

# Financial Results Briefing Material

for the Fiscal Year ended March 2022

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**KAGA ELECTRONICS CO., LTD.**

TSE Prime Market 8154

May 26, 2022

# Management Topics

Representative Director,  
President & COO

**Ryoichi Kado**

# Response to the Spread of Novel Coronavirus Infection : Sales bases in Japan

## Office attendance rate and number of infections

	FY2022/3 H1	FY2022/3 H2	FY2022/3 H1 plan	Number of COVID-19 cases (FY2022/3)
Kaga Electronics	41.5%	45.8%	40%	47
Group companies	47.3%	51.6%	(Different for each company)	104
Group overall	44.4%	48.7%	—	151

## Infection prevention measures

### Do not bring the virus to work or spread it

Thermometers were set up



Partitions within offices



### Thorough antiviral and antibacterial measures were taken

Antiviral coating was applied



Photocatalytic sterilizing deodorizers were set up



# Response to the Spread of Novel Coronavirus Infection : Overseas Production Bases

## Status of factory operation and number of infections

: Operation suspension period	Status of factory operation and number of infections			Number of COVID-19 cases (FY2022/3)	
	FY2022/3 H1	FY2022/3 H2	FY2022/3 H1		
China			3/14~20:Shenzhen	China	0
Thai				Asia	113
Indonesia				Europe	2
Malaysia	7/15~26			America	18
Vietnam		7/22~9/27			
India					
Czech					
Turkey					
Mexico					

## Infection prevention measures

### Do not bring the virus to work or spread it

Temperature taken when arriving at work



Goggles and masks worn



### Social distancing was strictly enforced

Production lines



Partitions in the factory cafeteria



# Review of the Previous Medium-term Management Plan: Results of management policiess

Basic policy	Priority themes	Main results
Enhancement of Revenue Base	<ul style="list-style-type: none"> <li>▶ Focus on markets and areas in which high growth and profitability are expected</li> </ul>	<ul style="list-style-type: none"> <li>○ Revenue increase effect through acquisition of companies : about <b>¥215 bn</b></li> <li>○ Growth of EMS business : about <b>¥28 bn</b></li> </ul>
Stabilization of Management Base	<ul style="list-style-type: none"> <li>▶ Swift recovery of the Group's management efficiency and financial soundness after weakness caused by acquisition of companies</li> </ul>	<ul style="list-style-type: none"> <li>○ KAGA FEI: Gross profit margin 6.3% (FY18 results) → <b>9.8%</b> (FY21 results)</li> <li>○ Kaga Electronics: Consolidated SG&amp;A ratio 9.5% (FY18 results) → <b>8.0%</b> (FY21 results)</li> <li>○ Kaga Electronics: Equity ratio 35.8% (end/Mar 2019 results) → <b>38.8%</b> (end/Mar 2022 results)</li> </ul>
Creation of New Businesses	<ul style="list-style-type: none"> <li>▶ Enhancement of resiliency to changes in the external environment, actively leveraging in-house resources, and M&amp;A</li> </ul>	<ul style="list-style-type: none"> <li>○ Venture investments : <b>19</b> projects executed (investments in 42 companies)</li> <li>△ Social issues solutions-oriented business : Entry into disaster-readiness helicopter and EV bus mobility business, preparation for entry into medical device business</li> </ul>

# Review of the Previous Medium-term Management Plan: Results of management figures

## Net sales

<Management Targets>

JPY500bn

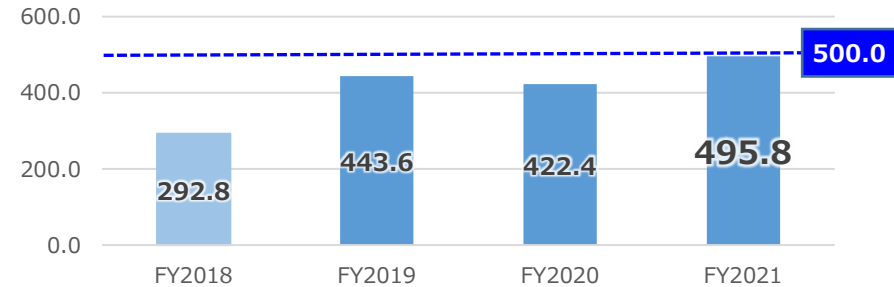
<Results>

**JPY495.8bn**

▶ **Fell slightly short**

▶ Largely absorbed unexpected impacts such as those from loss of major commercial rights and COVID-19

