

# Medium-Term Management Plan 2027

(FY2025-FY2027)

**KAGA ELECTRONICS CO., LTD.**

<TSE Prime 8154>

Representative Director, President & COO

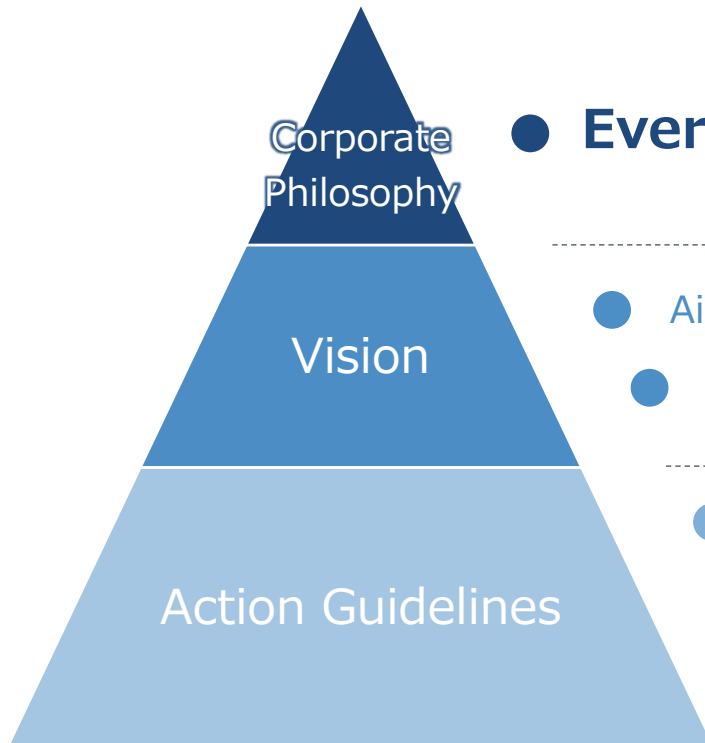
Ryoichi Kado

November 28, 2024

**KAGA ELECTRONICS CO., LTD.**

# 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.



## ● 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

# Summary

Main themes	Points of interest for analysts and investors	Comments from the company
▶ <b>Medium-Term Management Plan 2024</b> .....	<ul style="list-style-type: none"> <li>● <b>FY2024 is the last year of the current medium-term management plan. How would you sum up the plan?</b></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>
▶ <b>Medium-Term Management Plan 2027</b> .....	<ul style="list-style-type: none"> <li>● <b>What aspects of the next medium-term management plan does the Company most want to emphasize?</b></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>
▶ <b>Cash allocation</b> .....	<ul style="list-style-type: none"> <li>● <b>What priority areas will cash be allocated to in the next medium-term management plan?</b></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>
▶ <b>Shareholder returns</b> .....	<ul style="list-style-type: none"> <li>● <b>How are the current policies revised?</b></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>
▶ <b>SDGs management</b>	<ul style="list-style-type: none"> <li>● <b>What are the priority initiatives?</b></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>

