

Next Medium-Term Management Plan  
**Medium-Term Management  
Plan 2024 (FY2022-FY2024)**

---

**KAGA ELECTRONICS CO., LTD.  
November 25, 2021**

TSE 1st section 8154

Undertaking priority issues in line with basic policy, with overall achievement of initial targets forecasted

## Enhancement of Revenue Base

### Focus on markets and areas in which high growth and profitability are expected

- ▲ Revenue increase effect of about ¥200 bn through acquisition of companies including KAGA FEI and EXCEL
- ▲ Growth of EMS business: ¥89.4 bn (FY18 results) → ¥110 bn (FY21 forecast)  
(Contribution from growth in vehicular, medical care, and other priority markets)

## Stabilization of Management Base

### Early improvement of efficiency and financial soundness following incorporation of KAGA FEI as a Group company

- ▲ KAGA FEI: Gross profit margin 6.3% (FY18 results) → 9.3% (FY21 2Q results)
- ▲ Kaga Electronics: Consolidated SG&A ratio 9.5% (FY18 results) → 8.4% (FY21 2Q results)
- ▲ Kaga Electronics: Equity ratio 35.8% (end/Mar 2019 results) → 39.6% (end/Sep 2021 results)

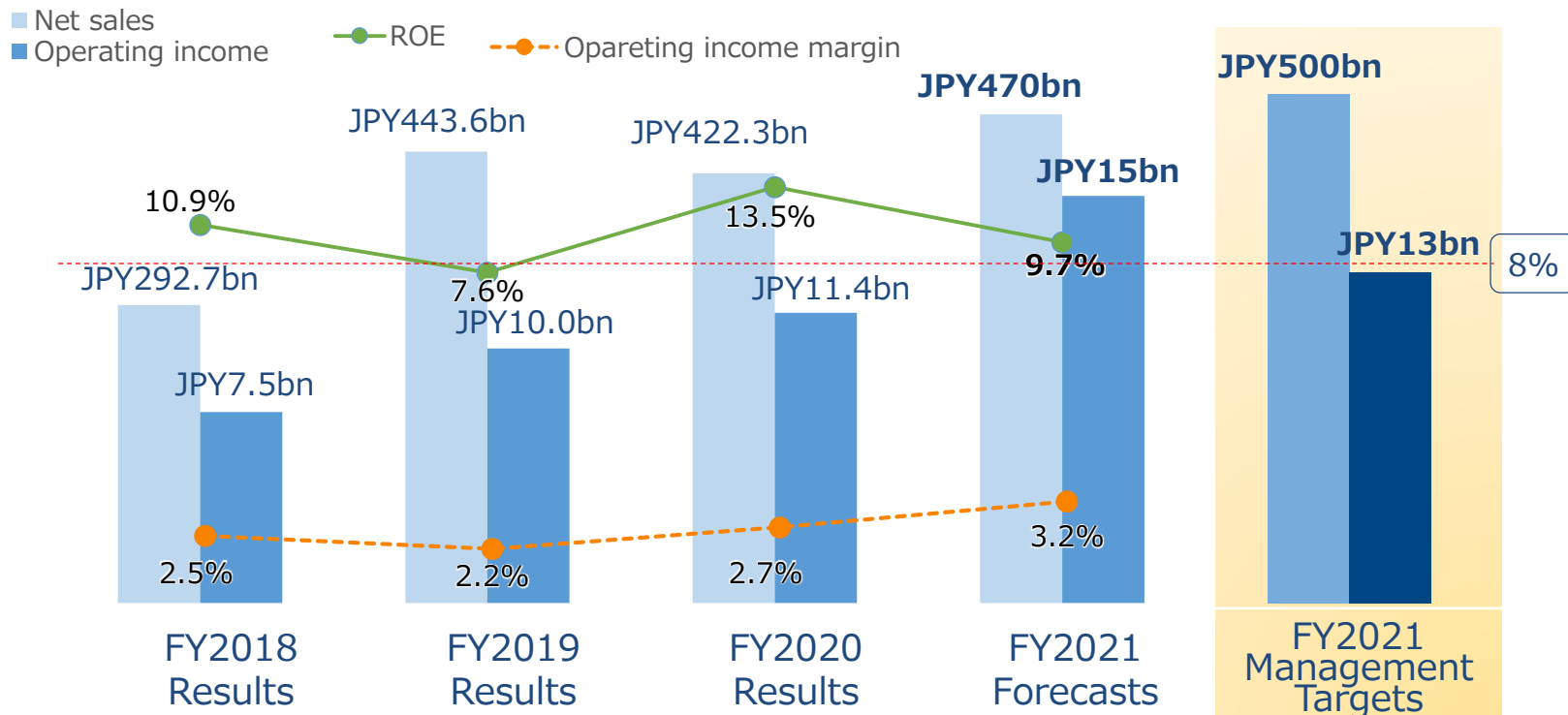
## Creation of New Businesses

### Active utilization of in-house resources and M&As to strengthen resistance to changes in the external environment

- ▲ Social issues solutions-oriented business: Entry into disaster-readiness helicopter and EV bus mobility business, preparation for entry into medical device business
- ▲ Venture investments: 18 projects executed (investments in 41 companies from Apr 2017 to Nov 2021)

# Review of Medium-Term Management Plan 2021 : Management Targets

Predict for exceeding operating income and ROE targets by executing "profit-focused management", despite unmet net sales target due to losses of major commercial rights

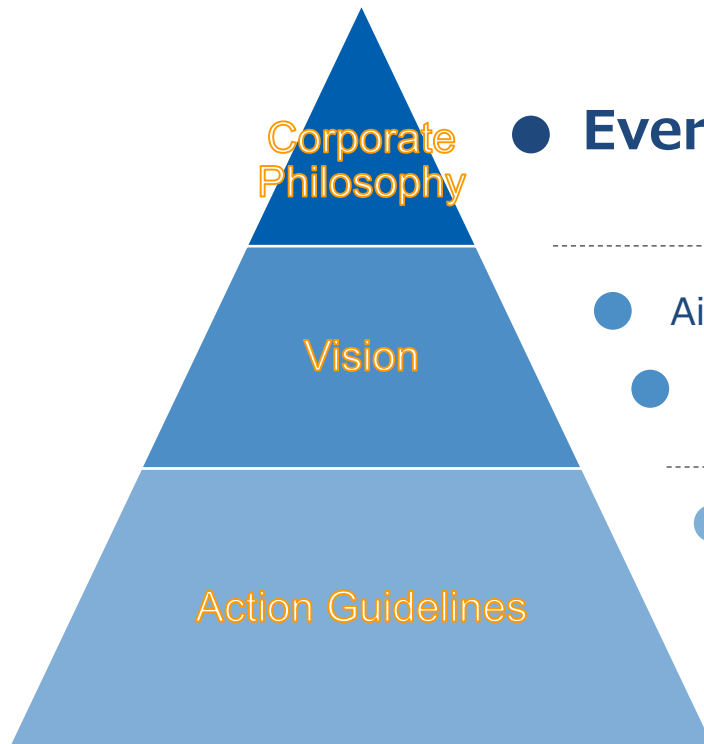


Net sales	JPY292.7bn	JPY443.6bn	JPY422.3bn	JPY470bn	<b>JPY500bn</b>
Operating income	JPY7.5bn	JPY10.0bn	JPY11.4bn	JPY15bn	<b>JPY13bn</b>
ROE	10.9%	7.6%	13.5%	9.7%	<b>8% or higher</b>

