

Financial Results Briefing Material

for the Fiscal Year ended March 2023

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

May 25, 2023

KAGA ELECTRONICS CO., LTD.

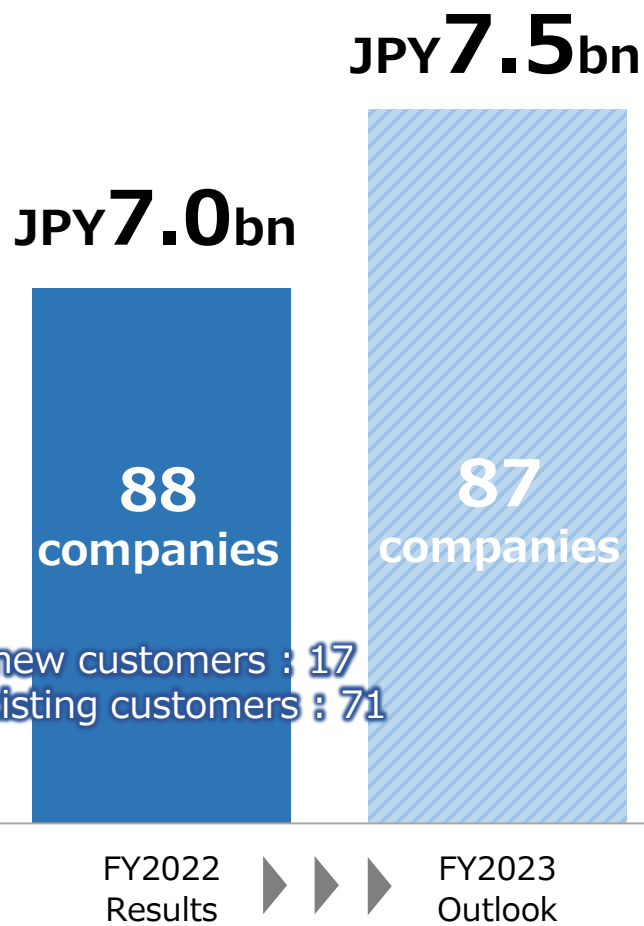
Management Topics

Representative Director,
President & COO

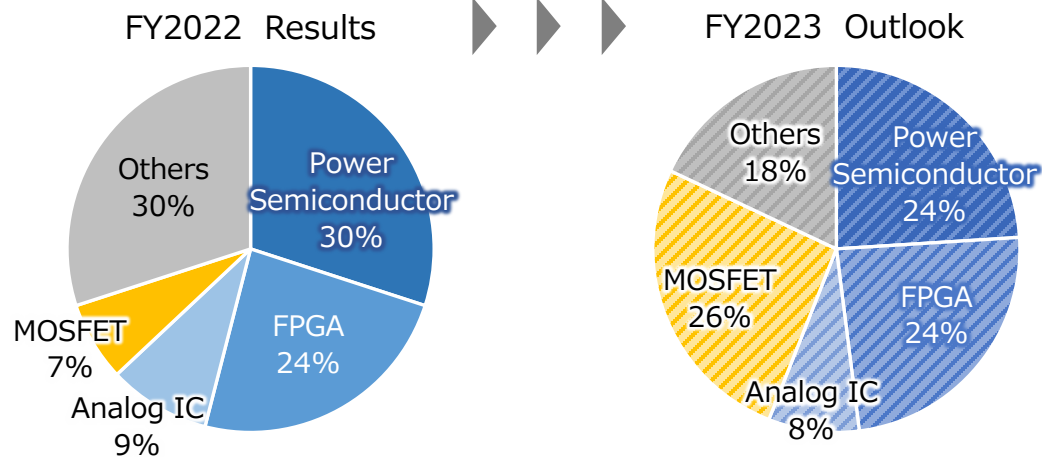
Ryoichi Kado

