

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.

I am Kado, President of KAGA ELECTRONICS.

Thank you for your continued support and cooperation in our IR activities.

I would now like to present our management topics for the fiscal year ended March 2024.

Management Topics

Representative Director,
President & COO

Ryoichi Kado

The main topics are; summary of the fiscal year ended March 31, 2024, progress of Medium-Term Management Plan, progress of sustainability medium- to long-term management plan, etc.

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.

The first topic is the summary of the financial results for the fiscal year ended March 31, 2024.

Our forecast for the year ended March 31, 2024, was 'lower net sales and operating income,' reflecting the two major factors in the electronic components segment: 'impact of inventory adjustment by customers' due to the easing of supply and demand for semiconductors and electronic components, and 'disappearance of spot demand' that contributed to earnings growth in the past two fiscal years.

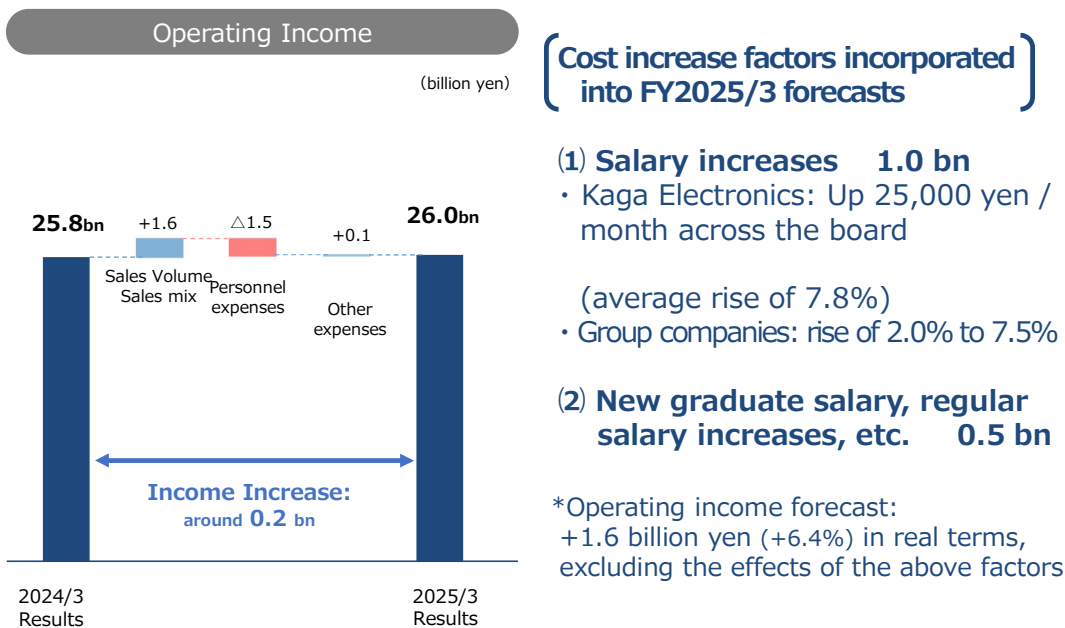
Looking back at the previous year, the disappearance of spot demand was as expected, but the impact of inventory adjustment by customers in the first half of the year turned out to be less than our expectation at the beginning of the year, and therefore both net sales and operating income exceeded the internal plan.

Meanwhile, as we entered in the second half, the impact of inventory adjustment by customers eventually began in full swing. As a result, the upward swing in operating income gradually narrowed. In the end, we were able to exceed the target, albeit by 0.8 billion yen.

Looking ahead to the year ending March 2025, there will be no change in the scenario in which we anticipate medium- to long-term market growth, centered on the automotive market. However, we need to be prepared that inventory adjustment by customers continues for the time being and a full-fledged recovery in demand is not expected until the second half of 2025.

In addition, we decided to increase salaries across the Group to invest in human capital contributing to future growth. This will bring in a 1.5 billion yen increase in personnel expenses, but even after factoring in the impact of this increase, we hope to make the current fiscal year a year of 'returning to an upward trend of higher net sales and operating income.'