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

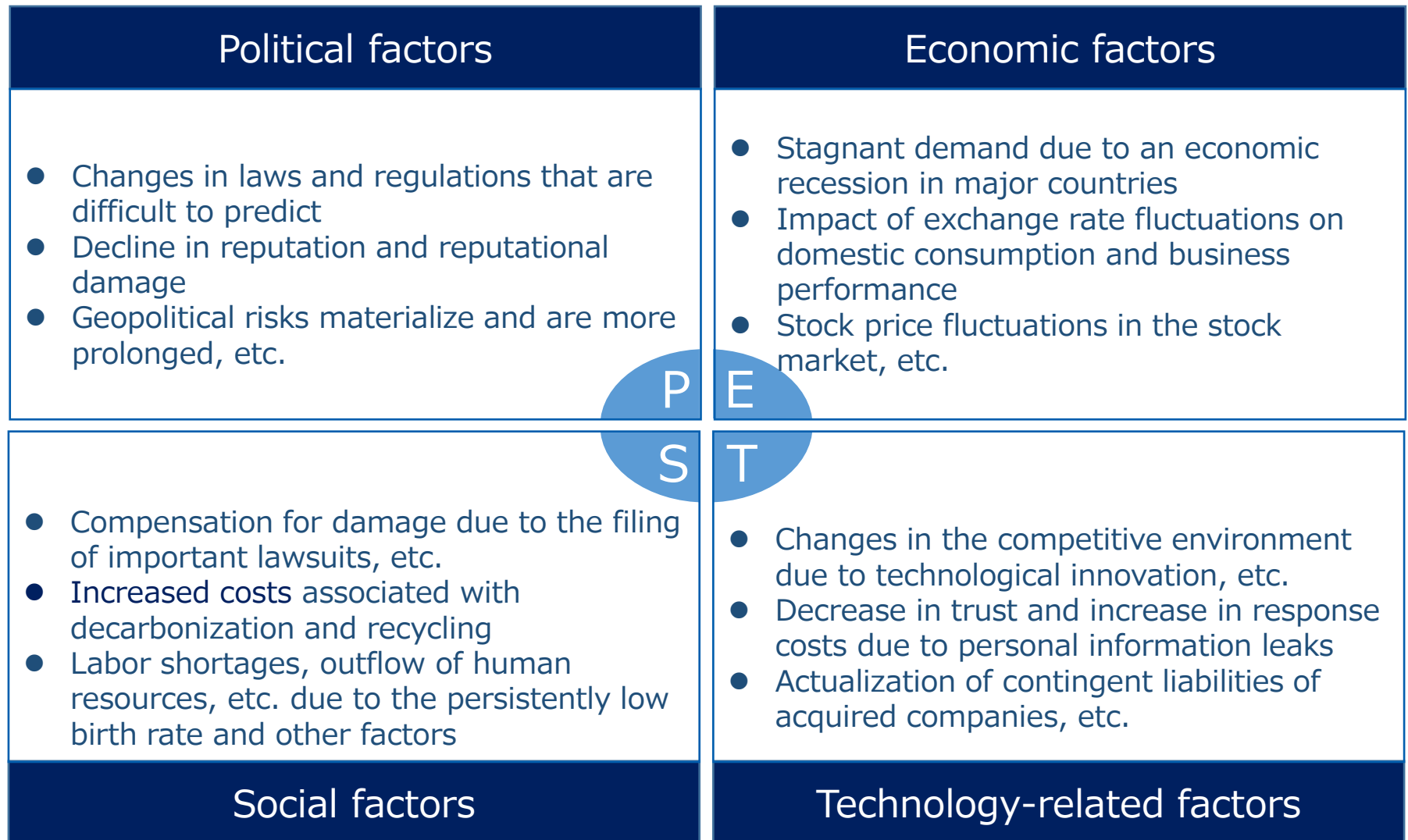
- With the exception of new M&As, the management targets for the final year of the plan (FY2024), announced in November 2021, were achieved in FY2022, the first year of the plan, two years ahead of schedule for net sales, operating income, and ROE.
- Based on the results of this first fiscal year, the 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 Announced on Nov. 25, 2021	First-year results 2023/3 Announced on May 11, 2023	Latest Outlook Same as on the left	Second-year results 2024/3 Announced on May. 9, 2024	Final-year earnings forecast 2025/3 Same as on the left
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"> <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>



# 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



Increased  
Sales

Quantitative expansion of  
trading company business



Increased  
Profit Ratio

Qualitative improvement  
through EMS business

# Basic Policy and Priority Measures

## Basic policy

Enhance corporate value through management focused on profitability and capital efficiency

Priority measures		Main action plan
<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>