Alternative Proposal / Alternative Sales

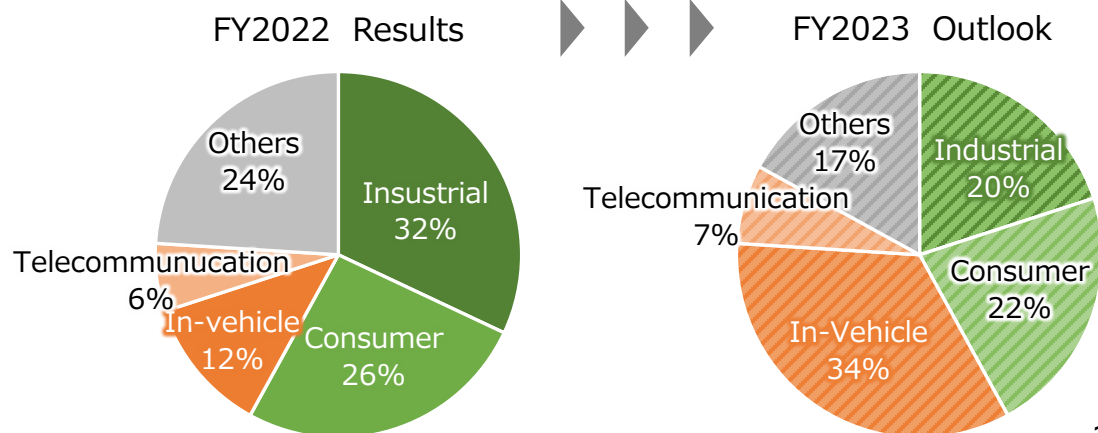
Revenue of alternative sales



Composition by Product

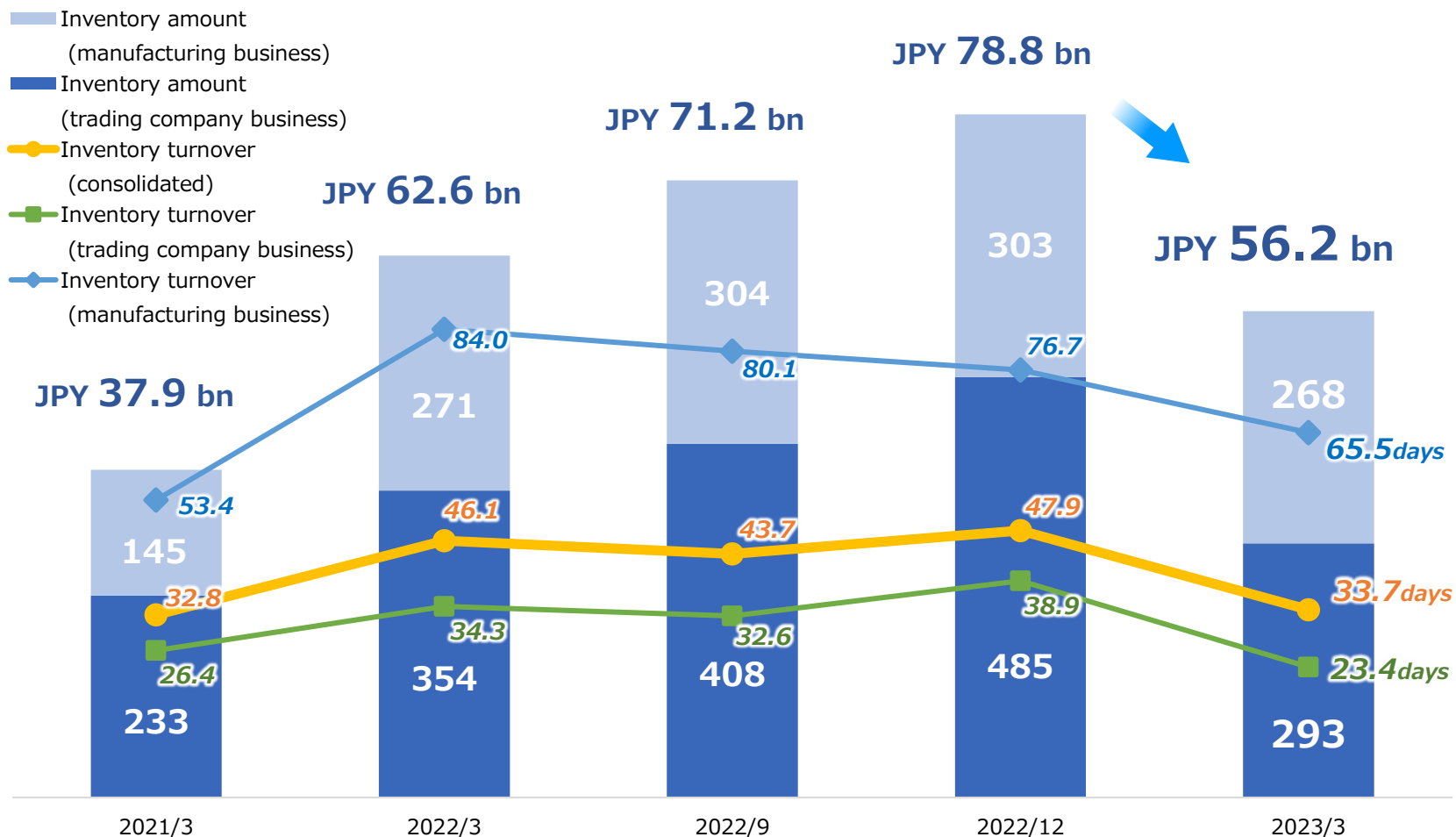


Composition by Industry



Inventory Reduction

Changes in Inventory Amount and Inventory Turnover



Medium-Term Management Plan 2024 : Targets

Initial plan