Factors behind Changes in Operating Income for FY2025/3

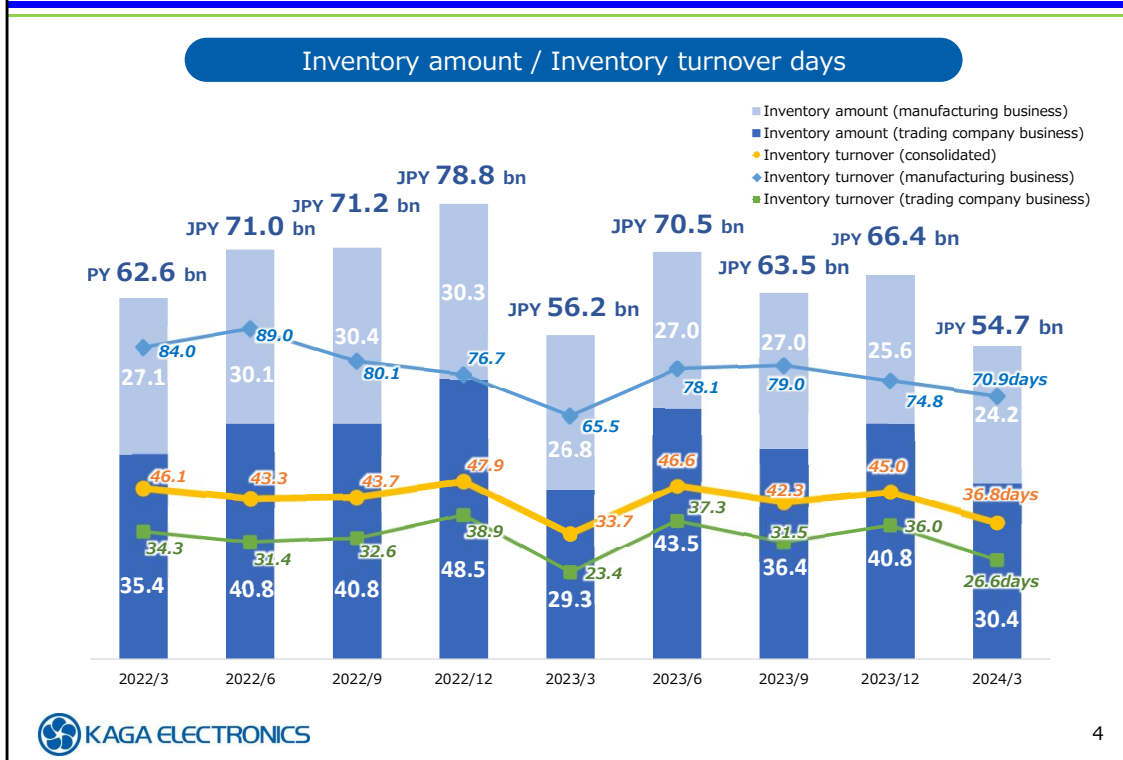


This graph illustrates the factors behind the changes in operating income for the year ending March 2025 that I just mentioned.

A 1.5 billion yen increase in personnel expenses, including salary increases, salaries for new graduates and regular salary increases, was factored in our forecast.

The graph shows an increase in operating income of approximately 0.2 billion yen, but on a real basis, excluding the effects of these increase factors, it is +1.6 billion yen (+6.4%).

Inventory Reduction



4

The next topic is ‘changes in inventory’, which is one of our most important management issues that we are paying constant attention.

This graph shows our consolidated inventory, broken down into the ‘manufacturing’ business, mainly EMS, and the ‘trading company’ business, mainly component sales.

In the year ended March 2024, inventories hovered around 70.0 billion yen during the period, but the year-end inventory stood at 54.7 billion yen, allowing us to reduce our inventory position from the beginning of the period.

That said, we have yet to reach our target of ‘50.0 billion yen or less,’ and recognize that further reduction is necessary.

Going forward, we will continue efforts to achieve the target of ‘50.0 billion yen or less’ and ‘inventory turnover of 30 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%

I now move on to the progress of the Medium-Term Management Plan 2024.

In November 2021, the Company formulated and announced the three-year Medium-Term Management Plan 2024.