Medium-Term Management Plan 2021

Systematize the philosophy at the core of Kaga Electronics' thinking and conduct

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

# Medium-Term Management Plan 2024 : Management Targets

Realize sustainable growth by organic growth and further M&A challenges

## FY2021 Forecasts

Net Sales	JPY 470 bn
Operating Income	JPY 15 bn

## FY2024 Management Targets

Organic growth	Including new M&As
JPY 600 bn	JPY 750 bn
JPY 20 bn	

With cost of shareholders' equity (7–8%) in mind,

ROE	9.7 %
-----	-------

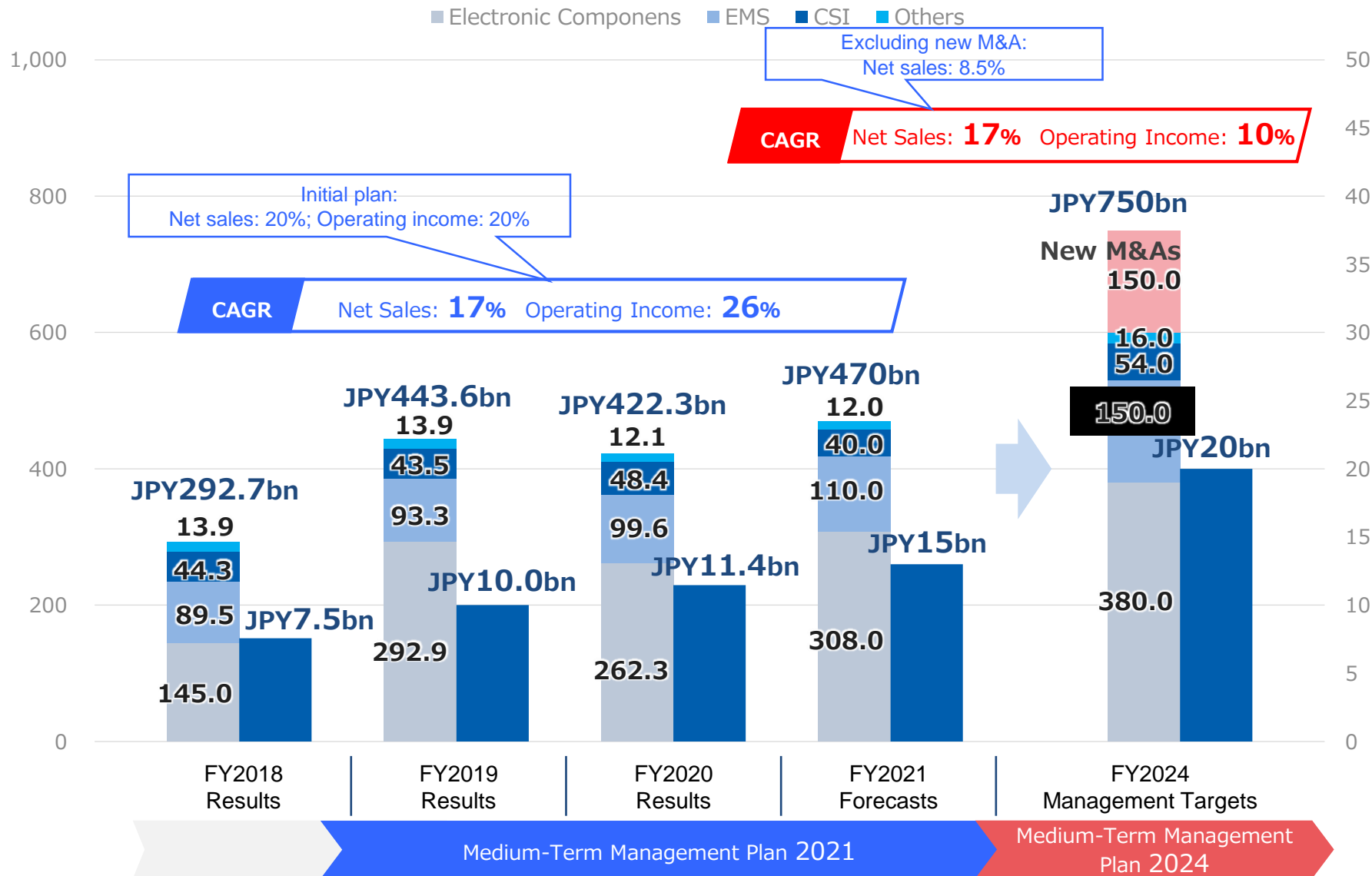
stable 8.5 % or higher
------------------------

## Basic policy and key issues/actions

<p>Further Reinforcement of Profitability</p>	<p>Predicting the era to <b>focus on markets with potential for high growth and profitability</b></p>	<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>
<p>Reinforcement of Management Base</p>	<p>Pursuit of further efficiency and soundness, and <b>transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry"</b></p>	<ul style="list-style-type: none"> <li>• Reinforcement of corporate governance</li> <li>• Efficient Group management</li> <li>• Investments in human capital</li> </ul>
<p>Creation of New Businesses</p>	<p>Active use of venture investments and M&amp;As to create new businesses and <b>strengthen resistance to change in the external environment</b></p>	<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>
<p>Promotion of SDGs Management</p>	<p>Promotion of management that seeks to <b>achieve solutions to social issues and sustainable growth as a company</b></p>	<p>(See "Medium-Term Sustainability Management Plan" for details)</p>

