

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2021

KAGA ELECTRONICS CO., LTD.

August 6, 2020

TSE 1st section 8154

Summary of Financial Results for the First Quarter Ended June 30, 2020

FY2021/ 1Q Results

- **Decrease in net sales due notably to impact of COVID-19 pandemic and termination of Fujitsu Electronics' sales agency agreement with Cypress.**
- Decreases in both operating income and ordinary income despite efforts to enhance operational efficiency and curb SG&A.
- **Increase in profit reflecting "gain on bargain purchase" associated with acquisition of EXCEL, recognized as extraordinary income.**

Overview of the main segments

- | | |
|------------------------------|--|
| Electronic Components | <ul style="list-style-type: none"> • In EMS business, steady performance of medical equipment business. Automotive and air-conditioning devices facing sluggish sales due to suspension of operations at some overseas plants and customers' production adjustments due to COVID-19. • Decline of sales in component sales business due in part to termination of sales agency agreement with Cypress. |
| Information Equipment | <ul style="list-style-type: none"> • Strong sales of PCs driven by expansion of remote working and online learning. • Housing-related home electric appliances business remaining sluggish. |

Forecast for FY2021/3

- Growth of IT-related demand expected, led by PCs and tablets. However, net sales, operating income and ordinary income all likely to fall below the previous year's levels due to consumption decline and customers' production cutbacks caused by COVID-19, combined with dissolution of large commercial rights and other causes.
- Projected profit increase due to recognition of "gain on bargain purchase" associated with acquisition of EXCEL.
- With annual dividend of 60 yen per share, payment of regular dividend planned at same amount as in previous fiscal year, or 30 yen for both interim and year-end dividends.

Financial Highlights

(million yen)

	FY2020/3 1Q Results		FY2021/3 1Q Results		YoY
Net Sales	109,564		84,130		-23.2%
Gross Profit	11,062	10.1%	9,997	11.9%	-9.6%
SG&A	9,212	8.4%	8,341	9.9%	-9.4%
Operating income	1,850	1.7%	1,656	2.0%	-10.5%
Ordinary income	2,045	1.9%	1,533	1.8%	-25.0%
Profit attributable to owners of parent	1,350	1.2%	8,643	10.3%	540.0%
EPS (yen)	49.20		314.77		
Exchange Rate USD	109.90		107.62		-2.28

Financial Results by Business Segment for FY2021/3 1Q

(million yen)

