



Contact: Investor Relations & Public Relations Office

20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629, Japan

Tel: +81-3-5657-0106

Fax: +81-3-3254-7133

Email: webmaster@taxan.co.jp

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

Kaga Electronics Group

Integrated Report

2021

Focus of our Integrated Report 2021

Our Medium- to Long-Term Vision	Kaga Electronics Group Explained
	Corporate Philosophy 2
	The Timeline of Our Growth Driven by the Kaga Spirit . . . 3
	Our Hard-Earned Business Strengths Coupled with a Solid Operating Base Encompassing Regions around the Globe 5
	Value Creation Process 7
Social Issues We Aim to Address	Message from the CEO 9
	Message from the COO 11
	Message from the CFO 15
Progress under Medium-Term Management Plan 2021	Framework and Implementation of Corporate Value Creation
	Special Feature
	Driving Growth Toward Becoming No.1 in Japan
	The Kaga Electronics Group's EMS Business 17
	One More Strength
	The Kaga Electronics Group's One-Stop Solutions 22
Outcomes of Our Proactive M&A Drive	Overview of FY2021/3 Results
	Financial Highlights 23
	Outline of Business Segments
	• Electronic Components 24
	• Information Equipment 25
	• Software / Others 26
Outline of Our Financial Discipline	ESG Information
	Corporate Governance
	• Directors and Auditors 27
	• Corporate Governance 29
	• Internal Control / Compliance 32
	• Dialogue with Outside Directors 33
	• Sustainability Initiatives 35
	Social Report
	• Together with Our Customers 37
	• Together with Our Employees 38
	• Together with the Community 39
	Environmental Report
	• Together with the Earth 41
Future Plans for the EMS Business	Financial and Corporate Information
	Financial Information
	• 10-Year Financial Summary 43
	• Analysis of Financial Condition and Results of Operations 45
	• Consolidated Balance Sheet 47
	• Consolidated Statement of Income and Comprehensive Income 49
	• Consolidated Statement of Cash Flows 51
	Corporate Information 53

Period covered
This report covers the fiscal period from April 1, 2020 to March 31, 2021, except certain parts that include information prior and subsequent to these dates, as required.

Financial figures
Figures related to financial content in this report are rounded to the nearest unit. Ratios are rounded to one decimal place after calculation in yen.

Scope of report
Data calculation in this report covers Kaga Electronics Co., Ltd. and its 67 consolidated subsidiaries (22 in Japan and 45 overseas). All such companies are included in the scope of the Company's consolidated accounting, except where stated.

Notation and coverage of the Company: Kaga Electronics Co., Ltd.
The Group: Kaga Electronics Co., Ltd. and its 67 consolidated subsidiaries
Domestic facilities: Kaga Electronics Co., Ltd. and its 22 domestic consolidated subsidiaries

Forward-looking statements
Certain statements in this document may constitute "forward-looking statements." Such statements are based on currently available information and certain premises deemed rational at the time of writing. As such, actual results may differ from those projected due to various factors. Key factors that could cause actual results to differ from those projected include, but are not limited to, general economic conditions in Japan and overseas surrounding the Company's business domains, as well as trends in demand for the Company's products and services, and trends in foreign exchange rates and stock markets.



Corporate Philosophy

Everything we do is for our customers

Kaga Electronics Co., Ltd. had very humble beginnings about 50 years ago, starting out in a very small office. We have since grown into a general electronics trading company with operations that now span the globe. Our corporate philosophy, "Everything we do is for our customers," has remained unchanged since our earliest days. Based on this philosophy, we will keep contributing to the creation of an affluent society by continuing to support the development of our customers.

The Timeline of Our Growth Driven by the Kaga Spirit

Kaga Spirit (The Words of Isao Tsukamoto)

Personal connections are intangible assets

The Kaga Electronics Group is capable of responding quickly and accurately to changes in the business environment and customer needs to drive continuous growth. This ability stems from the personal connections, or business network, we have built up over the years based on relationships of trust with customers and suppliers. These relationships form a vital part of our management foundations in conducting business as a trading company. The idea that “personal connections are intangible assets” has been passed down over the years as one of the pillars of what we call KAGAism, the essence of who we are.

Never say “no”

Based on the motto “Never say ‘no,’” the Kaga Electronics Group has been expanding its business domain from parts procurement to kit-parts sales and even contract production, planning and development, and maintenance services, while enhancing the lineup of products to meet customer needs. The origins of our global “one-stop service system,” an enduring strength of the Company, lies in this customer-first approach.

An organization driven by communication

In order to ensure our ability to quickly seize opportunities amid a changing business environment full of future uncertainty, it is important to have a corporate culture that makes maximum use of the individual capabilities of our personnel. Based on this philosophy, the Kaga Electronics Group is working to build an open workplace that encourages different ways of communication to achieve common goals.

Inventory is a liability

In our earliest days, a lack of ample working capital forced us to place each order for products after receiving an order from a customer. This gave birth to the idea that “inventory is a liability,” which has evolved into a currently held principle for how we receive and place orders, a critical feature of the Company. Responding as quickly as possible to order information has enabled us to build win-win relationships with customers and suppliers.

People are a finite asset; companies are perpetual entities

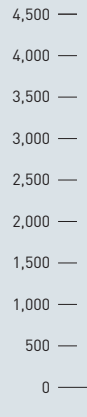
The Kaga Electronics Group continues to tackle new challenges with a view that there is no end goal to corporate activities based on the philosophy that “people are a finite asset; companies are perpetual entities.” Pursuing aggressive M&A activities and developing new products and services that resolve social issues are some of the initiatives we are undertaking to drive sustainable growth. We will remain committed to pushing the envelope as a Group as we head toward a century in business.

Achieving Business Expansion by Swiftly Adapting to Changes

Having started out as a handyman business based in Akihabara, Tokyo, with an office space of less than 7 m², we achieved business expansion thanks to surging electronics parts demand in the wake of rapidly growing popularity of CB transceivers and arcade game *Space Invaders* in the 1970s. In 1980, our net sales exceeded ¥10 billion. Moreover, we became a supplier of mask ROMs for use in Family Computer, a mega-hit gaming unit, in 1983, thus making an entry into the field of game software for household gaming devices.

Net sales

(Billions of yen)

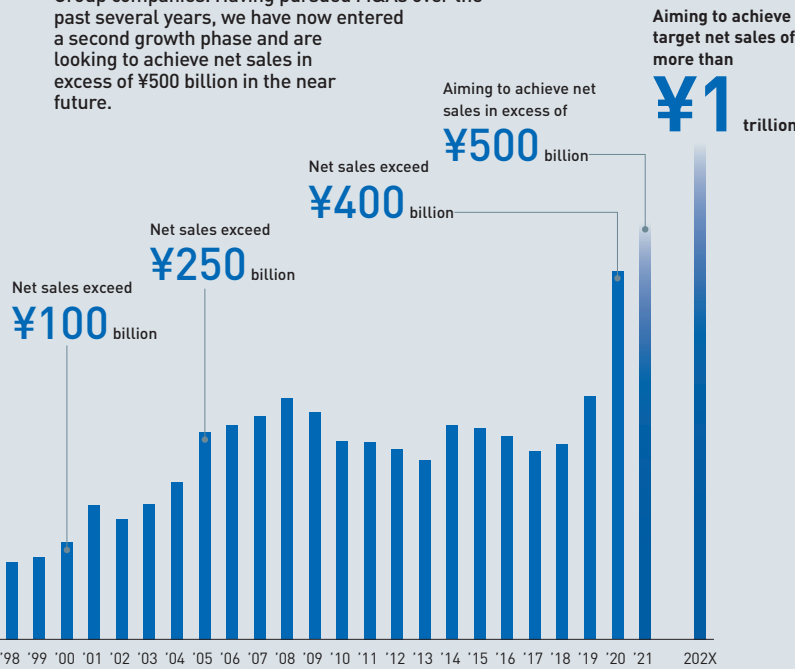


Pursuing Proactive Global Expansion since the 1980s

In 1981, our TAXAN brand monitors, developed in-house for use with Apple computers, achieved considerable sales at home and abroad. Building on this success, we launched our first overseas base in the United States and, in 1985, established another in the United Kingdom, significantly accelerating the pace of our overseas expansion. In 1986, KAGA ELECTRONICS stock was listed on the Second Section of the Tokyo Stock Exchange. In the 1990s, we began proactively penetrating Asian markets outside Japan, to this end securing the first regional foothold in Hong Kong in 1992. In 1995, we entered the Taiwanese market, which, in turn, contributed to a major sales increase. In 1997, our listing on the Tokyo Stock Exchange was promoted to the First Section. In 1999, we launched KAGA (SHENZHEN) ELECTRONICS LTD., our first factory concurrently serving as an overseas EMS base.

Proactively Securing Overseas EMS Production Bases and Executing M&A from the 2000s onward

Entering the 2000s, we expanded our overseas network of EMS production bases, which had previously been centered in China, by establishing facilities in Malaysia, Thailand, the Czech Republic, Indonesia, Mexico, Vietnam, Turkey and India. In Thailand, we eventually built two bases. At the same time, the number of our bases in China grew to four. During the course of these endeavors, our net sales exceeded ¥100 billion in 2001 and ¥250 billion in 2006. From 2019 onward, we executed a rapid series of M&As, with KAGA FEI, KAGA EMS TOWADA, EXCEL and Kyokuto Electric made into Group companies. Having pursued M&As over the past several years, we have now entered a second growth phase and are looking to achieve net sales in excess of ¥500 billion in the near future.



Since 1968

- Sep. 1968 KAGA ELECTRONICS CO., LTD. founded at 3-8-3 Soto-Kanda, Chiyoda-ku, Tokyo, with paid-in capital of ¥1 million.
- Mar. 1980 Net sales exceed ¥10 billion.
- Jul. 1981 TSK ELECTRONICS CORPORATION established in the United States.
- Dec. 1985 Stock registered on the Japan Securities Dealers Association as an over-the-counter company. TAXAN (UK) LTD. established in the UK.
- Dec. 1986 Stock listed on the Second Section of the Tokyo Stock Exchange.

1990–

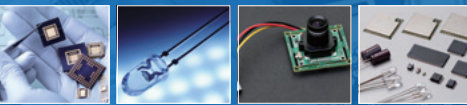
- Mar. 1991 Net sales exceed ¥50 billion.
- Jun. 1992 KAGA (H.K.) ELECTRONICS LIMITED established in Hong Kong.
- Jul. 1994 KAGA (SINGAPORE) ELECTRONICS PTE. LTD. established in Singapore.
- Feb. 1995 KAGA (KOREA) ELECTRONICS CO., LTD. established in the Republic of Korea.
- Dec. 1995 KAGA (TAIWAN) ELECTRONICS CO., LTD. established in Taiwan.
- Sep. 1997 Promoted to the First Section of the Tokyo Stock Exchange.
- Jul. 1999 KAGA (SHENZHEN) ELECTRONICS LTD. established in China.

From 2000 onward

- Jun. 2000 KAGA COMPONENTS (MALAYSIA) SDN. BHD. established in Malaysia.
- Aug. 2000 KAGA (SHANGHAI) ELECTRONICS CO., LTD. established in China.
- Mar. 2001 Net sales exceed ¥100 billion.
- Apr. 2002 KAGA ELECTRONICS (THAILAND) COMPANY LIMITED established in Thailand.
- Dec. 2003 KAGA ELECTRONICS (USA) INC. established in the United States.
- Aug. 2006 KAGA (DALIAN) ELECTRONICS CO., LTD. established in China.
- Apr. 2009 KAGA (EUROPE) ELECTRONICS LTD. established in the UK. KD TEC s.r.o. established in the Czech Republic.
- Mar. 2014 Transferred to current Head Office building (company-owned building).
- Jan. 2017 TAXAN MEXICO, S.A. DE C.V. established in Mexico.
- Jul. 2017 KAGA ELECTRONICS (VIETNAM) CO., LTD. established in Vietnam.
- Sep. 2018 KAGA ELECTRONICS (INDIA) PRIVATE LIMITED established in India.
- Jan. 2019 Fujitsu Electronics Inc. (currently KAGA FEI Co., Ltd.) made into a Group company.
- Oct. 2019 Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.) made into a Group company.
- Apr. 2020 EXCEL CO., LTD. made into a Group company.
- Nov. 2020 Kyokuto Electric Co., Ltd. made into a Group company.

The Kaga Electronics Group's Business Fields

Electronic components business



Acts as a sales agency handling general electronic parts, semiconductors and other offerings for customers at home and abroad.

EMS business



Provides comprehensive solutions supporting the design, development and manufacture of products ranging from semi-finished to finished products.

Information equipment business



Supplies PCs and PC peripherals to domestic and overseas distribution channels while accommodating product needs in the network solutions field.

Other business



Handles the development, manufacture and marketing of amusement-related hardware and software in addition to the sale of golf supplies and other operations.

Our Hard-Earned Business Strengths Coupled with a Solid Operating Base Encompassing Regions around the Globe

Overview of Our Primary Business Segments as Defined under the Medium-Term Management Plan

Electronic components: electronic parts and semiconductor business

In this business, we provide a wide range of electronics-related components and materials that include semiconductors, general electronic parts, LEDs, sensors and liquid crystal displays. We leverage our network of more than 60 companies in the United States, Europe, Asia and other parts of the globe to deliver world-class parts and components to customers. Our exceptional support system enables us to meet the needs of customers globally.

Electronic components: EMS business

The Kaga Electronics Group utilizes production facilities in China and other parts of Asia as well as in Europe and the Americas in a production system that allows us to manufacture in regions that best suit our customers. In addition to the design and development of products, we have developed a total support system that is geared to flexibly meet different demands from high-mix, low-volume production and semi-finished to finished products. Moreover, our global supplier network enables us to propose optimal alternative parts and materials that best suit each customer.

Information equipment

The Kaga Electronics Group carries out the functions of a sales agency in providing such establishments as domestic consumer electronics mass retailers, camera stores, general companies and educational institutes with PCs and PC peripherals made by major Japanese and overseas brands. In addition, we offer a one-stop service for network solutions from the proposal to the construction and maintenance of local area network (LAN) systems, security systems and eco-friendly energy systems for corporations and government agencies.

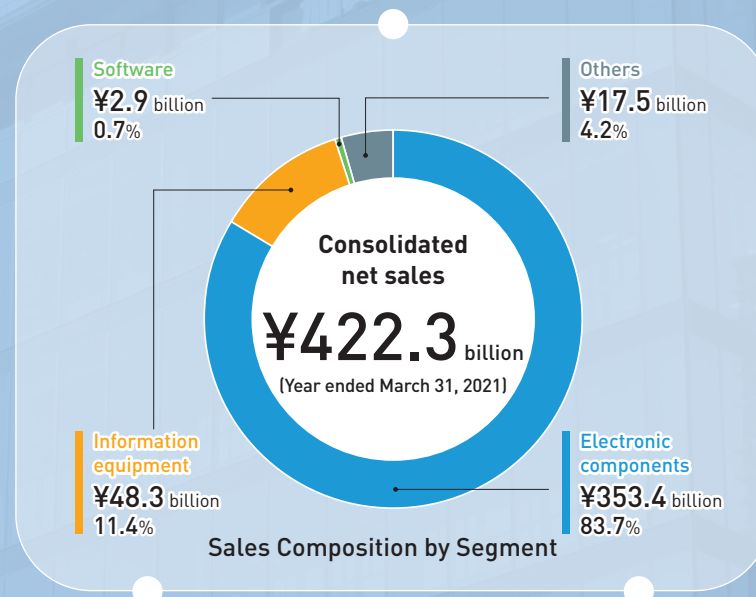
Others

In addition to the planning, manufacture and sale of amusement related equipment such as arcade amusement machines, the Kaga Electronics Group produces commercials, movies and animated content as well as original content using advanced computer graphics technology. Our diverse business also includes environmentally friendly PC reuse and recycling, and the retail and wholesale of golf supplies.

Strengths Nurtured over the Course of More than 50 Years of Operations

Strength (1) Comprehensive capability in the electronics field

The strength of the Kaga Electronics Group lies in the broad range of products and services it handles. We meet a wide variety of needs by providing modules and finished products in addition to electronics-related components and materials as well as hardware, software and systems. Our business covers everything from large-lot consumer goods to small-lot industrial devices. This comprehensive capability enables us to deliver one-stop services to meet customer needs with exceptional precision.



Strength (2) Global network capability

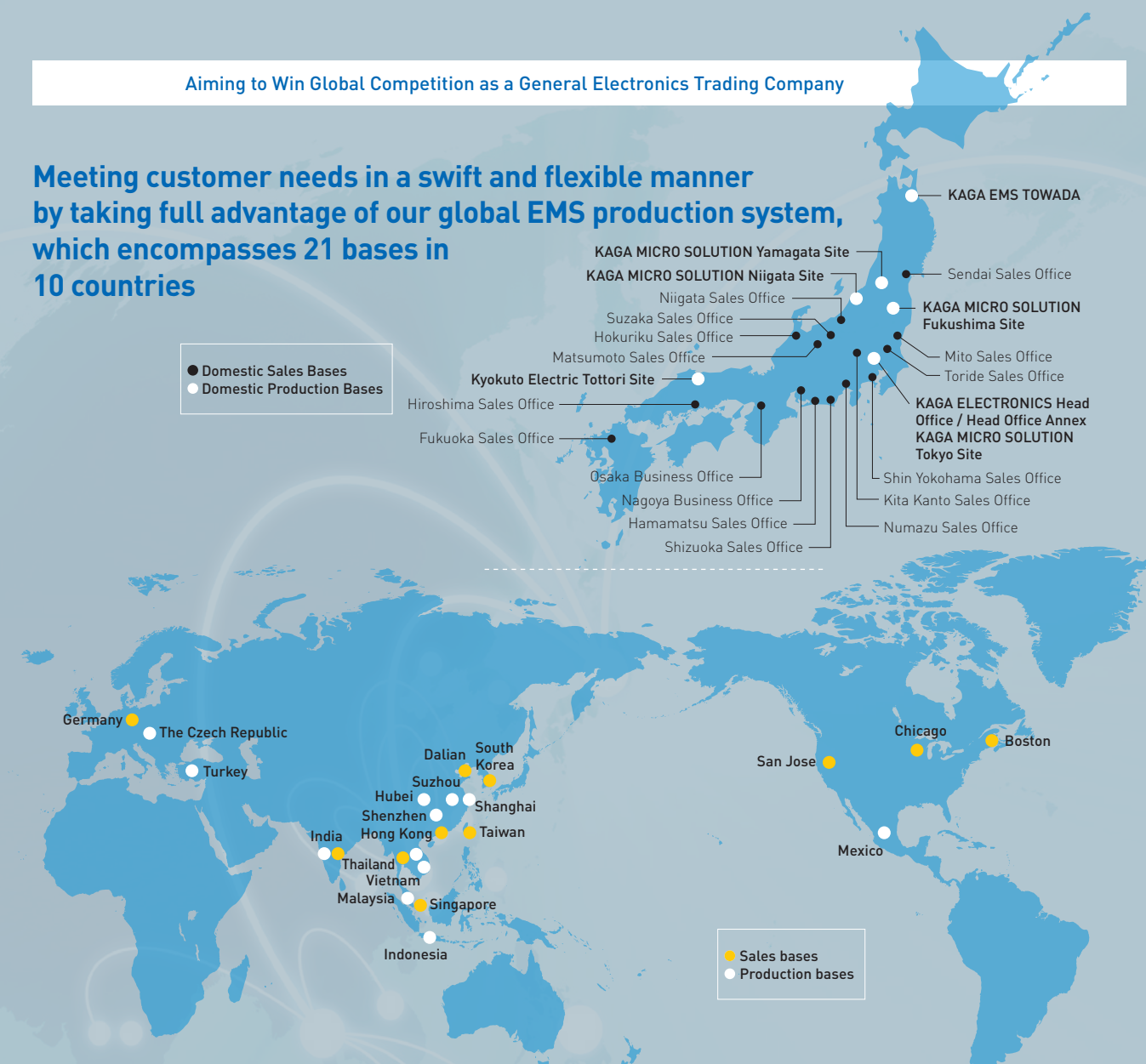
We provide peace of mind to customers and instill confidence through our sales and production network, which spans 16 countries and regions worldwide, as well as our global procurement and information-gathering competencies that we have built up over 50 years, which have been reinforced by the addition to the Group of KAGA FEI Co., Ltd. and EXCEL CO., LTD.

Strength (3) One-stop service capability

The Kaga Electronics Group, as an independent general electronics trading company, has been expanding its business domains in accordance with customer needs. At present, Group companies worldwide are working together to build a "one-stop service system" that transcends the boundaries of a trading company and covers everything from upstream processes, including planning and design in addition to parts procurement, to downstream maintenance services. By doing so, we are providing diverse added value to customers.

