

## Medium-Term Management Plan 2027 (FY2025-FY2027)

**KAGA ELECTRONICS CO., LTD.**

<TSE Prime 8154>

Representative Director, President & COO

Ryoichi Kado

November 28, 2024

**KAGA ELECTRONICS CO., LTD.**

This is President Kado of Kaga Electronics.

Thank you very much for your support and cooperation with our IR activities.

I would like to explain our newly formulated three-year plan, which will start in fiscal 2025, the Next Medium-Term Management Plan 2027

We released an outline of the plan at the same time as we announced the interim financial results on the 6th of this month, but today I would like to explain the plan in greater detail.

## Corporate Philosophy

The core of Kaga Electronics' thinking and conduct is reflected in our Corporate Philosophy that has remained unchanged since our founding in 1968, our Management Vision that indicates our medium- to long-term visions for the company 5 and 10 years into the future, and our Action Guidelines that set forth the behavior that forms norms by which Kaga Electronics employees can achieve these visions.



The first page shows our Company's philosophy.

Since our founding, we have been aiming to realize our vision of becoming "Japan's No. 1 corporate group in the industry" and "a competitive world-class company" based on our management philosophy of "everything we do is for our customers."

## Summary

Main themes	Points of interest for analysts and investors	Comments from the company
▶ Medium-Term Management Plan 2024	<ul style="list-style-type: none"> <li>● FY2024 is the last year of the current medium-term management plan. How would you sum up the plan?</li> </ul>	<ul style="list-style-type: none"> <li>● The initial management targets were achieved in the first year of the plan (FY2022), excluding M&amp;As.</li> <li>● The latest outlook is not expected to be achieved due to the higher-than-expected impact of inventory adjustments.</li> </ul>
▶ Medium-Term Management Plan 2027	<ul style="list-style-type: none"> <li>● What aspects of the next medium-term management plan does the Company most want to emphasize?</li> </ul>	<ul style="list-style-type: none"> <li>● We have set minimum targets for FY2027 at JPY800bn in net sales, JPY36bn in operating income, and 12% ROE as a path to becoming a "1 trillion yen company."</li> <li>● The Company will reinforce cash allocation, shareholder returns, and portfolio management in order to practice capital efficiency-conscious management.</li> </ul>
▶ Cash allocation	<ul style="list-style-type: none"> <li>● What priority areas will cash be allocated to in the next medium-term management plan?</li> </ul>	<ul style="list-style-type: none"> <li>● Cash generated during the plan period (about 60 bn yen in total for three-year period) will be allocated with priority to growth investments such as M&amp;A and capital expenditures, as well as shareholder returns.</li> </ul>
▶ Shareholder returns	<ul style="list-style-type: none"> <li>● How are the current policies revised?</li> </ul>	<ul style="list-style-type: none"> <li>● We will strive for dividend growth through medium- to long-term profit growth, with a dividend payout ratio in the 30–40% range.</li> <li>● 4% DOE will be newly set as a guideline for stable dividends.</li> </ul>
▶ SDGs management	<ul style="list-style-type: none"> <li>● What are the priority initiatives?</li> </ul>	<ul style="list-style-type: none"> <li>● Environmental: Set CO2 emission reduction targets and promote the introduction of renewable energy.</li> <li>● Social: Strengthen investment in human capital.</li> <li>● Governance: Appoint female directors as soon as possible.</li> </ul>

This page summarizes the key points we would like to convey today in the form of an agenda.

We have organized the questions we have received often from analysts and investors since we released the next medium-term plan and the areas they have been most interested in into five themes.

The key points are that the minimum management targets for the next medium-term plan are net sales of 800 billion yen, operating income of 36 billion yen, and ROE of 12%, that cash allocation will be focused on growth investments and returns to shareholders, and that returns to shareholders will be increased by raising the dividend payout ratio and setting a DOE of 4% as a new indicator.

I will explain each of these in more detail on the following pages.