(billion yen)



## Operating income

<Management Targets>

JPY13.0bn

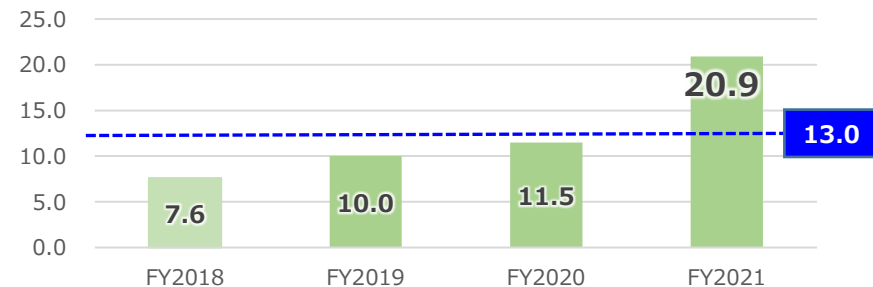
<Results>

**JPY20.9bn**

▶ Greatly exceeded

▶ Achieved record profits over 3 successive fiscal years

(billion yen)



## ROE

<Management Targets>

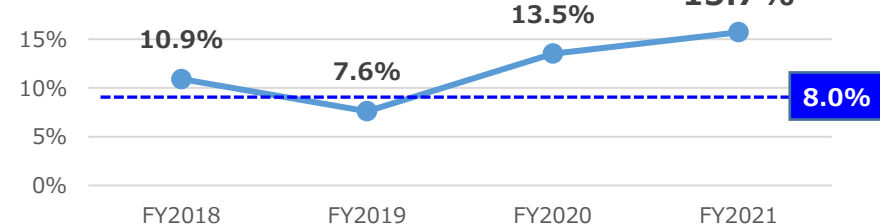
8% or higher

<Results>

**15.7%**

▶ Exceeded stable ROE of 8% from the second year of the medium-term plan

20%



# Outline of the new medium-term management plan

Organic growth  
+  
Further M&A Challenges

Aim to become a competitive "World class company"

JPY 1 tn

Aim to be "Japan's No. 1 corporate group in the industry"

JPY 750 bn



Expansion of trading company business

will lead to growth of the EMS business



- Growth fields
- Mobility
  - Communications
  - Environment
  - Industrial equipment
  - Medical
  - Health care

Reinforcement and expansion of overseas business, EMS business

(Net Sales)

Medium-Term Management Plan 2024

Further reinforcement of profitability

Reinforcement of management base

Creation of new businesses

Promotion of SDGs management

"CHALLENGE 1.60"