# Medium-Term Management Plan 2024 : Business Portfolio

\*CSI: Consumer & System Integrator



## Basic Strategy for Four Major Businesses

	FY2024 sales targets	Priority measures
Electronic Components Business	JPY 380 bn	<ul style="list-style-type: none"> <li>Expansion of industrial equipment business</li> <li>Rollout of new products in vehicular markets</li> <li>Enhancement of products in communications field</li> </ul>
EMS Business	JPY 150 bn	<ul style="list-style-type: none"> <li>Reinforcement and expansion of customer base</li> <li>Shift in value chain to high value-added areas</li> <li>Reinforcement of business base</li> </ul>
CSI Business	JPY 54 bn	<ul style="list-style-type: none"> <li>Acquisition of new products/suppliers and new sales channels</li> <li>Promotion of collaboration within Group and integration of overlapping organizations</li> </ul>
Other Business	JPY 16 bn	<ul style="list-style-type: none"> <li>Review of unprofitable businesses</li> <li>Creation of new businesses through venture investments and M&amp;As</li> </ul>



# Priority Strategy for the EMS Business

Reinforce and expand our customer base in high quality markets, with shift to higher value-added areas

<p><b>Reinforcement and Expansion of Customer base</b></p>	<ul style="list-style-type: none"> <li>Expansion of businesses with high quality requirements and stable long-term demand orientation</li> <li>Expansion of US, European, and Asian customer bases</li> </ul>	
<p><b>Shift in Value chain to High value-added areas</b></p>	<ul style="list-style-type: none"> <li>Design/Development + EMS service</li> <li>Support for software and hardware design and development</li> <li>External sales of production equipment/IT systems developed in-house</li> </ul>	
<p><b>Reinforcement of Business base</b></p>	<ul style="list-style-type: none"> <li>Global site collaboration and construction of human resource development structure, with EMS Towada (Production Center) at the core</li> <li>Fast and flexible launch of new factories with limited initial investment (development of "convenience store-type EMS")</li> <li>Promotion of smart factories through automation and visualization</li> <li>Reinforcement of BCP (fast and flexible inter-Group collaboration on procurement/production/logistics risks)</li> </ul>	



# Initiatives to aimed at becoming a "trillion-yen company"

## 1 Formulate M&A strategies to achieve the targets of the next Medium-Term Management Plan, and become a "trillion-yen company"

	Aim	Direction
Electronic Components Business EMS Business	<ul style="list-style-type: none"> <li>• <b>Expansion of business scale</b></li> </ul>	<ul style="list-style-type: none"> <li>• Study large-scale projects on scale of tens of billions of yen</li> </ul>
CSI Business Others Business	<ul style="list-style-type: none"> <li>• <b>Acquisition of new fields/products/sales channels</b></li> </ul>	<ul style="list-style-type: none"> <li>• Study projects with high growth potential in collaboration with venture investments</li> </ul>

## 2 Development of core human resources to support the "trillion-yen company" of the future, and restructuring of personnel management

	Specific measures
Key points in Restructuring of Personnel Management	<ul style="list-style-type: none"> <li>• <b>Development of management human resources:</b> Cross-departmental strategic personnel rotation, human resource pooling, etc.</li> <li>• <b>Reform of personnel systems and operation:</b> Review of evaluation processes, shortening of length of service until determination of promotions, etc.</li> <li>• <b>Utilization of diverse human resources:</b> Utilization of female and elderly employees, development of specialists, etc.</li> </ul>

## Borrowing capacity

- ▲ Net D/E ratio: **0.04 times**
- ▲ Cash position: **JPY 40.1 bn**
- ▲ Commitment line: **JPY 15 bn**

\*End of September 2021

## Cash generation ability

- ▲ Total 3-year operating cash flow: **JPY 30.8 bn**  
\*FY2018–FY2020
- ▲ Use of cash: ① **Growth investments**  
② **Shareholder returns**  
③ **Repayment of borrowing**

## Capital efficiency

- ▲ ROE: **13.5%** > Cost of shareholders' equity 7.6%

Assumptions for calculations

- ① Risk-free interest rate : 0.02%/10-year Japanese government bond, five-year average
- ② Market risk premium : 6.3%/TOPIX yield
- ③  $\beta$  (beta) : 1.2%/Five-year, weekly