## 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>
<b>Net Sales</b>	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
<b>Operating Income</b>	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 26.0 bn
<b>ROE</b>	Stable 8.5% or higher	19.6%	stable 10% or higher	14.5%	11.5%

First, I would like to review the achievements made during the term of the current medium-term plan.

With regard to the management targets, we achieved the targets for net sales, operating income, and ROE in fiscal 2022, the first year of the plan, two years ahead of schedule, with the exception of new M&As.

Based on these results, we updated our earnings forecast for the final year in May 2023 and announced it as the latest outlook, but due to factors that we could not have foreseen at the time, such as the prolonged inventory adjustments and wage increases, there is a divergence between the fiscal 2024 earnings forecast and the latest outlook.

We are working to complete the current plan, and positioning these earnings forecasts as “commitments” and the latest outlook as challenge targets.

## 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"> <li>• Selection and concentration in growth fields</li> <li>• Reinforcement and expansion of EMS business and overseas business</li> </ul>	<ul style="list-style-type: none"> <li>■ Relocated and expanded the Malaysia plant (Oct. 2022)</li> <li>■ Relocated and expanded the Turkey plant (Jun. 2023)</li> <li>■ Relocated and expanded the Mexico plant (Apr. 2024)</li> </ul>
Reinforcement of Management Base	<ul style="list-style-type: none"> <li>• Reinforcement of corporate governance</li> <li>• Efficient Group management</li> <li>• Investments in human capital</li> </ul>	<ul style="list-style-type: none"> <li>■ DX investments: SFA (Aug. 2022), SAP (Apr. 2023)</li> <li>■ Inflation allowance (Mar. 2023), wage increase implemented (Apr. 2024)</li> <li>■ Established a special leave system for male employees (Apr. 2024)</li> </ul>
Creation of New Businesses	<ul style="list-style-type: none"> <li>• Initiatives in new fields</li> <li>• Promotion of open innovation through venture investments</li> <li>• M&amp;A efforts aimed at discontinuous growth</li> </ul>	<ul style="list-style-type: none"> <li>■ M&amp;As: Four deals, including Taiyo Yuden small wireless module business</li> <li>■ Investment in venture companies: JPY800mn/11 companies</li> </ul>
Promotion of SDGs Management	<ul style="list-style-type: none"> <li>• Addressing ESG management issues</li> </ul>	<ul style="list-style-type: none"> <li>■ Environmental: Solar power generation facilities installed at six plants in Japan and overseas</li> <li>■ Social: Recognized as a Health and Productivity Management Organization</li> <li>■ Governance: Streamlining of the Board of Directors, appointment of female auditor (Jun. 2023)</li> </ul>

Next, I will explain the status of our efforts to achieve the four basic policies and key issues.

With regard to “further reinforcement of profitability,” we have been working to increase the production capacity of our factories in Malaysia, Turkey, and Mexico with the aim of strengthening our EMS business. This year, we also built a new factory in Mexico, which began operations in April.

With regard to “reinforcement of management base,” we have promoted the introduction of tools that utilize digital technology, and also provided inflation allowances and wage increases in April of this year.

In addition, we also actively worked on ESG issues as part of our sustainability management.

However, with regard to “creation of new businesses,” although we carried out business transfers and invested in venture companies, we have not been able to achieve significant results in new M&A at this point in time, and we have given ourselves a “triangle” (△) rating on this.

<p><b>Political factors</b></p> <ul style="list-style-type: none"> <li>• Changes in laws and regulations that are difficult to predict</li> <li>• Decline in reputation and reputational damage</li> <li>• Geopolitical risks materialize and are more prolonged, etc.</li> </ul>	<p><b>Economic factors</b></p> <ul style="list-style-type: none"> <li>• Stagnant demand due to an economic recession in major countries</li> <li>• Impact of exchange rate fluctuations on domestic consumption and business performance</li> <li>• Stock price fluctuations in the stock market, etc.</li> </ul>
<p><b>Social factors</b></p> <ul style="list-style-type: none"> <li>• Compensation for damage due to the filing of important lawsuits, etc.</li> <li>• Increased costs associated with decarbonization and recycling</li> <li>• Labor shortages, outflow of human resources, etc. due to the persistently low birth rate and other factors</li> </ul>	<p><b>Technology-related factors</b></p> <ul style="list-style-type: none"> <li>• Changes in the competitive environment due to technological innovation, etc.</li> <li>• Decrease in trust and increase in response costs due to personal information leaks</li> <li>• Actualization of contingent liabilities of acquired companies, etc.</li> </ul>