Sales of ¥1 tn in year of 60th anniversary of founding

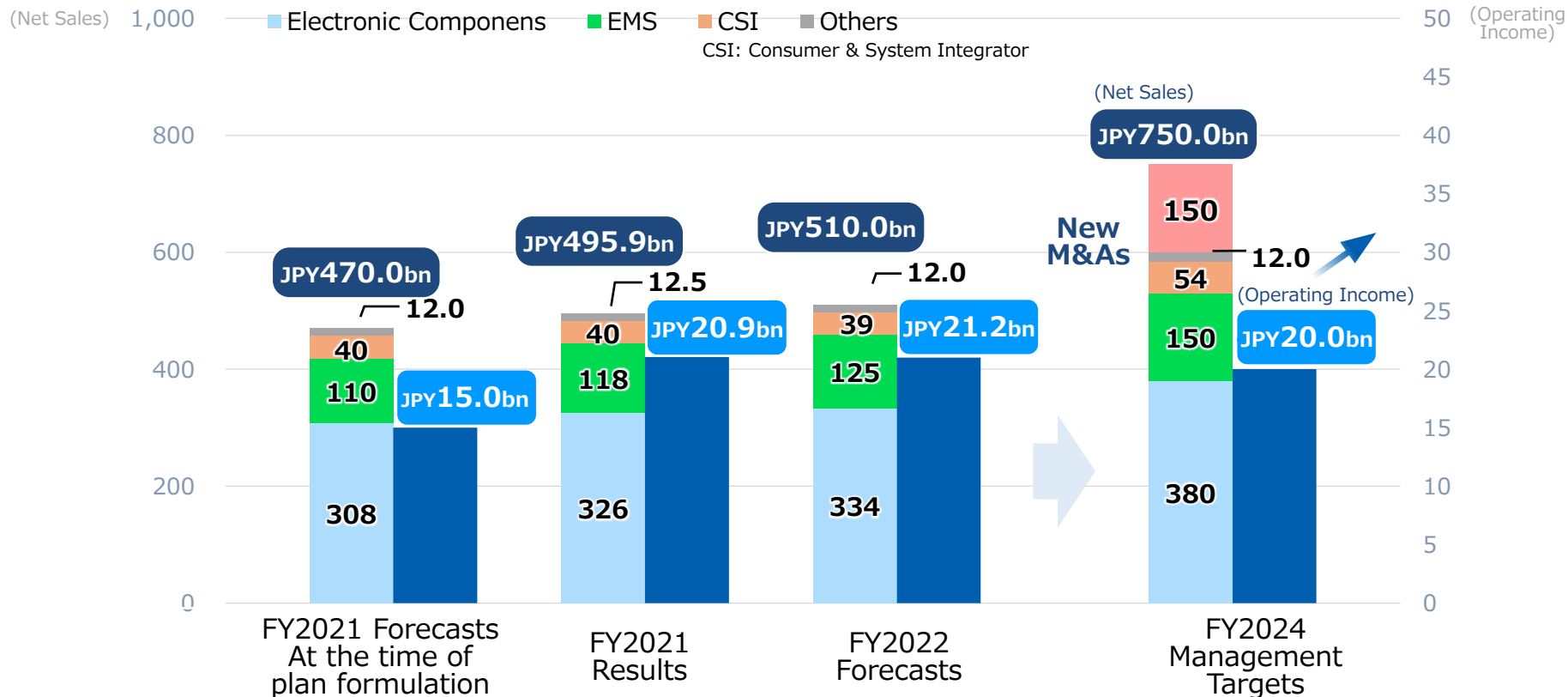
# Management Policies of the new medium-term management plan

Basic policy	Priority themes	Major initiatives
Further Reinforcement of Profitability	<ul style="list-style-type: none"> <li>▶ Focus on markets with potential for high growth and profitability</li> </ul>	<ul style="list-style-type: none"> <li>• Selection and concentration in growth fields: Mobility, Communications, Environment, Industrial equipment, Medical/Health care</li> <li>• Reinforcement and expansion of EMS business and overseas business</li> </ul>
Reinforcement of Management Base	<ul style="list-style-type: none"> <li>▶ Transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry"</li> </ul>	<ul style="list-style-type: none"> <li>• Reinforcement of corporate governance</li> <li>• Efficient Group management</li> <li>• Investments in human capital</li> </ul>
Creation of New Businesses	<ul style="list-style-type: none"> <li>▶ Active use of venture investments and M&amp;As</li> </ul>	<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>
Promotion of SDGs Management	<ul style="list-style-type: none"> <li>▶ achieve solutions to social issues and sustainable growth as a company</li> </ul>	<ul style="list-style-type: none"> <li>• Promotion of group-wide sustainability management</li> </ul> <p>(See "Medium- to long-Term Sustainability Management Plan" for details)</p>



# Management Targets of the new medium-term management plan

There was pressure from special factors that were not predicted when formulating the plan, leading to profit levels that exceeds the medium-term management target of 20 billion yen. We will conduct a revision as appropriate given the actual state of affairs, focusing on the progress of performance as of the 1H of FY2022.



Net sales	JPY470.0bn	JPY495.8bn	JPY510.0bn	<b>JPY750.0bn</b>
Operating income	15.0bn	20.9bn	21.2bn	<b>20.0bn</b>
ROE	9.7%	15.7%	13.0%	<b>8.5% or higher</b>

# Sustainability Policy

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Under our corporate philosophy of "Everything we do is for our customers," the Kaga Electronics Group seeks to achieve both a sustainable society and sustainable growth of the Group. Toward this purpose, we will respect dialogue with customers, business partners, shareholders, investors, employees, local communities, and all other stakeholders, based on our Basic CSR Policy, Environmental Policy, and Action Guidelines. We will work to increase our corporate value as we play an active role in achieving a sustainable society.