Aiming to Win Global Competition as a General Electronics Trading Company

Meeting customer needs in a swift and flexible manner by taking full advantage of our global EMS production system, which encompasses 21 bases in 10 countries



Alongside KAGA ELECTRONICS, a total of 67 companies, 45 companies in 16 countries abroad and 22 companies in Japan, comprise the Kaga Electronics Group

Europe

- Establish a circuit board mounting facility in the Czech Republic, making it a foothold supporting our European operations
- Enter the Turkish market as part of efforts to strengthen our European operations

Americas

- Shift our production bases to Mexico from China and Asia
- Strengthen marketing activities, with our sales office in Chicago serving as a main business base

China

- Expand transactions with local Chinese companies
- Expand transactions with European and U.S. companies
- Expand transactions with Japanese corporations engaged in product marketing in China

ASEAN

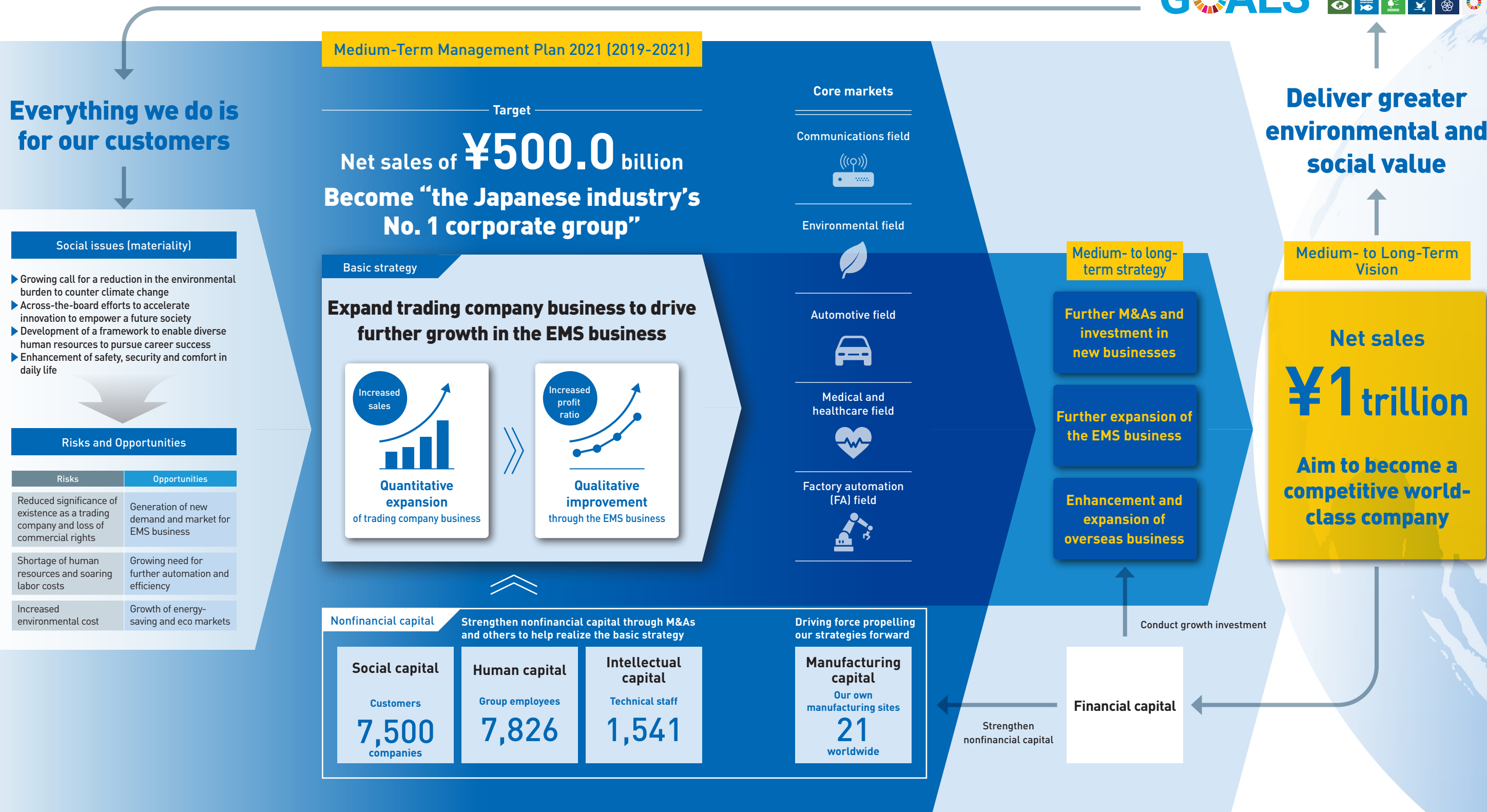
- Step up efforts to reach out to Japanese customers and meet their demand
- Align our regional production system with a shift from China

Japan

- Expand the EMS business
- Expand sales of parts kitting
- Develop new customers

Value Creation Process

Guided by its corporate philosophy of “Everything we do is for our customers,” the Kaga Electronics Group has achieved growth by exercising a venturesome spirit that leads it to seek opportunities emerging from changes in society. Under the Medium-Term Management Plan 2021, the Group is currently pursuing quantitative growth via the electronics trading company business while expanding its EMS business, which aims to contribute to qualitative growth in profit. Through these two endeavors, the Group strives to raise its net sales to ¥1 trillion and become a competitive world-class company. This is how we deliver greater environmental and social value via our business operations.





Latching onto change with a first-mover advantage that leverages our entrepreneurial spirit

Isao Tsukamoto
Founder & CEO

Timing of changes presents opportunities for strong growth

The world is undergoing significant changes during the COVID-19 pandemic that are, in turn, bringing changes in people's preferences and ways of working. These changes have only accelerated with the introduction of digital transformation (DX) and 5G mobile communications systems in Japan and around the world. The timing of these changes present opportunities for significant growth at the Kaga Electronics Group.

Founded in 1968, the Kaga Electronics Group has existed for 53 years. Looking back at this half-century of history, there have been a number of crises, such as the oil shock, the 2008 financial crisis, the Great East Japan Earthquake and massive flooding in Thailand. The world has changed considerably as a result of each crisis. Even during these challenging times, the Kaga Electronics Group has turned crisis into growth opportunities without being swept away by the wave of history, thanks to its strong resilience amid change.

Companies are being increasingly expected by society to address a variety of the social issues that we all face. We intend to do so through SDG management (sustainability) in ways unique to the Kaga Electronics Group, including new businesses.

Doing our utmost while listening closely to customers

How will we ride out the trends of modern times? With "Everything we do is for our customers" as our corporate philosophy, we listen carefully to our customers and do our utmost to solve their problems. We are able to grow by striving to solve these problems for our customers and launching new businesses.

To help our customers solve their problems, we ask ourselves every day "what can we do to help?" while trying out new things based on conversations with our customers and doing what we can without saying "no." As we do so, it is essential that we strive to be more receptive to and gather information from our customers. If we do this, we will be able to find the right people as well as information that provides hints to solving problems, expanding our business opportunities. Needs for products and services can completely transform overnight when the world changes, like it did during the pandemic.

Executives and employees are equals when it comes to launching new businesses and proposing ideas that take advantage of these opportunities. Employees can raise their hands and work on projects with the attitude of a corporate manager. When I was president, I encouraged everyone to proactively go with the flow of ideas. We worked together to find the best way forward, fought together and took responsibility together. While there were plenty of failures along the way, by taking on these challenges, we were able to grow into a Group of more than 60 companies.

At KAGA ELECTRONICS, it is necessary to cultivate a flexible mindset and the ability to act in order to develop businesses. Furthermore, it is also necessary to have sufficient sales capabilities as well as information and production networks able to respond to all of the needs that have emerged during the pandemic, such as teleworking and online classes.

DNA of trying new businesses with open ideas

With no clear end in sight for the pandemic, DX trends and U.S.-China trade friction, the globalization of supply chains for manufacturers in Japan and around the world has entered a new stage. Given the inevitability of future changes in industry structures, we must aim to compete on the global stage against international corporate groups with annual sales on a scale of ¥2 to ¥3 trillion.

The Kaga Electronics Group's Medium- to Long-Term Vision targets annual net sales of ¥1 trillion while charting a new growth trajectory for prospering over the next half century. Over the past few years, KAGA FEI Co., Ltd., KAGA EMS TOWADA CO., LTD., and EXCEL CO., LTD. were added to the Kaga Electronics Group. We are committed to achieving this target by creating synergies among Group companies that exceed what is possible as individual companies, while focusing on our respective fields of excellence.

I look forward to the Kaga Electronics Group growing strongly while continuing with its entrepreneurial spirit of moving first, its DNA of taking on new business challenges with open ideas and the enthusiasm of each and every employee.

Evolving our earnings capabilities while steadily advancing Post-Merger Integration

Ryoichi Kado
President & COO

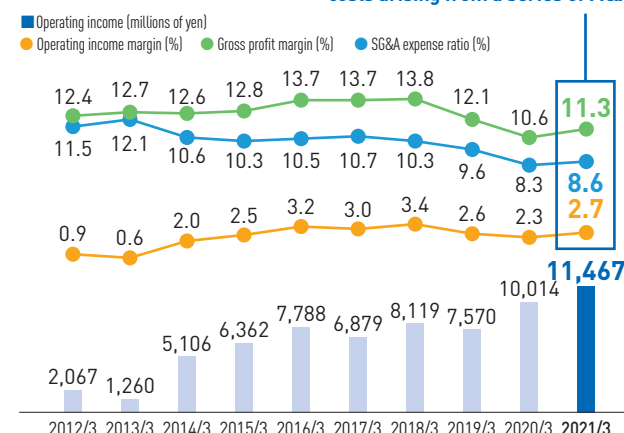
Review of the fiscal year ended March 31, 2021

During the fiscal year, the global economy remained harsh as the COVID-19 pandemic led to intermittent lockdowns in the first half that caused demand to fall and production to halt at some manufacturers. Against this backdrop, management at the Kaga Electronics Group prioritized the safety of its employees in Japan and around the world. This was the second fiscal year of the three-year Medium-Term Management Plan 2021 (2019-2021) that started in April 2019. Accordingly, the Kaga Electronics Group concentrated on further strengthening sales competitiveness with the aim of expanding the electronic components business and the electronics manufacturing services (EMS) business, the two main aspects of its growth strategy.

As a result, operating income reached a new record high for a second year in a row, growing 14.5% year on year to ¥11,467

Kaga Electronics Group

Achieved a turnaround despite growing costs arising from a series of M&A



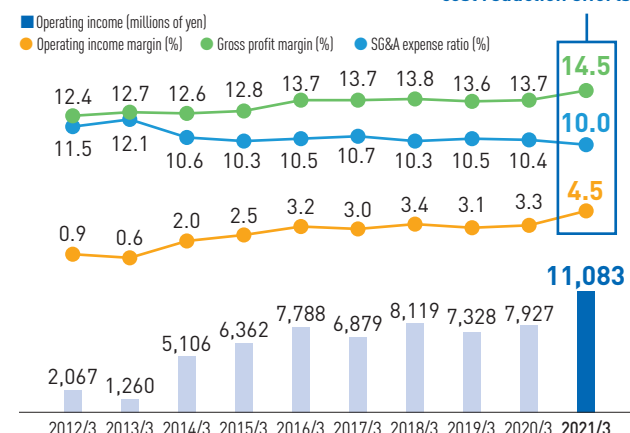
million. As the Company's earnings power has advanced, I believe we have put together an earnings structure able to reliably generate operating income in excess of ¥10 billion.

Plotting consolidated operating income on the below left graph, we can see that the gross profit margin worsened for two consecutive years after the acquisition of Fujitsu Electronics, Inc. (renamed KAGA FEI Co., Ltd.) in the fiscal year ended March 31, 2019 as this company had not been as profitable as the parent company, KAGA ELECTRONICS. However, the gross profit margin then started to improve again in the fiscal year ended March 31, 2020.

Next, looking at this trend in terms of KAGA ELECTRONICS on a non-consolidated basis (see the below right graph), note that the gross profit margin has continued to increase from around 12% to 13% ten years ago to 14.5% in the last fiscal year. The Company has kept the SG&A expense ratio at roughly 10%, recently getting it below that level to 9.99%.

KAGA ELECTRONICS (parent)

Gross profit improved due to cost reduction efforts



Our response to the COVID-19 pandemic

The Kaga Electronics Group has continued to operate safely during the COVID-19 pandemic by taking countermeasures that include introducing teleworking and staggered work hours in accordance with guidance given by the national and local governments. We have reduced the movement of people by targeting a 20% employee attendance ratio in our offices during the state of emergency. Our production bases in Japan have

continued to operate with strict safety measures in place based on the guidance of national and local governments. Overseas, however, some of our bases had to suspend operations due to local lockdowns early in the first half of the fiscal year. After the lockdowns were lifted, operations at these plants resumed with safety measures in place.

KAGA ELECTRONICS (parent)

Sales bases (Japan)	Office attendance ratio	KAGA ELECTRONICS	First half	Second half	Full year	Number of COVID-19 cases
			39.1%	46.5%	42.8%	
		Group companies	46.2%	52.7%	50.5%	14 employees

Production bases (overseas)	Operations suspended due to the COVID-19 pandemic			Number of COVID-19 cases
		First half	Second half	
	Thailand, Indonesia, Turkey	No disruptions		
	Hubei, China	2/1 ~ 3/15*		(China) 0 employees
	Suzhou, China	2/1 ~ 2/9*		(Asia) 0 employees
	Shenzhen, China	2/1 ~ 2/13*		(Europe) 30 employees
	Malaysia	3/18 ~ 4/20		(Americas) 25 employees
	Vietnam	4/1 ~ 4/15		
	India	3/25 ~ 5/31		
	Czech Republic	4/7 ~ 4/9		
	Mexico	4/1 ~ 5/30		

* Second half of the fiscal year ended March 31, 2020

■ Length of suspended operations

In order to attain its target for net sales of ¥1 trillion in its medium- to long-term vision, KAGA ELECTRONICS must follow through on its M&A strategy. I have run a tight ship with profit-focused management in the execution of this strategy.

As long as KAGA ELECTRONICS' earnings structure remains solid, I am confident that the Kaga Electronics Group can sustain profit growth.

Strengthening competitiveness via the expansion of the electronic components business and the EMS business, the two main aspects of our growth strategy

Over the course of the pandemic, the electronics industry, to which the Kaga Electronics Group belongs, saw demand related to personal computers grow briskly as teleworking and online classes rapidly became the norm. With people staying at home and restricting their movement during the pandemic, demand also increased for DIY tools and machine tools. In the first quarter of 2021, however, sales of automobiles, which had been sluggish during the lockdowns around the world, began to recover, leading to robust growth in automotive-related markets.

Amid this business environment, in the components sales business, EXCEL CO., LTD., an electronic components trading

company, became a Group company in April 2020, and we worked to share and expand our customers and the products handled. In the EMS business, Kyokuto Electric Co., Ltd. became a Group company in November 2020. The plants it has in Tottori Prefecture were turned into EMS bases for the Western Japan region. Along with KAGA EMS TOWADA CO., LTD. in Aomori Prefecture, the Company made these changes to strengthen the domestic production structure.

Overseas, in December 2020, construction was completed on a new plant in Hubei Province, the heart of China's automobile industry, as a part of our endeavors to expand production capacity in Japan and around the world.

We also marked progress on the post-merger integration with KAGA FEI Co., Ltd., which became a Group company in January 2019.

In the fiscal year ended March 31, 2021, we approached our existing 124 leading corporate customers with EMS proposals and won 11 orders from eight companies for prototype development and mass production. In addition, we aggressively developed new products and commenced new transactions with a total of 90 companies. As a result, sales of new products totaled ¥12.6 billion in the fiscal year ended March 31, 2021, and we expect sales to total ¥20 billion in the fiscal year ending March 31, 2022. We are expanding business by focusing our sales activities on both components and EMS.

Establishment of Nomination and Compensation Committee

KAGA ELECTRONICS increased its number of outside directors from three to four with the approval of a resolution to this effect at the General Meeting of Shareholders held on June 29, 2021, with the objective of improving the strategic nature and objectivity of management by enhancing the supervisory functions of the Board of Directors with the advice and criticism of outside directors. With this change, outside directors now account for more than one-third of the total number of directors.

The Nomination and Compensation Committee was established as a voluntary advisory body to the Board of Directors in June 2021 with the aim of strengthening the supervisory functions of the Board of Directors and augmenting corporate governance.

The Nomination and Compensation Committee is chaired by an independent outside director, and outside directors constitute a majority of the members. Acting in an advisory capacity to the Board of Directors, the Committee discusses matters related to the appointment and dismissal of directors and auditors, matters related to the appointment and

dismissal of directors with titles, matters related to compensation for directors and auditors, and other important management matters as deemed necessary by the Board of Directors. Based on such discussion, the Committee provides advice to the Board of Directors.

Promotion of sustainability management

The Kaga Electronics Group engages in corporate social responsibility (CSR) activities as a company that aims to help create an abundant future through electronics. Moreover, with an eye to furthering the sustainable growth of society, the Group seeks to create new businesses from the standpoint of solving social issues in the fields of childcare, welfare and nursing care as a part of its contributions toward the achievement of sustainable development goals (SDGs) through business activities.

In April 2021, the Company established the SDGs Committee to advance sustainability management across the entire Group and enhance its approach to CSR and ESG.

I chair the SDGs Committee, which consists of officers in charge of business divisions. Working groups for the environment, society and governance are set up under the committee to formulate specific policies, measures and targets for ESG issues, and monitor progress. The committee reports directly to the president, just like the Management Meeting and the CSR Promotion Committee. With the commitment of top management, the committee works closely with business divisions to continuously tackle SDGs.

In terms of the environment, we aim to participate in RE100 while examining the proactive use of renewable energy at our business offices inside and outside Japan, with the intention of contributing to a carbon-free society.

With information disclosure ramping up based on recommendations by the Task Force on Climate-related Financial Disclosures (TCFD), the environment working group is launching initiatives to augment disclosures in preparation for a declaration of agreement with the TCFD.

In terms of society, the Company is promoting diversity, including the empowerment of women, while engaging in work-style reforms and health management.

For governance, the Company will continue abide by the periodically revised Corporate Governance Code and remain a company of value to all stakeholders, including shareholders.

In the electronics industry, to which the Kaga Electronics Group belongs, there have been some supply chain disruptions, as demonstrated by tighter supply-demand balances for semiconductors. However, demand for electronic components is likely to strengthen over the medium to long term alongside the increasing electrification and intelligence of automobiles, as seen in trends toward electric vehicles and connected, autonomous, shared & services and electric (CASE) technologies, while new demand is emerging in the ICT domain with the rollout of 5G and the increasing sophistication and complexity of IoT and AI.

Based on this outlook, the Company has compiled the following estimates for the fiscal year ending March 31, 2022, the final year of its Medium-Term Management Plan 2021, and is working toward achieving these targets.

After this management plan was created, several unanticipated events occurred, namely, major suppliers cancelled their distribution contracts with KAGA FEI Co., Ltd. (a loss of around ¥100 billion in sales) and the global COVID-19 pandemic. The Company still has some ground to cover before it will reach its target for net sales of ¥500 billion, but will continue striving toward this target without changing it. Despite headwinds, our profit-focused approach to management has been a success, resulting in record-high operating income for three straight fiscal years, and we are still aiming for ¥13 billion. We achieved our ROE target one year earlier in the fiscal year ended March 31, 2021. We will continue to manage operations so that ROE stays above 8% and surpasses the cost of shareholders' equity* in the fiscal year ending March 31, 2022.

* The cost of shareholders' equity: 7.6%
① Risk-free rate 0.02% (Five-year average yields on 10-year JGBs)
② Market risk premium 6.3% (TOPIX yields)
③ ß 1.2 (Five years/weekly)

Based on its corporate philosophy "everything we do is for our customers," KAGA ELECTRONICS will contribute to the realization of a sustainable society by striking a balance between solving social issues and sustaining growth as a corporation through its business activities.

Outlook for the fiscal year ending March 31, 2022

In the fiscal year ending March 31, 2022, the impact on the world economy exerted by the pandemic, including variants of COVID-19, is a lingering concern. Although economic activity has gradually returned to normal as the number of people receiving vaccines increases around the world, there is a risk that variants will spark another surge in cases. As such, the outlook for economies in Japan and other countries is clouded with uncertainty.

Kaga Electronics Group's businesses and SDG targets



Earnings forecasts for the fiscal year ending March 31, 2022

	Results for the fiscal year ended March 31, 2021	Forecasts for the fiscal year ending March 31, 2022	Year-on-year change	Medium-Term Management Plan 2021 targets
Net sales (millions of yen)	422,365	470,000	11.3%	500,000
Operating income (millions of yen)	11,467	13,000	13.4%	13,000
Ordinary income (millions of yen)	11,241	12,000	6.7%	—
Profit attributable to owners of the parent (millions of yen)	11,399	8,000	-29.8%	—
EPS (yen)	415.07	291.20	—	—
ROE	13.5%	8.5%	-5.0pt	8.0% or more

Record-High Operating Income for Two Consecutive Fiscal Years Despite Pandemic

Eiji Kawamura

Managing Director, Head of Administration Headquarters

Review of the fiscal year ended March 31, 2021

In the fiscal year ended March 31, 2021, net sales declined 4.8% year on year to ¥422,365 million. Although the inclusion of EXCEL CO., LTD. as a Group company boosted sales, net sales ended the year down due to the termination of distribution agreements between KAGA FEI Co., Ltd. and its main business partners, such as Cypress Semiconductor Corporation. Excluding this special factor, net sales showed a solid bounce back from the effects of the pandemic. Both operating income and ordinary income beat earnings estimates issued on February 4, 2021, reaching record-high levels for a second straight year. Moreover, due to the posting of a net ¥3,230 million in extraordinary income as a result of a ¥7,963 million gain on negative goodwill associated with the acquisition of EXCEL CO., LTD., profit attributable to owners of the parent grew considerably to ¥11,399 million despite

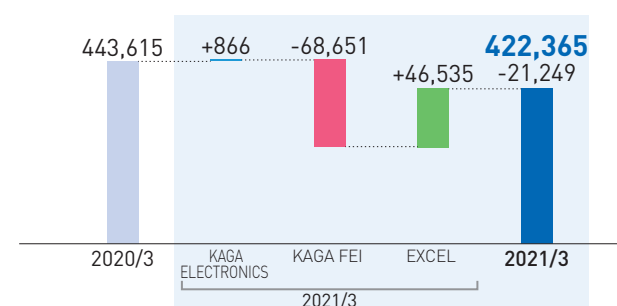
impairment losses on recently built EMS production facilities in India and Mexico.

Earnings in the fiscal year ended March 31, 2021 are broken down by company as follows. Below, KAGA ELECTRONICS includes all Group companies except for KAGA FEI Co., Ltd. and EXCEL CO., LTD.

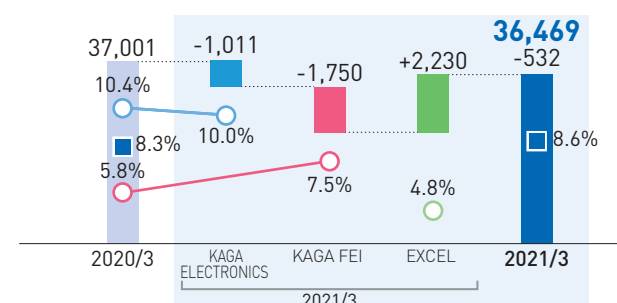
Net sales at KAGA ELECTRONICS increased ¥886 million despite the pandemic. The addition of EXCEL CO., LTD. to the scope of the consolidation boosted net sales ¥46,535 million, but this did not fully offset the ¥68,651 million dent in sales that resulted from the loss of major distribution contracts at KAGA FEI Co., Ltd. For the Group as a whole, net sales decreased ¥21,249 million.

Gross profit for the Group increased ¥920 million, reflecting growth of ¥1,974 million at KAGA ELECTRONICS, a decline of ¥3.4 billion at KAGA FEI Co., Ltd., and a contribution of ¥2,365 million from EXCEL CO., LTD.