From here, I would like to explain our next medium-term management plan.

This page is a brief summary of our risk perceptions, which are mainly influenced by the macro environment.

As the Group is expanding its operations globally, we are affected not only by domestic factors in Japan but also by factors in other countries around the world.

PEST analysis has given us a good understanding of regulatory change and geopolitical risks caused by political factors, economic factors such as economic downturns in major countries and the risk of sudden exchange rate fluctuations, and risks arising from social and technological innovation. By responding flexibly to these changes, we hope to build up our competitive advantages.




The next page shows the visual describing the concepts of the next medium-term plan.

First of all, the overall big picture is that we aim to achieve net sales of 1 trillion yen by fiscal 2028, which is the 60th anniversary of our founding, in order to realize the management vision that I explained at the beginning.

With this in mind, we have set the organic sales target at “700 billion yen or higher” through earnings growth in existing core businesses. Furthermore, by adding inorganic growth through the creation of new businesses and M&As, our management target is to achieve net sales of “800 billion yen or higher”.

I will explain the coefficients in more detail on the following pages.

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

The basic policy is to enhance corporate value through management that focused on profitability and capital efficiency.

I have always advocated profit-oriented management, and while maintaining this approach, I will aim to further enhance corporate value by implementing management that is even more conscious of capital efficiency.

There are three priority measures.

The first is to further reinforce profitability. In addition to expanding our core businesses, we will take on the challenge of M&As and work to create new businesses.

The second is to make our management base more advanced. Here, in order to enhance our capital strategies, we have clarified our approach to cash allocation and also revised our shareholder return policy.

The third is to further promote SDGs management. We will accelerate our response to ESG-related management issues based on the medium- to long-term sustainability management plan formulated in November 2021.



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%]	

Next, let's move on to our management targets.

With an eye to achieving net sales of 1 trillion yen in fiscal 2028, we have set the management target of net sales of 800 billion yen or higher and operating income of 36 billion yen or higher.

Of these, the target values for organic growth are net sales of 700 billion yen or higher and operating income of 35 billion yen or higher. We aim to maintain an operating profit margin of 5.0% even in a tough, competitive environment. The compound annual growth rate from the forecast for this fiscal year is 8.0% for net sales and 10.4% for operating income.

In addition, as our basic policy is to emphasize capital efficiency, our target for ROE in the final year is 12.0% or higher, with an awareness that the current cost of equity is 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%

This page shows the breakdown of organic growth by segment.

In particular, we have positioned the EMS business as a growth driver, and as you can see, we have set a high target of around 20% average annual growth in net sales and operating income.

