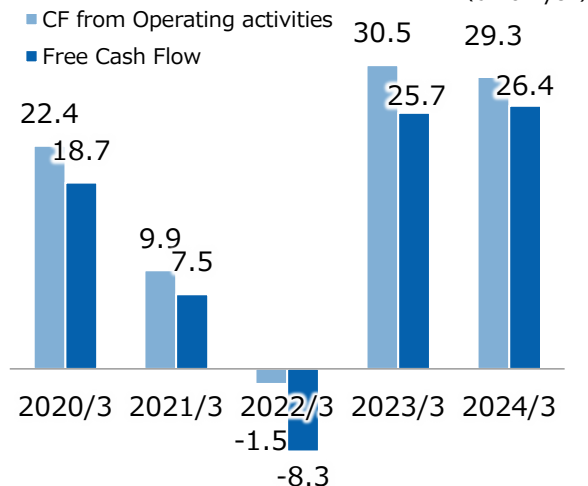
EPS

(yen)



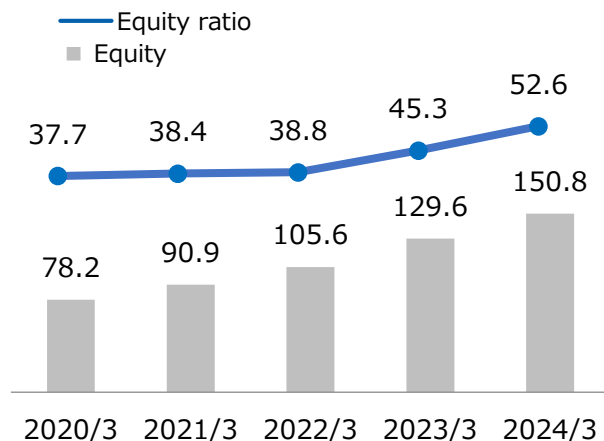
Cash Flow

(billion yen)



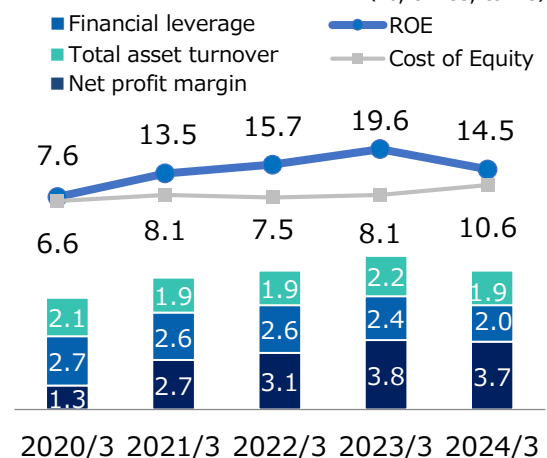
Equity ratio

(%, billion yen)



ROE

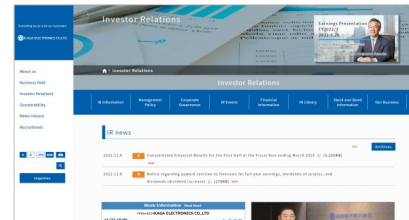
(%, times, turns)



Other IR Information

- Investor Relations Website

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



- Integrated Report 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.