

# Financial Results Briefing Material for the Fiscal Year ended March 2024

**KAGA ELECTRONICS CO., LTD.**

TSE Prime Market 8154

May 23, 2024

**KAGA ELECTRONICS CO., LTD.**

# Management Topics

Representative Director,  
President & COO

**Ryoichi Kado**

# Summary of FY2024/3 Results

## FY2024/3 Summary

### Initial forecast

In the Electronic Component segment, the impact of 'inventory adjustment by customers' and 'disappearance of spot demand' was factored into our forecast for lower net sales and operating income.

### Results

- 'Spot demand' made no contribution to earnings as expected.
- The impact of inventory adjustment by customers on 1H results appeared less than initially expected, and both net sales and operating income returned above the internal plan.
- The impact of inventory adjustment by customers began on a full scale in 2H and the upward swing gradually narrowed, but the full-year plan exceeded the target.

(billion yen)	1Q	2Q	3Q	4Q
Operation margin	6.9 bn	13.8 bn	20.4 bn	25.8 bn
Progress rate	28.0%	55.5%	82.0%	103.4%
vs Internal Plan	+2.0 bn	+3.8 bn	+2.0 bn	+0.8 bn

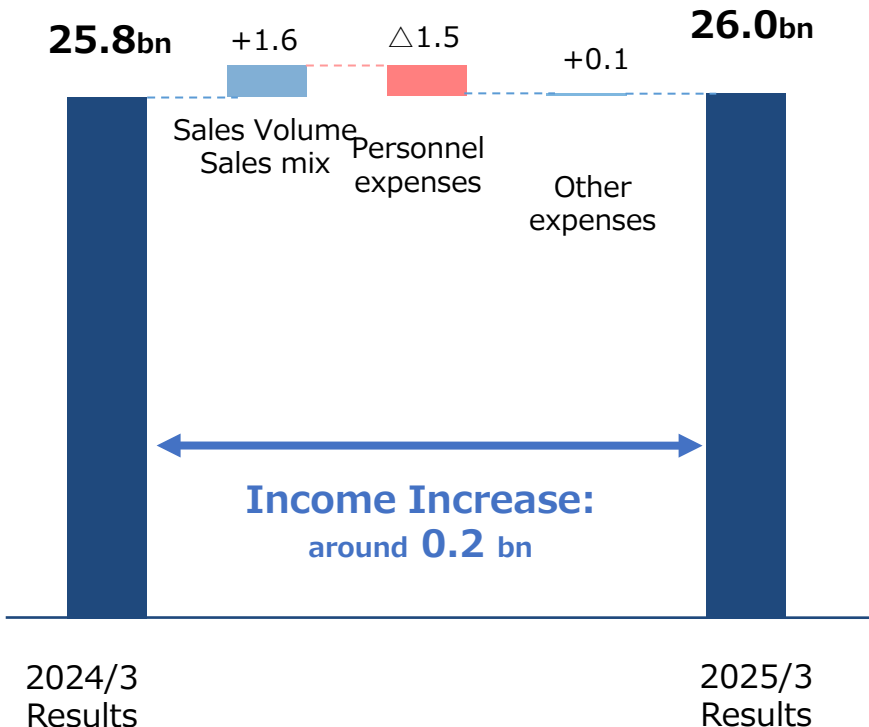
## Outlook for FY2025/3

- Upside: Medium- to long-term market growth scenario, especially in the automotive sector, remains unchanged.
- Downside: Inventory adjustment by customers continue for some time, and a full-fledged recovery is expected in 2H of FY2025/3.
- Salary increase: Decided to increase salaries to invest in human capital contributing to future growth
- Even after factoring in the impact of 1.5 billion yen, we aim to return to an upward trend of higher net sales and operating income.