# Management Targets

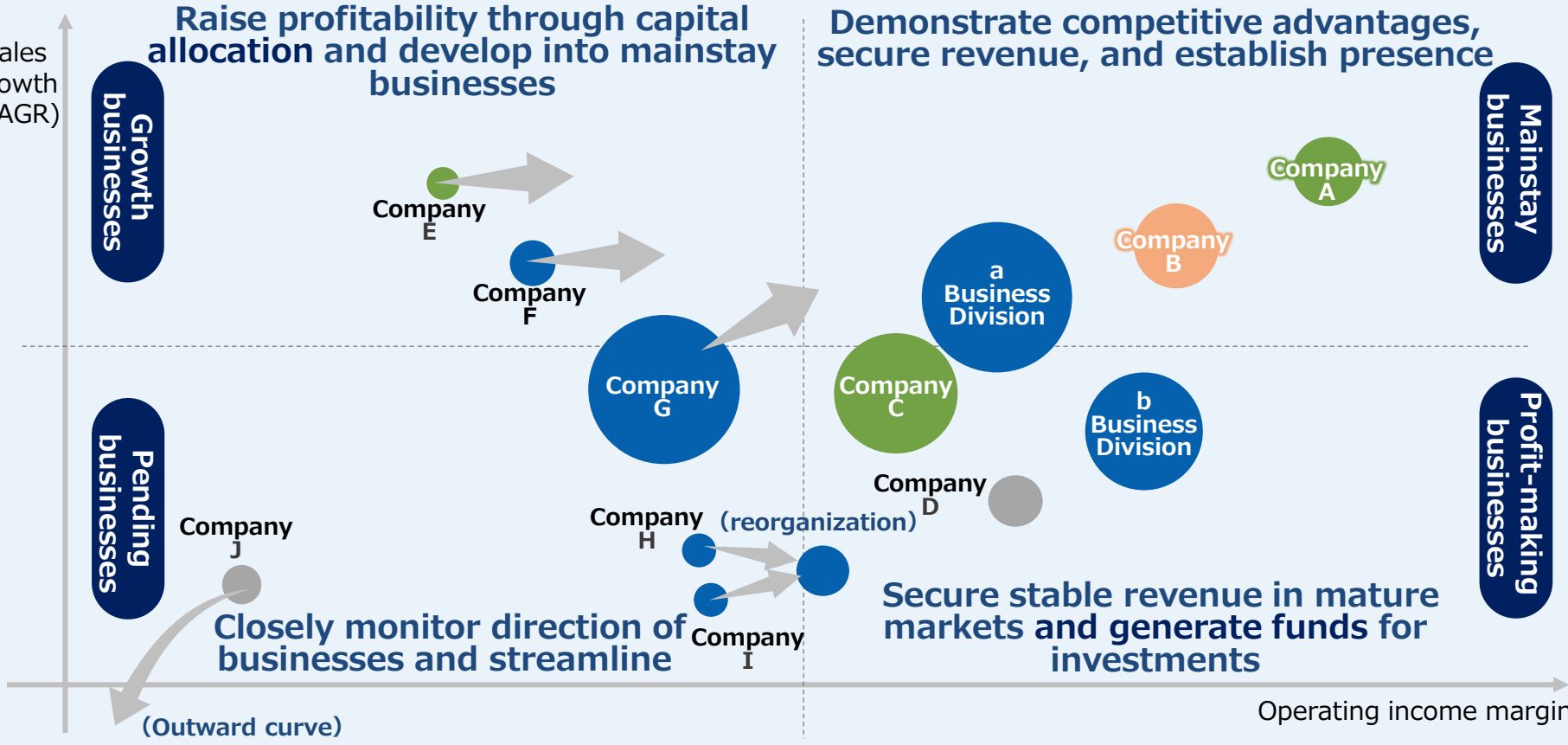
		Final year of current medium-term plan (FY2024)	Final year of next medium-term plan (FY2027)	CAGR
Management targets aiming for JPY 1 tn in final year	Net Sales		JPY 800 bn or higher	
	Operating Income		JPY 36 bn or higher	
Increase in revenue through organic growth	Net Sales	JPY 555 bn	JPY 700 bn or 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

**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
<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 <b>2028/3 400.0</b>
<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 <b>2028/3 230.0</b>
<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 <b>2028/3 55.0</b>
<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 <b>2028/3 15.0</b>
<b>Net sales</b>	2025/3 (forecasts)  325.0 <b>2028/3 400.0</b>	2025/3 (forecasts)  200.0 <b>2028/3 260.0</b>	2025/3 (forecasts)  30.0 <b>2028/3 40.0</b>	2025/3 (forecasts)  555.0 <b>2028/3 700.0</b>