\*FY2020 results

## Stability and credit rating

- ▲ Equity ratio: **39.6%**

\*End of September 2021

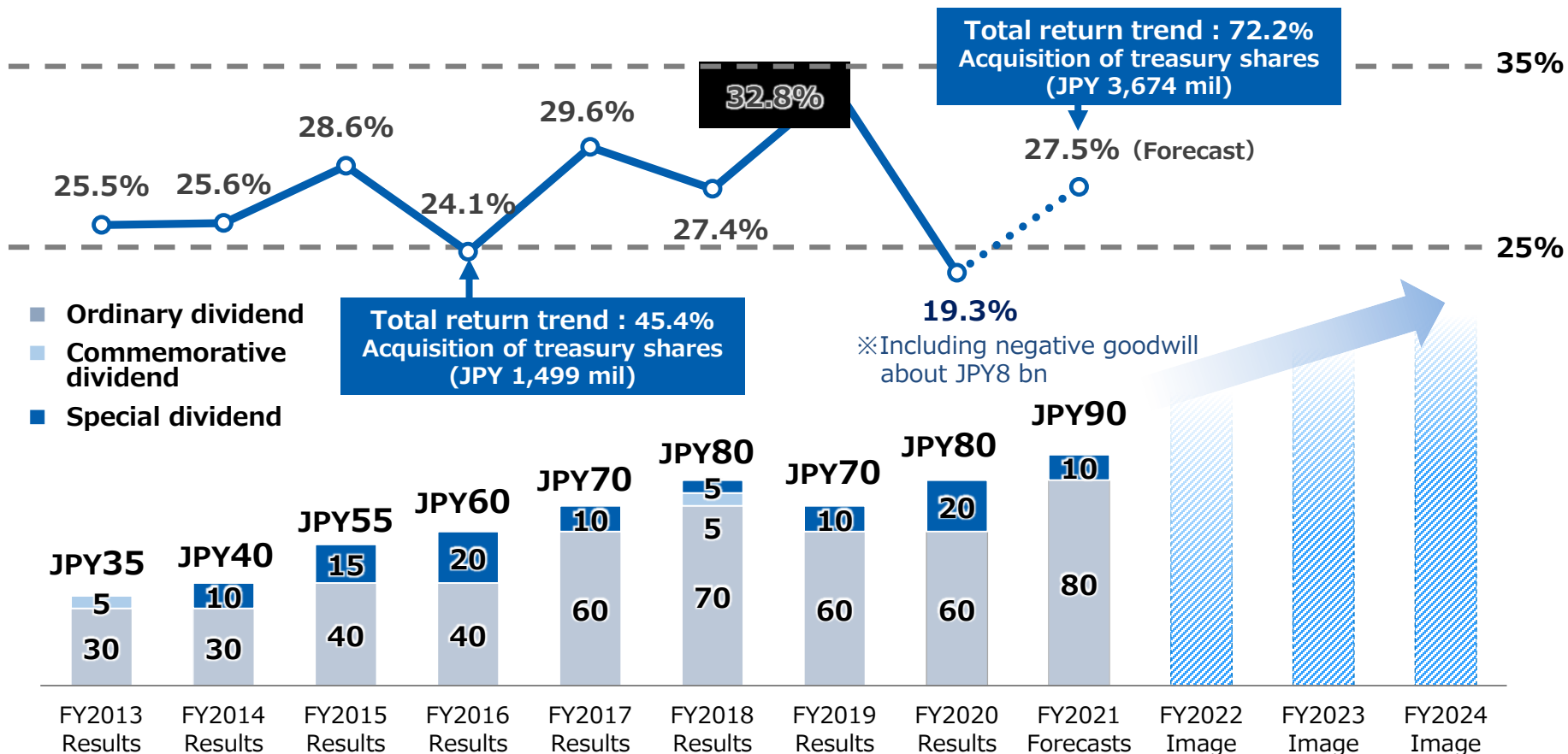
- ▲ Bond rating: **A- (Stable)**

\*Japan Credit Rating Agency, Ltd. (JCR)

# 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.



# <memo>

---

---

---

---

---

---

---

---

---

---

**“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>

- 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.