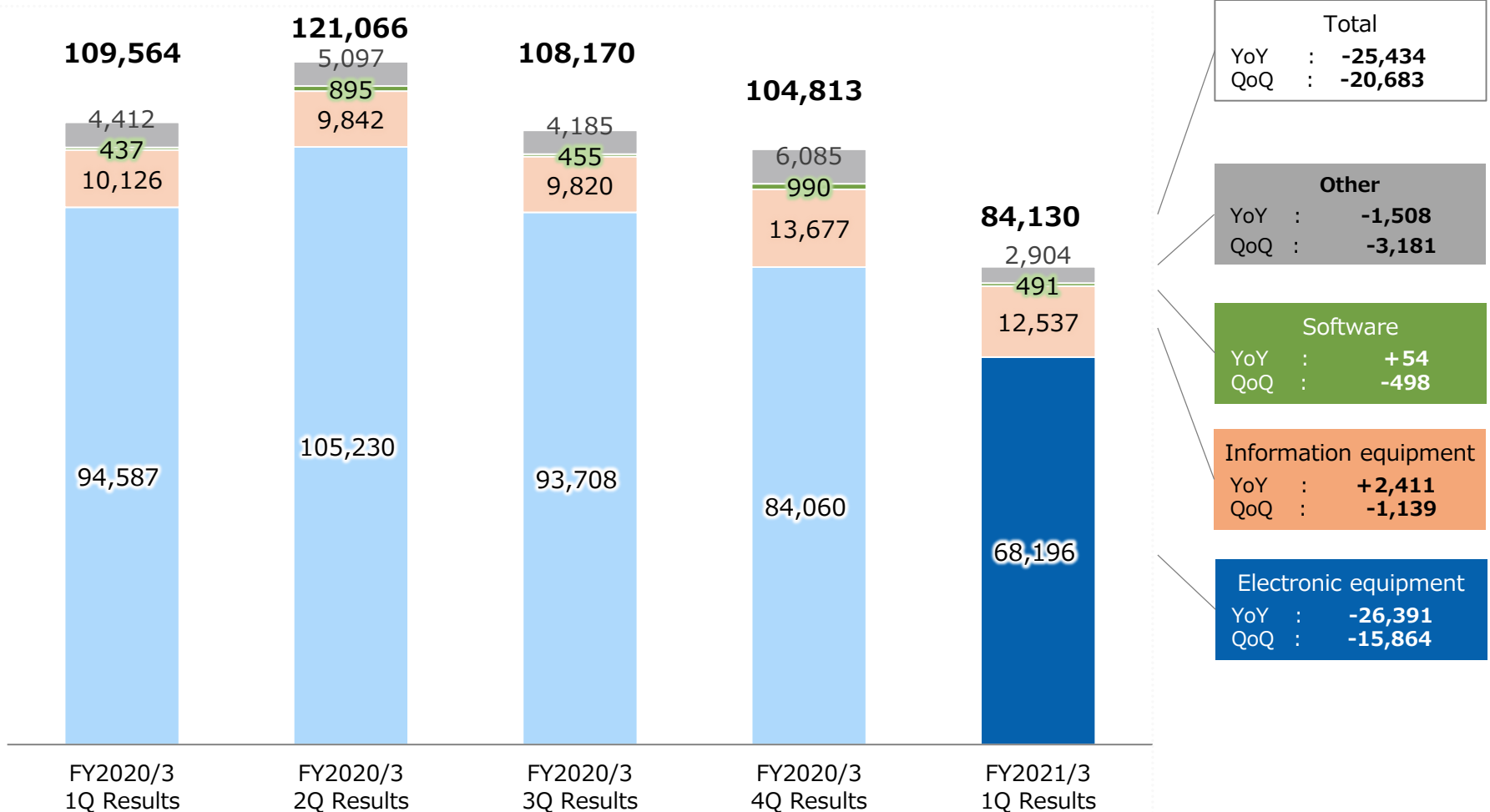
		FY2020/3 1Q Results		FY2021/3 1Q Results		YoY
Electronic Component	Net sales	94,587		68,196		-27.9%
	Segment income	1,621	1.7%	1,185	1.7%	-26.9%
Information Equipment	Net sales	10,126		12,537		23.8%
	Segment income	188	1.9%	583	4.7%	208.8%
Software	Net sales	437		491		12.4%
	Segment income	-61	-14.2%	-44	-9.1%	-
Others	Net sales	4,412		2,904		-34.2%
	Segment income	72	1.6%	-101	-3.5%	-
Total	Net sales	109,564		84,130		-23.2%
	Segment income	1,850	1.7%	1,656	2.0%	-10.5%

Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Financial Highlights by Business Segment① (Net Sales)

(million yen)