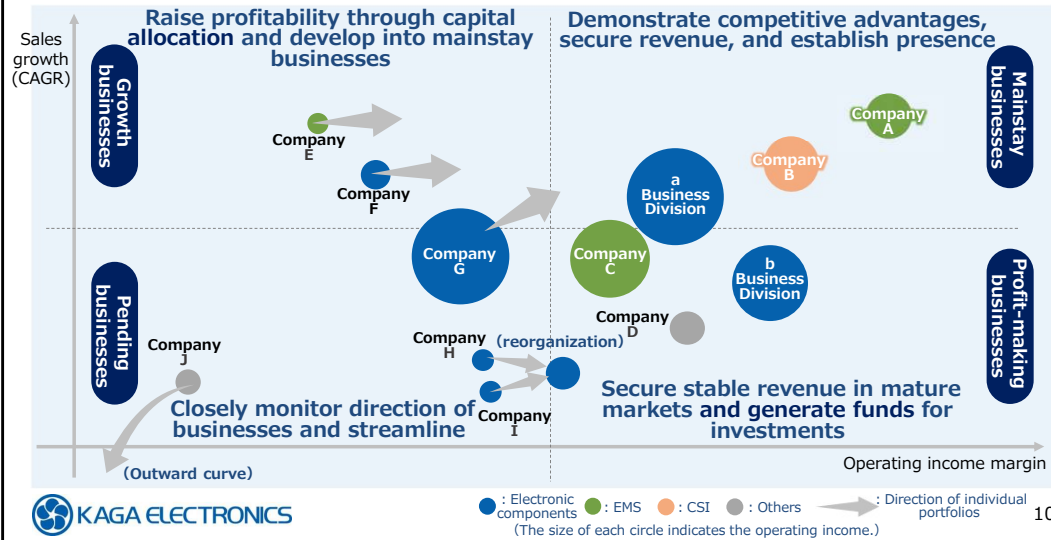
I will explain our strategies and measures for how we plan to grow the EMS business later.

In addition, the electronic components business, which is a trading company business, is also our founding business, and we expect steady growth.

**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)**



Next, I will explain “reinforcing business portfolio management.”

Our basic approach here is to analyze and consider the medium-term direction of each business division and group company of Kaga Electronics, based on their growth potential and competitive advantages, and to allocate management resources appropriately according to that direction.

The specific operations are shown in the conceptual diagram of the framework below, where the growth potential of net sales is placed on the vertical axis, the operating income margin is placed on the horizontal axis, and it divided into four areas so that the current situation of each business can be visualized.

Naturally, we want to move toward the upper right of this diagram, so we will implement measures such as allocating management resources with a focus on priorities and raising productivity to improve profitability.

In particular, for businesses classified as “pending businesses” in the lower left, we will determine their future direction and take measures to move them to the right zone, or we will consider internal group restructuring and the carve-out of non-core businesses.

## 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	Net sales (billion yen)
<b>Electronic Component</b>	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
<b>EMS</b>	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
<b>CSI (Information Equipment)</b>	Utilize the strengths of sales channels such as mass retailers and schools and educational institutions			2025/3 (forecasts) 45.0 2028/3 55.0
<b>Others</b>	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
<b>Net sales</b>	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

This page shows the growth strategies of each company and business in matrix form.

As an independent electronics general trading firm, our basic approach is to maximize the strengths of our one-stop service, which covers every step from parts procurement to the manufacture and sale of semi-finished and finished products, as well as after-sales service.

By developing each business while making the most of the characteristics and strengths of each company, we will demonstrate the comprehensive strength of the Group.

The sales targets for the final year, based on the organic growth of each company, are as follows: 400 billion yen for Kaga Electronics, 260 billion yen for Kaga FEI, and 40 billion yen for Excel.

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

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

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

Here, I will explain the global strategy for our EMS business, which is a growth driver for us.

The EMS business, which originally started in the 1970s as a “processing” business, has grown to the point where we now have 21 bases in 10 countries around the world, with our own factories being developed in an order determined by our response to customer demand.