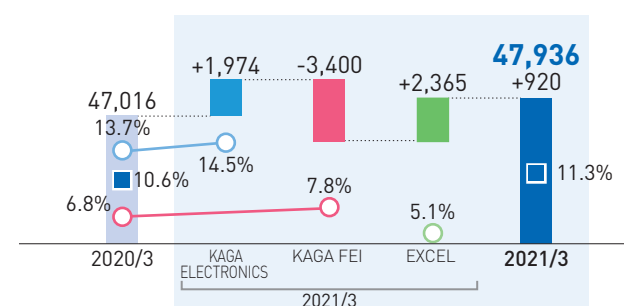
Net sales (millions of yen)



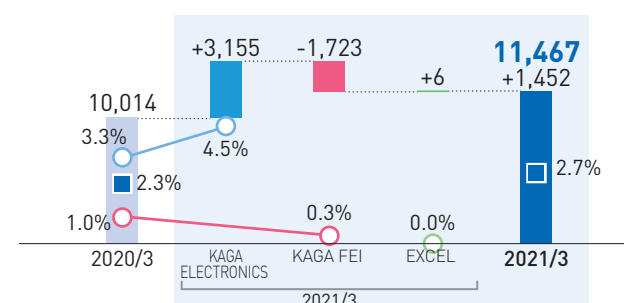
SG&A expenses (millions of yen) / SG&A expense ratio



Gross profit (millions of yen) / Gross profit margin



Operating income (millions of yen) / Operating income margin



Note: Gross profit and operating income figures are shown before consolidated adjustments among the three companies. Consolidated adjustments are -¥19 million for gross profit and +¥13 million for operating income.



The gross profit margin improved from 13.7% to 14.5% at KAGA ELECTRONICS and from 6.8% to 7.8% at KAGA FEI Co., Ltd. With the addition of EXCEL CO., LTD.'s margin of 5.1%, the average gross profit margin for the entire Group increased from 10.6% to 11.3%. EXCEL CO., LTD.'s main business is low-margin LCDs, but margins in its domestic operations have been improving markedly thanks to its emphasis on low-cost operations.

Turning to SG&A expenses, KAGA ELECTRONICS and KAGA FEI Co., Ltd. reduced costs, resulting in reductions in SG&A expenses amounting to ¥1,011 million at KAGA ELECTRONICS and ¥1,750 million at KAGA FEI Co., Ltd. Even including EXCEL CO., LTD.'s ¥2,230 million gain of in SG&A expenses, the Group total still decreased by ¥532 million. At KAGA ELECTRONICS, SG&A expenses include increases associated with KAGA EMS TOWADA CO., LTD. and Kyokuto Electric Co., Ltd., so the amount noted for SG&A expense reductions is even larger if these two companies' figures are excluded.

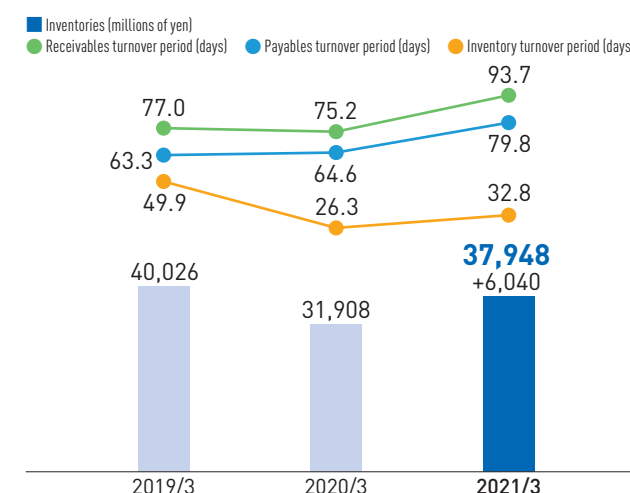
Operating income increased ¥3,155 million at KAGA ELECTRONICS and decreased ¥1,723 million at KAGA FEI Co., Ltd. Meanwhile, EXCEL CO., LTD contributed ¥6 million to operating income. Thus, overall Group operating income rose ¥1,452 million to ¥11,467 million. The operating income margin improved from 3.3% to 4.5% at KAGA ELECTRONICS, boosting the entire Group's margin from 2.3% to 2.7%.

Looking at our financial condition, total liabilities increased ¥20,553 million to ¥141,942 million. Inventories expanded ¥6,040 million to ¥37,948 million, and the inventory turnover rate worsened from 26.3 days to 32.8 days. The receivables turnover period increased from 75.2 days to 93.7 days, and the payables turnover period increased from 64.6 days to 79.8 days owing to the inclusion of EXCEL CO., LTD. in the scope of consolidation.

Since the Company's founding, the Kagaism that "inventory is a liability" has persevered, and reducing the inventory

Inventory / Inventory turnover period

Receivables turnover period / Payables turnover period



turnover period as much as possible has remained one of our unchanging management issues. Our targets are 15 days for the components business and 45 days for the EMS business as appropriate inventory turnover periods, and we will endeavor to reach these targets.

Steady expansion of EMS business

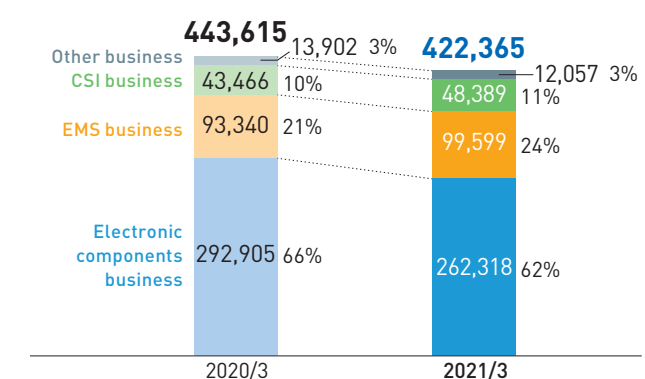
By segment, net sales decreased by 10.4% to ¥262,318 million in the electronic components business, increased 6.7% to ¥99,599 million in the EMS business, increased 11.3% to ¥48,389 million in the CSI business, and decreased 13.3% to ¥12,057 million in the other business.

In the EMS business, some overseas production bases were impacted by lockdowns during the pandemic, but bottomed out in the first quarter. Demand sharply rebounded, especially for automotive and industrial equipment applications, from midway through the fiscal year, driven by a recovery in China, which was quick to reopen its economy.

We already have an idea of how automotive-related orders will trend over the next few years and expect automotive-related demand to double from its current level in three years, growing to account for over 50% of the total. If we depend too much on the automobile industry, however, we will be exposed to emerging trends, so we are aiming for growth in other areas, including industrial equipment and medical equipment applications, which have strong growth potential.

In the automotive field, demand for AC inverters has been firm, and the LED lighting unit sales volume has increased as a result of the expansion of our production bases in Mexico and India. With the addition of KAGA FEI Co., Ltd., which is strong in the microcomputer and system on a chip (SoC) fields, we anticipate growth in the EMS business now that we can approach customers from the development stage.

Reference: Breakdown of net sales from primary segments as defined under Medium-Term Management Plan 2021 (millions of yen)



Driving Growth Toward Becoming The Kaga Electronics Group's EMS

Based on the conviction that key to realizing sustained growth is being a company that benefits society around the world, the Kaga Electronics Group is taking on the challenge of developing the capability to win the competition against its global peers boasting trillions of yen in net sales, backed by its Medium- to Long-Term Vision and Medium-Term Management Plan 2021, which is aimed at forging a corporate group that is Japan's No.1 corporate group in the industry.

The Kaga Electronics Group's Growth Drivers

By leveraging its ability to quickly detect changes in each era amid a rapidly and constantly changing electronics industry, the Kaga Electronics Group has enjoyed continuous growth. In line with our corporate philosophy, "everything we do is for our customers," we have developed a business involving the "kitting" of multiple products for delivery to customers, which is one step beyond transactions involving individual products. In another business addressing customer needs, we have evolved a value-added EMS business for the

mounting of electronic components onto printed circuit boards for customers.

The EMS business flexibly addresses needs for high-mix, low-volume production, from the design and development of products to the SMT mounting of electronic components on printed circuit boards and assembly of final products. The Company has built a supply chain that is the opposite of mega-EMS firms that maintain large-scale facilities for supplying high volumes of undifferentiated products.

No.1 in Japan Business

Leveraging our ability to adapt to change, gained through trading company operations

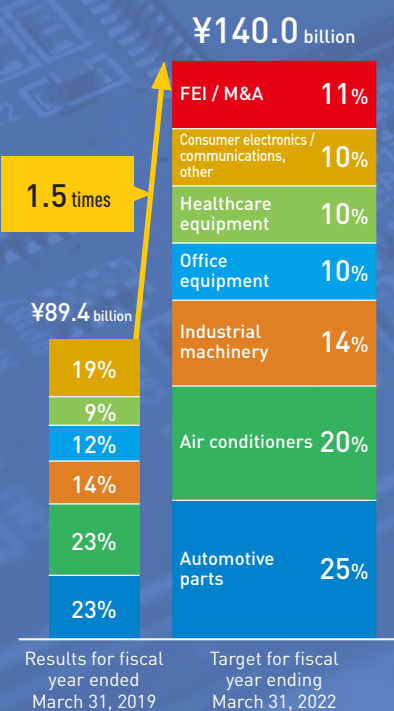
Inventory is a liability

Creation of a multi-faceted, dispersed customer base that does not depend on one industry

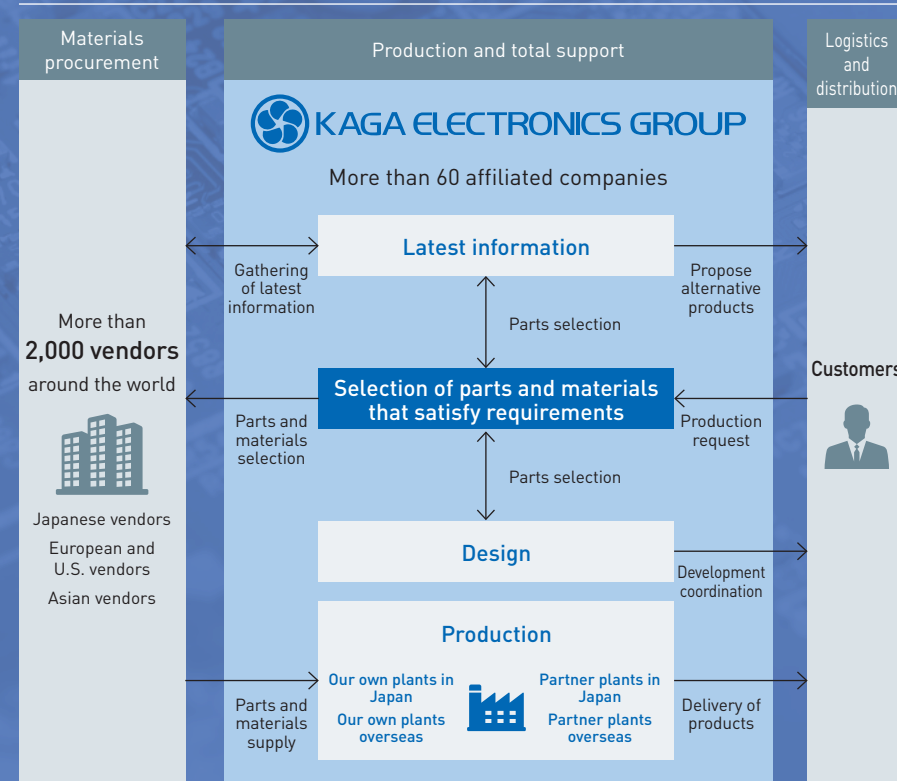


Growth expectations for the Kaga Electronics Group's EMS business

Growth scenarios for the EMS business



EMS business with strengths accumulated over more than 50 years



Strength (1)

The flexibility of an independent general trading company, the ability to combine and process knowledge derived from abundant experience as well as to procure optimal products to meet customer requirements

Strength (2)

Compatibility with various applications and high-mix, low-volume production at 21 production bases on 10 countries, starting with Japan and including China, Asia, Europe and the Americas

Strength (3)

Built a system from product design to development, one-stop solutions for circuit board mounting and half-finished products to production of finished products

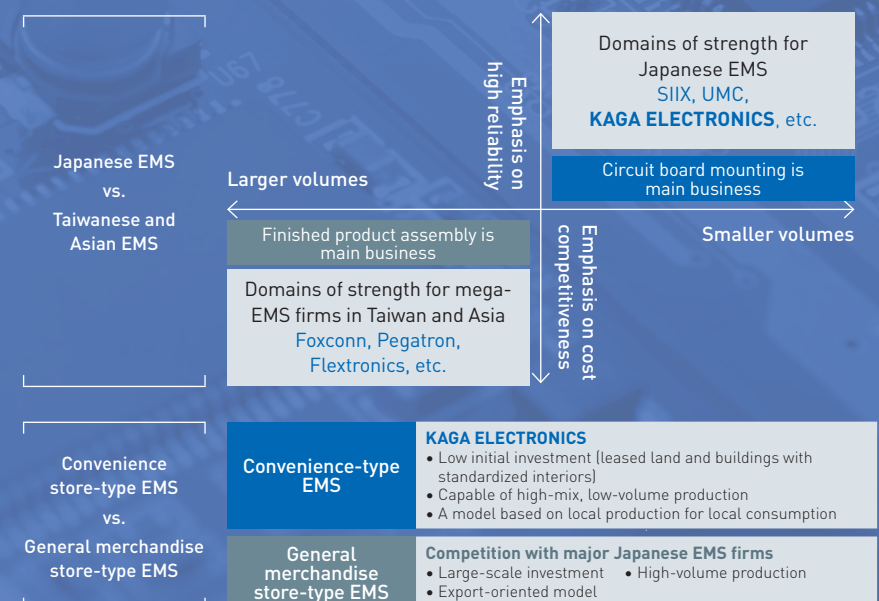
Independence and Competitive Advantages of Kaga Electronics Group's EMS Business

Advantage (1)

Flexible production structure able to make 3,000 models per month in units of 100

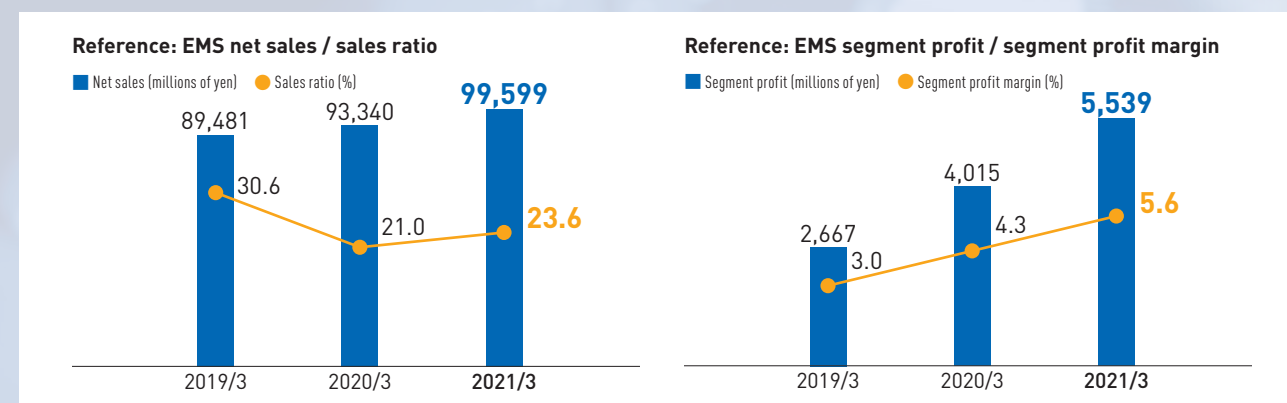
Advantage (2)

Local production for local consumption model with strengths in high reliability and high-mix, low-volume production

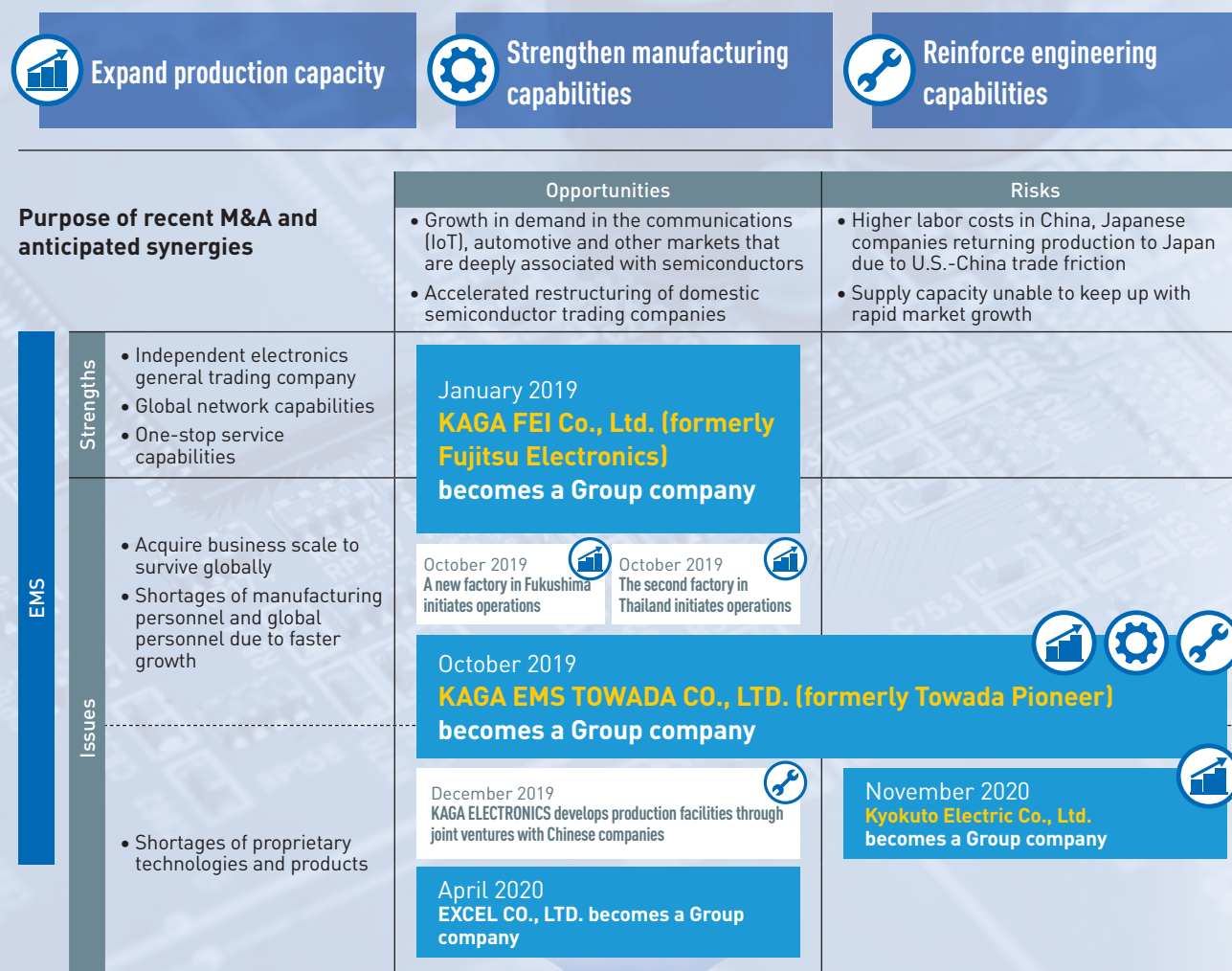


Earnings Growth Drivers, EMS Business

KAGA ELECTRONICS aims to improve profitability and develop a value-added EMS business, its area of expertise, while quantitatively expanding revenue and profits from trading company operations by leveraging the products and customer bases of KAGA FEI Co., Ltd., KAGA EMS TOWADA CO., LTD., EXCEL CO., LTD. and Kyokuto Electric Company Limited, which were added to the Group as a part of proactive M&A over the past few years.



Key Issues for Growing the EMS Business



The competitiveness of the EMS business is significantly strengthened

Post-merger integration of acquired companies

KAGA FEI Co., Ltd.

In January 2019, Fujitsu Electronics, Inc., previously a semiconductor trading company in the Fujitsu Group, was added to the Kaga Electronics Group and renamed KAGA FEI Co., Ltd. (KFEI). We aim to expand market share in the electronic components and semiconductors business via the mutual utilization of the two companies' sales channels inside and

outside Japan as well as of products and materials handled.

Furthermore, we aim for inorganic growth in the EMS business by proposing solutions to the broad customer base of KFEI, which excels in the automotive and communications fields, the use of the Kaga Electronics Group's global EMS bases.

▼ EMS Initiatives

Received orders for 11 development, prototyping and mass production projects from eight companies, including automobile equipment makers and electrical equipment makers (124 companies / new visitations → 74 companies / negotiations underway)

- Key points**
- Set up the EMS/E2MS Business Department, increase acquired projects year on year
 - Mass production projects collaborate with EMS plants of Kaga Electronics Group

▼ Cross-selling initiatives

Expanding sales of KAGA ELECTRONICS' best products to major leading customers

- Key points**
- Major negotiations are under way in various fields, including automotive solutions, network solutions, systems equipment, infrastructure equipment and home appliances

▼ New products and materials initiatives

Expand products and services in wide-ranging fields, including semiconductors, electronic components and unit modules

- Key points**
- New products handled for 90 companies (total), forecast sales of about ¥20 billion for the fiscal year ending March 31, 2022 (vs. ¥12.6 billion in the fiscal year ended March 31, 2021)

▼ Restructuring of sales bases (Japan) Fiscal year ending March 31, 2022

- Transfer of KFEI's Nagoya Office operations to KAGA ELECTRONICS' Nagoya Business Office (September 2019)
- Merger of KFEI's Hiroshima Office (closed) with KAGA ELECTRONICS' Kansai Business Office (December 2019)
- Merger of KFEI's Nagaoka Business Office (closed) with KAGA ELECTRONICS' Niigata Business Office (February 2020)
- Transfer of KFEI's Osaka Office operations to KAGA ELECTRONICS' Kansai Business Office (December 2020)

▼ Restructuring of sales bases (overseas)

- Merger of KAGA ELECTRONICS' U.S. sales company with KFEI's U.S. sales company (January 2021)
- Merger of KAGA ELECTRONICS' South Korean sales company with KFEI's South Korean sales company (September 2021)

KAGA EMS TOWADA CO., LTD.

In October 2019, Pioneer's manufacturing subsidiary (Towada Pioneer) became a Kaga Electronics Group company, and was renamed KAGA EMS TOWADA CO., LTD. By sharing tangible and intangible resources, such as KAGA EMS TOWADA CO., LTD.'s excellent manufacturing personnel and abundant production experience, manufacturing facilities, tool fabrication and quality assurance system, we aim to establish a dominant competitive

position against our EMS rivals in the growth fields of automotive equipment and medical equipment, areas of focus for the Kaga Electronics Group.

Positioning KAGA EMS TOWADA CO., LTD. as a mother plant for circuit board mounting, we will deepen collaboration with overseas bases and move toward overall optimization.