## 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.

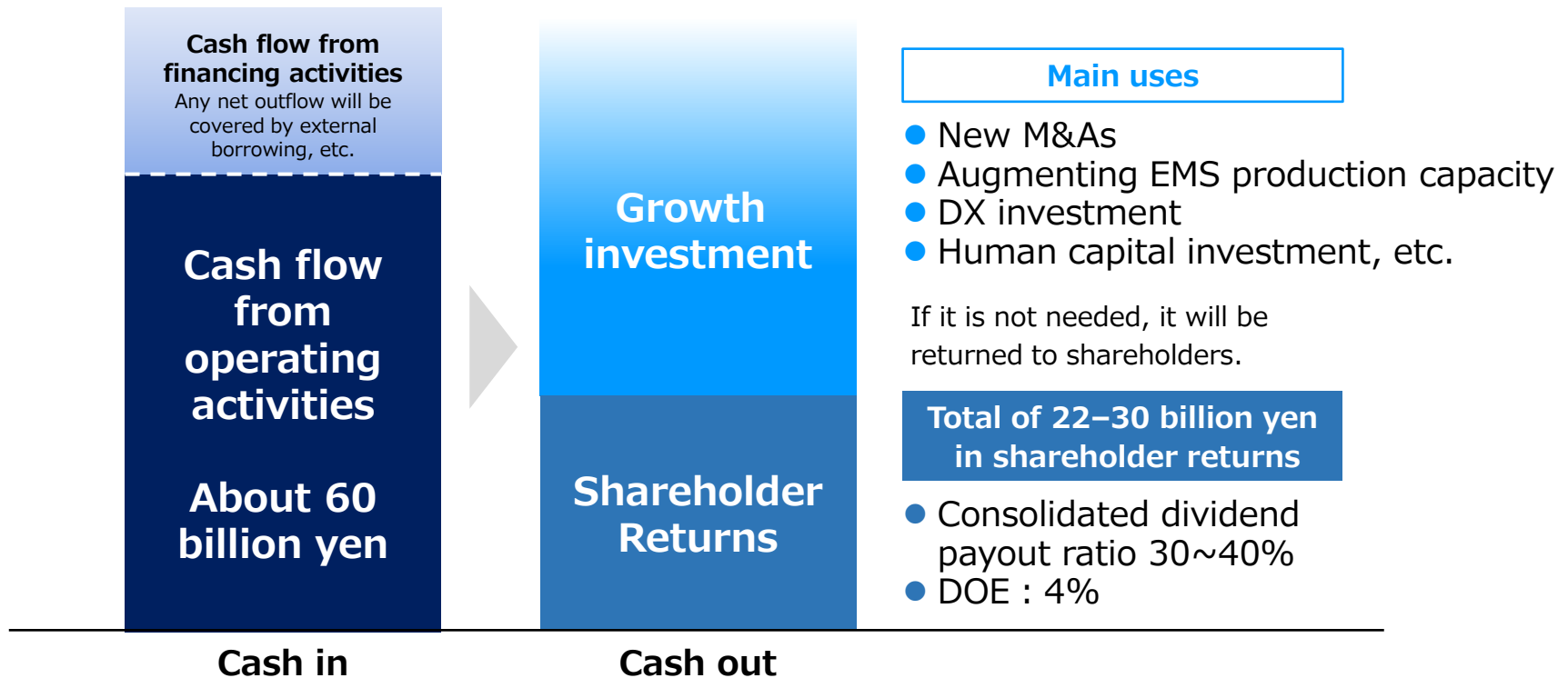
Since the 1990s, we have responded quickly to the overseas production shift of Japanese customers by establishing 21 bases in 10 countries around the world, starting with Shenzhen and gradually expanding our own factories.

	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>

## 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

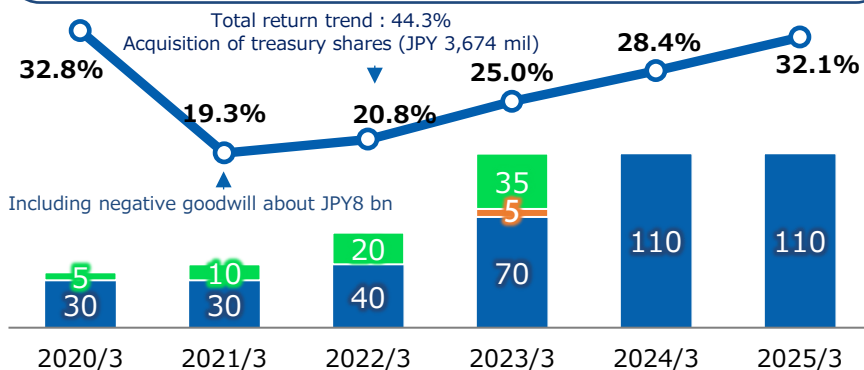
DOE  
(consolidated dividend on equity ratio)