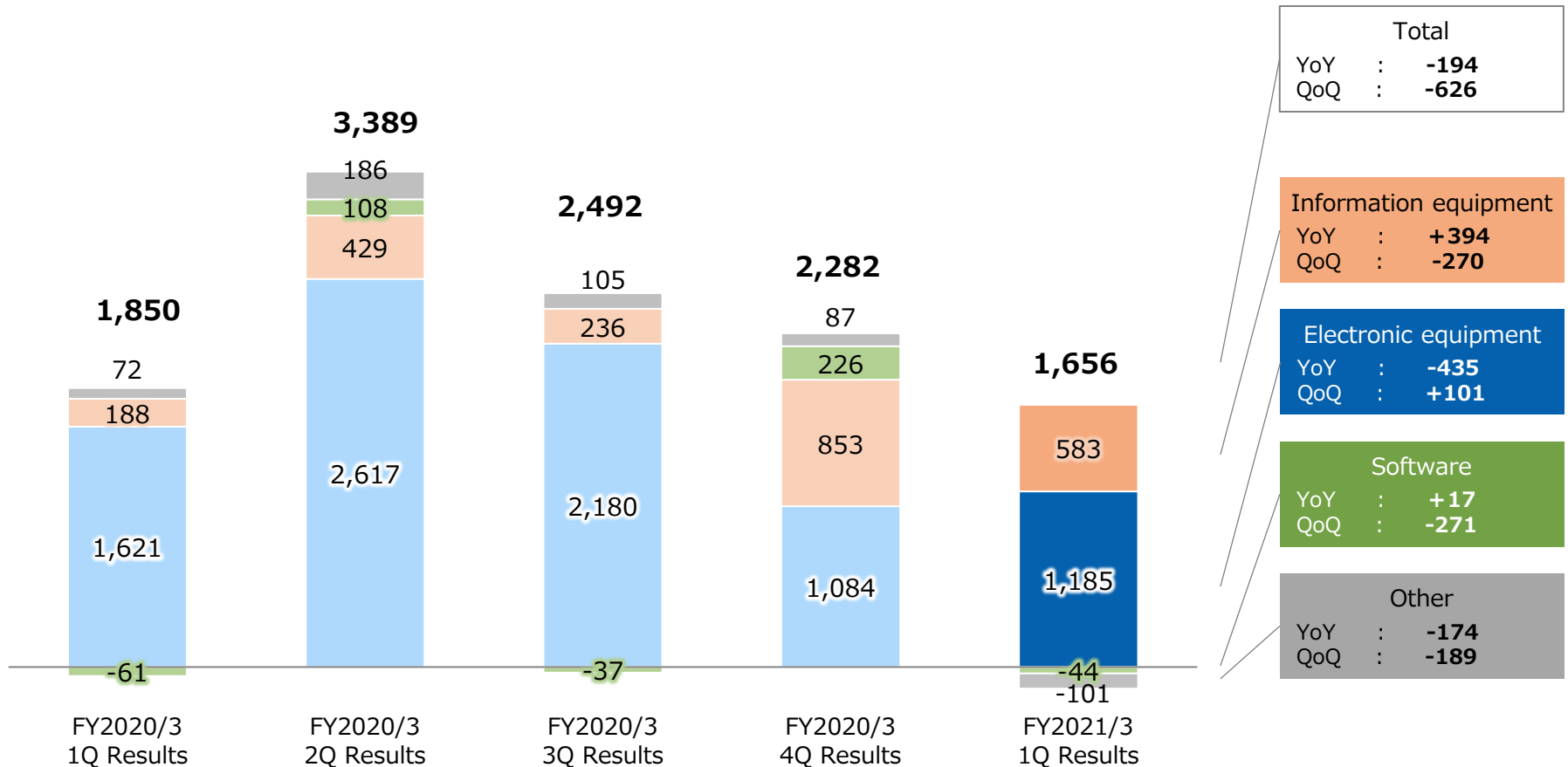
Net Sales



Financial Highlights by Business Segment② (Segment Income)

(nullion yen)

Segment Income



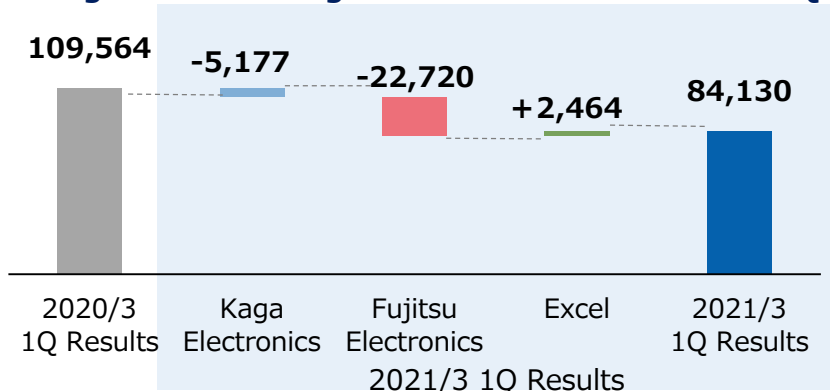
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Effect of M&A (FY2021/3 1Q Results)

※million yen. . FY2021/3 1Q results of EXCEL do not include results of group companies whose accounting period ends in December.