(Announced on November 25, 2021)
































Latest outlook

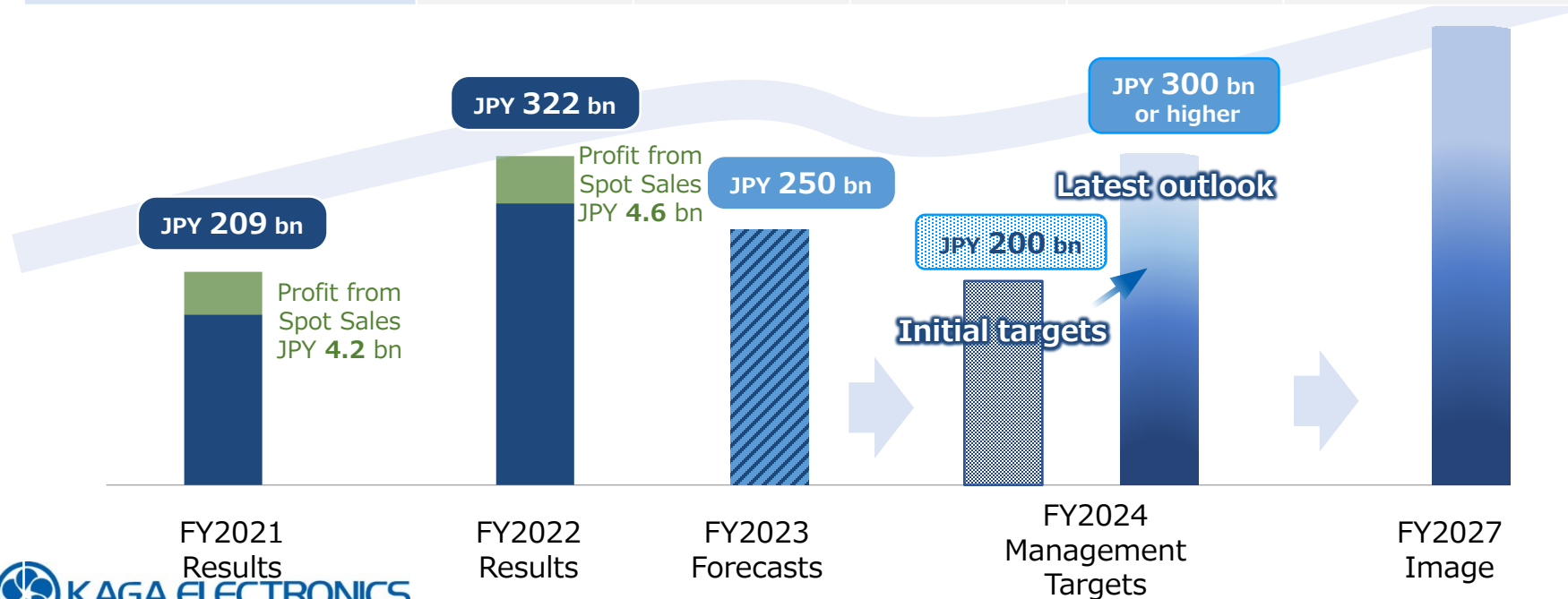
(Announced on May 11, 2023)

FY2022~FY2024	Planned year	[No change]
JPY 750 bn Organic growth : JPY 600 bn Including new M&As: JPY 150 bn	Net Sales	[No change]
JPY 20 bn	Operating Income	JPY 30 bn or higher
stable 8.5% or higher	ROE	stable 10% or higher