▼ Acquisition of new customers: Collaboration with KAGA ELECTRONICS

- Key points**
- Automotive: Start of mass production of electrical equipment substrates for Japanese Tier 1 firms (July 2020)
 - Mass production orders for electrical equipment substrates for Japanese Tier 1 firms (from November 2021)
 - Office automation equipment: Mass production orders for electrical equipment substrates for major Japanese office equipment makers (2021 onward)
 - Electrical equipment: Acquisition of certified plant qualifications from major Japanese electrical equipment makers

▼ Acquisition of new customers: Independent development

- Key points**
- Medical equipment: Subcontracting of sensor production for Japanese medical equipment makers (December 2020 onward)
 - Subcontracting of unit production for Japanese medical equipment makers (May 2022 onward)

▼ Initiatives as EMS Mother Plant

- Key points**
- In-house development of production IT tools (management software, development of facilities at Group production bases)
 - Share standardized know-how about production
 - Support for overseas production bases, development of personnel for overseas assignments
 - Accelerate training of personnel in quality management and production technology
 - Advance IT from a manufacturing perspective (quality management, materials, plant administration, accounting)

EXCEL CO., LTD.

In January 2020, EXCEL CO., LTD., an electronic components trading company strong in LCD and other display devices, was added to the Kaga Electronics Group. The purpose of this

acquisition was to expand market share in the electronic components business, expand scale in the EMS business and acquire new businesses.

New business initiatives

- Increase sales of photocatalytic disinfection and deodorization equipment made by Kaltech Corporation
- Expand sales of EV buses made by AlfaBus in China

Key points EV buses: Two buses introduced in the fiscal year ended March 31, 2021, orders received for two buses in the fiscal year ending March 31, 2022

Cross-selling initiatives

Established Group Synergy Promotion Office to strengthen collaboration. Special Sales Marketing Division set up to expand handling of products other than electronic components.

Restructuring of sales bases (Japan)

- Transfer of head office to KAGA ELECTRONICS' head office (March 2021)
- Transfer of Nagoya Business Office to KAGA ELECTRONICS' Nagoya Business Office (April 2021)
- Examining review of other domestic sales bases

Restructuring of sales bases (overseas)

- Singapore office to be liquidated and transferred to KAGA (SINGAPORE) ELECTRONICS PTE. LTD. (December 2020)
- Examining review of other overseas bases

Kyokuto Electric Co., Ltd.

In November 2020, Kyokuto Electric Company Limited, with which we had EMS transactions associated with vehicle-mounted devices and signed a sponsor agreement for civil rehabilitation support, was added to the Kaga Electronics Group. An electrical equipment maker that also does some EMS, Kyokuto Electric manufactures breakers and earth-leakage

circuit breakers. It is a top manufacturer with market shares ranging from 75%-100% in Japan in areas that include earth-leakage protection plugs, earth-leakage protection relays, compact earth-leakage circuit breakers and direct current switches. It became a consolidated subsidiary after spinning off its China business due to earnings instability.

Purpose of acquisitions

- Ensure a continuous supply of products to the Company's automotive EMS customers
- Build EMS bases in western Japan in response to manufacturers returning production to Japan
- Contribute to Group earnings by increasing the competitiveness of the Company's exclusive products

Key points With KAGA EMS TOWADA CO., LTD.'s bases handling EMS operations positioned in eastern Japan and the Company's Tottori plant serving western Japan, we have in place a structure able to broadly address customer needs for returning production to Japan

Reference: Comparison of global EMS structure to those of rival companies

Overseas, the Kaga Electronics Group's EMS bases are in four locations in Hong Kong and China, six locations in the ASEAN region, two locations in The Czech Republic and Turkey in Europe, and one location in Mexico in the Americas. Recently, an EMS base was established in India. In Japan, we maintain one EMS

base each in Yamagata, Niigata, Saitama, Fukushima and Aomori in addition to operating three such bases in Tottori. The Kaga Electronics Group has a total of 21 plants around the world, and is poised to grow further as a global EMS provider.

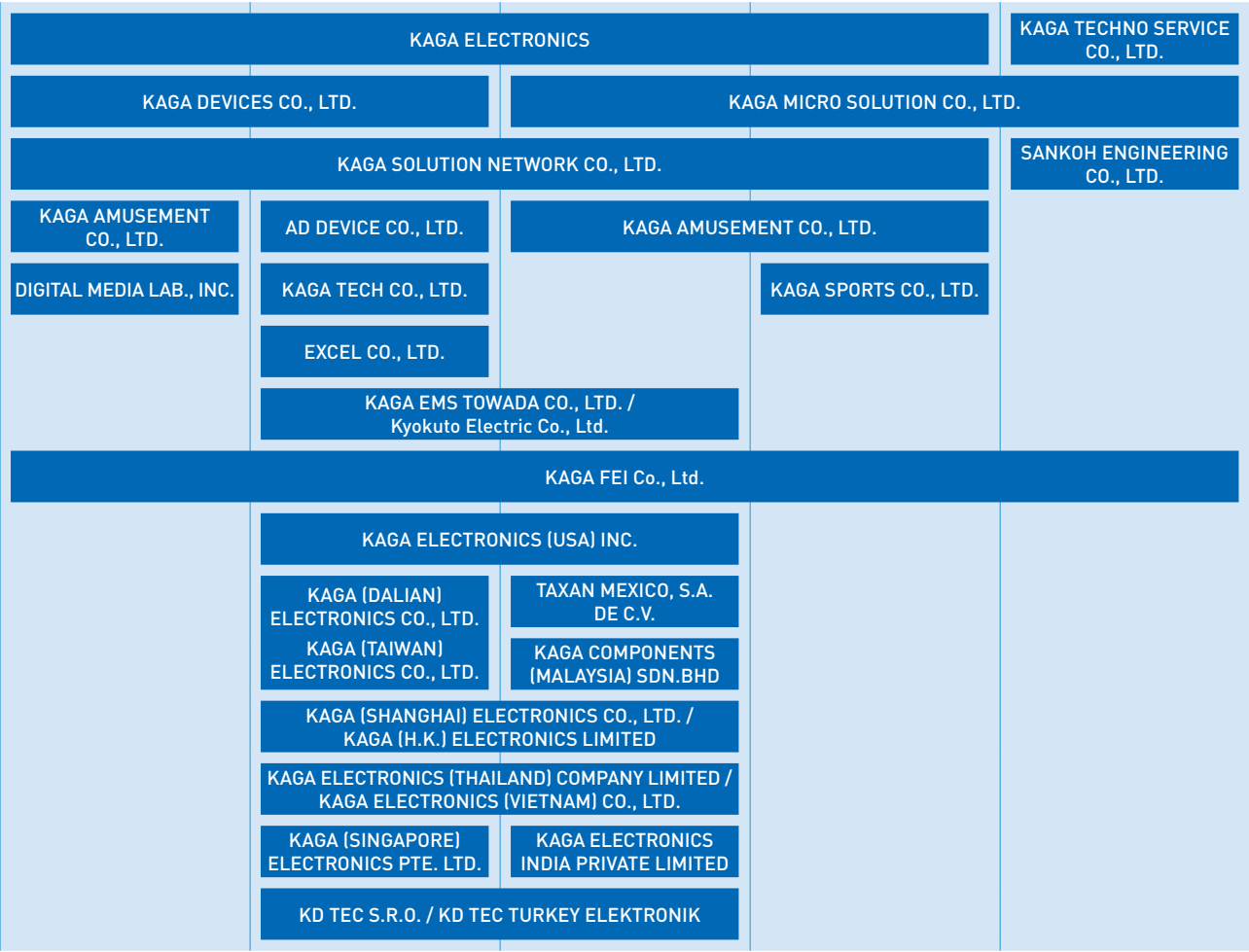
		Kaga Electronics 21 bases in 10 countries	Company A 12 bases in 8 countries	Company B 8 bases in 4 countries	Company C 4 bases in 3 countries
Japan		● × 8	●	● × 4	
China	Shenzhen	●			
	Dongguan		●	● × 2	●
	Hubei	●	●		
	Suzhou	● × 2			
	Shanghai		●		
	Thailand	● × 2	● × 2	●	
ASEAN region / Asia	Indonesia	●	● × 2		
	Malaysia	●			
	Vietnam	●		●	● × 2
	India	●			
	Philippines		●		
	Korea				●
Americas	Mexico	●	●		
Europe	The Czech Republic	●			
	Turkey	●			
	Slovakia		●		
	Hungary		●		

* Research by Kaga Electronics

The Kaga Electronics Group's One-Stop Solutions

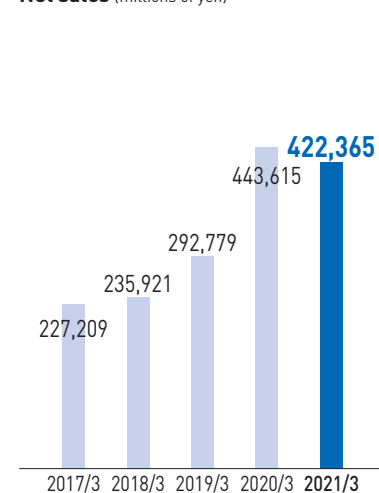
Since its founding in 1968 as an independent electronics trading company, the Kaga Electronics Group has provided optimal solutions to issues that meet its customers' requirements, which have evolved over time. Today, operating in the four business fields of electronic parts and semiconductors, EMS, information equipment and new business, KAGA ELECTRONICS has a structure for delivering products to its customers in the regions where they are needed through its network of suppliers and production plants spanning North America, Europe and Asia. In order to respond to customer requests more quickly and flexibly, KAGA ELECTRONICS supports its customers' business development through a one-stop support structure offering everything from planning consultation to engineering development, the contracting of high-mix, low-volume production for both semi-finished and finished products, and from sales to after-sales services, leveraging the specializations of Group companies while collaborating together.

In addition to contract production, the Kaga Electronics Group's strengths enable it to provide one-stop services covering sales through after-sales support

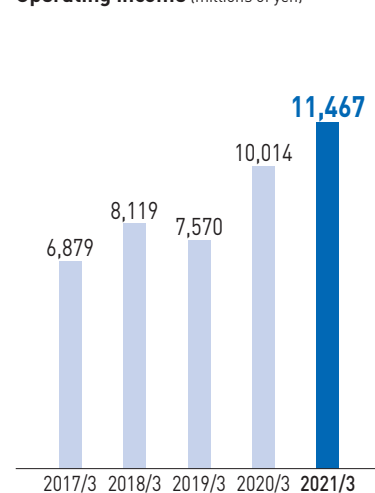


Financial Highlights

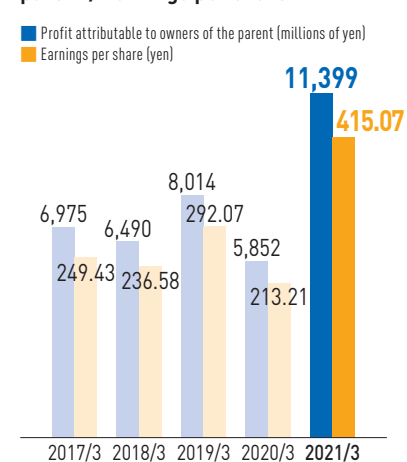
Net sales (millions of yen)



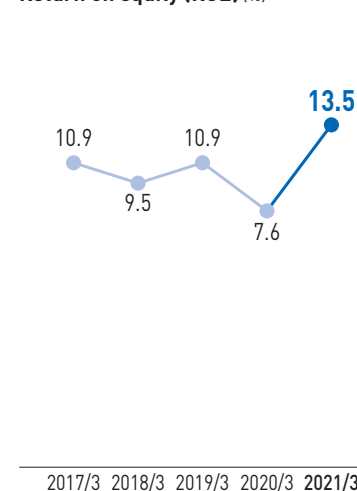
Operating income (millions of yen)



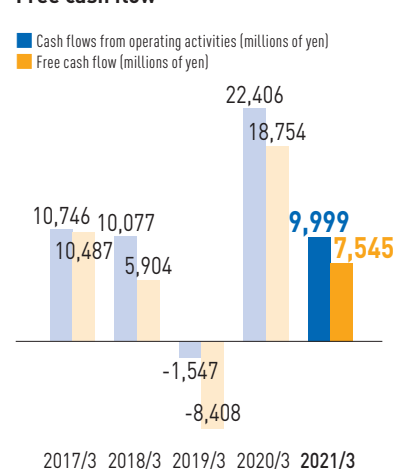
Profit attributable to owners of the parent / Earnings per share



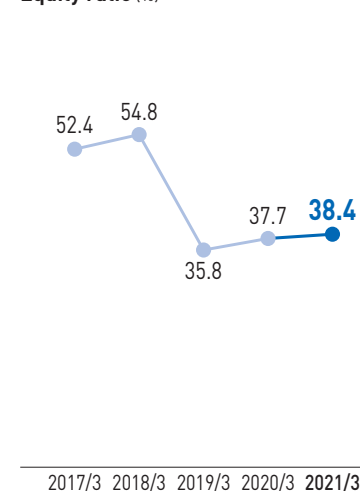
Return on equity (ROE) (%)



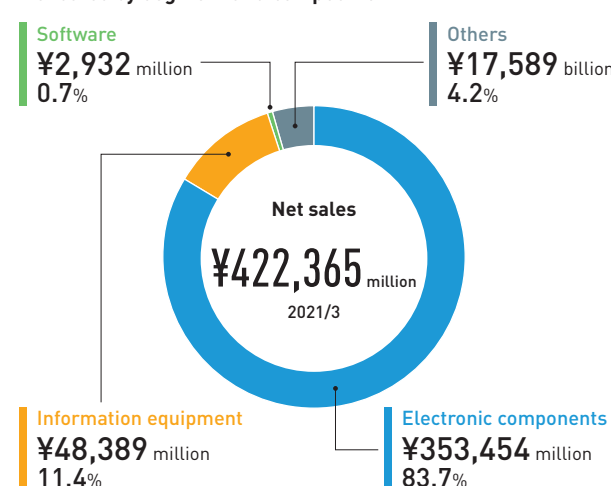
Cash flows from operating activities / Free cash flow



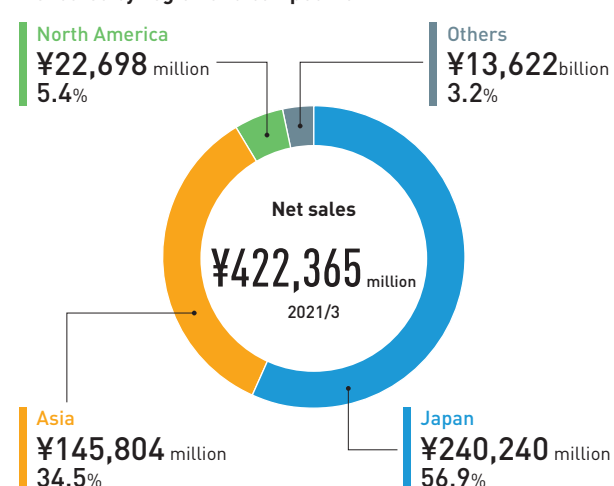
Equity ratio (%)



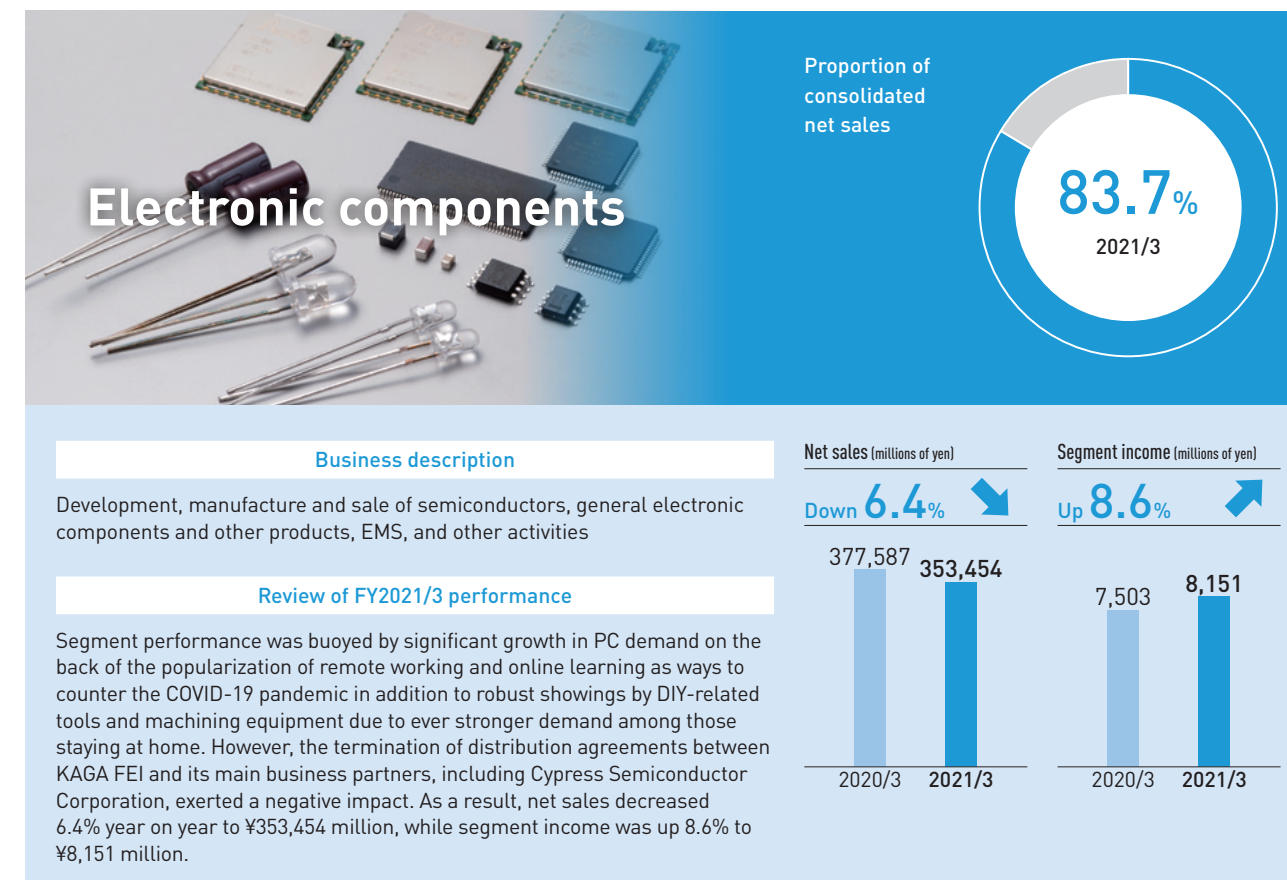
Net sales by segment and composition



Net sales by region and composition

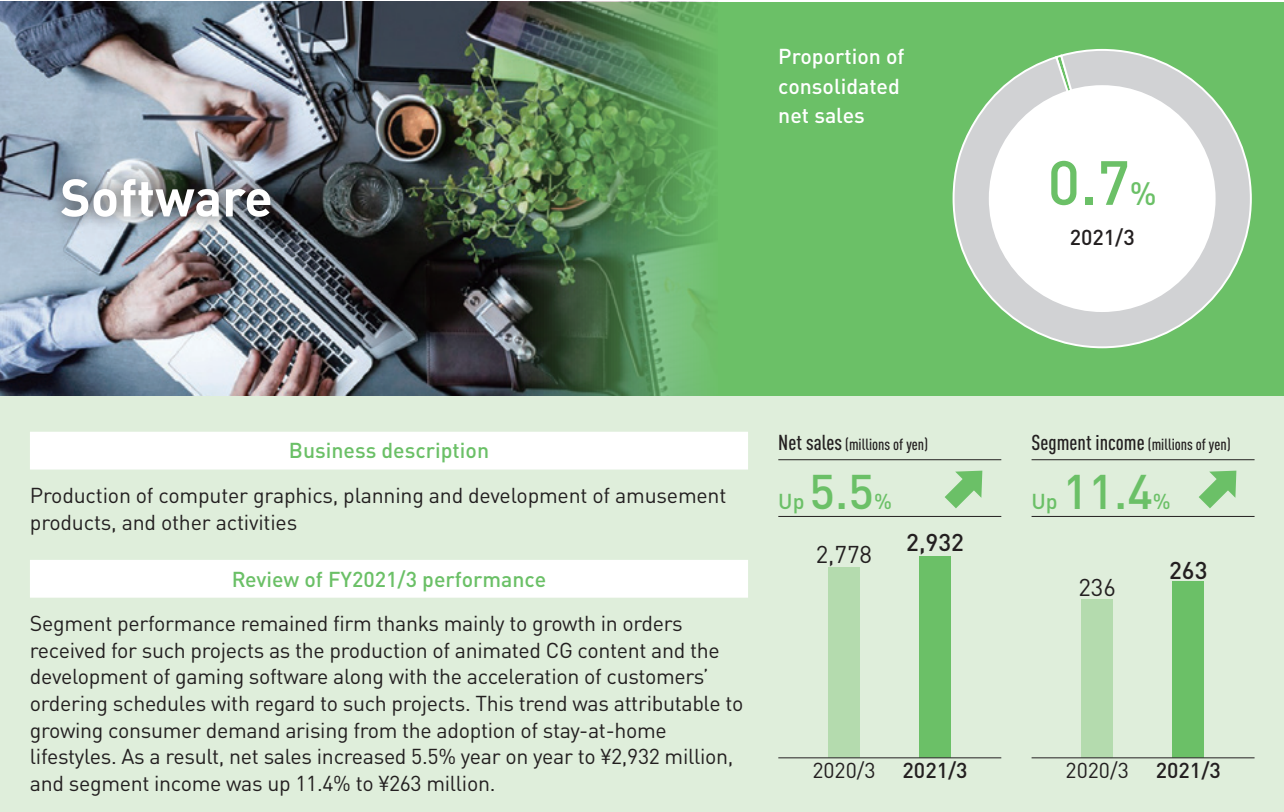
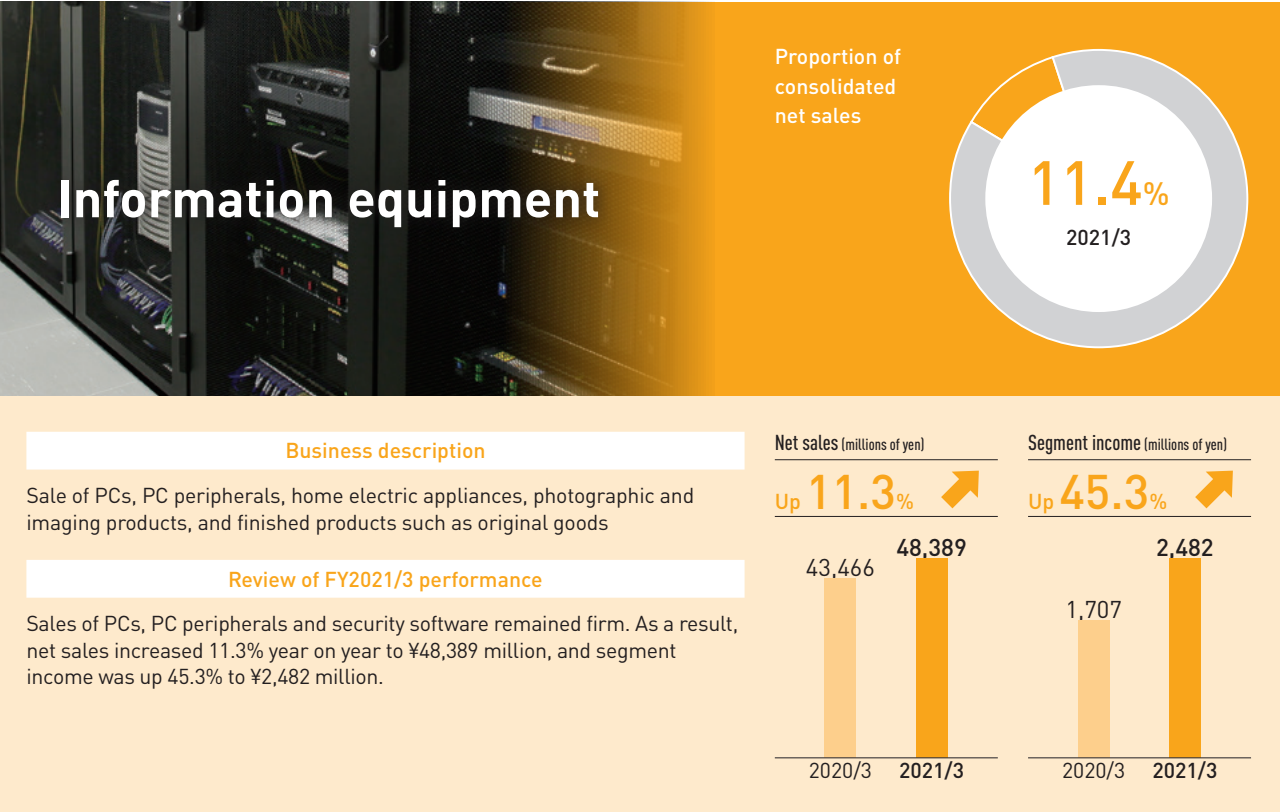