In the year ended March 2023, the first year of the plan, we were able to achieve all the KPIs of net sales, operating income, and ROE, excluding the new M&A element, two years ahead of schedule.

Based on the first year’s results, we updated its earnings forecast for the final year and presented it as the "Latest Outlook" on May 11, 2023.

The operating income forecast of 26 billion yen announced in the Consolidated Financial Results for the Fiscal Year ended March 31, 2024, on May 9 still leaves a gap from the ‘30 billion yen or more’ in the Latest Outlook.

This is attributable to the lingering effects of inventory adjustment by customers and the effects of salary increases, both of which were not incorporated in the Latest Outlook a year ago. With this in mind, we position these earnings forecast as "commitment" to our stakeholders, and the Latest Outlook as "challenging targets" that I have set for myself and will work to accomplish the plan in the final year.

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"> Selection and concentration in growth fields Reinforcement and expansion of EMS business and overseas business 	<ul style="list-style-type: none"> Started operation of a new plant in Mexico (April 2024) 	○
Reinforcement of Management Base	<ul style="list-style-type: none"> Reinforcement of corporate governance Efficient Group management Investments in human capital 	<ul style="list-style-type: none"> Established a special leave system for male employees to take parental leave Utilization rate of 73.7% (FY2024/3) Group-wide salary increase decided (March 2024) 	○
Creation of New Businesses	<ul style="list-style-type: none"> Initiatives in new fields Promotion of open innovation through venture investments M&A efforts aimed at discontinuous growth 	<ul style="list-style-type: none"> Investment in start-up companies through CVC (5 cases in FY2023/3, 1 case in FY2024/3) 	△
Promotion of SDGs Management	*See the Progress of the Sustainability Medium- to Long-term Management Plan in the following page.		

I move on to the progress of the management measures in the medium-term management plan.

Our basic measures are; further strengthening profitability, strengthening our management foundation, creating new businesses, and promoting SDGs management. This chart summarizes the progress on each key issue. As shown here, overall, we are making headway in line with our initial plan.

First, looking at further strengthening profitability, we were able to launch a new plant in Mexico on April 2024, in an effort to strengthen and expand our EMS business and overseas business.

To strengthen our management foundation, we actively invested in human capital, such as encouraging male employees to take parental leave and increasing salaries that I explained earlier.

However, in terms of creating new businesses, investment in start-up companies through CVC is currently underway, but we have not been able to bring any new M&A to fruition, so at this point we have rated this as "—"(unfavorable).

For details on "promoting SDGs management," I will discuss in the following slide.

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 : 80,000m²

Floor area : 20,000m²

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



7

Let me touch on our new plant in Mexico, which I mentioned earlier.

Since its establishment in 2017, our subsidiary TAXAN MEXICO has operated in an EMS business, primarily in the assembly of lighting units for 4-wheeled vehicles for the U.S. market. To meet the expected increase in production demand for the North and Latin American markets, we constructed a new plant at a nearby industrial area, which began operation as planned this April.

Further, we launched another plant "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant.

Going forward, we will establish an integrated production base in Mexico that encompasses component molding, sheet metal processing, in addition to circuit board assembly. We will achieve 'sales of 50 billion yen' over the next five years.

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"> 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	



*Numbers in parentheses represent values at the time of planning: Nov. 2021

Here I discuss the progress we made during the second year of our sustainability medium-term management plan.

This slide shows the mid- and long-term targets for each theme set under the sustainability medium-term management plan.

I will brief on the progress in ESGs for each category in the following pages.

Today, let me focus on the highlights in fiscal 2023, as we covered the outcomes in fiscal 2022 at the briefing a year ago.

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	• Adoption of renewable energy at domestic sales offices	FY2022: (1) Introduced 1.2% of total electricity from renewable sources (2) Study on measures to 'achieve 40% in FY2024' 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
		• Adoption of renewable energy at domestic manufacturing sites	FY2022 : Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design. FY2023: Installed solar power generation system in Towada factory (December 2023) and Fukushima factory (February 2024)
		• Adoption of renewable energy at overseas manufacturing sites	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. FY2023: Installed solar panels in Mexico new factory (April 2024)
	Shift to electricity for company-owned vehicles	• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)	FY2022: The ratio of electric vehicles increased by 1.2pt year on year to 82.0% (as of March 31, 2023). FY2023: The ratio of electric vehicles increased by 3.0pt year on year (as of March 31, 2024)

Let me begin with the “E” of Environment.