## 1 We will tackle environmental issues through our business activities

Through our business activities, we will take action to cut CO<sub>2</sub> 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
<b>E</b>	Create a clean global environment	 	<ul style="list-style-type: none"> <li>• Growing seriousness of global warming and other environmental problems</li> <li>• Urgent call for carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>• Provide products and services designed to help resolve environmental and energy issues</li> <li>• Continue initiatives to reduce the environmental burden</li> </ul>
<b>S</b>	Create an inclusive company as well as an affluent society	  	<ul style="list-style-type: none"> <li>• Changes in social structure as we move toward the popularization of the new normal</li> <li>• Human resource shortages attributable to a low birthrate and an aging population</li> </ul>	<ul style="list-style-type: none"> <li>• Promote workforce diversity and innovative work styles to better adapt to the new normal</li> <li>• Develop human resources by passing down and updating KAGA-ism</li> </ul>
<b>G</b>	Create a sustainable management base	 	<ul style="list-style-type: none"> <li>• Public calls for more robust corporate governance</li> <li>• Growing need for business resilience against changes in the operating environment</li> </ul>	<ul style="list-style-type: none"> <li>• Further strengthen corporate governance and compliance</li> <li>• Thoroughly practice a profit-focused management approach</li> </ul>
<b>B</b>	Realize sustainable business growth	  	<ul style="list-style-type: none"> <li>• Progress in digital transformation</li> <li>• Coming of a “super-smart” society due to the popularization of ICT, such as IoT and AI</li> <li>• Intensification of global competition</li> </ul>	<ul style="list-style-type: none"> <li>• Provide products and services that contribute to the transition to a digital-driven society</li> <li>• Create new businesses aimed at helping</li> </ul>

## 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"> <li>Adoption of renewable energy at domestic sales offices</li> <li>Adoption of renewable energy at domestic manufacturing sites</li> <li>Adoption of renewable energy at overseas manufacturing sites</li> </ul>	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"> <li>Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> <li>Initiatives to employ elderly workers and persons with disabilities</li> </ul>	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"> <li>Enhancement of programs such as childcare/family-care and telework</li> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	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 CG Code and the reorganization of TSE	<ul style="list-style-type: none"> <li>Independent Outside Directors: at least 1/3</li> <li>Establishment of Nomination and Compensation Committee</li> </ul>	Performed in June 2021	
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>Diversification of the Board of Directors</li> <li>Full compliance with Corporate Governance Code for Prime Market</li> <li>Adoption of delegation-based executive officer structure</li> <li>Transition to structure of company with committees</li> </ul>	By June 2022: Determination of policy Performed in November 2021 April 2022: Enactment By March 2023: Determination of policy	Setting of targets in line with next CG Code revision