Outline of Business Segments



Business overview and risks / opportunities

	Business overview	Opportunities	Risks
Electronic parts business	In April 2020, EXCEL became a Group company, with its revenues contributing to growth in net sales. Moreover, the Group was successful in seizing opportunities arising from the rapid recovery in demand that began in the second half in a broad range of sectors. Nevertheless, the cancellation of sales agency contracts between KAGA FEI and its main business partners exerted a negative impact, causing net sales to decline from the previous fiscal year.	<ul style="list-style-type: none"> Increasingly high performance of smartphones with the full introduction of 5G and the expansion of the data center market Growth of new business combining the IoT with AI Progress in the application of electronic components and AI in cars in line with the trend toward CASE (Connected, Autonomous, Shared & Services, Electric) 	<ul style="list-style-type: none"> Decline in demand and greater restrictions on economic activity due to the COVID-19 pandemic Diluted significance of trading company business under a global economy Loss of commercial rights due to changes in commercial distribution by customers and suppliers
EMS business	Amid the COVID-19 pandemic and the resulting lockdowns enforced in countries around the globe, a number of overseas production bases run by the Group and its customers were forced to temporarily suspend operations. However, the impact of these negative factors began tapering off in the first quarter. Furthermore, the Group has benefitted from a rapid recovery in demand for such products as vehicle-mounted and industrial devices from the second half onward as consumption recovered from stagnation in such fields as automobiles. As a result, net sales increased year on year.	<ul style="list-style-type: none"> Constantly solid showings of electronic components due to the popularization of remote working and stronger demand among people staying at home Increase in the number of fabless companies and rising demand for outsourcing Growing need for further automation and efficiency 	<ul style="list-style-type: none"> Shortage of management-level human resources both in Japan and overseas Suspension of factory operations due to earthquake or other disaster, the spread of infectious diseases, and external political and economic factors



Business overview and risks / opportunities


	Business overview	Opportunities	Risks
Information equipment	Sales of PCs, PC peripherals and security software increased due to the growing popularization of remote working among corporations along with a shift to online classes at schools around the nation. In addition, sales were firm for thermographic temperature measurement devices, as were sales of sterilization and deodorization equipment with antiviral functions, on the back of robust corporate need for countermeasures against the COVID-19 pandemic.	<ul style="list-style-type: none">Increased demand for PCs and PC peripherals as the number of people teleworking growsHeightened demand in the field of education due to progress in the Global and Innovation Gateway for All (GIGA) school conceptExpansion of market demand for antiviral products	<ul style="list-style-type: none">Loss of commercial rights and product procurement routes due to changes in the distribution policy of buyers and suppliersIntensifying competition due to lower price and more new entrants

TOPICS

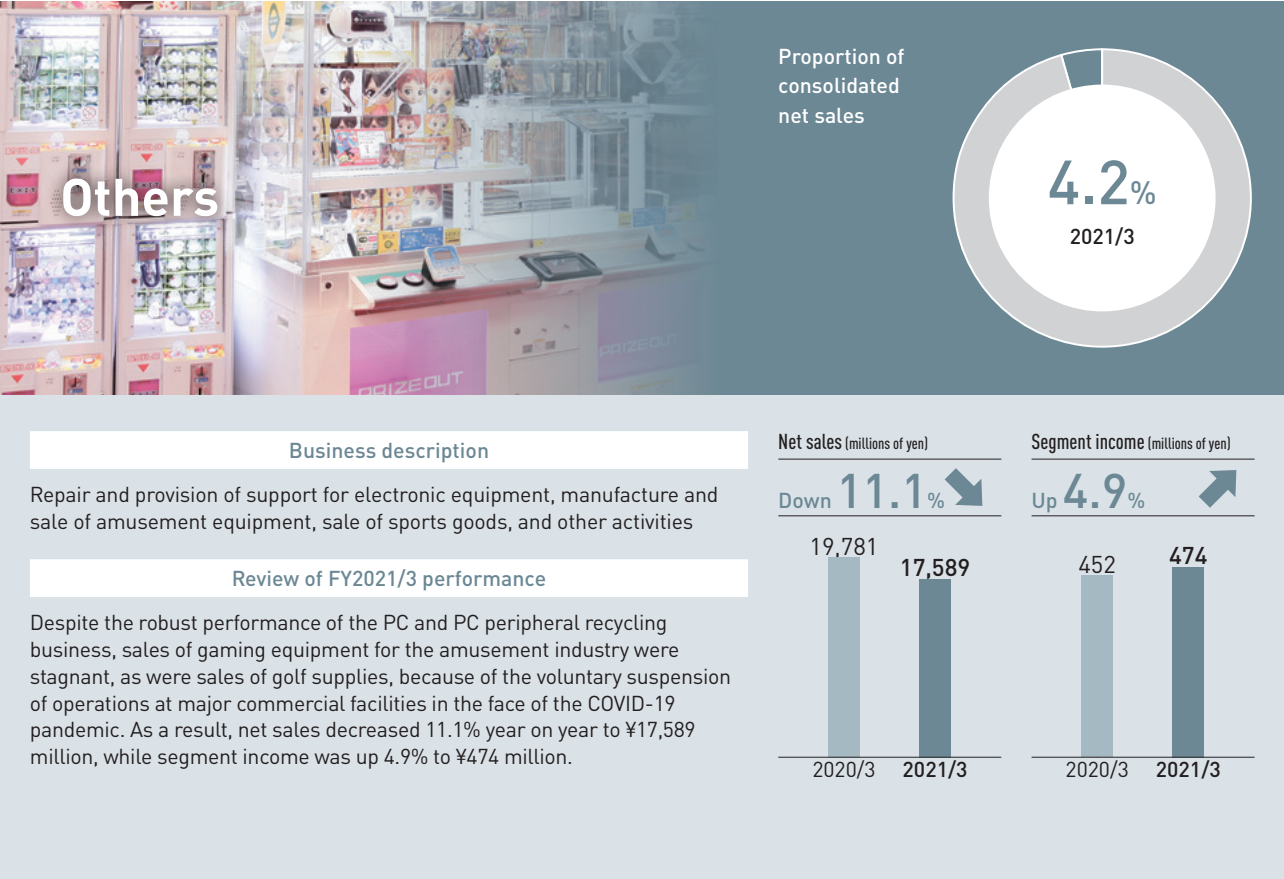
Countering the COVID-19 pandemic via collaboration with Kaltech Corporation

TURNED K is a piece of equipment capable of sterilization and deodorization developed by Kaltech Corporation. Thanks to Kaltech's proprietary photocatalyst technology, the unit boasts world-leading performance in terms of sterilization and deodorization, with filters not only capable of removing airborne viruses and malodorous components from the air in indoor spaces but requiring no replacement. Kaltech and Nihon University School of Medicine conducted the performance verification of similar units incorporating the former's photocatalyst technology with the cooperation of RIKEN. As a result, the technology was found to have decomposed 99.9% of the COVID-19 virus in the sample. Kaltech products have thus proven effective in countering the spread of COVID-19.

As our Group company EXCEL holds an equity stake in Kaltech, we are acting in collaboration with this firm in the marketing of TURNED K and the procurement of components to support its manufacturing. In this way, we strive contribute to the prevention of COVID-19 infection.



TURNED K (fixed type)



Directors and Auditors

As of June 29, 2021

Directors



Founder & CEO
Isao Tsukamoto
1968 Founded KAGA ELECTRONICS CO., LTD. (private management)
1968 Established KAGA ELECTRONICS CO., LTD. President
2007 Founder & CEO
2021 Outside Director of ITbook Holdings Co., Ltd. (present position)



President & COO
Ryoichi Kado
1980 Joined KAGA ELECTRONICS CO., LTD.
1991 General Manager of Sales Department, Sales Headquarters
1995 Director, General Manager of East Japan Sales Department, High Tech Business Division
2002 Managing Director
2005 Senior Managing Director, Chief of Specific Industry Sales Headquarters
2012 Vice President
2014 President & COO



Senior Managing Director
Shinsuke Takahashi
1980 Joined KAGA ELECTRONICS CO., LTD.
1991 General Manager of Specific Industry Sales Department
1995 Director
2002 Managing Director
2005 Senior Managing Director



Senior Managing Director
Shintaro Kakei
1980 Joined ITOMAN Co., Ltd.
1993 Joined KAGA ELECTRONICS CO., LTD.
2000 Division Director of Overseas Business Division, Electronics Sales Headquarters
2000 Director
2005 Managing Director
2014 Senior Managing Director



Managing Director
Eiji Kawamura
1979 Joined KAGA ELECTRONICS CO., LTD.
1985 President of TAXAN (UK) LTD.
1993 General Manager of Overseas Sales Department, Sales Headquarters No.2
2005 Executive Officer General Manager of Accounting Division and General Manager of Information Systems Department
2012 Executive Officer Chief of Administration Headquarters and General Manager of Accounting Division
2012 Director, Chief of Administration Headquarters and General Manager of Accounting Division
2015 Managing Director, Head of Administration Headquarters



Director
Motonori Toshinari
1982 Joined KAGA ELECTRONICS CO., LTD.
1992 President of KAGA (H.K.) ELECTRONICS LIMITED
1998 President of TAXAN USA CORP.
2004 General Manager of Overseas Sales Division, Overseas Business Division, Electronics Sales Headquarters
2010 President of KAGA (H.K.) ELECTRONICS LIMITED
2012 Executive Officer, Division Director of EMS Business and President of KAGA (H.K.) ELECTRONICS LIMITED
2015 Director, Division Manager of EMS Business Division



Director
Mitsuhiro Nohara
1982 Joined KAGA ELECTRONICS CO., LTD.
1997 General Manager of Domestic Sales Department No.1, Sales Headquarters
2003 President of KAGA (SHANGHAI) ELECTRONICS CO., LTD.
2004 President of KAGA ELECTRONICS (USA) INC.
2011 Division Director of Electronics Sales Division, Components Business Unit
2012 Executive Officer Division Director of Electronics Sales Division, and Division Director of Special Sales Department
2015 Director, Division Manager of Electronics Sales Division



Outside Director
Susumu Miyoshi
1963 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)
2001 Executive Vice President and Representative Director
2002 President of Osaka Toyopet Co., Ltd. (currently Osaka Toyota Motor Co., Ltd.)
2005 Advisor to Toyota Motor Corporation Chairman of Osaka Toyopet Co., Ltd.
2009 Executive Advisor to Maxell Holdings, Ltd.
2015 Director of the Company



Outside Director
Akira Tamura
1970 Joined the Bank of Japan
1978 Deputy Director of the International Finance Bureau, Ministry of Finance
1998 Director of Information Systems Department, the Bank of Japan
2008 Representative Director and Senior Executive Officer, Sohgo Security Services Co., Ltd. (ALSOK)
2011 Advisor to Okigin Economic Research Institute (present position)
2012 Advisor to Niigata Sohgo Security Services Co., Ltd. (ALSOK) (present position)
2015 Director of the Company
2019 Outside Board Director, Solekia Limited (present position)



Outside Director
Noritomo Hashimoto
1977 Joined Mitsubishi Electric Corporation
2009 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer, in charge of General Affairs, Human Resources and Public Relations
2012 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Senior Vice President, in charge of Corporate Strategic Planning and Operations of Associated Companies
2012 Director, Member of the Nomination Committee, Senior Vice President, in charge of Corporate Strategic Planning and Operations of Associated Companies
2016 Director
2016 Advisor
2019 Director of the Company
2021 Outside Director of IBOKIN CORP. (present position)



Outside Director
Hirokazu Nishiyama
1973 Joined Japan Broadcasting Corporation (Nippon Hoso Kyokai (NHK))
1989 General Broadcasting Administration, NHK and Executive Vice President of NHK Enterprises America, Inc.
2003 Responsible for Engineering, Programming Department, NHK
2004 Head of Engineering Department, NHK
2005 Executive Board Member, NHK (Chief Engineering Officer)
2009 Representative Director and President of NHK Media Technology, Inc.
2017 Director and Head of 8K Ecosystem Business Strategy Office, Sharp Corporation
2021 Director of the Company

Auditors



Auditor (Full-time)
Kazunori Kameda
1985 Joined The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)
2005 Temporarily transferred to Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.), Division Manager of Corporate Sales Support Division
2010 Manager of Tsu Branch Office, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)
2012 Manager of Tsu Branch
2015 Joined KAGA ELECTRONICS CO., LTD. as Advisor
2015 Auditor (Full-time)



Auditor (Full-time)
Takahiro Ishii
1978 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)
1994 Deputy Manager of Singapore Branch
2002 Manager of Senzokucho-Higashi Branch
2015 Joined KAGA ELECTRONICS CO., LTD. as Advisor
2015 Auditor (Full-time)



Outside Auditor
Susumu Kitsunai
1997 Joined Tokyo Office of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)
2001 Registered as Certified Public Accountant
2002 Opened Kitsunai Certified Public Accountant Office as Representative (present position)
2004 Established Asia Alliance Partner Co., Ltd. Representative Director (present position)
2018 Auditor of KAGA ELECTRONICS CO., LTD.



Outside Auditor
Yoichi Sato
1977 Assistant Judge at Tokyo District Court
1989 Judge at Tokyo District Court
1996 Judge at Tokyo High Court
2016 Admitted to the bar
Joined Alpha Partners Law Offices (present position)
2018 Auditor of KAGA ELECTRONICS CO., LTD.

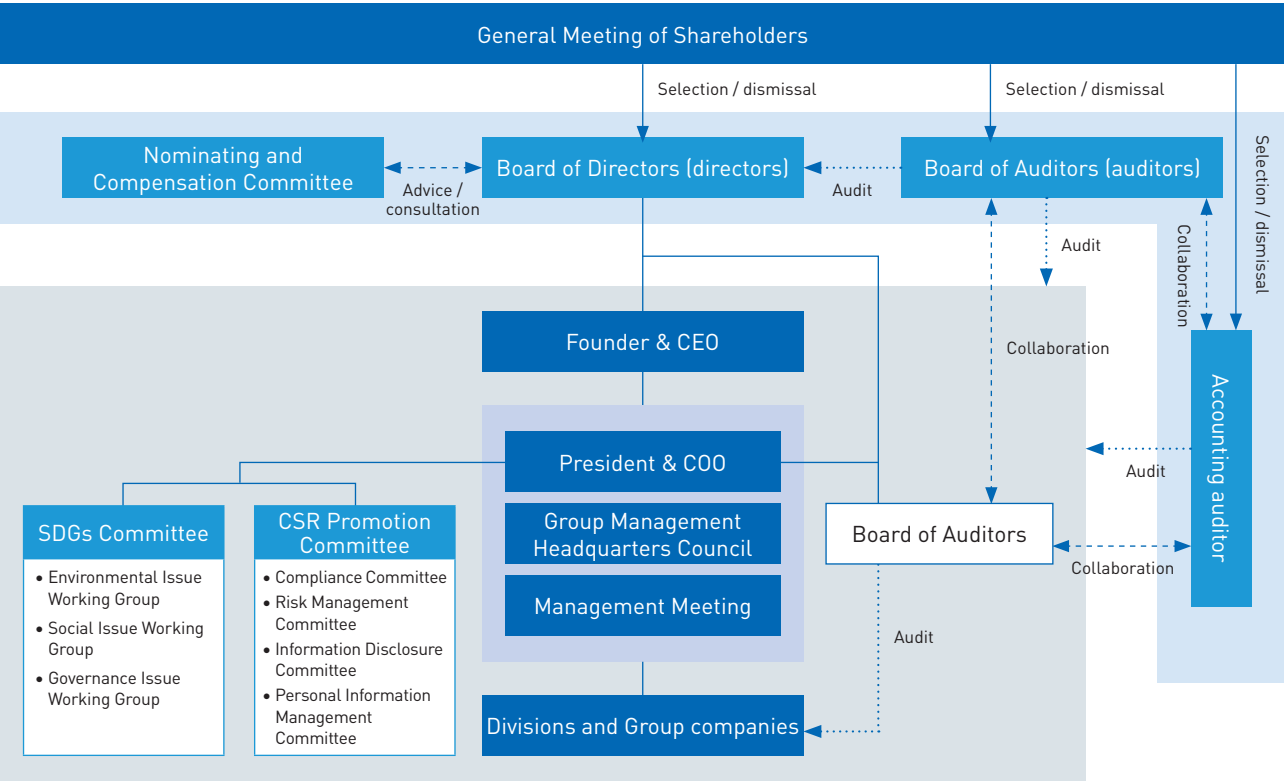
Corporate Governance

Basic approach and structure of corporate governance

KAGA ELECTRONICS recognizes that enhancing corporate governance is a key management issue. The Company is therefore building a corporate governance system with the fundamental policies and aims of ensuring total compliance with corporate ethics, laws and regulations, reinforcing internal control systems, and securing the soundness, efficiency and transparency of business operations to improve its corporate value. Moreover, in light of the importance of corporate governance, the Company maintains the CSR Promotion Committee and established the SDGs Committee and the Nominating and Compensation Committee on April 1 and June 29, 2021, respectively. These three committees are currently working together to strengthen the Company’s corporate governance structure.

KAGA ELECTRONICS is a company with a board of directors and board of auditors. It has adopted a corporate governance

system based on collaboration among its Board of Directors, auditors and Board of Auditors, and the accounting auditor. In principle, the Board of Directors meets once a month and holds extraordinary meetings on a flexible basis. The Board of Directors makes decisions on important matters related to items stipulated by laws and regulations as well as to management, and it supervises the execution of duties by directors. Consisting of 11 directors, including four outside directors, the Board of Directors is capable of sufficiently discussing the abovementioned matters and making accurate and swift decisions. The Board of Auditors consists of four auditors, including two outside auditors. Auditors regularly attend Board of Directors meetings while proactively participating in other important internal meetings as part of their duties.



Nominating and Compensation Committee

The Company has established the Nominating and Compensation Committee in an effort to secure the transparency and objectivity of its process for nominating candidates for directors and auditors, evaluating their performance and determining remuneration for these individuals. This body is thus tasked with strengthening supervisory functions offered by the Board of Directors, with the aim of enhancing the Company’s corporate governance structure.

Audit Office

The Company has established an Audit Office to handle internal audits in conjunction with the auditors. The Audit Office discusses audit plans with the auditors in advance and regularly reports audit findings to the auditors. The Office also cooperates with the auditors as required, such as when reports are requested.

SDGs Committee

Chaired by President, the SDGs Committee is tasked with upgrading the CSR initiatives and other endeavors addressing ESG issues that the Company has been implementing for a number of years. To this end, the committee is taking a cross-organizational approach to the promotion of sustainability-oriented management that encompasses all Group companies. Under this body, three working groups (the Environmental Issue Working Group, Social Issue Working Group and Governance Issue Working Group) are proactively addressing relevant issues in their respective areas.

CSR Promotion Committee

The Company has established a CSR Promotion Committee chaired by the President & COO that promotes corporate social responsibility (CSR) alongside efforts to enhance corporate value. The Compliance Committee, Risk Management Committee, Information Disclosure Committee and Personal Information Management Committee have been established under the CSR Promotion Committee. Each of these committees actively implements activities in their respective domains.

Outside officers

The Company has appointed four outside directors and two outside auditors. Based on the Tokyo Stock Exchange standards on independence, we appoint outside officers who do not have any special interests in the Company and who have extensive experience and broad powers of judgment in corporate management. The auditors are also required to have highly specialized knowledge and maintain independence from management executives.

The Company has established a staff office of the Board of Directors, which distributes materials related to matters of

deliberation by the Board to all officers including outside officers, ahead of the meeting day. The staff office provides supplementary explanations to the outside officers when needed to ensure that adequate information is imparted in advance. This helps support lively debate at Board of Directors meetings. By the end of each fiscal year, the staff office sets the schedule for the regular Board of Directors meetings for the following fiscal year and notifies all officers, including outside officers, of this schedule in order to improve attendance.