The Group are making headway to ‘achieve 100% renewable energy.’

Our major progress in fiscal 2023 is the installation of renewable energy facilities with solar panels at our domestic manufacturing sites, KAGA EMS TOWADA and KAGA MICRO SOLUTION Fukushima Business Office.

Also, solar panels have been installed at our overseas manufacturing bases, the new plant in Mexico, which I introduced earlier, in addition to the Hubei Factory in China and the Vietnam Factory.

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.

<p>KAGA EMS TOWADA CO.,LTD.</p>  <p>Generating capacity Annual energy production 289,444kWh Renewable energy ratio 10~20%</p> <p>Instruction period December, 2023</p>	<p>KAGA MICRO SOLUTION CO., LTD. Fukushima Factory</p>  <p>Generating capacity Annual energy production 158,761kWh Renewable energy ratio 20~30%</p> <p>Instruction period February, 2024</p>
<p>Vietnam factory</p>  <p>Generating capacity Annual energy production 747,934kWh Renewable energy ratio 70~80%</p> <p>Instruction period November, 2022</p>	<p>Hubei Factory</p>  <p>Generating capacity Annual energy production 1,086,118kWh Renewable energy ratio 30~40%</p> <p>Instruction period April, 2022</p>



Note: Renewable energy ratio indicates the projected percentage of renewable energy in total consumption at each site.

10

Here are representative sites that use renewable energy.

Generation capacity and other details for each site are listed here. Most of the factories cover several tens of percent of their annual electricity consumption. In particular, the Vietnam factory, the largest of all, is expected to cover more than 70% of its electricity needs.

We are committed to sustainable business growth while giving consideration to the environment, as we continue to proactively install power generation facilities.

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"> Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires) 	<ul style="list-style-type: none"> 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% 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
		<ul style="list-style-type: none"> Initiatives to employ elderly workers and persons with disabilities 	<ul style="list-style-type: none"> 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)
	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"> FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023. FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024

Next is the “S” of Society.

Our ultimate goal is to develop and promote women to officers and boards from among our human resources, and we are working to increase the ratio of female new graduates in general positions and the ratio of female career-track employees.

In fiscal 2023, in comparison with the previous year results, the ratio of female new graduates in general positions was up 3.6 points to 21.7% and the ratio of female career-track employees rose 0.9 points to 17.4%.

The ratio of female new graduates in general positions has not yet reached the target of 30% but has increased by 15.9 points in the last two years.

In the area of work-life management, we were certified as a "Health & Productivity Management Outstanding Organization" for two consecutive years.

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
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 	<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"> Diversification of the Board of Directors 	<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>
G Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> Full compliance with Corporate Governance Code for Prime Market 	<p>FY2022: TCFD-compliant information to be disclosed from June 2022.</p> <p>FY2023: CG Code not revised</p>
	<ul style="list-style-type: none"> Adoption of delegation-based executive officer structure 	<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>
	<ul style="list-style-type: none"> Transition to structure of company with committees 	<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>

Finally, the "G" of Governance.

First theme is 'restructuring of the governance structure.'

To enhance management transparency and speedy execution of business operations, at last year's General Meeting of Shareholders, we changed the number of directors to a total of 6 (3 internal and 3 external) and appointed a female outside auditor.

Second one is 'further strengthening the supervisory and executive functions of management,' we decided to expand the membership of the Group management committee to a delegation-based executive officer structure, which became effective in April 2024.

In terms of the appointment of female directors, we were unable to submit a female candidate for the Board of Directors at this year's General Meeting of Shareholders, and we will consider this as an ongoing issue for consideration in the coming year.

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



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Department

TEL:+81-3-5657-0106

FAX:+81-3-3254-7133

E-mail : webmaster@taxan.co.jp

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

That concludes my presentation.

Thank you very much.

- 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.
- Display method in this material
 - Number : Truncated less than the display unit.
 - Ratio : After calculation in yen units, Round down one digit of Display unit.