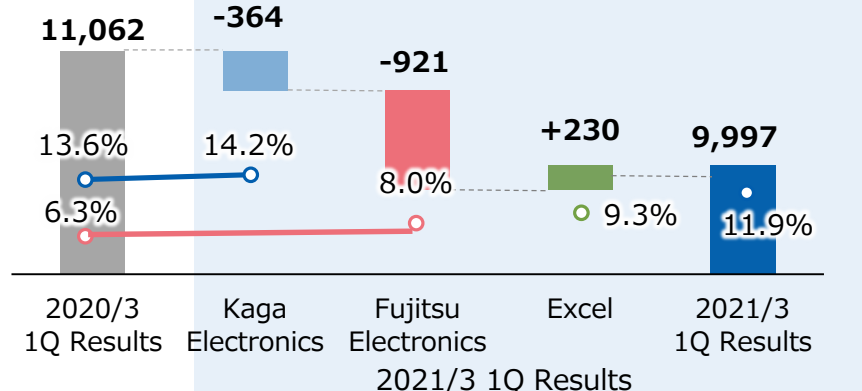
Net Sales

Sales decline at Kaga Electronics due to COVID-19. Fujitsu Electronics records heavy drop in sales due to loss of large commercial rights. EXCEL consolidated from 1Q.



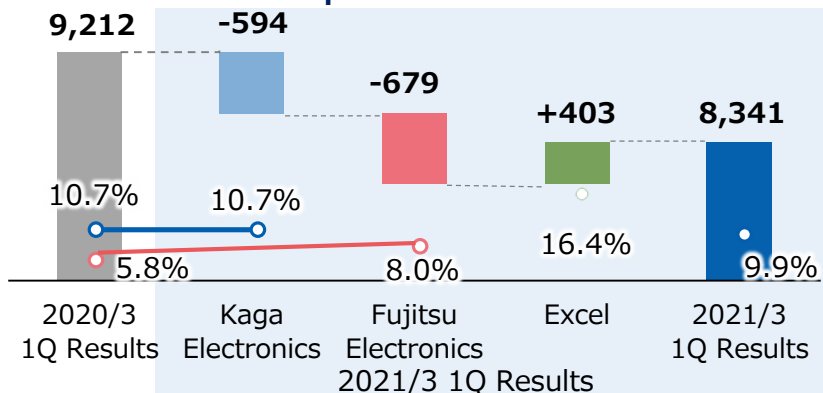
Gross profit / Gross profit margin

Both Kaga Electronics and Fujitsu Electronics see improvement in gross profit margin despite decline in income.



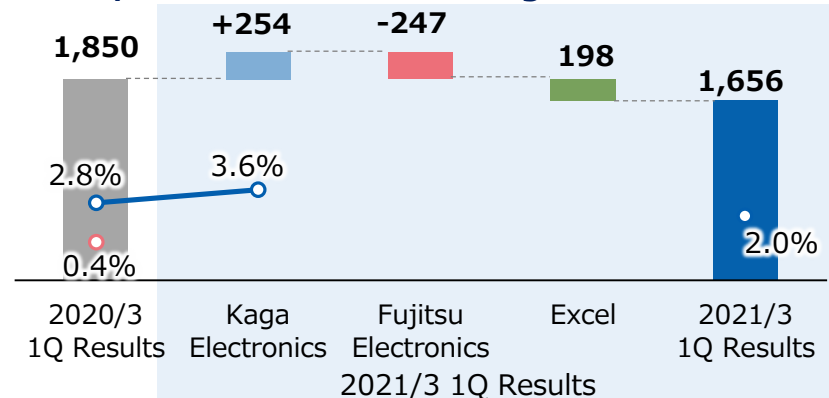
SG&A / SG&A ratio

At Fujitsu Electronics, impact of sales decline so significant that SG&A ratio rises sharply despite efforts to curb expenses.