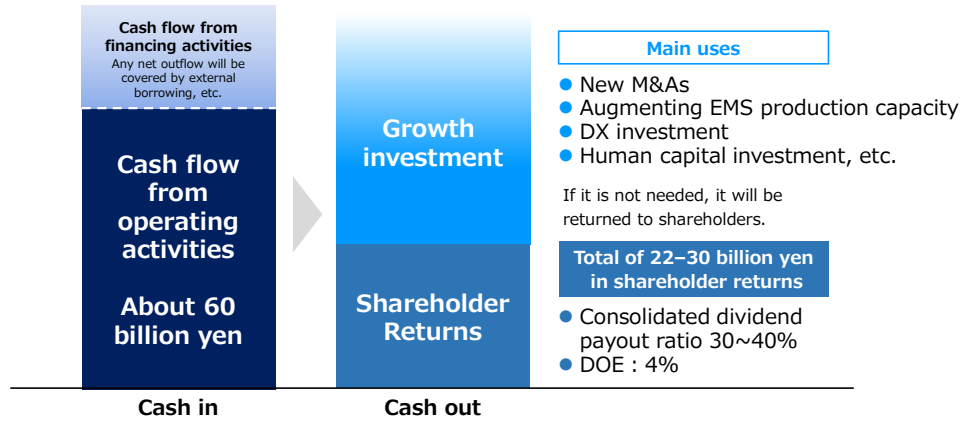
With our global production system, which covers five regions of the world, as our strength, we will continue to support our customers’ manufacturing and promote business development based on the “local production for local consumption” model, which is rooted in each market.

The main measures and focus areas in each region are as noted here. Over the past ten years, we have steadily expanded our business in each region, and in the next three years, we expect growth in Japan, Asia, and the Americas.

## 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



Next, I will explain our approach to cash allocation.

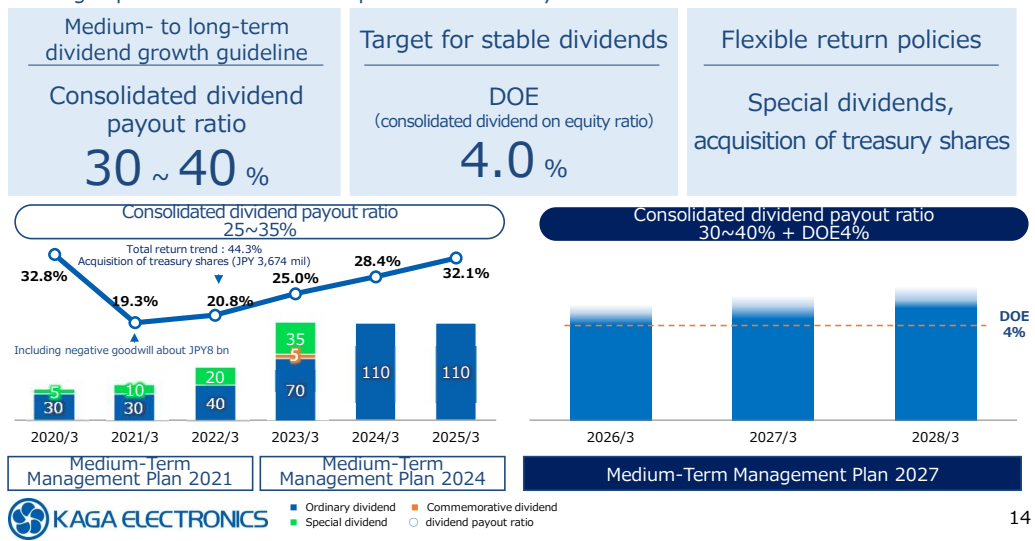
Our basic approach is to maintain financial discipline while allocating generated cash to growth investments and returns to shareholders as priority areas, with the aim of increasing corporate value.

We estimate that we will generate a total of around 60 billion yen in cash flow from operating activities over the next three years, and we are thinking of allocating around 22 to 30 billion yen to shareholder returns and over 30 billion yen to growth investments such as new M&As and increasing production capacity in the EMS business.

However, the size of the funds required for M&A may fluctuate significantly, so in the event that the amount exceeds the target, we will cover the excess with external borrowings. In the event that it is no longer needed, we will allocate it to shareholder returns.

## 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.



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Next, I will explain our shareholder return policy.

The three points listed at the top are the main points of our shareholder return policy for the duration of the next medium-term plan.

First, we have raised the target for the consolidated dividend payout ratio from the previous range of 25% to 35% to 30% to 40%.

We aim to clarify our stance of returning profits more actively to our shareholders and to achieve dividend growth in line with profit growth.