\*Numbers in parentheses represent current values

# Medium- to long-term sustainability targets: Main activities and progress

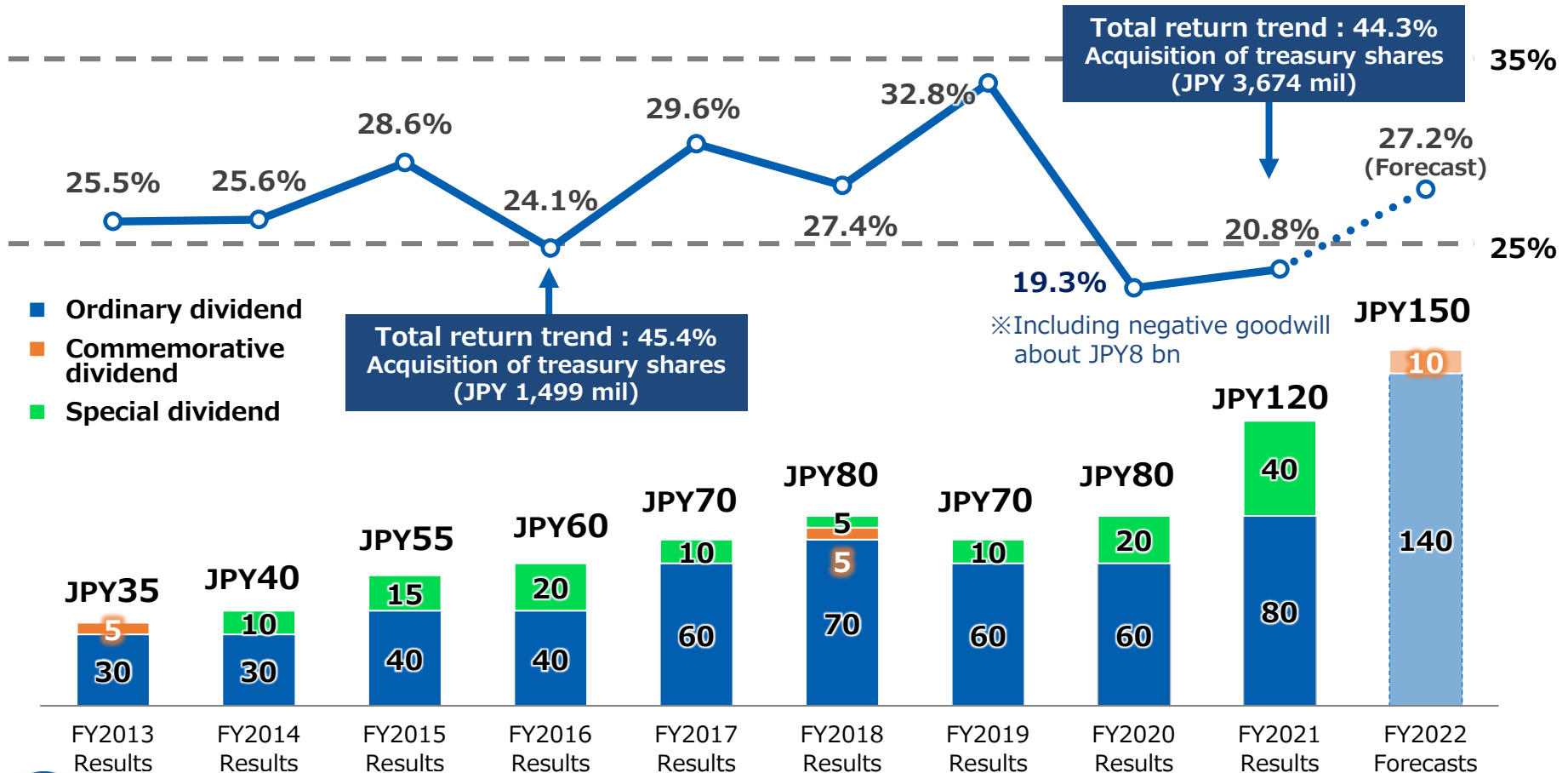
	Key themes	Issues to address and issues to examine	Main activities and progress in FY2021
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic sales offices</li> <li>Adoption of renewable energy at domestic manufacturing sites</li> </ul>	<ul style="list-style-type: none"> <li>Measured the electricity usage (approx. 4.42 million KWh). Started study of when to purchase renewable energy.</li> <li>Measured the electricity usage (approx. 6.72 million KWh). Solar panels, onsite/offsite PPA, etc., are under consideration.</li> </ul>
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	<ul style="list-style-type: none"> <li>80.8% complete (as of March 31, 2022).</li> </ul>
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> <li>Initiatives to employ elderly workers and persons with disabilities</li> </ul>	<ul style="list-style-type: none"> <li>Formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Started hiring activities in accordance with the plan.</li> <li>Informed group companies to improve percentage of women in management positions. Started setting targets for number of women in management positions at each group company.</li> <li>Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2022).</li> </ul>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>Enhancement of programs such as childcare/family-care and telework</li> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	<ul style="list-style-type: none"> <li>Regulations and rules are being revised to make telework a permanent system.</li> <li>Prepared information to be disclosed on the website with an eye to acquisition of certification.</li> </ul>
G	Restructuring the governance structure in response to the revision of the CG Code and the reorganization of TSE	<ul style="list-style-type: none"> <li>Independent Outside Directors: at least 1/3</li> <li>Establishment of Nomination and Compensation Committee</li> </ul>	<ul style="list-style-type: none"> <li>Implemented from June 2021.</li> </ul>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>Diversification of the Board of Directors</li> <li>Full compliance with Corporate Governance Code for Prime Market</li> <li>Adoption of delegation-based executive officer structure</li> <li>Transition to structure of company with committees</li> </ul>	<ul style="list-style-type: none"> <li>Activities underway to elect female directors in June 2023.</li> <li>TCFD-compliant information to be disclosed from June 2022.</li> <li>Implemented from April 2022.</li> <li>Policy to be determined in FY2022.</li> </ul>

\*Numbers in parentheses represent current values

# Shareholder Return

## Basic Policy on Dividends of Surplus

- We shall perform **stable dividends**, while securing a **consolidated dividend payout ratio of 25 to 35%**.
- We shall use **funds for business investments, capital investments, and M&A**, etc. in order to contribute to future growth.
- Decisions on the **acquisition of treasury shares** shall be made appropriately, in consideration of capital efficiency and share price, etc.