Operating income / Operating income margin

Kaga Electronics secures income growth even in the face of COVID-19 pandemic, with improvement in income margin.



note : With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at -3million yen, and operating income came to 2 million yen.

FY2021/3 1Q results by company

(million yen)

		2020/3 1Q Results		2021/3 1Q Results		YoY
Kaga Electronics	Net sales	57,671		52,493		-9.0%
	Gross Profit	7,806	13.5%	7,442	14.2%	-4.7%
	operating income	1,616	2.8%	1,870	3.6%	15.7%
Fujitsu Electronics	Net sales	51,892		29,172		-43.8%
	Gross Profit	3,250	6.3%	2,328	8.0%	-28.3%
	operating income	228	0.4%	-18	-0.1%	—
Excel	Net sales	—	—	2,464		—
	Gross Profit	—	—	230	9.3%	—
	operating income	—	—	-198	-8.0%	—
Total	Net sales	109,564		84,130		-23.2%
	Gross Profit	11,062	10.1%	9,997	11.9%	-9.6%
	operating income	1,850	1.7%	1,656	2.0%	-10.5%

(note) 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.

2. FY2021/3 1Q results of EXCEL do not include results of group companies whose accounting period ends in December.

Financial Highlights: Electronic Component Segment

(million yen)

YNet sales/Segment income

YoY

■ / ■ Net Sales
■ / ■ Segment income

- Net Sales **-26,391** million Yen **27.9% Down**
- Segment income **-435** million Yen **26.9% Down**

94,587

84,060

68,196

1,621

1,084

1,185

FY2020/3
1Q Results

FY2020/3
4Q Results

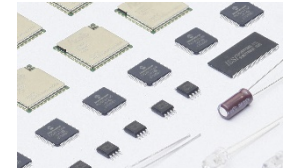
FY2021/3
1Q Results

EMS business for medical equipment shows steady performance, while that for automotive and air-conditioning devices records sales decline due to suspension of operation at some of the Company's plants, customers' production adjustments and other impacts of COVID-19 pandemic.

Components sales business sees decline in sales due to termination of Fujitsu Electronics' sales agency agreement with Cypress and decrease in customer demand caused by COVID-19 pandemic.

QoQ

- Net Sales **-15,864** million Yen **18.9% Down**
- Segment income **+101** million Yen **9.3% UP**