Direction of Increase/Decrease Factors on Operating Income

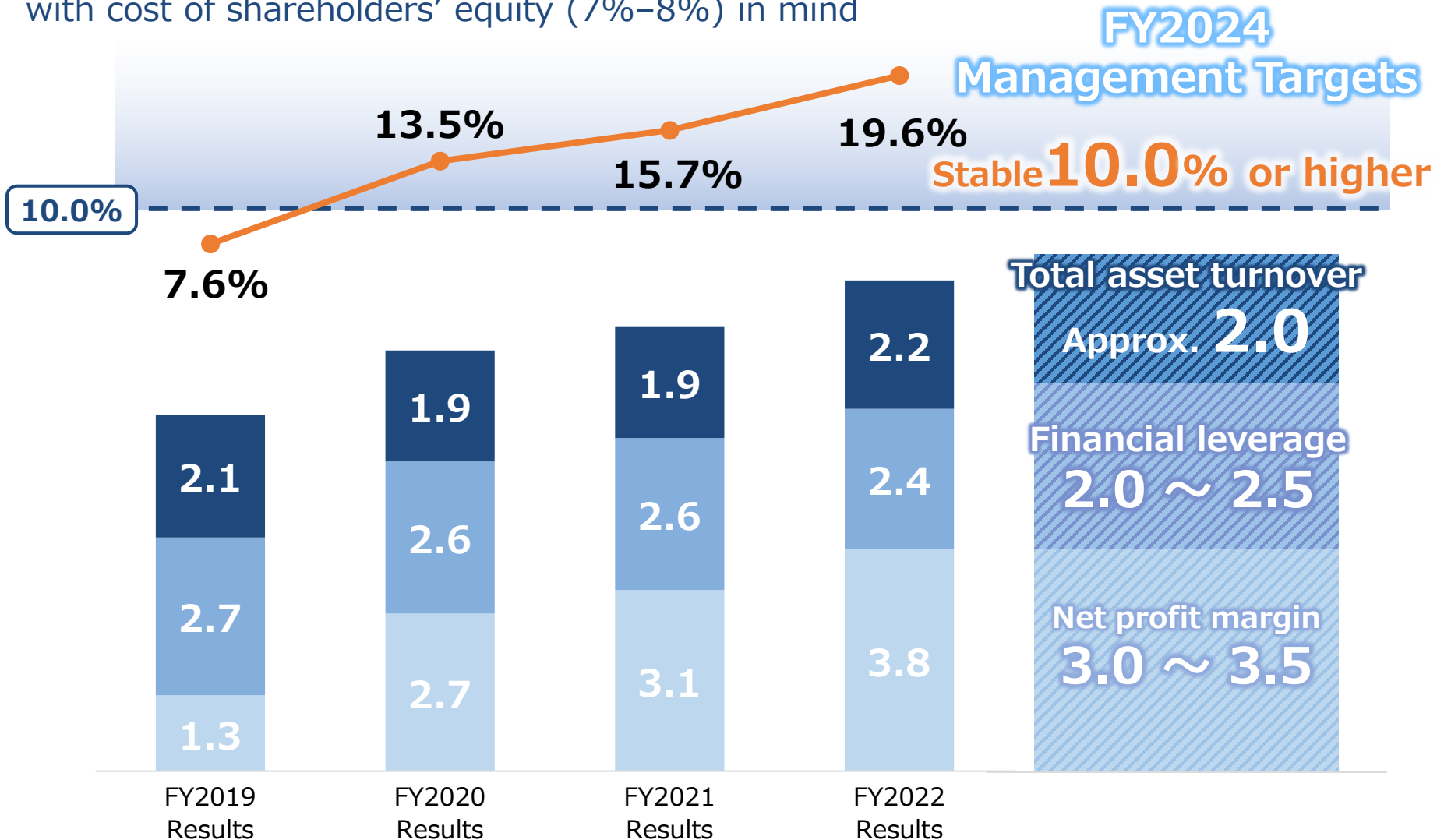
In FY2023, there are risks of income decrease due to a decline attributable to such factors as the absence of spot demand and customers' BCP inventory adjustment

	Increase factors 	Decrease factors 	FY2021	FY2022	FY2023	FY2024	FY2025~2027
Sales Volume / inventory adjustment							
Spot Sales					—	—	—
Expansion of EMS business							
Improved profitability of acquired companies							
Human capital investment (salaries, bonuses, etc.)							