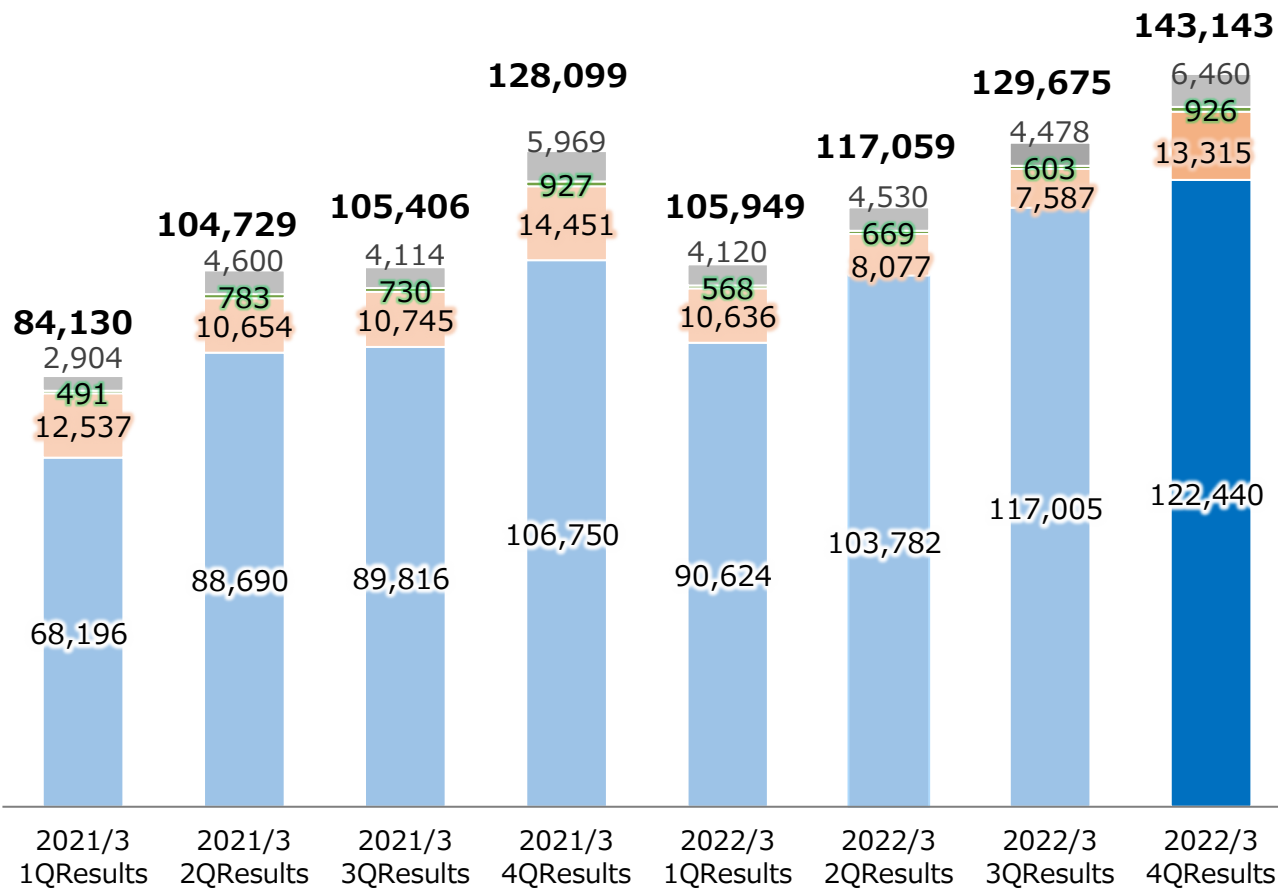


## Reference

# Financial Highlights by Business Segment <Net Sales>

(million yen)

