

November 6, 2024

Name of Company	KAGA ELECTRONICS CO., LTD.
Representative	Ryoichi Kado, Representative Director, President & COO
(Stock Code: 8154 Tokyo Stock Exchange, Prime Market)	
Contact	Yasuhiro Ishihara, Senior Executive Officer Head of Administration Headquarters Tel: +81-(0)3-5657-0111

Notice Regarding the Formulation of the Next Medium-Term Management Plan

KAGA ELECTRONICS CO., LTD. has formulated its Medium-Term Management Plan 2027 for the three-year period beginning with the fiscal year ending March 2026, with details as follows.

1. Background to the formulation of Medium-Term Management Plan 2027

The Company formulated Medium-Term Management Plan 2024, which covers the period from the fiscal year ended March 2023 to the fiscal year ending March 2025, and has been working to implement the various measures set out in the plan. In terms of the plan's progress, in the fiscal year ended March 2023, the first year of the plan, we achieved the management targets for the final year of the plan for net sales, operating income, and ROE two years ahead of schedule, excluding new M&As. On the other hand, based on the results of this first year, the current performance forecast continues to diverge from the latest outlook for the final year's earnings performance announced in May 2023 due to factors that could not be foreseen at the time, such as prolonged inventory adjustments and the impact of wage increases.

Given this situation, we have formulated the Medium-Term Management Plan 2027 to lay out the path for the Group's growth over the next three years, with the aim of becoming a company with net sales of 1 trillion yen by the 60th anniversary of our founding. We have announced an outline of the plan today in order to share it with our stakeholders as soon as possible.

2. Outline of Medium-Term Management Plan 2027

(1) Plan duration

From the fiscal year ending March 2026 to the fiscal year ending March 2028 (three years)

(2) Basic policy

Enhance corporate value through management that emphasizes profitability and capital efficiency

(3) Priority measures

(i) Further improvements to profitability

We will continue to work on new M&As and create new businesses, aiming for net sales of 1 trillion yen in the fiscal year ending March 2029, which will be the 60th anniversary of our founding, while aiming to expand our core businesses by reinforcing business portfolio management.

(ii) Reinforcement of management base

We will implement a strategic cash allocation that focuses on growth investments and returning profits to shareholders. We will also maintain and strengthen investment in human capital through measures such as reforms to the personnel system.

(iii) Promotion of SDGs management

We will accelerate our response to the management issues of environmental, social, and governance, and aim for sustainable growth by achieving a balance between corporate value improvement and social value.

3. Management Target

		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 [Ref. Equity Cost]	11.5% [around 10%]	12.0% or higher [around 10%]	–

(Reference) Breakdown of organic growth by business segment

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

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.

*For details of Medium-Term Management Plan 2027, please refer to the attached document.
Furthermore, on November 28, 2024 (scheduled date for the Q2 earnings briefing for the fiscal year ending March 2025), we plan to announce more specific details, including the priority measures and action plans formulated in Medium-Term Management Plan 2027.

Note: 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.

Medium-Term Management Plan 2027

(FY2025-FY2027) – Outline –

KAGA ELECTRONICS CO., LTD.

<TSE Prime 8154>

Representative Director, President & COO

Ryoichi Kado

November 6, 2024

KAGA ELECTRONICS CO., LTD.

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 FY2023/3 <small>Announced on May 11, 2023</small>	Latest Outlook <small>Same as on the left</small>	Second-year results FY2024/3 <small>Announced on May. 9, 2024</small>	Final-year earnings forecast FY2025/3 <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

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Total	Net Sales	JPY 555 bn	JPY 700 bn	8.0%
	Segment income	JPY 26 bn	JPY 35 bn	10.4%

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

Policy on Shareholder Returns

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- For the ordinary dividend, “DOE of 4.0%” will be used as the new target for stable and continuous ordinary dividend payments.
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Medium- to long-term dividend growth guideline

Consolidated dividend payout ratio

30 ~ 40 %

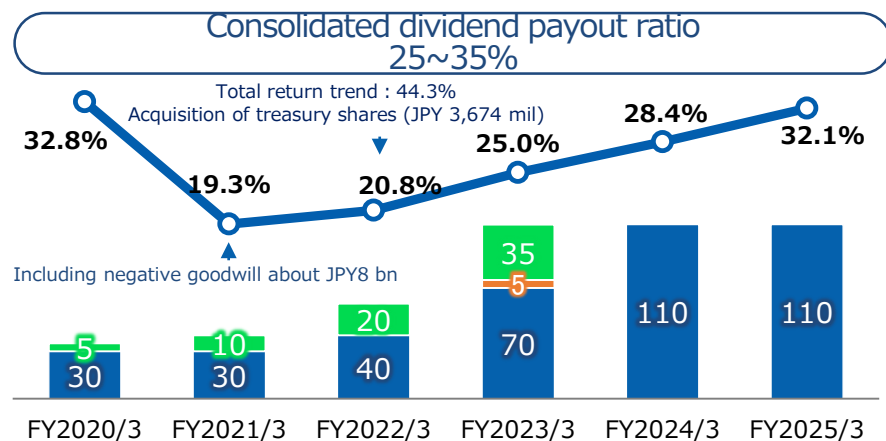
Target for stable dividends

DOE
(consolidated dividend on equity ratio)

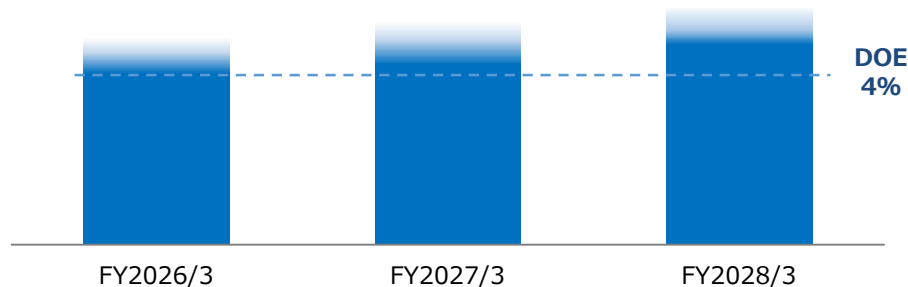
4.0 %

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