Attendance at Board of Directors Meetings

Name	Position and assignment at the Company	Status of attendance at Board of Directors meetings held during the year ended March 31, 2021		Committee membership		
		Attendance (times)	Attendance rate (%)	Nominating and Compensation Committee	CSR Promotion Committee	SDGs Committee
Isao Tsukamoto	Founder & CEO	17/17	100.0	●		
Ryoichi Kado	President & COO	17/17	100.0	●	●	●
Shinsuke Takahashi	Senior Managing Director	17/17	100.0			●
Shintaro Kakei	Senior Managing Director	17/17	100.0			●
Eiji Kawamura	Managing Director Head of Administration Headquarters	17/17	100.0	●	●	●
Motonori Toshinari	Director Division Director of EMS Business Division	17/17	100.0			●
Mitsuhiro Nohara	Director Division Director of Electronics Sales Division	17/17	100.0			●
Susumu Miyoshi	Outside Independent	17/17	100.0	●		
Akira Tamura	Outside Independent	17/17	100.0	●		
Noritomo Hashimoto	Outside Independent	16/17	94.1	●		
Hirokazu Nishiyama*	Outside Independent	—	—	●		

Outside : Outside directors Independent : Independent directors as defined by the rules of the Tokyo Stock Exchange ● Committee chair ● Committee member

Note: Mr. Hirokazu Nishiyama assumed office on June 29, 2021.

Internal Control / Compliance

Areas of specialty of Directors and Auditors

	Name	Corporate management	Global business	Sales and marketing	Law and risk management	Finance and accounting	Personnel management and human resource development	Technology and manufacturing	IT and digital technology
Directors	Isao Tsukamoto	●	●	●		●			
	Ryoichi Kado	●	●	●			●		
	Shinsuke Takahashi		●	●				●	
	Shintaro Kakei		●	●				●	●
	Eiji Kawamura		●			●	●		●
	Motonori Toshinari		●	●				●	
	Mitsuhiro Nohara		●	●				●	
	Susumu Miyoshi	Outside Independent	●	●	●	●			
	Akira Tamura	Outside Independent	●	●	●				●
	Noritomo Hashimoto	Outside Independent	●		●		●	●	
Auditors	Hirokazu Nishiyama	Outside Independent	●					●	●
	Kazunori Kameda			●	●	●			
	Takahiro Ishii		●		●	●			
	Susumu Kitsunai	Outside Independent	●	●		●			
	Yoichi Sato	Outside Independent			●		●		

Note: Up to four skill categories are presented per individual in line with the Company's expectations regarding their contributions in their respective areas of specialty. The above matrix does not fully describe the expertise possessed by each individual.

Remuneration system for officers

The Company's basic policy regarding remuneration for its directors is to structure a remuneration system that is linked with shareholder interests and that robustly incentivizes these individuals to strive for ongoing improvement in corporate value, with the aim of securing and retaining excellent human resources capable of practicing and realizing its corporate philosophy. To this end, the Company strives to set remuneration for each director at a level commensurate with their assigned responsibilities. Specifically, remuneration for executive

directors comprises basic fixed remuneration, performance-linked remuneration and share-based remuneration. Remuneration for outside directors, who are tasked solely with exercising supervisory functions, consists only of basic remuneration due to the nature of their duties.

The Company has also made it a rule to ensure that procedures for determining remuneration for directors are rational, objective and transparent as is the content of such remuneration itself.

Total amount of remuneration for the year ended March 31, 2021

	Total remuneration, etc. (millions of yen)	Number of recipients
Directors [Of which, outside directors]	569 [30]	10 [3]
Auditors [Of which, outside auditors]	46 [10]	4 [2]

Basic approach to internal control systems

The Kaga Electronics Group is committed to ensuring thorough compliance with corporate ethics, laws and regulations as well as the soundness, efficiency and transparency of management. To this end, the Company has defined its basic approach to internal control systems. Based on this approach, the Company is working to establish internal control systems and make sure that they are continually improved.

The Company has established Rules on Officers and Board of Directors Rules to ensure the proper execution of duties by directors and the Board of Directors. The directors monitor one another's execution of duties at regular and extraordinary meetings of the Board of Directors. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority and Rules on Internal Approval to clarify the scope of authority of each director. As a

company adopting a system of corporate auditors, each auditor, including each outside auditor, conducts detailed audits on the execution of duties by directors.

In addition, the Company has formulated the Basic Compliance Rules, which serve as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation as a means to enable the proper execution of duties by employees of the Company and Group companies. The Company has also established the CSR Promotion Committee chaired by the President & COO and set up the Compliance Committee, Risk Management Committee, Information Disclosure Committee and Personal Information Management Committee under its umbrella. Through these initiatives, the Company strives to ensure the appropriate execution of business throughout the Group.

Risk management system

Potential risks that the Group faces include a wide range of factors relating to economic conditions, exchange rates, country risks, price competition, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, M&A, the spread of infectious diseases, accidents, the environment and information management.

As part of efforts to create the needed appropriate systems to manage every risk the Group may face, the Company has designated divisions tasked with handling specific risks while appointing risk control officers and managers. In the event that a risk materializes, the division responsible for dealing with

said risk will immediately make the necessary, appropriate response to minimize damage under the direction of the risk control officers and managers.

In addition, the Company strives to ensure that risks foreseen by the Group are responded to promptly and appropriately. To support these endeavors, the Information Disclosure, Risk Management, Compliance and Personal Information Management committees, all of which operate under the CSR Promotion Committee, hold periodic meetings to develop solid risk management systems encompassing their respective areas.

Ensuring appropriate operations at Group companies

The Company has established Rules on the Management of Affiliated Companies to ensure appropriate business operations at Group companies and executes controls based on these rules. In addition, it is required that any coordination among Group companies as well as any action on important matters are first discussed by the Company's Management Meeting and Board of Directors before decisions are made.

The Company's Audit Office works in collaboration with the Business Administration Department, which is the Company's legal affairs division, to conduct audits that primarily focus on

the overall appropriateness of business activities throughout the Group and to ensure compliance with laws and regulations as well as the Articles of Incorporation. The Office also provides guidance for improvements in business activities.

Furthermore, Group companies submit the minutes from all Board of Directors meetings to the Company and make monthly reports on business activities, the status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

Efforts toward the elimination of antisocial forces

The basic position of the Kaga Electronics Group is to maintain no relationships whatsoever with antisocial forces that threaten social order and safety and to remain resolute in its refusal of all improper demands from antisocial forces as set forth in its Fundamental Compliance Rules and Employment Rules.

In cases where the Company is subject to improper demands from antisocial forces, the General Affairs Department and CSR Promotion Committee work together,

acting in collaboration with crisis management advisors and company attorneys on an as necessary basis in their efforts to ensure proper and organized responses to such incidents. The Company also holds regular discussions with the company attorneys, meets with police departments and other external specialized organizations, and participates in training and other activities to gather relevant information on antisocial forces.

Dialogue with Outside Directors



Akira Tamura Outside Director

Susumu Miyoshi Outside Director

Noritomo Hashimoto Outside Director

One of the major features of corporate governance at the Kaga Electronics Group is its outside directors, who have extensive experience in corporate management.

Here, outside directors Susumu Miyoshi, Akira Tamura and Noritomo Hashimoto discuss the Kaga Electronics Group's corporate governance and human resource development, which is essential for growth.

Corporate governance at KAGA ELECTRONICS

Director Susumu Miyoshi When I look at corporate management, I think four basic stances are primary. The first is that companies are, in essence, instruments for the public good. The second is the importance of being a good company. In working toward becoming an ideal company, compliance is key to efforts on the corporate side. Meanwhile, CSR activities are basically efforts to gain favor and positive perceptions from the social side. Companies should be viewed from both sides and evaluated for any problems.

The third is solid business management, or viewing a company based on six elements: information, time (speed, timing), spirit (trends, atmosphere) and the traditional aspects of people, things and money.

The fourth is applying the method referred to as the "5G approach", which focuses on: Gemba (real place), Gembutsu (real thing) and Genjitsu (actual conditions), which are analyzed to understand a company's "actual position," in addition to Genri (principles) and Gensoku (rules) for comparing a company against its "ideal position." It is management's duty to close the gap between a company's current and ideal position.

The Company's level of governance can be viewed as the seventh station on a climb up a high mountain. Governance has progressed from the fifth station to the seventh station over the past two to three years, a fast pace of improvement. While aiming to reach the peak, the Company must clear any obstacles that get in the way.

Director Akira Tamura Indeed, it is reassuring that the management structure has been updated at such a rapid pace

over the past few years, with the volume of inventories and other issues being systematically managed. To point out a negative aspect of the Company, a very large proportion of the employees have sales and marketing backgrounds with specializations in specific fields, probably because KAGA ELECTRONICS started out as a trading company. In fact, I believe the pool of human resources capable of overseeing the entire operations of the Company and the Group as a whole, is less than robust. Furthermore, the Company tends to go on the offensive and seems to be less interested in taking defensive measures. And, at the management level there is a strong focus on avoiding excessive inventories, refraining from using too many resources and securing an adequate profit, but I see a need for more risk management.

Director Susumu Miyoshi At meetings of the Board of Directors, I think directors should ask more questions and state opinions in fields outside their zone of expertise.

Director Noritomo Hashimoto The way meetings of the Board of Directors are run sets the tone for outside directors to voice their opinions about a company's management. KAGA ELECTRONICS' Board of Directors' meetings are lively, and all members are quite open to input from each other. Drawing on this open-minded atmosphere in place at the Board room, I intend to help tear down what has been seen as a norm within the Group but does not make much sense to those observing from the outside. This is, I believe, our most important role.

The Kaga Electronics Group is currently enjoying a period of growth, one of many it has experienced in its history. As we have all experienced before, risks can always accompany growth periods. While organic growth through stronger momentum is all good, growth through M&As should be

accompanied by improvements in corporate governance. I believe one of our core duties is to facilitate the genuine growth of the Company, growth that will be universally appreciated, through the give-and-take of opinions. In the course of this duty, outside directors must sometimes take an idealistic approach. Corporate governance is something that managers must thoroughly implement, so outside directors engaging in direct and open governance will ultimately not be of benefit to a company.

Director Akira Tamura As my companions have said, the fact that all of the outside directors at KAGA ELECTRONICS are experienced in corporate management makes said management very effective, in my opinion. The outside directors have opportunities to talk with the chairman and president, for example, and can convey information about possible problems through the staff office attached to the Board of Directors, with the intention of contributing to the solution of these problems through the spread of information across the organization. Such opportunities have become limited during the pandemic, but by exchanging information and opinions, it is possible to discover and identify the human resources who will lead the Company into the future. Taking advantage of these opportunities, outside directors can share their unique perspectives on addressing problems, drawing on the latest wisdom and the input of general shareholders and other stakeholders.

Director Noritomo Hashimoto The question is how we can help make the Company stronger than it is now by working shoulder to shoulder with top management members, who directly supervise its operations. And, those of us with management experience who did not come up through the ranks of the company must represent shareholders. Can we fully employ our outside perspective to support the Company's endeavors? I believe these are essential questions.

Human resource development is essential during periods of growth

Director Susumu Miyoshi KAGA ELECTRONICS is aiming for net sales of ¥1 trillion, a numerical target that represents big dreams.

Director Akira Tamura At the root of it all is the chairman's motto "everything we do is for our customers," a KAGAism that is instilled in the corporate culture. It is quite evident on the front lines that employees are constantly doing everything they can for customers. I give high marks to the employees who are always looking for the next opportunity and making it a reality.

Director Susumu Miyoshi Diverse human resources will be needed to make the Company capable of earning ¥1 trillion or more in sales. As a sales-centered company, KAGA ELECTRONICS needs to rev up the entire organization a notch by rotating employees to give them more experience in personnel, accounting, administration and business planning, for example. This will empower employees to handle a wider range of tasks, such as promoting diversity. I believe the Company needs to focus more on training employees.

One more important thing is how to exercise supervision over and support the growth of subsidiaries in Japan and overseas, which account for a large portion of the Kaga Electronics Group's sales and profits. I think it is time to create a division to oversee the management of all these subsidiaries.

Director Akira Tamura Liked by its customers, having expertise in specific fields and absolute confidence, Kaga Electronics is like a wandering samurai, but this does not mean it lacks diversity. Many of its employees must have gone through tough moments in the course of their duties, but they also know how fulfilling and rewarding their jobs can be. With this in mind, it is very important to create a framework that incorporates evaluation criteria, not just in a specific field, but in terms of contribution to the Company as a whole, so that employees are better motivated to take on a more diverse range of tasks.

Director Noritomo Hashimoto When talking about human resources, the tendency is to focus on the next generation of managerial candidates or on grooming the next president. Personnel training should start in a new employee's first year. In the course of their training, candidates for future leaders must be selected based on what the Company expects of them and, therefore, nurtured in accordance with training plans it prepares for each. It is important to envision how many of them will be officers as they rise up through the ranks and who will become that generation's leader. Unless tangible plans on these matters are in place, it may be too late to adequately train someone who has already become an officer.

Director Susumu Miyoshi In the end, restricting training to conveying "how to" knowledge is insufficient. Proper training requires actual experience.

Director Noritomo Hashimoto At the heart of this is the question of whether Kaga Electronics has the personnel who can lead the Company after it has grown big enough to constantly achieve ¥1 trillion in net sales. With the Medium-Term Management Plan 2021 net sales target of ¥500 billion within reach, it will take a fair amount of time to double sales. The Company has no time to waste, and it must take full advantage of this interval to properly train future leaders. There is a huge difference between ¥500 billion and ¥1 trillion. The future success of the Company will therefore hinge on whether the right people, that is, those capable of navigating it through the new growth stage, can be selected and trained in time.

I hope the people who work for the Kaga Electronics Group can be trained to possess the competencies I discussed above, and this ties in with KAGAism, right? As the head of the Nomination and Compensation Committee, I will focus our discussions on this topic.

Kaga Electronics is a company that has grown under the guidance and business sense of Founder Tsukamoto. This business sense is reflected in the motto "everything we do is for our customers," which is balanced by "profit-focused management." Since the realm of electronic components is vast and varied, I believe the top position should be filled by someone who has an excellent business sense for what can be accomplished in this world by leveraging the benefits of these products.

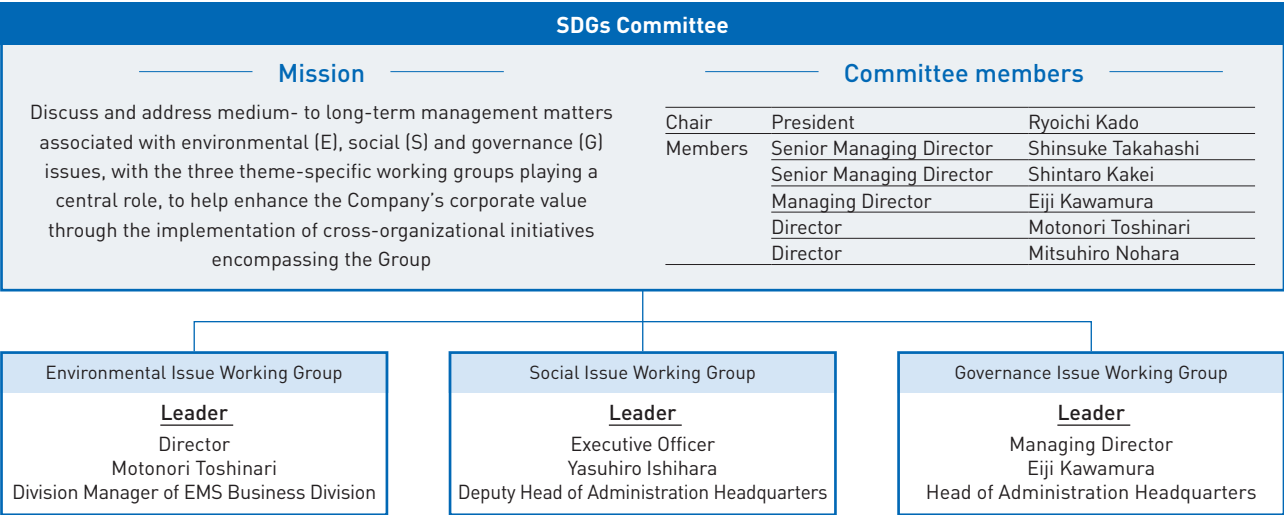
Sustainability Initiatives

Today, businesses’ efforts to address ESG issues, such as climate change-related problems, are being considered a critical factor affecting their sustainability. This recognition has become the norm among investors, and their engagement in ESG investment is more active now than ever before.

Against this backdrop, the Company is striving to upgrade CSR and ESG initiatives that it has been implementing for many years, taking a cross-organizational approach to the promotion of sustainability-oriented management that encompasses all Group companies. To this end, the SDGs Committee was launched as a decision-making body overseeing the Company’s sustainability initiatives.

Chaired by President Ryoichi Kado, the SDGs Committee mainly consists of officers in charge of supervising various divisions. Moreover, three working groups are in place under the committee to address environmental, social and governance issues, respectively. The committee is thus engaged in the formulation of policies, initiatives and targets regarding the Company’s response to ESG issues and the monitoring of their progress.

Based on its corporate philosophy “everything we do is for our customers,” KAGA ELECTRONICS strives to contribute to the realization of a sustainable society by striking a balance between solving social issues and sustaining growth as a corporation through its business activities.



Identifying 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.

Issues specified in the course of identifying materiality

	Materiality	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 problemsUrgent call for carbon neutrality	<ul style="list-style-type: none">Provide products and services designed to help resolve environmental and energy issuesContinue 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 normalHuman 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 normalDevelop human resources by passing down and updating KAGAism
G	Create a sustainable management base	<ul style="list-style-type: none">Public calls for more robust corporate governanceGrowing need for business resilience against changes in the operating environment	<ul style="list-style-type: none">Further strengthen corporate governance and complianceThoroughly practice a profit-focused management approach
B	Realize sustainable business growth	<ul style="list-style-type: none">Progress in digital transformationComing of a “super-smart” society due to the popularization of ICT, such as IoT and AIIntensification of global competition	<ul style="list-style-type: none">Provide products and services that contribute to the transition to a digital-driven societyCreate new businesses aimed at helping resolve issues society is confrontingFurther promote global expansion

ESG issues being addressed by working groups

Environmental Issue Working Group	
Promotes the proactive utilization of renewable energy at the Group’s domestic business bases in an effort to contribute to the realization of a “decarbonized society.”	
Aiming to raise the ratio of renewable energy to total energy consumption to 100%	<div>Domestic sales bases, domestic manufacturing bases and overseas manufacturing bases: Introduction of renewable energy in a way that ensures a reduction in energy costs from the current level</div> <div>Information gathering aimed at discovering promising opportunities for investment in biomass energy generation in Japan</div>
Social Issue Working Group	
Strives to push ahead with diversity promotion, work style reforms, health & productivity management and other endeavors, with management and employees acting in collaboration to adapt to a new normal in the era of living with COVID-19 and better position the Company to contribute to the enhancement of people’s quality of life and the creation of a sustainable society.	
Diversity promotion and human resource management	<div>Mandatory item set forth in Corporate Governance Code (Domestic) Formulation of targets and frameworks for supporting the active participation of women and the promotion of women, foreign nationals and midcareer hires to management positions</div> <div>Mandatory item set forth in Corporate Governance Code Disclosure of policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation</div>
An optimal balance between work-life management and productivity improvement	<ul style="list-style-type: none">Promote work style reforms upon the revision of various personnel systems with an eye to adapting to the new normal in the era of living with COVID-19 and the post-pandemic periodConsider such labor systems as flextimeProvide information to employees reinstated after taking childcare leave <ul style="list-style-type: none">Revise programs for supporting employees engaged in child rearing and nursing careTake necessary steps in response to legal revisions aimed at specifically encouraging male employees to take childcare leave
Promotion and realization of health & productivity management	<ul style="list-style-type: none">Aim to be selected as an outstanding organization under the Certified Health & Productivity Management Organization Recognition Program
Employment for people with disabilities	<ul style="list-style-type: none">Develop a structure to ensure that the mandatory employment rate is metPublicly disclose our initiatives to secure employment for people with disabilities
Governance Issue Working Group	
Develops a corporate governance structure designed to enhance the Company’s competitiveness in keeping with the spirit of compliance with corporate ethics and legal regulations, so that it remains a valuable company for shareholders and all other stakeholders.	
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">Increase the number of independent outside directors so that they account for one third of the Board membership or more ⇨ DoneEstablish Nominating and Compensation committees ⇨ DoneDiversify the composition of the Board of Directors ⇨ Disclosed the skill matrix of the Board members via the notice of convocationEnsure thorough compliance in preparation for the Company’s entry into the premier stock market ⇨ Develop human resource training policies aimed at securing diversity and disclose such policies; consider information disclosure in line with the TCFD recommendations; create CEO succession plans; formulate and disclose sustainability policies; and announce business portfolio policies
Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none">Consider appointing officers whose duties are defined by commission contracts rather than employment contracts

Together with Our Customers

The Kaga Electronics Group proposes and provides value-added products and services that swiftly meet changes in the times based on its corporate philosophy of “Everything we do is for our customers.” By doing so, we support the technological innovation and production streamlining of our customers worldwide.

To deliver high-quality products and services

● Quality control system

The Kaga Electronics Group established the Production Center in its EMS Business Division, thus enabling a system of quality control that centers on KAGA (SHENZHEN) ELECTRONICS CO., LTD., its flagship base for overseas production, and KAGA EMS TOWADA CO., LTD., which boasts a wealth of experience in the manufacture of in-vehicle related products. At the Center, we manage the entire Group’s resources as cross-functional capabilities in such areas as production technology and quality control and promote the optimal distribution of resources and the strengthening of technological competencies on a global basis.

The Center also liaises with production sites in China and Japan as well as countries in the ASEAN region, Europe and North America to advance the standardization of production facilities, IT systems and operational processes, and the sharing of information, for example, to prevent the recurrence of issues. Through standardization, the aim is to ensure

identical standards, quality and customer service.

In addition, regular exchange meetings are held to reinforce quality on a Groupwide basis.



A remote customer meeting prior to delivery

Pursuing our philosophy of “Everything we do is for our customers”

● Efforts to enhance quality

The Company’s Engineering Department controls the technological resources of the entire Group, from planning and development to design, manufacturing and quality assurance, and works to optimize these resources, strengthen technological capabilities and expand business across the organization. The Quality Assurance Department, one of the bodies of the Engineering Department, seeks to enhance development quality and manages safety standards throughout the Group. This department works with other departments responsible for quality within the Group depending on the circumstances in order to resolve issues.



Prototype evaluation using a measurement device

Status of ISO9001 certification

KAGA ELECTRONICS and the following Group companies have attained ISO9000 series certification, an international standard for quality management.

The Company is striving to further enhance customer satisfaction through continuous improvement of its quality management system.

Japan: KAGA ELECTRONICS CO., LTD., KAGA DEVICES CO., LTD., KAGA MICRO SOLUTION CO., LTD., KAGA TECHNO SERVICE CO., LTD.