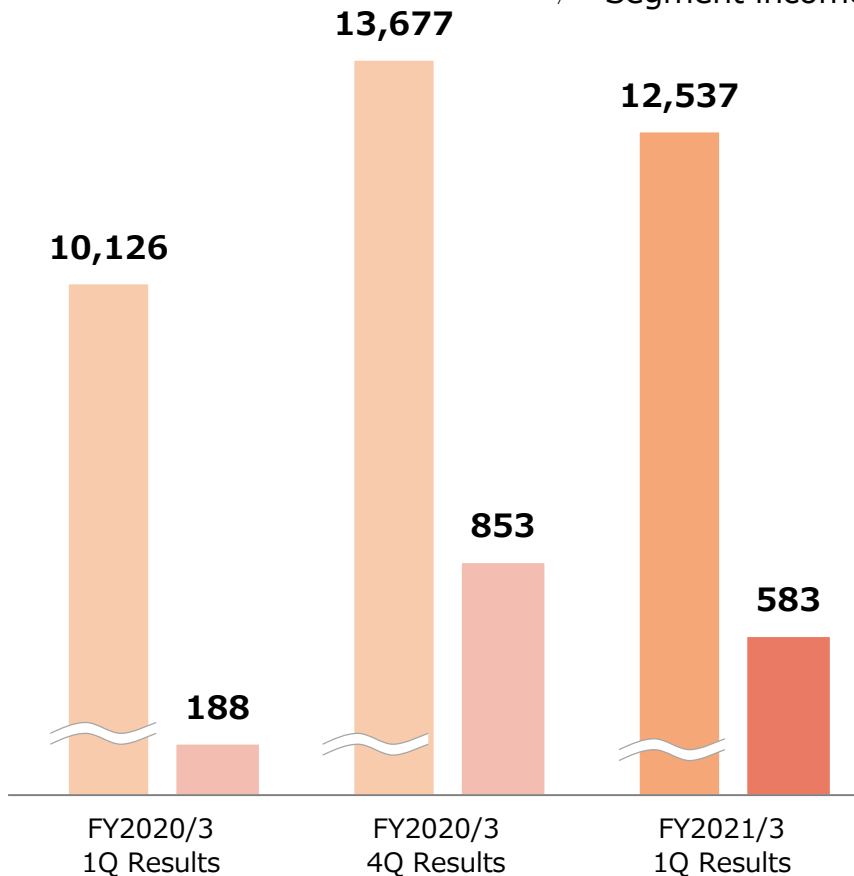


Financial Highlights: Information Equipment Segment

(million yen)

Net sales/Segment income

■ / ■ Net Sales
■ / ■ Segment income



YoY

- Net Sales **+2,411**million yen **23.8%Up**
- Segment income **+394**million yen **208.8%Up**

PCs and PC peripherals enjoy strong sales driven by expansion of remote working and online learning.

Sales decline in housing-related home electric appliances business.

QoQ

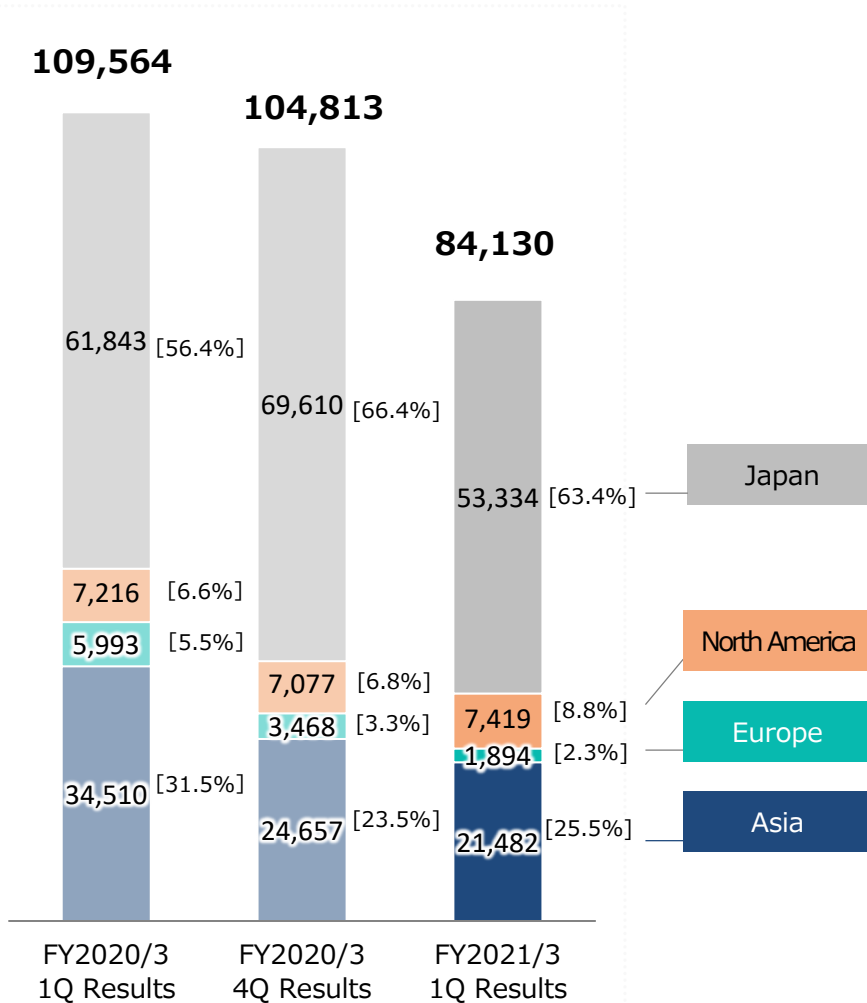
- Net Sales **-1,139**million yen **8.3%Down**
- Segment income **-270**million yen **31.7%Down**