# Factors behind Changes in Operating Income for FY2025/3

## Operating Income

(billion yen)



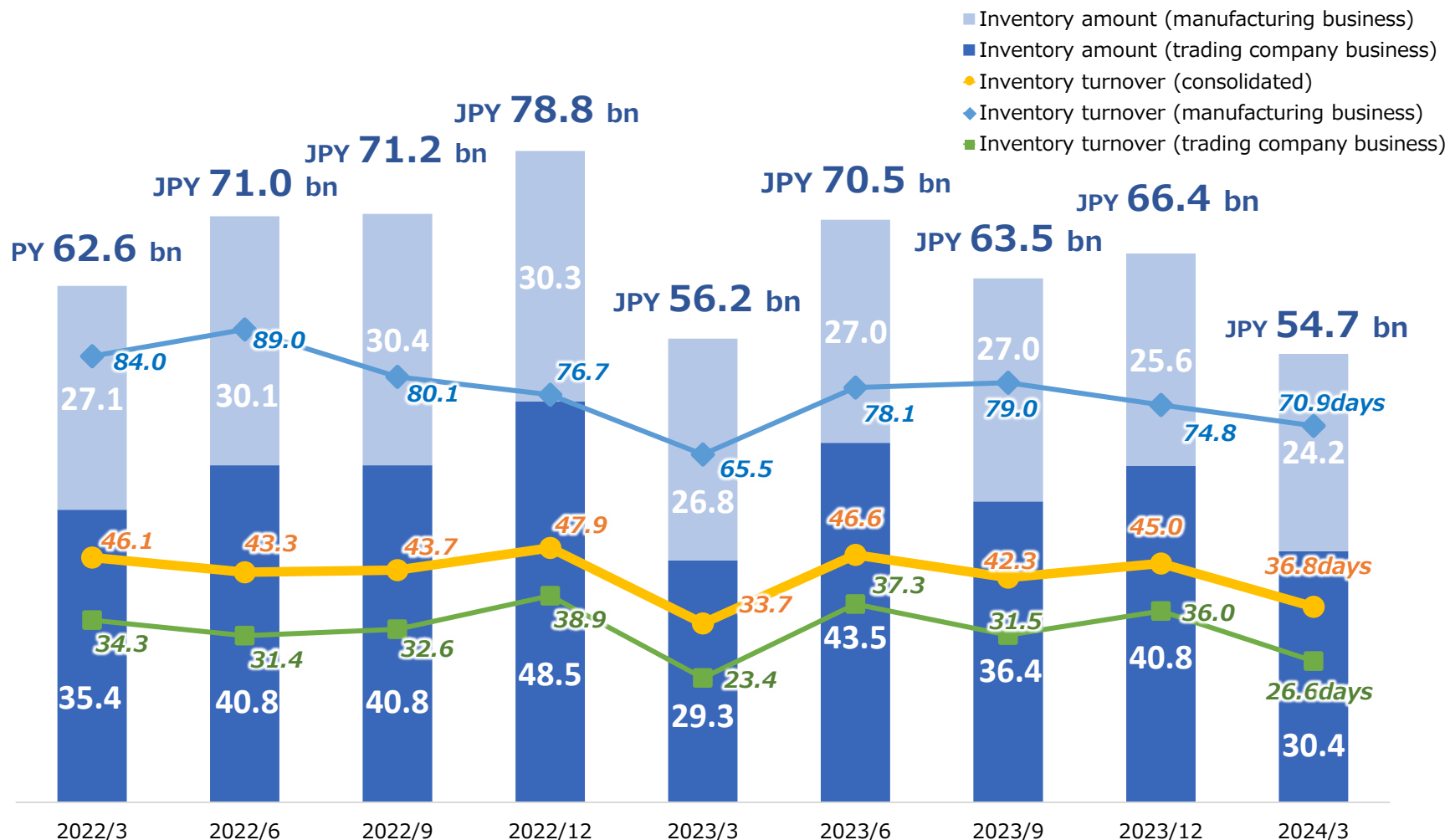
**Cost increase factors incorporated into FY2025/3 forecasts**

- (1) **Salary increases 1.0 bn**
  - Kaga Electronics: Up 25,000 yen / month across the board  
  