Concept of ROE

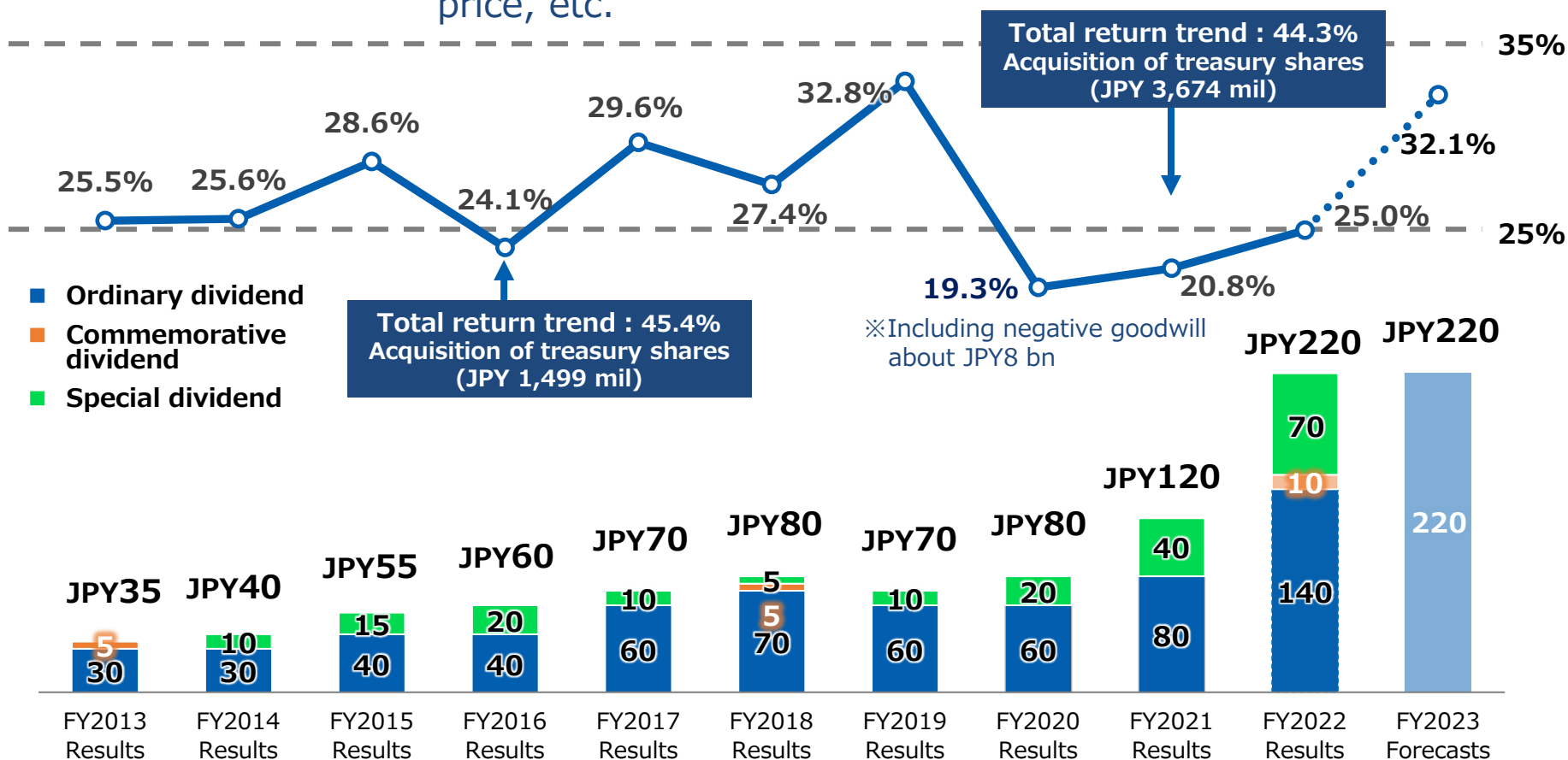
Maintain a stable ROE of 10% or higher with cost of shareholders' equity (7%–8%) in mind



Shareholder Return (Dividend Policy)











Concept of shareholder return

- Dividends shall be a combination of “ordinary dividend + special dividend” linked to business performance.
- We shall maintain stable dividends with a target consolidated dividend payout ratio of 25% to 35%.
- Decisions on the acquisition of treasury shares shall be made flexibly, in consideration of capital efficiency and share price, etc.



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

	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	

Progress of medium- to long-term sustainability targets : Environmental

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022
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 	<ul style="list-style-type: none"> ■ Introduced 1.2% of total electricity from renewable energy sources. Continue study to achieve 40% in FY2024. ■ Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design. ■ 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.
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) 	<ul style="list-style-type: none"> ■ The ratio of electric vehicles increased by 1.2% year on year to 82.0% (as of March 31, 2023).