Net Sales by Region

(million Yen)

Net Sales



YoY

- Japan **-8,509** million Yen **13.8% Down**
- North America **+ 202** million Yen **2.8% Up**
- Europe **-4,099** million Yen **68.4% Down**
- Asia **-13,028** million Yen **37.8% Down**

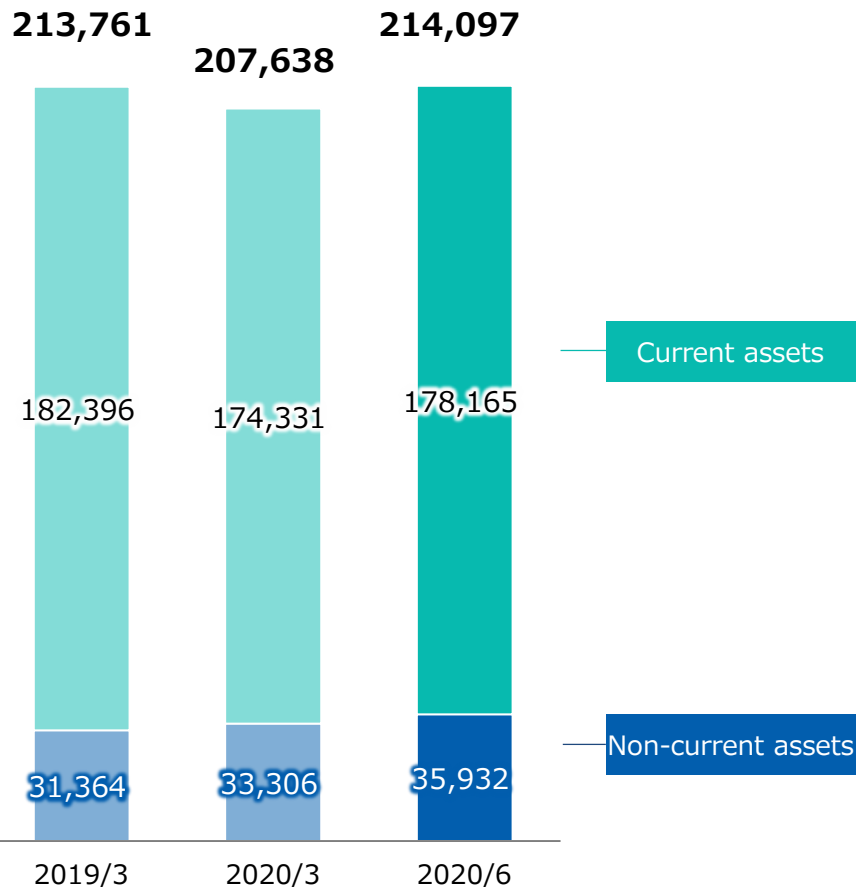
QoQ

- Japan **-16,276** million Yen **23.4% Down**
- North America **+ 341** million Yen **4.8% Up**
- Europe **-1,573** million Yen **45.4% Down**
- Asia **-3,174** million Yen **12.9% Down**