(average rise of 7.8%)
  - Group companies: rise of 2.0% to 7.5%
- (2) **New graduate salary, regular salary increases, etc. 0.5 bn**

\*Operating income forecast:  
+1.6 billion yen (+6.4%) in real terms,  
excluding the effects of the above factors

# Inventory Reduction

## Inventory amount / Inventory turnover days



# 『Medium-Term Management Plan 2024』

## Progress of Management targets

- The Company formulated the three-year Medium-Term Management Plan 2024 in November 2021. Excluding the new M&A element, **management targets for all the three KPIs of net sales, operating income, and ROE set for the final year of the Plan were achieved in the fiscal year ended March 31, 2023, the first year of the Plan.** Based on the results of the first year, **the Company updated its earnings forecast for the final year, and presented them as the “latest outlook.”**
- The earnings forecast for the fiscal year ending March 31, 2025, announced at this time **deviates from the “latest outlook” partly due to unexpectedly prolonged inventory adjustment and impact of salary increases.** Accordingly, the Company has positioned **earnings forecast as “commitment”** and **the latest outlook as “challenging targets,”** and **will work toward accomplishment of the Plan in the final year.**

	Initial plan (Announced on November 25, 2021)	First-year results FY2023/3	Latest outlook (Announced on May 11, 2023)	Second-year results FY2024/3	Final-year earnings forecast FY2025/3
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 10.0% or higher	14.5%	11.5%

# Medium-Term Management Plan 2024 - Progress of Management Measures

- Overall, we expect to achieve initial targets through efforts on key issues as per our basic policy.

	key issues	Major outcome	Evaluation
Further Reinforcement of Profitability	<ul style="list-style-type: none"> <li>Selection and concentration in growth fields</li> <li><b>Reinforcement and expansion of EMS business and overseas business</b></li> </ul>	<ul style="list-style-type: none"> <li>Started operation of a new plant in Mexico (April 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><b>Investments in human capital</b></li> </ul>	<ul style="list-style-type: none"> <li>Established a special leave system for male employees to take parental leave Utilization rate of 73.7% (FY2024/3)</li> <li>Group-wide salary increase decided (March 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><b>M&amp;A efforts aimed at discontinuous growth</b></li> </ul>	<ul style="list-style-type: none"> <li>Investment in start-up companies through CVC (5 cases in FY2023/3, 1 case in FY2024/3)</li> </ul>	△
Promotion of SDGs Management	*See the Progress of the Sustainability Medium- to Long-term Management Plan in the following page.		

# Started a New Factory in Mexico to expand EMS Business

- In April 2024, the new Mexico plant began operation as initially planned.
- Aiming for 'sales of 50 billion yen' over the next 5 years to meet the growing production demand that is expected for North and Latin American markets
- Launched "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant in Mexico

We will establish an integrated production base that encompasses component molding, and sheet metal processing, in addition to circuit board assembly.

## TAXAN MEXICO S.A. DE C.V.



### Outline of the New Factory

Location	: Parque Industrial Millenium, Arroyos, San Luis Potosí
Number of Employees	: 700 (at start)
Land area	: 80,000m <sup>2</sup>
Floor area	: 20,000m <sup>2</sup>
Expected Investment Amount	: total around 5 billion yen over the next five years. (includes the land purchase and buildings)

### Items produced

Assembly of automotive lighting units and circuit boards for air-conditioning equipment, etc.

### Start of operation

Scheduled for April 2024



# 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 Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<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	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"> <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	