Solar panels installed on the roof of Head Office

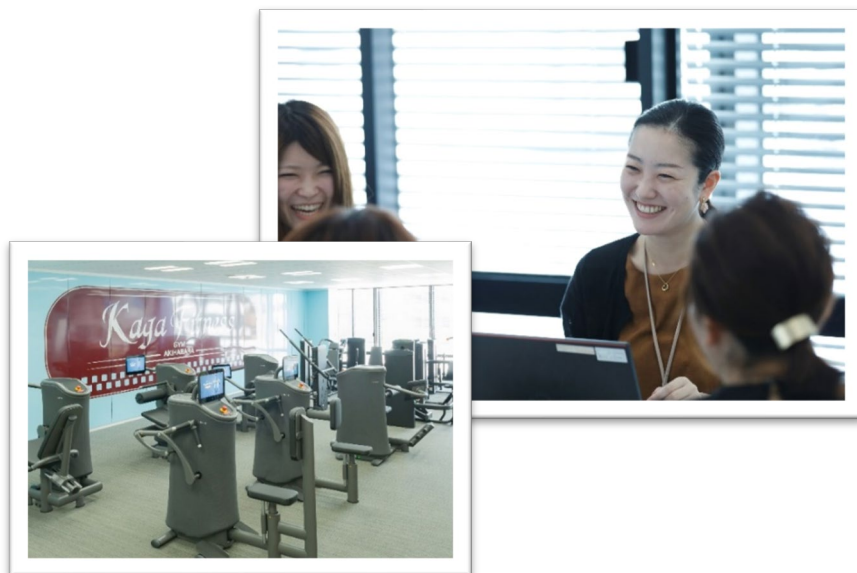


Solar panels installed at Vietnam factory



Progress of medium- to long-term sustainability targets : Social

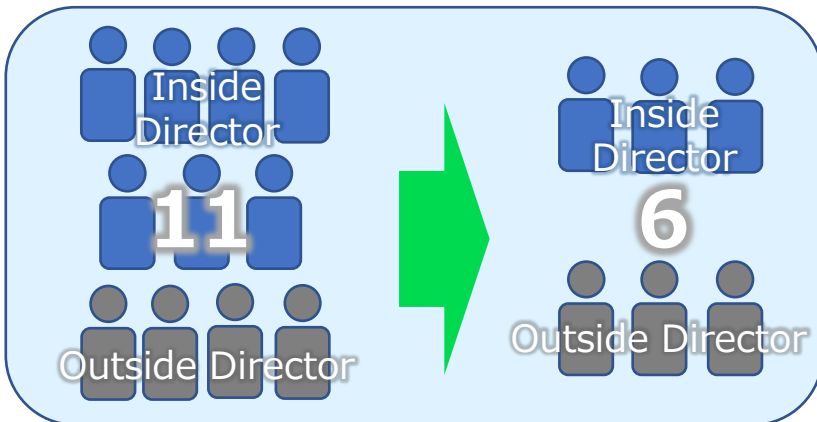
	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022
S	Diversity and human resource management	<ul style="list-style-type: none"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) Initiatives to employ elderly workers and persons with disabilities 	<ul style="list-style-type: none"> Percentage of female new graduates in general positions increased by 12.3pt year on year to 18.1% as a result of hiring activities based on the Action Plan. 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. As of April 2023, the percentage of women in management positions has increased by 3.2pt year on year to 16.5%.
	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 	<ul style="list-style-type: none"> Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023) Revised regulations and rules to make telework a permanent system Certified in March 2023



Progress of medium- to long-term sustainability targets : Governance

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022
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 	<ul style="list-style-type: none"> Effective June 2023, 6 directors (including three outside directors), with a majority of directors being outside directors. Established the Nomination and Compensation Committee.
	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 	<ul style="list-style-type: none"> Decided to nominate a female candidate as a new outside auditor. Continued to work to appoint a female director. TCFD-compliant information to be disclosed from June 2022. Implemented from April 2022. Continue the company-with-auditors system, but shorten the term of directors from the current 2 years to 1 year (planned in June 2023).

Enhancement of the Board of Directors' functions



Adoption of Delegation-based Executive Officer Structure

Outline: Management (conventionally, directors) with roles (e.g., Founder & CEO, President & COO, senior managing executive officer, managing executive officer, and senior executive officer)
 Inside directors concurrently serve as delegated executive officers.
 Term of office: 1 year
 Nomination: Deliberated by the Nomination Committee and resolved at the Board of Directors meeting.

**“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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