Overseas: KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD., KAGA (SHENZHEN) ELECTRONICS LTD., KAGA ELECTRONICS (THAILAND) COMPANY LIMITED

Together with Our Employees

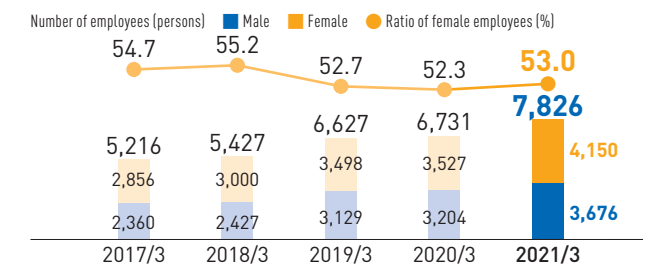
The most important management resource for a trading company is undoubtedly its human resources. To drive sustainable growth, we promote the development of human resources and the creation of an environment that enables the execution of our action guideline FYT (pronounced “fight”). This guideline expresses our commitment to always be Flexible and to think and act Young when Trying to take on challenges.

Implementing the idea that “everyone is a corporate manager”

● Human resource strategy / Diversity management

As our business activities become more global and the market environment undergoes abrupt change, diversity and taking on challenges are keys to driving sustainable growth. This is because diversity enables us to look at risk as an opportunity, and when we take on challenges we can take full advantage of these opportunities. To make this a reality, the Kaga Electronics Group promotes diversity management in terms of making effective use of diversity in human resources and in work style. At the same time, we respect our human resources who continue to take on challenges and see each person as a corporate manager. With this in mind, we will keep protecting our corporate culture of tolerating failure as a consequence of tackling challenges.

Number of employees / Ratio of female employees (Consolidated)



Pursuing a comfortable working environment

● Employee education and benefit programs

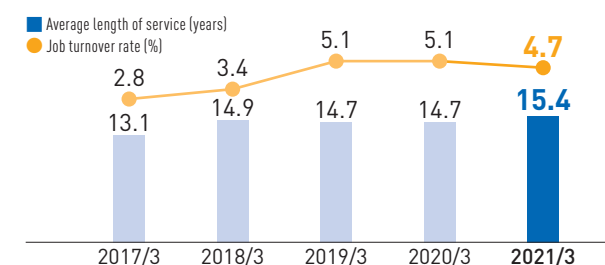
At the Kaga Electronics Group, we support the career development of employees through training for new recruits, annual training, rank-based training and other forms of education, as well as by providing assistance with correspondence courses.

Every year, we grant a total of six days of paid “refresh leave,” which is separate from annual paid leave, to all employees. We also instituted a sick leave program for those who develop one of three specified types of serious disease (cancer, cerebral stroke and myocardial infarction) to help them secure their income during their hospitalization and absence from work.

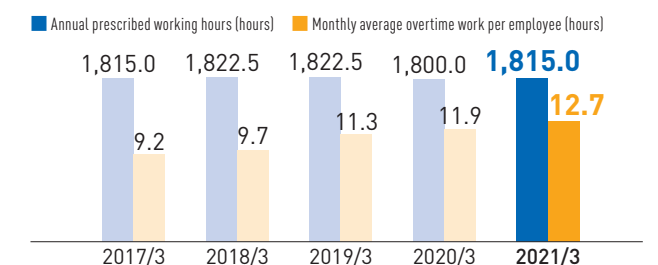
Specifically, employee entitlement for paid sick leave is accumulated in step with years of service, for a maximum of 20 days. Employees are also allowed to take hourly paid leave. Further, we have established welfare facilities that include access to resorts in Japan and abroad, a contract golf course, a company villa and a cruiser boat, with utilization rates at a high level. Through such initiatives as these, we aim to strike a good work-life balance for a safer work environment for employees.

Also, in the course of responding to the COVID-19 pandemic, we placed the utmost priority on ensuring safety and security for our employees at home and abroad.

Average length of service / Job turnover rate



Annual prescribed working hours / Monthly average overtime work per employee



Response to the COVID-19 pandemic

Domestic sales bases

Initiatives to prevent the virus from being brought in and transmitted

- Deployed body temperature measurement devices
- Installed partition walls in office spaces

Thorough implementation of antiviral and antibacterial measures

- Applied antiviral coating
- Set photocatalytic sterilization and deodorization equipment

Overseas production bases

Initiatives to prevent the virus from being brought in and transmitted

- Made it a rule that the body temperature of every person entering base premises is measured
- All operators wear goggles and masks

Thorough observance of social distancing

- Distanced placement of production line workers
- Distanced seating in company-owned commuting buses



Applied antiviral coating



All operators wear goggles and masks

Together with the Community

Cognizant of the importance of its social responsibilities as a company, the Kaga Electronics Group contributes to sports promotion and to the local community through its business sites worldwide, and actively undertakes activities that help drive the advancement of education, art and culture.

Sports promotion

● Sponsorship of golf tournaments

The Kaga Electronics Group contributes to the promotion of golf, primarily through the sponsorship of golf tournaments. This includes special sponsorship of The Ladies Professional Golfers' Association of Japan (JLPGA)'s "JLPGA ROOKIES CHAMPIONSHIP KAGA ELECTRONICS CUP" since 1996. Many of this tournament's winners have gone on to do well on the JLPGA tour, proving that it is a great gateway to success for young female professional golfers.



JLPGA ROOKIES CHAMPIONSHIP KAGA ELECTRONICS CUP 2020

● Contributing to the development of golf

Five professional golfers, both male and female, are on the books at KAGA ELECTRONICS. Contracted athletes take part in tournaments around the world wearing clothing and caps adorned with the Kaga Electronics logo, which plays a part in our PR strategy.

In addition, the Group company KAGA SPORTS CO., LTD. takes a multifaceted approach to business that includes the direct sale of golf supplies at its own stores and selling wholesale to retailers, the running of golf driving ranges and golf schools, and the introduction of body conditioning services such as yoga, which contributes to the development of the sports industry through golf.



Professional golfers sponsored by KAGA ELECTRONICS



One of the Company's golf schools



GOLF PLAZA ACTIVE



Akiba Golf Studio

Contributing to the local community

● Social contribution activities in Kanazawa, where it all began

Kanazawa City in Ishikawa Prefecture is the place that the Founder and CEO of KAGA ELECTRONICS Isao Tsukamoto was born and raised. Building on his ties with this community, the Company signed an agreement with Kanazawa City in 2017 involving the promotion of regional revitalization. As part of its efforts, the Company supported a host town initiative associated with the Tokyo 2020 Olympic and Paralympic Games over the following four years, donating to a project aimed at driving the revitalization of the local area.

We are also taking steps to contribute to the community through such means as supporting the Kanazawa Marathon, an open to the public event we have supported since its inception in 2015. Employee volunteers also participate through such activities as operating a water station.

Note: In 2020, the event involved only an online marathon due to the need to prevent the spread of COVID-19.



A Company-sponsored running class for elementary school students

● Social contribution activities at sites in Japan and overseas

The Kaga Electronics Group, which conducts business activities around the world, takes on a variety of social contribution activities at its sites in Japan and overseas as well.

To give some examples, staff at our production subsidiary in Shenzhen, China, organize plant tours for children. Through these events, they also provide children with workplace experience and other programs. Meanwhile, staff at our production subsidiaries in Japan are involved in periodic cleanup activities covering neighboring sightseeing spots and other areas around their facilities in addition to campaigns aimed at helping raise traffic safety awareness among the general public. Moreover, such subsidiaries dispatch trainees to help organize local festivals, cooking classes and other events sponsored by municipalities, helping to strengthen ties with the residents of the communities in which they operate. Taking a locally rooted approach in these and other initiatives, we strive to give back to the communities surrounding us.



A plant tour organized by KAGA (SHENZHEN) ELECTRONICS for local children

Education and welfare support activities

At KAGA ELECTRONICS, the Founder & CEO Isao Tsukamoto gives lectures to students as a specially appointed professor for the Faculty of Service Innovation, Chiba University of Commerce. (In 2020, these lectures were conducted remotely or at the Company's facilities with a limited number of attendees.) In addition, Tsukamoto speaks at such events as study sessions for young corporate managers who run SMEs. We also contribute to society in a wide range of fields related to education and welfare support, including cooperating with the Japan Cancer Society and offering assistance to cancer patients and their families.



A lecture held at KAGA ELECTRONICS Head Office for a small group of students

Together with the Earth

The Kaga Electronics Group views the 21st century as the century for protection of the global environment and, with this in mind, conducts business activities based on an awareness of energy and resource conservation that includes reducing CO₂ and other greenhouse gases and verifying the environmental load of the products and services it handles.

Environmental Policy

The Kaga Electronics Group looks to the future of electronics at all times, striving to meet customer needs as well as to preserve and enhance the natural environment in order to protect our irreplaceable earth.

1

The Kaga Electronics Group shall establish an environmental management system that involves all employees and promote ongoing improvement of this system to preserve the global environment and prevent pollution in all of our business activities to provide products and services.

2

In executing our business activities, we shall strictly adhere to environmental laws, regulations and related requirements as well as comply with all other requirements agreed upon by the Kaga Electronics Group.

3

We shall strive to prevent pollution and enhance the environment through non-wasteful office and business activities based on a philosophy of conserving energy and resources.

4

We shall set targets for the following requirements to the extent possible for the products and services that the Kaga Electronics Group handles and regularly review the progress of our activities.

• Must be composed of environmentally friendly substances

• Must be able to cut waste through reuse and recycling

• Must be designed with energy and resource conservation in mind using the latest electronics technology

5

We shall provide education to all employees to increase their awareness of the need for environmental protection and to ensure their understanding of our Environmental Policy.

6

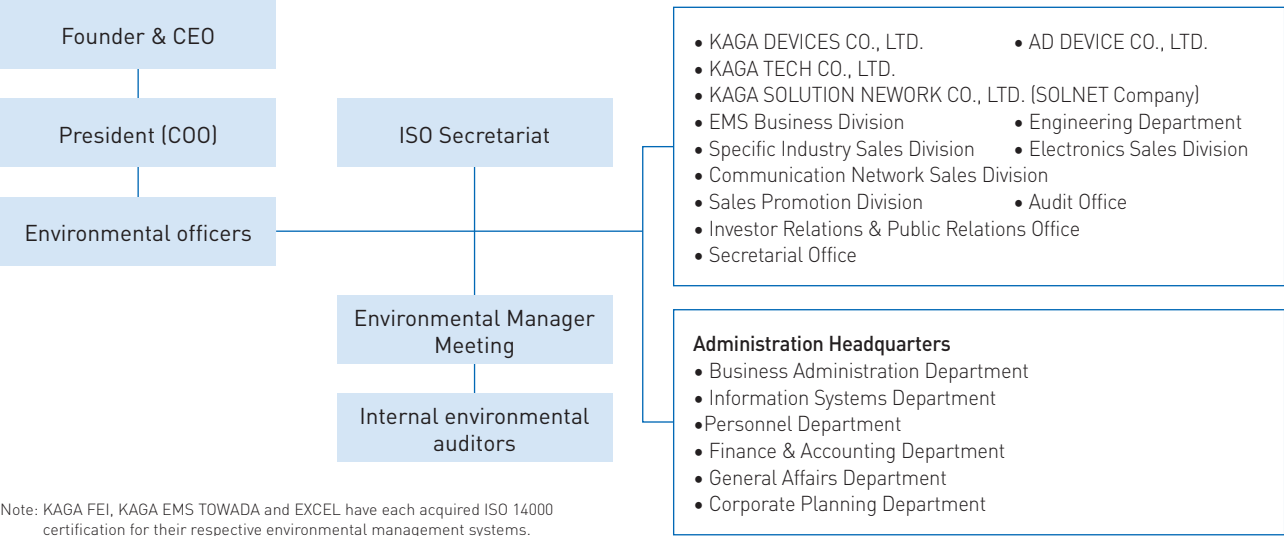
Our Environmental Policy shall be disseminated widely throughout society through such means as the Kaga Electronics Group website and corporate profile.

Environmental management system

The Kaga Electronics Group established an environmental management system based on its Environmental Policy. Under the system, environmental officers, the ISO Secretariat, the Environmental Manager Meeting and internal environmental auditors team up and, guided by the president, conduct environmental management at KAGA ELECTRONICS

and its Group companies. In addition, we have attained ISO14001 certification, an international standard for environmental management systems, at the Company and 20 sites at four Group companies in Japan. We are strengthening our system through a PDCA cycle.

Environmental management system



Note: KAGA FEI, KAGA EMS TOWADA and EXCEL have each acquired ISO 14000 certification for their respective environmental management systems.

Initiatives to reduce environmental burden

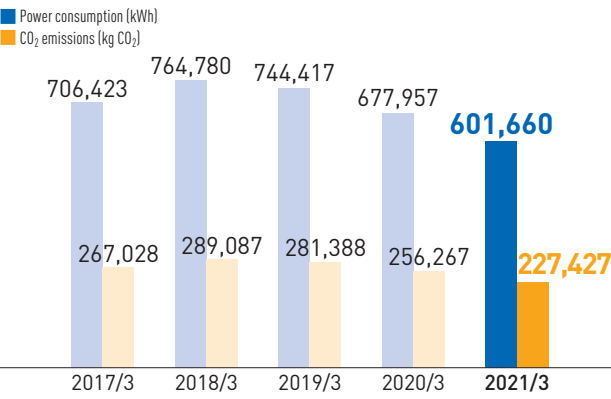
Reduction of CO₂ emissions

The KAGA ELECTRONICS Head Office building employs an air supply type double-skin* curtain wall on the exterior, allowing air to flow into the office, thus reducing heat load and providing natural ventilation. The energy efficient design also provides enhanced sound insulation.

In addition, the building features a variety of environmental technologies, with the use of solar panels on the roof enabling eco energy and the installation of LED lighting throughout. These technologies serve to save energy and reduce CO₂ emissions.

* Double-skin technology refers to a method of construction in which part or all of a building exterior is covered by a two-layered double-glazed façade.

Power consumption and CO₂ emissions at Head Office building



PC product reuse and recycling business

The Kaga Electronics Group company KAGA MICRO SOLUTION CO., LTD. has flexibly changed and expanded its business domain to meet a wide range of customer demands, from the development, production and sale of electronic products to their repair, maintenance, reuse and recycling.

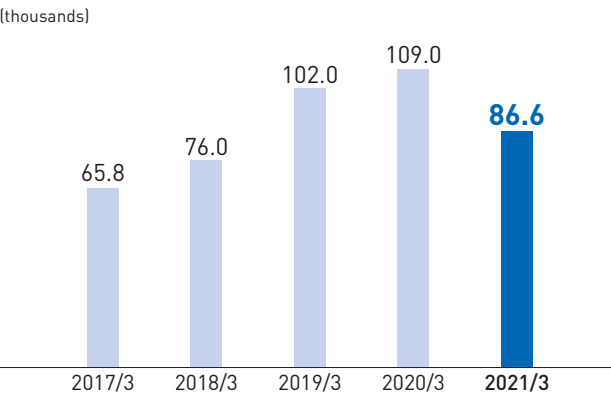
The company leverages know-how in the production of electronic equipment and an extensive procurement route for electronic parts and materials—both of which were accumulated in the EMS business, a strength of the Group—to focus on a reuse and recycling business for PC products in recent years.

In addition to “reduce programs” that look especially at cutting CO₂ and rubbish levels, the Group will contribute to a reduction in environmental burden from a reuse and recycling perspective and to the realization of a recycling-oriented society.



Repair work at KAGA MICRO SOLUTION

Number of PC products reused



10-Year Financial Summary

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31

	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3	2021/3
Fiscal year										
Net sales (millions of yen)	229,856	216,405	257,852	255,143	245,387	227,209	235,921	292,779	443,615	422,365
Gross profit (millions of yen)	28,506	27,462	32,522	32,738	33,648	31,225	32,498	35,546	47,016	47,936
Selling, general and administrative (SG&A) expenses (millions of yen)	26,438	26,202	27,416	26,376	25,859	24,346	24,379	27,976	37,001	36,469
Operating income (millions of yen)	2,067	1,260	5,106	6,362	7,788	6,879	8,119	7,570	10,014	11,467
Ordinary income (millions of yen)	2,569	1,931	5,847	7,664	7,908	7,343	8,740	7,859	10,137	11,241
Profit attributable to owners of the parent (millions of yen)	914	444	3,877	4,416	5,437	6,975	6,490	8,014	5,852	11,399
Cash flows from operating activities (millions of yen)	958	7,041	3,334	9,127	9,546	10,746	10,077	-1,547	22,406	9,999
Cash flows from investing activities (millions of yen)	-2,645	-4,910	-3,339	-1,465	-1,263	-258	-4,173	-6,860	-3,651	-2,453
Free cash flow (millions of yen)	-1,686	2,131	-5	7,661	8,283	10,487	5,904	-8,408	18,754	7,545
Cash flows from financing activities (millions of yen)	-242	-403	1,024	-4,431	-3,067	-6,118	-2,811	11,684	-7,544	-6,851
Depreciation (millions of yen)	2,181	2,303	2,418	1,907	1,604	1,452	1,481	1,740	2,754	3,167
Capital expenditures/Investment and loans (millions of yen)* ¹	2,999	3,748	4,087	2,660	2,166	1,464	4,520	6,712	6,133	2,906
Fiscal year end										
Total assets (millions of yen)	114,714	111,888	126,028	127,948	124,281	125,751	128,755	213,761	207,638	237,004
Net assets (millions of yen)	47,936	48,806	52,825	59,603	61,808	65,932	70,631	84,259	86,250	95,062
Equity (millions of yen)	46,410	48,656	52,786	59,564	61,764	65,872	70,556	76,604	78,284	90,967
Interest bearing debt (millions of yen)	14,349	15,089	17,244	14,573	12,739	9,805	8,900	32,851	28,736	38,261
Cash and deposits (millions of yen)	9,775	12,258	14,192	18,130	22,516	26,423	30,803	35,003	43,384	45,636
Inventories (millions of yen)	21,554	18,779	21,219	22,703	19,175	19,325	19,455	40,026	31,908	37,948
Per share data										
EPS (yen)	33.13	16.09	137.22	156.28	192.43	249.43	236.58	292.07	213.21	415.07
Annual dividend (yen)	30.00	30.00	35.00	40.00	55.00	60.00	70.00	80.00	70.00	80.00
Payout ratio (%)	90.5	186.5	25.5	25.6	28.6	24.1	29.6	27.4	32.8	19.3
BPS (yen)	1,681.73	1,721.86	1,868.07	2,108.04	2,185.94	2,401.00	2,571.79	2,790.97	2,850.99	3,311.24
Major indicators										
Gross profit margin (%)* ²	12.4	12.7	12.6	12.8	13.7	13.7	13.8	12.1	10.6	11.3
Ratio of SG&A expenses to net sales (%)	11.5	12.1	10.6	10.3	10.5	10.7	10.3	9.6	8.3	8.6
Operating income margin (%)* ³	0.9	0.6	2.0	2.5	3.2	3.0	3.4	2.6	2.3	2.7
Ordinary income margin (%)* ⁴	1.1	0.9	2.3	3.0	3.2	3.2	3.7	2.7	2.3	2.7
Profit attributable to owners of the parent margin (%)	0.4	0.2	1.5	1.7	2.2	3.1	2.8	2.7	1.3	2.7
ROE (%)* ⁵	2.0	0.9	7.6	7.8	9.0	10.9	9.5	10.9	7.6	13.5
ROIC (%)	1.1	0.2	5.0	5.2	7.5	8.1	7.2	5.8	6.3	6.9
ROA (%)* ⁶	0.8	0.4	3.3	3.5	4.3	5.6	5.1	4.7	2.8	5.1
Equity ratio (%)	40.5	43.5	41.9	46.6	49.7	52.4	54.8	35.8	37.7	38.4
Debt equity ratio (times)* ⁷	0.31	0.31	0.33	0.24	0.21	0.15	0.13	0.43	0.37	0.42
CCC (days)* ⁸	52.6	51.4	49.7	49.8	45.9	44.7	40.0	47.1	34.4	46.7
Receivables turnover period (days)* ⁹	88.9	92.1	85.9	83.2	81.5	83.6	77.1	77.0	75.2	93.7
Inventory turnover period (days)* ¹⁰	34.2	31.7	30.0	32.5	28.5	31.0	30.1	35.1	26.3	32.8
Payables turnover period (days)* ¹¹	70.5	72.4	66.2	65.9	64.2	69.9	67.3	65.0	67.0	79.8
Number of employees (persons)	5,239	5,048	4,752	5,092	5,243	5,216	5,427	6,627	6,731	7,826

*1. Including spending associated with the purchase of property, plant and equipment, intangible assets and investment securities as well as the purchase of shares of subsidiaries resulting in change in scope of consolidation.

*2. Gross profit margin = Gross profit / Net sales × 100 (%)

*3. Operating income margin = Operating income / Net sales × 100 (%)

*4. Ordinary income margin = Ordinary income / Net sales × 100 (%)

*5. ROE = Profit attributable to owners of the parent / Average equity × 100 (%)

*6. ROA = Profit attributable to owners of the parent / Average total assets × 100 (%)

*7. Debt equity ratio = Interest bearing debt / Equity (times)

*8. Cash conversion cycle (CCC) = Receivables turnover period (days) + Inventory turnover period (days) - Payables turnover period (days)

*9. Receivables turnover period (days) = Notes and accounts receivable-trade / Net sales × 365 (days)

*10. Inventory turnover period (days) = Inventories / Net Sales × 365 (days)

*11. Payables turnover period (days) = Notes and accounts payable-trade / Total purchase of goods × 365 (days)

Analysis of Financial Condition and Results of Operations

Fiscal year ended March 31, 2021

Analysis of business performance

During the fiscal year ended March 31, 2021, the interim year of Medium-Term Management Plan 2021 spanning the three years from April 2019 to March 2022, the Group strove to strengthen its competitiveness by focusing on securing business expansion for two pillars of the plan's growth strategy, namely, the electronic components business and the EMS business, the latter of which involves manufacturing.

Specifically, in the components sales business, the Group included EXCEL CO., LTD., an electronic parts trading company, into the scope of consolidation in April 2020. Since then, efforts have been under way to promote the sharing of the two companies' products and customer bases while pursuing synergetic business growth. In the EMS business, Kyokuto Electric Co., Ltd. became a Group company in November 2020, with its factories in Tottori Prefecture positioned as bases for the EMS business in the west Japan area. Thus, the Group augmented its domestic production structure, taking full advantage of combined capacities afforded by Kyokuto Electric and KAGA EMS TOWADA CO., LTD. in Aomori Prefecture.

In December 2020, the Group completed a new factory in Hubei, a Chinese province boasting a concentration of automobile-related manufacturers. Along with pursuing the expansion of production capacities at home and abroad, the Group stepped up sales activities targeting existing customers of KAGA FEI, rallying all its strengths to achieve business growth.