## Net Sales



Total	
YoY	: +15,043
QoQ	: +13,467

Other	
YoY	: +490
QoQ	: +1,981

Software	
YoY	: -1
QoQ	: +322

Information equipment	
YoY	: -1,135
QoQ	: +5,728

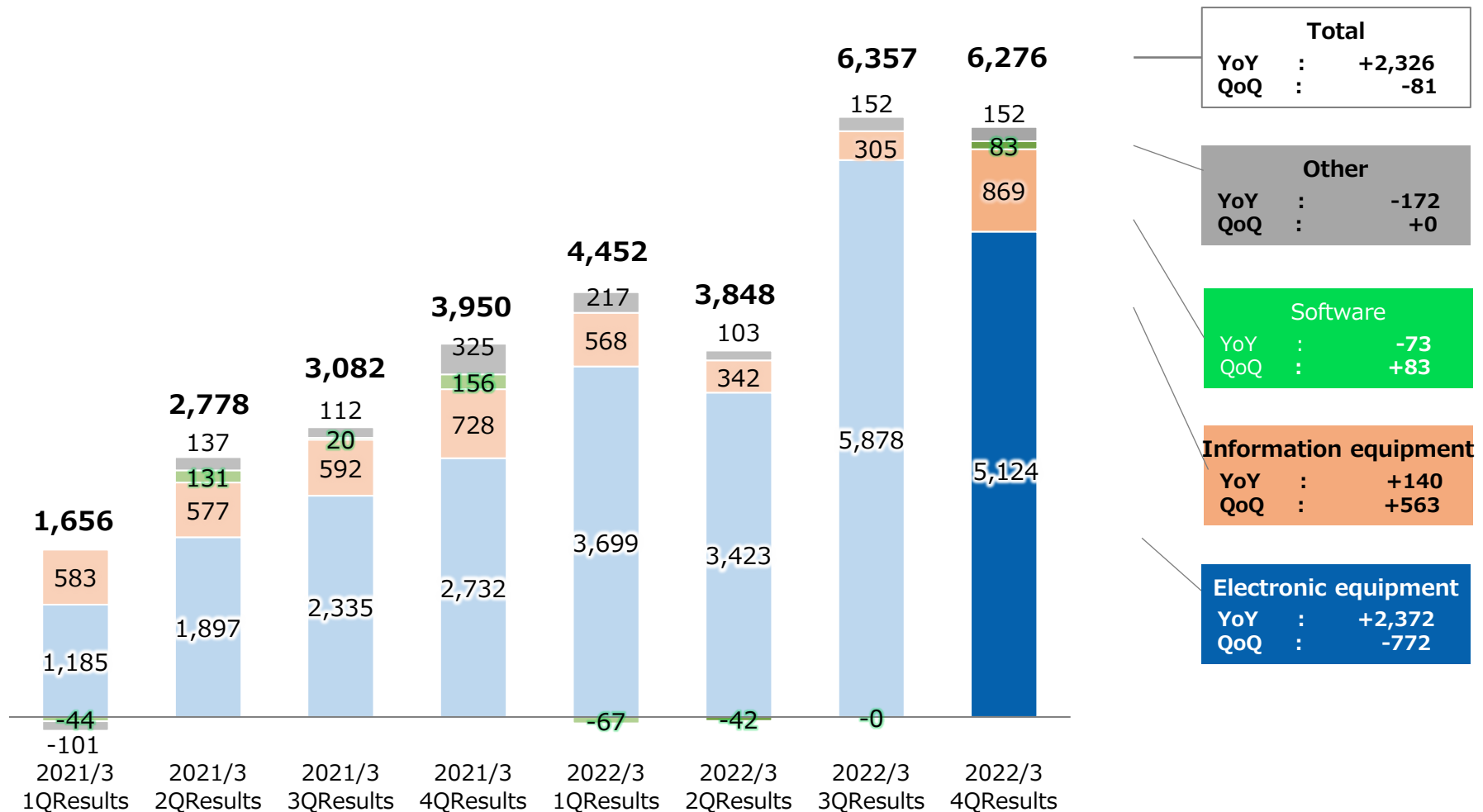
Electronic equipment	
YoY	: +15,690
QoQ	: +5,435



# Financial Highlights by Business Segment < Segment Income >

(million yen)