Next, we will newly introduce DOE (Dividend on Equity ratio) as an indicator for ordinary dividends, and aim to pay stable and continuous dividends with a target of 4%.

Finally, we will flexibly implement special dividends and acquisition of treasury shares as measures in line with profit levels and capital efficiency.

## 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.

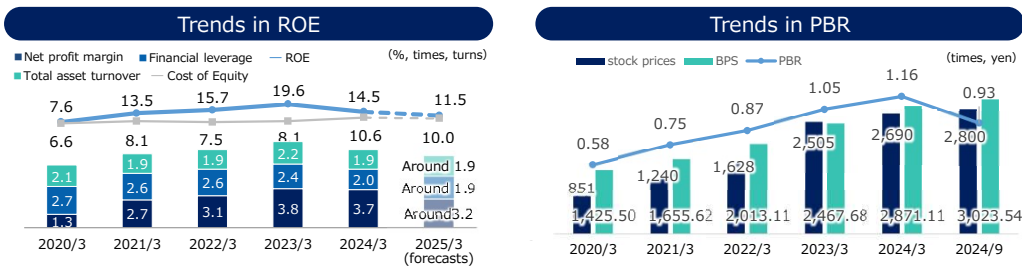
	Main themes	Typical KPI
<b>Environmental</b> Create a clean global environment	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Domestic sales offices: 2030</li> <li>Domestic manufacturing sites: 2050</li> </ul>
	Shift to electricity for company-owned vehicles	<ul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

As part of our efforts to implement SDGs management, we aim to achieve the targets set out in our Medium- to Long-Term Sustainability Management Plan for each of the themes of environmental, social, and governance, while also playing an active role in realizing a sustainable society and working to achieve sustainable growth in corporate value.



# Management that is Conscious of Cost of Capital and Stock Price

Supplemental materials



Current assessment	<ul style="list-style-type: none"> <li>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.</li> <li>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.</li> </ul>								
Future initiatives	<table border="1"> <tr> <td style="background-color: #003366; color: white;">1. Steady implementation of the medium-term management plan</td> <td style="background-color: #003366; color: white;">Aim to achieve management targets by working on business growth and profitability improvements in line with the medium-term management plan.</td> </tr> <tr> <td style="background-color: #003366; color: white;">2. Improvements to shareholder satisfaction</td> <td style="background-color: #003366; color: white;">Raise the consolidated dividend payout ratio to 30-40% and set DOE at 4.0% as a guideline for stable and sustainable dividends.</td> </tr> <tr> <td style="background-color: #003366; color: white;">3. Promotion of SDGs Management</td> <td style="background-color: #003366; color: white;">Establish and announce GHG emission reduction targets in Scope 1-3, and improve evaluations by external organizations such as CDP and TCFD.</td> </tr> <tr> <td style="background-color: #003366; color: white;">4. Maintenance and reinforcement of proactive IR activities</td> <td style="background-color: #003366; color: white;">Further increase confidence in the Company's management and reduce the cost of capital through broader disclosure to capital markets and active dialogue.</td> </tr> </table>	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.
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Note: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024. The amounts indicated above related to stock prices and BPS for the periods prior to October 1, 2024, are adjusted for the said stock split.

Finally, I would like to take this opportunity to say a few words about management that is conscious of cost of capital and stock prices.

This is an update of the policy we announced in January this year.

First, we are aware that at present, ROE has been above the cost of equity, but has been on a downward trend for the past two years. In addition, the PBR has been on a clear upward trend since the previous medium-term management plan, and it was above 1.0x from February 2023, but it has been below 1.0x since the sharp fall in the Japanese stock market in August.

There are no major changes to the four points of our future initiatives.

We will continue to proactively disseminate information so that the stock market can fairly evaluate our management initiatives that I explained today, such as steady implementation of the next medium-term plan, improvements to shareholder satisfaction through a review of the dividend policy, and promotion of SDGs management.

That concludes my explanation.

Thank you.

# “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.
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Ratio : After calculation in yen units, Round down one digit of Display unit.