4.0 %

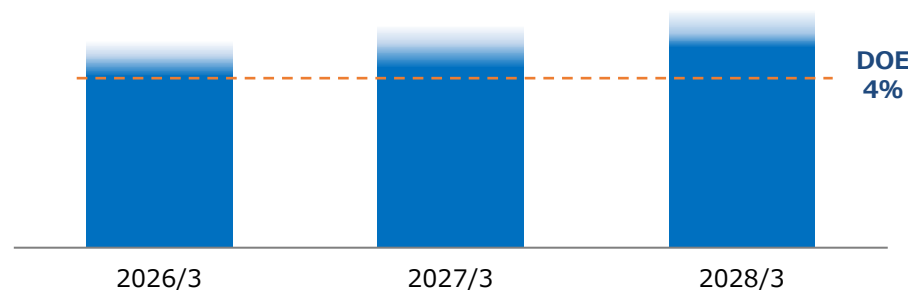
## Flexible return policies

Special dividends,  
acquisition of treasury shares

### Consolidated dividend payout ratio 25~35%



### Consolidated dividend payout ratio 30~40% + DOE4%



Medium-Term Management Plan 2021

Medium-Term Management Plan 2024

Medium-Term Management Plan 2027

# SDGs Management (Sustainability) Initiatives

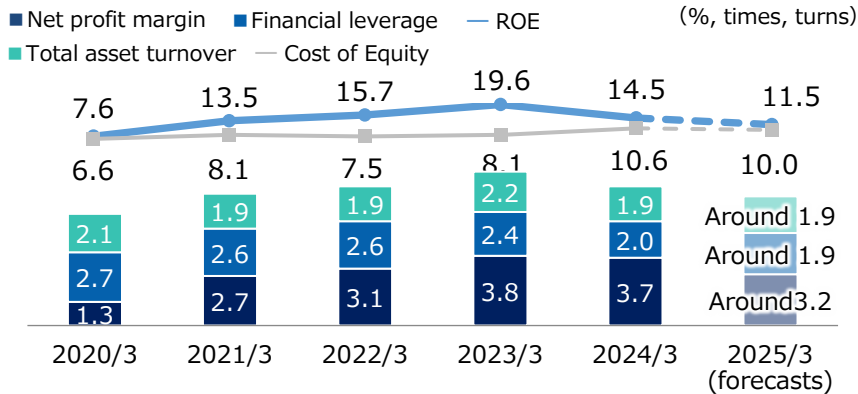
While aiming to achieve the quantitative targets established in the Medium- to Long-Term Sustainability Management Plan, we will play an active role in realizing a sustainable society and work to achieve sustainable growth in corporate value.

	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>

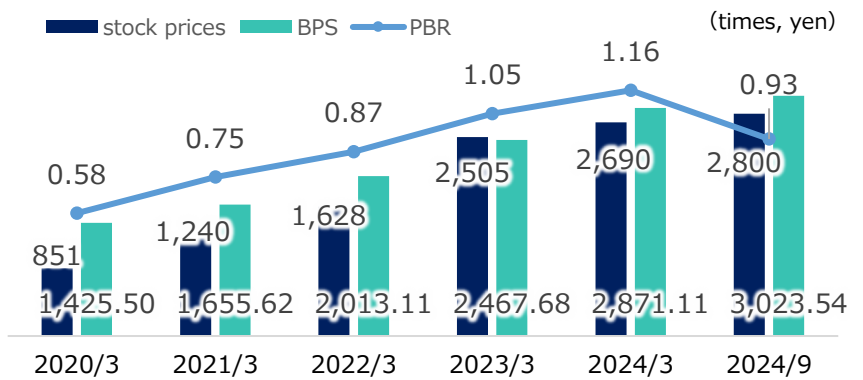


# Management that is Conscious of Cost of Capital and Stock Price

## 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. |

# “Everything we do is for our customers



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