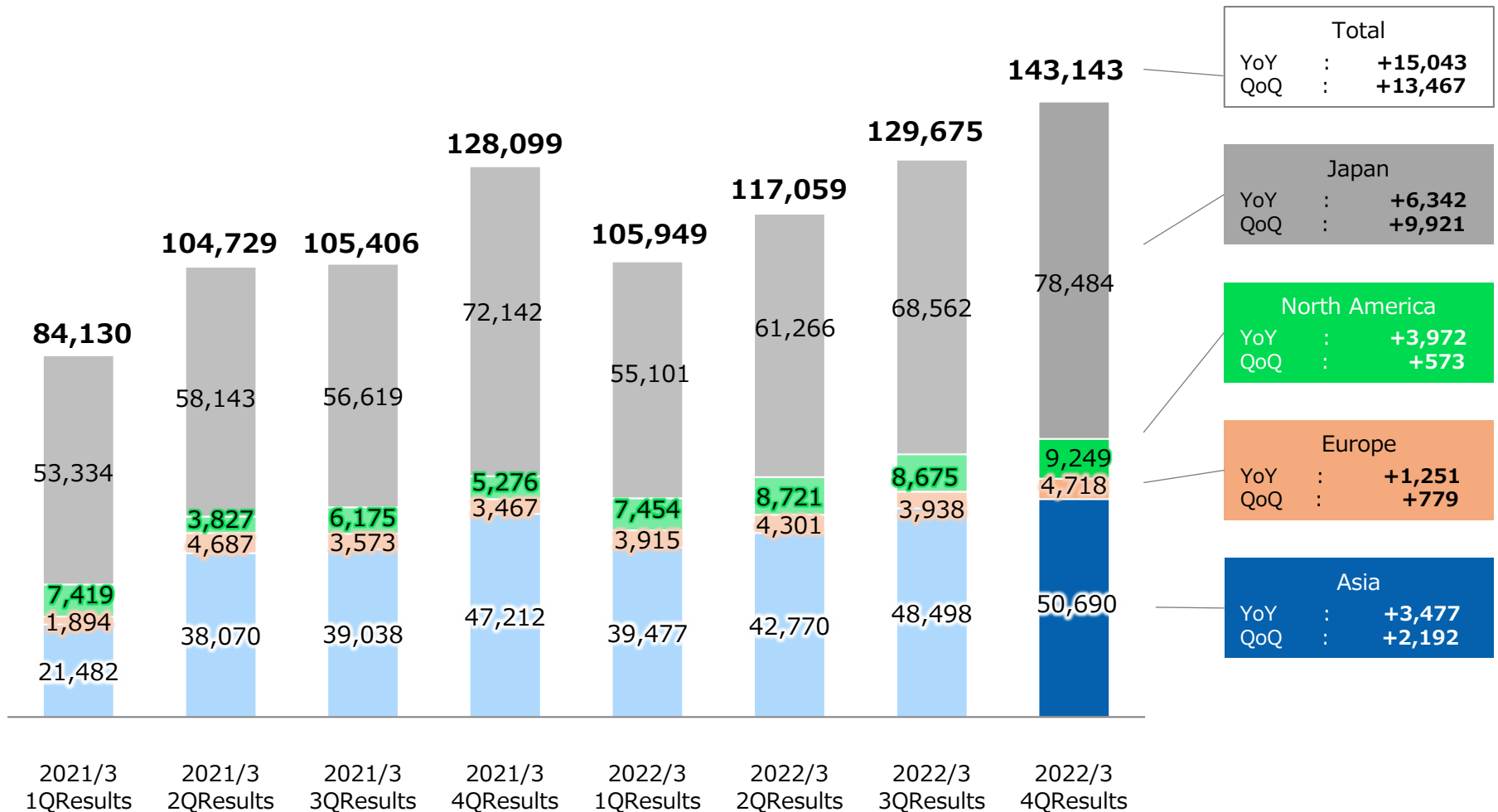
## Segment Income



# Net Sales by Region

(million yen)

## Net Sales



## Exchange Rate/FOREX Sensitivity

	FY2021/3 Results (Yen)	FY2022/3 Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2023/3(yen)
			Net sales	Operating income	
USD	106.06	112.38	1,573	46	116.00
RMB	15.48	17.03	242	9	18.00
THB	3.42	3.44	251	14	3.50
HKD	13.68	14.44	208	6	14.50
EUR	123.70	130.50	10	0	130.00

**“Everything we do is  
for our customers**



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : [webmaster@taxan.co.jp](mailto:webmaster@taxan.co.jp)

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

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