As a result, net sales were buoyed by PC demand associated with the popularization of remote working, recovery in demand in the manufacturing sector and the positive effect of the consolidation of revenues from EXCEL. Nevertheless, due to the cancellation of sales agency contracts between KAGA FEI and its main business partners, net sales decreased by 4.8% year on year to ¥422,365 million.

On the earnings front, gross profit increased due to solid sales in mainstay businesses. Simultaneously, the Group strove to control and reduce selling, general and administrative expenses, including travel, commuting and entertainment expenses, while promoting operational streamlining via the introduction of remote working and online meetings. Thanks to these efforts, operating income increased by 14.5% year on year to ¥11,467 million, while ordinary income grew by 10.9% to ¥11,241 million.

Profit attributable to owners of the parent rose a significant 94.8% year on year to ¥11,399 million. This was attributable to the posting of gains on negative goodwill (¥7,963 million) as extraordinary income in connection with business acquisition, despite the recording of an extraordinary loss consisting of an impairment loss (¥1,893 million) mainly related to newly

established overseas EMS production facilities, the provision of allowance for doubtful accounts (¥1,750 million) associated with major transactional partners, and the recording of other one-off losses reflecting the prolongation of fallout from the COVID-19 pandemic.

Both operating income and ordinary income hit new highs for the second consecutive year, while profit attributable to owners of the parent hit a record high for the first time since the fiscal year ended March 31, 2019.

Analysis of financial condition

Total assets as of March 31, 2021 increased by ¥29,366 million from the previous fiscal year-end to ¥237,004 million. The main items are as follows.

Current assets

Current assets increased by ¥25,847 million to ¥200,179 million. This is primarily due to the consolidation of EXCEL, which has resulted in increases of ¥18,278 million and ¥4,450 million, respectively, in notes and accounts receivable—trade and merchandise and finished goods.

Non-current assets

Non-current assets increased by ¥3,518 million to ¥36,825 million. This was primarily because of rises in investee stock prices and other positive factors that caused investment securities and deferred tax assets to increase by ¥2,269 million and ¥668 million, respectively.

Total liabilities

Liabilities increased by ¥20,553 million from March 31, 2020, to ¥141,942 million. This was primarily due to the consolidation of EXCEL, which has resulted in a ¥9,665 million increase in notes and accounts payable—trade and an ¥8,593 million increase in borrowings.

Total net assets

Net assets increased by ¥8,812 million from March 31, 2020, to ¥95,062 million. This was primarily thanks to a ¥9,477 million increase in retained earnings due to ¥11,399 million in profit attributable to owners of the parent and other factors.

Cash flows

Cash and cash equivalents as of March 31, 2021 increased by ¥1,639 million from March 31, 2020 to ¥44,333 million. The status and factors thereof for each cash flow category in the fiscal year ended March 31, 2021 are as follows.

Cash flow from operating activities

Net cash and cash equivalents provided by operating activities totaled ¥9,999 million, compared with ¥22,406 million provided by operating activities in the previous fiscal year. This was mainly due to the recording of profit before income taxes.

Cash flow from investing activities

Net cash and cash equivalents used in investing activities totaled ¥2,453 million, compared with ¥3,651 million used in the previous fiscal year. This was mainly due to purchases of property, plant and equipment.

Cash flow from financing activities

Net cash and cash equivalents used in financing activities totaled ¥6,851 million, compared with ¥7,544 million used in the previous fiscal year. This was due mainly to the additional acquisition of shares in KAGA FEI and the payment of cash dividends.

Analysis of capital resources and cash liquidity

As for the financing of necessary working capital and funds for capital expenditure, the Kaga Electronics Group utilizes such sources as cash on hand and borrowings. Looking ahead, the Group intends to procure working capital and funds for capital expenditure that are necessary to support its future operations, with cash flows from operating activities positioned as its financial base.

Funding requirements

The main elements of the Group's working capital requirement are funds for the purchase of products to be marketed by the Group and for the purchase of raw materials and components to produce its own products, in addition to funds to cover manufacturing costs and selling, general and administrative expenses. Funding needed for investment purposes is largely in connection with capital expenditures and costs of M&As for acquisitions of new businesses and commercial rights.

Financial policy

With respect to the procurement of short-term working capital, the Group's basic stance is to strive to achieve optimal capital efficiency within the Group before resorting to borrowings from financial institutions.

With respect to the procurement of funds for M&As, capital expenditures and long-term working capital, the Group's basic stance is to conduct optimal procurement using the various methods available to it, extending from direct to indirect financing, with due consideration given to financial conditions at the time of procurement as well as to the term and purpose of the funding requirement.

Consolidated Balance Sheet

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries
At March 31, 2020 and 2021

		Millions of Yen	Thousands of U.S. Dollars (Note)
ASSETS	2020	2021	2021
CURRENT ASSETS:			
Cash and bank deposits	¥ 43,384	¥ 45,636	\$ 412,218
Notes and accounts receivable-trade	85,495	103,773	937,345
Electronically recorded monetary claims	5,876	4,621	41,741
Short-term investment securities	254	302	2,736
Merchandise and finished goods	25,276	29,727	268,515
Work in process	567	1,280	11,564
Raw materials and supplies	6,063	6,940	62,694
Others	7,601	9,921	89,615
Allowance for doubtful accounts	(188)	(2,024)	(18,288)
Total CURRENT ASSETS	174,331	200,179	1,808,143
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	13,899	14,327	129,412
Accumulated depreciation	(6,533)	(7,305)	(65,988)
Buildings and structures, net	7,365	7,021	63,424
Machinery, equipment and vehicles	10,163	11,496	103,840
Accumulated depreciation	(5,685)	(6,853)	(61,903)
Machinery, equipment and vehicles, net	4,477	4,642	41,937
Tools, furniture and fixtures	5,092	5,632	50,875
Accumulated depreciation	(4,032)	(4,254)	(38,428)
Tools, furniture and fixtures, net	1,060	1,378	12,447
Land	4,924	5,074	45,836
Construction in progress	145	107	975
Total PROPERTY, PLANT AND EQUIPMENT	17,974	18,225	164,621
INTANGIBLE ASSETS			
Goodwill	322	209	1,889
Software	1,743	2,338	21,118
Others	190	62	561
Total INTANGIBLE ASSETS	2,256	2,609	23,570
INVESTMENTS AND OTHER ASSETS:			
Investment securities	8,502	10,771	97,296
Deferred tax assets	1,584	2,252	20,334
Guarantee deposits	857	931	8,413
Insurance funds	894	910	8,223
Others	1,791	1,629	14,715
Allowance for doubtful accounts	(552)	(504)	(4,558)
Total INVESTMENTS AND OTHER ASSETS	13,075	15,990	144,435
Total NONCURRENT ASSETS	33,306	36,825	332,627
Total ASSETS	¥ 207,638	¥ 237,004	\$ 2,140,771

		Millions of Yen	Thousands of U.S. Dollars (Note)
LIABILITIES	2020	2021	2021
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥ 70,188	¥ 79,854	\$ 721,292
Short-term loans payable	6,540	10,800	97,558
Accrued expenses	5,739	5,957	53,809
Income taxes payable	1,884	2,136	19,298
Provision for directors' bonuses	101	126	1,141
Others	9,201	9,642	87,097
Total CURRENT LIABILITIES	93,655	108,517	980,196
NONCURRENT LIABILITIES:			
Long-term loans payable	20,833	25,166	227,318
Deferred tax liabilities	1,378	1,685	15,220
Provision for directors' retirement benefits	95	106	960
Net defined benefit liabilities	1,969	2,272	20,530
Asset retirement obligations	329	343	3,099
Others	3,127	3,850	34,782
Total NONCURRENT LIABILITIES	27,732	33,424	301,912
Total LIABILITIES	121,388	141,942	1,282,109
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	109,597
Capital surplus	13,878	14,327	129,417
Retained earnings	55,091	64,568	583,224
Treasury stock	(2,005)	(1,984)	(17,923)
Total SHAREHOLDERS' EQUITY	79,097	89,045	804,315
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	0	1,378	12,454
Deferred gains or losses on hedges	28	50	457
Foreign currency translation adjustment	(707)	470	4,252
Remeasurements of defined benefit obligations	(133)	21	191
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	(812)	1,921	17,354
Non-controlling interests	7,965	4,095	36,992
Total NET ASSETS	86,250	95,062	858,662
Total LIABILITIES AND NET ASSETS	¥ 207,638	¥ 237,004	\$ 2,140,771

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the rate of exchange at March 31, 2021.

Consolidated Statement of Income and Comprehensive Income

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2021

	2020	Millions of Yen 2021	Thousands of U.S. Dollars (Note) 2021
Net sales	¥ 443,615	¥ 422,365	\$ 3,815,063
Cost of sales	396,598	374,428	3,382,068
Gross profit	47,016	47,936	432,994
Selling, general and administrative expenses	37,001	36,469	329,416
Operating income	10,014	11,467	103,578
NON-OPERATING INCOME			
Interest income	269	135	1,227
Dividend income	199	197	1,782
Commission fee	228	168	1,524
Foreign exchange gains	275	—	—
House rent income	126	116	1,056
Others	385	539	4,876
Total NON-OPERATING INCOME	1,485	1,158	10,467
NON-OPERATING EXPENSES			
Interest expenses	308	317	2,866
Share of loss of entities accounted for using equity method	905	627	5,664
Foreign exchange losses	—	359	3,248
Others	149	80	725
Total NON-OPERATING EXPENSES	1,362	1,384	12,504
Ordinary income	10,137	11,241	101,541
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment	61	2	24
Gain on sales of investment securities	135	128	1,164
Gain on bargain purchase	—	7,963	71,930
Gain on transfer of business	12	7	63
Settlement received	498	—	—
Others	1	20	188
Total EXTRAORDINARY INCOME	709	8,122	73,371
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment	12	101	920
Loss on sales of investment securities	57	36	330
Loss on valuation of investment securities	880	525	4,748
Special retirement expenses	199	24	220
Impairment loss	380	1,893	17,107
Provision of allowance for doubtful accounts	—	1,750	15,811
Estimated loss of funds from U.S. subsidiary	—	480	4,338
Others	30	78	713
Total EXTRAORDINARY LOSS	¥ 1,560	¥ 4,892	\$ 44,189

	2020	Millions of Yen 2021	Thousands of U.S. Dollars (Note) 2021
Income before income taxes	¥ 9,286	¥ 14,472	\$ 130,722
Income taxes-current	3,054	3,207	28,974
Income taxes-deferred	(61)	(51)	(462)
Total income taxes	2,992	3,156	28,511
Net income	6,293	11,315	102,210
Profit attributable to owners of the parent	5,852	11,399	102,969
Profit attributable to non-controlling interests	441	(84)	(758)
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(1,018)	1,376	12,436
Deferred gains or losses on hedges	26	22	205
Foreign currency translation adjustment	(1,260)	1,218	11,004
Remeasurements of defined benefit obligations, net of tax	68	138	1,254
Share of other comprehensive income of entities accounted for using equity method	(104)	42	381
Total OTHER COMPREHENSIVE INCOME	(2,288)	2,799	25,282
Comprehensive income	¥ 4,005	¥ 14,114	\$ 127,493
Comprehensive income attributable to:			
Owners of the parent	¥ 3,708	¥ 14,101	\$ 127,375
Non-controlling interests	297	13	117

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the rate of exchange at March 31, 2021.

Consolidated Statement of Cash Flows

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries
For the years ended March 31, 2020 and 2021

	2020	Millions of Yen 2021	Thousands of U.S. Dollars (Note) 2021
NET CASH PROVIDED BY OPERATING ACTIVITIES			
Income before income taxes	¥ 9,286	¥ 14,472	\$ 130,722
Depreciation and amortization	2,754	3,167	28,613
Impairment loss	380	1,893	17,107
Amortization of goodwill	98	114	1,034
(Decrease) Increase in net defined benefit liability	8	(5)	(48)
(Decrease) Increase in provision for directors' retirement benefits	(1)	11	101
(Decrease) Increase in provision for directors' bonuses	30	25	225
Increase in allowance for doubtful accounts	0	1,607	14,521
Interest and dividend income	(469)	(413)	(3,731)
Interest expenses	308	317	2,866
Share of profit of entities accounted for using equity method	905	627	5,664
Gain on sales of property, plant and equipment	(43)	(0)	(5)
Loss on retirement of property, plant and equipment	12	101	920
Gain on sales of investment securities	(78)	(92)	(833)
Loss on valuation of investment securities	880	525	4,748
Gain on negative goodwill	—	(7,963)	(71,930)
Settlement received	(498)	—	—
Estimated loss of funds from U.S. subsidiary	—	480	4,338
(Increase) Decrease in notes and accounts receivable-trade	9,086	(4,303)	(38,870)
(Increase) Decrease in inventories	7,658	2,997	27,074
Decrease in notes and accounts payable-trade	(6,667)	1,495	13,512
Increase in accounts receivable-other	(1,149)	842	7,613
Increase in accrued expenses	384	(162)	(1,464)
Decrease (Increase) in advance payments	(1,431)	(349)	(3,154)
(Increase) Decrease in consumption taxes refund receivable	266	(164)	(1,482)
(Increase) Decrease in other current assets	93	(397)	(3,589)
Increase in other current liabilities	2,106	(1,206)	(10,897)
Others, net	(350)	130	1,179
Subtotal	23,571	13,754	124,236
Interest and dividend income received	481	342	3,095
Interest expenses paid	(316)	(322)	(2,910)
Income taxes paid	(1,829)	(3,295)	(29,764)
Settlement package received	498	—	—
Estimated loss of funds from U.S. subsidiary	—	(480)	(4,338)
Others, net	0	—	—
Net cash provided by (used in) operating activities	¥ 22,406	¥ 9,999	\$ 90,318

	2020	Millions of Yen 2021	Thousands of U.S. Dollars (Note) 2021
NET CASH USED IN INVESTING ACTIVITIES			
Payments for time deposits	¥ (893)	¥ (905)	\$ (8,178)
Proceeds from withdrawal of time deposits	2,924	753	6,803
Purchase of property, plant and equipment	(3,276)	(2,514)	(22,713)
Proceeds from sales of property, plant and equipment	271	28	260
Purchase of intangible assets	(355)	(1,059)	(9,571)
Purchase of investment securities	(2,180)	(1,688)	(15,252)
Proceeds from sales of investment securities	651	723	6,539
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(321)	(351)	(3,174)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	2,707	24,455
Payments of short-term loans receivable	(551)	—	—
Collection of short-term loans receivable	1	(0)	1
Purchase of insurance funds	(2)	(11)	(106)
Proceeds from cancellation of insurance funds	59	58	530
Payments for guarantee deposits	(34)	(77)	(699)
Proceeds from collection of guarantee deposits	41	63	573
Other payments	(96)	(267)	(2,415)
Other proceeds	108	87	786
Net cash used in investing activities	(3,651)	(2,453)	(22,160)
NET CASH USED IN FINANCING ACTIVITIES			
Increase in short-term loans payable	(24,038)	(4,608)	(41,628)
Proceeds from long-term loans payable	20,266	5,000	45,163
Repayment of long-term loans payable	(1,312)	(1,279)	(11,558)
Purchase of treasury stock	(0)	(1)	(13)
Cash dividends paid	(2,056)	(1,922)	(17,363)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(3,441)	(31,085)
Others, net	(402)	(597)	(5,399)
Net cash (used in) provided by financing activities	(7,544)	(6,851)	(61,887)
Effect of exchange rate change on cash and cash equivalents	(748)	945	8,539
Net increase in cash and cash equivalents	10,461	1,639	14,810
Cash and cash equivalents-beginning balance	32,231	42,693	385,633
Cash and cash equivalents-ending balance	¥ 42,693	¥ 44,333	\$ 400,444

Note: The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥110.71 to \$1, the rate of exchange at March 31, 2021.

Corporate Information

As of March 31, 2021

Company overview

Name	KAGA ELECTRONICS CO., LTD.
Address	20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629, Japan TEL +81-3-5657-0111 FAX +81-3-3254-7131
Business description	Sale of electronic parts and semiconductors, provision of EMS,* and sale of finished products such as PCs and PC peripherals, etc. * Electronics manufacturing services: Provision of product development and manufacturing services on a contract basis
Founded	September 12, 1968
Capital	¥12,133 million
Number of Group companies	67 (22 in Japan, 45 overseas and three accounted for by the equity method)
Number of employees (consolidated)	7,826
Stock Listing	Tokyo Stock Exchange
Securities code	8154
Fiscal year-end	March 31



Board members / Executive Officers









[As of June 29, 2021]

Founder & CEO	Isao Tsukamoto	Senior Executive Officer	Mitsuhiro Ikeda	President of EXCEL CO., LTD.
President & COO	Ryoichi Kado	Executive Officer	Shoji Seki	President of KAGA SPORTS CO., LTD.
Senior Managing Director	Shinsuke Takahashi	Executive Officer	Hiroki Suzuki	President of DIGITAL MEDIA LAB., INC.
Senior Managing Director	Shintaro Kakei	Executive Officer	Takeshi Tsukamoto	Director and Senior Executive Officer of KAGA FEI Co., Ltd.
Managing Director	Eiji Kawamura			Supervisor of China Headquarters
	Head of Administration Headquarters	Executive Officer	Takao Okabe	Director and Managing Executive Officer of KAGA FEI Co., Ltd.
Director	Motonori Toshinari	Executive Officer	Hiroaki Maruyama	Division Director of Communication Network Sales Division
	Division Manager of EMS Business Division			Division Director of Specific Industry Sales Division
Director	Mitsuhiro Nohara	Executive Officer	Kazuhira Watanabe	Supervisor of ASEAN Headquarters
	Division Manager of Electronics Sales Division	Executive Officer	Takahiro Urazawa	Deputy Head of Administration Headquarters
		Executive Officer	Hironaga Nagasaka	Division Director of Sales Promotion Division
Outside Director	Susumu Miyoshi	Executive Officer	Yasuhiro Ishihara	President of KAGA MICRO SOLUTION CO., LTD.
Outside Director	Akira Tamura	Executive Officer	Katsutoshi Suzuki	President of KAGA SOLUTION NETWORK CO., LTD.
Outside Director	Noritomo Hashimoto	Executive Officer	Satoshi Eguchi	General Manager of Corporate Strategy Office
Outside Director	Hirokazu Nishiyama	Executive Officer	Mitsuhiro Kumabe	
Auditor (Full-time)	Kazunori Kameda	Executive Officer	Hitoshi Koujitani	
Auditor (Full-time)	Takahiro Ishii			
Outside Auditor	Susumu Kitsunai			
Outside Auditor	Yoichi Sato			

Major affiliates in Japan

KAGA TECH CO., LTD.	Sale of electronic parts and electronic equipment, etc.
KAGA DEVICES CO., LTD.	Sale of electronic parts and electronic equipment, etc.
KAGA SOLUTION NETWORK CO., LTD.	Development, design, construction and maintenance of computer network systems, etc.
AD DEVICE CO., LTD.	Sale of electronic parts and electronic equipment, etc.
KAGA MICRO SOLUTION CO., LTD.	Development, manufacture, sale and recycling of PCs and PC peripherals, etc.
DIGITAL MEDIA LAB., INC.	Planning, development and sale of computer graphics
KAGA SPORTS CO., LTD.	Manufacture, wholesale and sale of sporting goods, etc.
KAGA AMUSEMENT CO., LTD.	Sale of electronic parts and electronic equipment, etc.
KAGA TECHNO SERVICE CO., LTD.	Electrical and communication facilities installation, interior work, etc.
KAGA FEI Co., Ltd.	Sale of electronic parts and electronic equipment, etc.
KAGA EMS TOWADA CO., LTD.	Manufacture and sale of electronic parts and electronic equipment, etc.
EXCEL CO., LTD.	Sale of electronic parts and electronic equipment, etc.
Kyokuto Electric Co., Ltd.	Manufacture and sale of electronic parts and electronic equipment, etc.

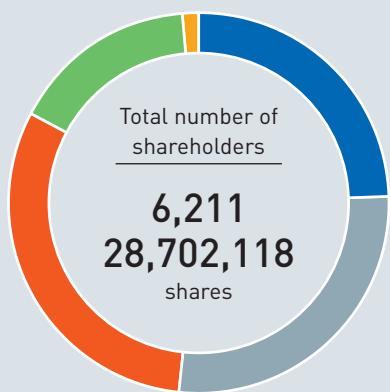
Major affiliates overseas

▼ China	▼ Asia	▼ North America	▼ Europe
			
KAGA (SHENZHEN) ELECTRONICS LTD.	KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.	KAGA COMPONENTS (MALAYSIA) SDN.BHD.	KAGA FEI AMERICA, Inc.
			
KAGA (SHANGHAI) ELECTRONICS CO., LTD.	KAGA (H.K.)ELECTRONICS LIMITED	KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	KAGA FEI EUROPE GmbH

Stock information

Total number of shares authorized	80,000,000 shares
Total number of shares outstanding	28,702,118 shares
Number of shares constituting one unit	100 shares
Number of shareholders	6,211

Breakdown by type of shareholder



Individuals	24.66%
7,077,035 shares (5,858)	
Other Japanese corporations	27.27%
7,827,993 shares (114)	
Financial institutions	30.89%
8,866,379 shares (33)	
Foreign corporations	16.06%
4,609,996 shares (168)	
Financial instruments business operators	1.12%
320,715 shares (38)	

Principal shareholders*1, 2

Name	Number of shares held (thousand shares)	Percentage of total shares issued	Name	Number of shares held (thousand shares)	Percentage of total shares issued
SANKYO CO., LTD.*3	3,824	13.92	Kaga Electronics Employee Shareowners Association	1,198	4.36
OKOZE CO., LTD.	1,840	6.70	Mizuho Bank, Ltd.	950	3.46
Custody Bank of Japan, Ltd. (Trust Account)	1,717	6.25	Isao Tsukamoto	731	2.66
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,461	5.32	Mitsubishi Electric Corporation	500	1.82
MUFG Bank, Ltd	1,212	4.41	Nippon Life Insurance Company	459	1.67

*1. In addition to the above, there are 1,227 thousand shares of treasury stock.
*2. Percentage of total shares issued is calculated after excluding treasury stock.
*3. On August 6, 2021, the Company acquired 1,231,000 treasury shares from SANKYO CO., Ltd. through off-floor treasury share repurchase trading (ToSTNeT-3). Reflecting this, the number of shares held by SANKYO CO., Ltd. currently amounts to 2,592,000, and its shareholding ratio stands at 9.88%. This ratio is calculated based on the sum of 1,227,000 treasury shares held by the Company as of March 31, 2021 and the 1,231,000 treasury shares repurchased on August 6, 2021, which amounts to 2,459,000 treasury shares.