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

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic sales offices</li> </ul>	<p>FY2022: (1) Introduced 1.2% of total electricity from renewable sources (2) Study on measures to 'achieve 40% in FY2024'</p> <p>FY2023: (1) Introduced 5.1% of total electricity from renewable sources (2) Decided to purchase non-fossil certificates to achieve target of '40% renewable energy in 2024', and to quantify greenhouse gas emissions and set a reduction target in FY2024</p>
		<ul style="list-style-type: none"> <li>Adoption of renewable energy at domestic manufacturing sites</li> </ul>	<p>FY2022 : Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design.</p> <p>FY2023: Installed solar power generation system in Towada factory (December 2023) and Fukushima factory (February 2024)</p>
		<ul style="list-style-type: none"> <li>Adoption of renewable energy at overseas manufacturing sites</li> </ul>	<p>FY2022: 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.</p> <p>FY2023: Installed solar panels in Mexico new factory (April 2024)</p>
	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>	<p>FY2022: The ratio of electric vehicles increased by 1.2pt year on year to 82.0% (as of March 31, 2023).</p> <p>FY2023: The ratio of electric vehicles increased by 3.0pt year on year (as of March 31, 2024)</p>

# Introduction of Renewable Energy

- Solar power generation facilities will be installed step by step to achieve 100% renewable energy.
- We continue to proactively install facilities for environmentally sustainable business growth.

## KAGA EMS TOWADA CO.,LTD.



### Generating capacity

Annual energy production  
289,444kWh  
Renewable energy ratio  
10~20%

### Instruction period

December, 2023

## KAGA MICRO SOLUTION CO., LTD. Fukushima Factory



### Generating capacity

Annual energy production  
158,761kWh  
Renewable energy ratio  
20~30%

### Instruction period

February, 2024

## Vietnam factory



### Generating capacity

Annual energy production  
747,934kWh  
Renewable energy ratio  
70~80%

### Instruction period

November, 2022

## Hubei Factory



### Generating capacity

Annual energy production  
1,086,118kWh  
Renewable energy ratio  
30~40%

### Instruction period

April, 2022

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

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>■ Percentage of female new graduates in general positions based on hiring activities as per the Action Plan FY2022: 4 females out of 22 new graduates in general positions, up 12.3pt year on year to 18.1% FY2023: 5 females out of 23 new graduates in general positions, up 3.6pt year on year to 21.7%. Fell below the target of 30%, despite a 3.6-pt year-on-year increase to 21.7%</li> <li>■ 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. FY2022: 16.5%, up 3.2pt year on year FY2023: 17.4%, up 0.9pt year on year</li> </ul>
	Initiatives to employ elderly workers and persons with disabilities	<p>FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023) FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)</p>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>● Enhancement of programs such as childcare/family-care and telework FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023.</li> <li>● Acquisition of certification as a Health and Productivity Management Organization FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024</li> </ul>

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

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023	
<b>G</b>	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"> <li>Independent Outside Directors: at least 1/3</li> <li>Establishment of Nomination and Compensation Committee</li> </ul>	<p>FY2022: Effective June 2023, 6 directors (including three outside directors), with a majority of directors being outside directors. Established the Nomination and Compensation Committee.</p> <p>FY2023: Adopted a 6-director structure (including 3 outside directors) at the June 2023 general shareholders' meeting</p>
		<ul style="list-style-type: none"> <li>Diversification of the Board of Directors</li> </ul>	<p>FY2022: Decided to nominate a female candidate as a new outside auditor. Continued to work to appoint a female director.</p> <p>FY2023: Appointed a female outside director at the June 2023 meeting. Deferred a proposal to appoint a female director at the June 2024 meeting</p>
		<ul style="list-style-type: none"> <li>Full compliance with Corporate Governance Code for Prime Market</li> </ul>	<p>FY2022: TCFD-compliant information to be disclosed from June 2022.</p> <p>FY2023: CG Code not revised</p>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>Adoption of delegation-based executive officer structure</li> <li>Transition to structure of company with committees</li> </ul>	<p>FY2022: Implemented from April 2022.</p> <p>FY2023: Decided to expand the membership of the Group management committee to a delegation-based executive officer structure effective in April 2024</p> <p>FY2022: Continue the company-with-auditors system, but shorten the term of directors from the current 2 years to 1 year (in June 2023).</p> <p>FY2023: Continued the company-with-auditors system. Discussed to move to a company-with-audit and supervisory committee structure, given the need for speedy management and appointment of female directors</p>



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



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