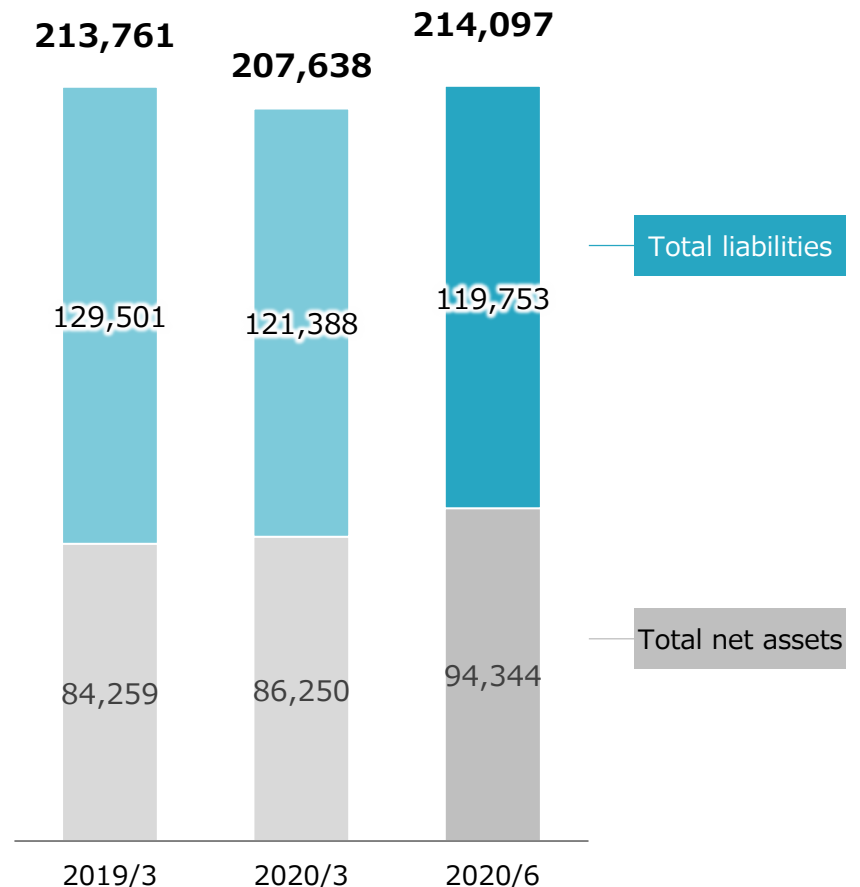
Balance Sheet Main Items

(Million Yen)

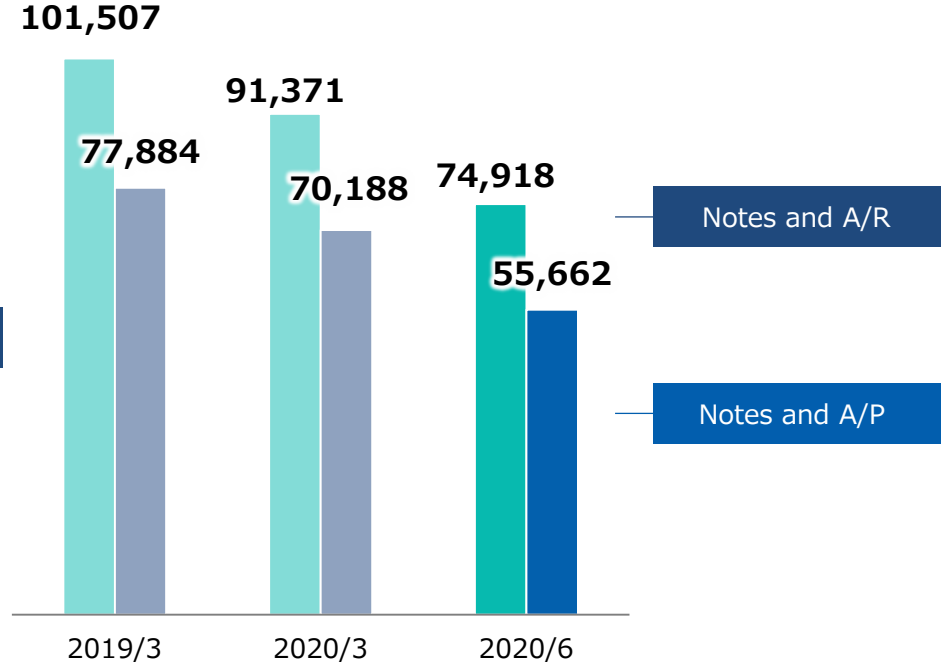
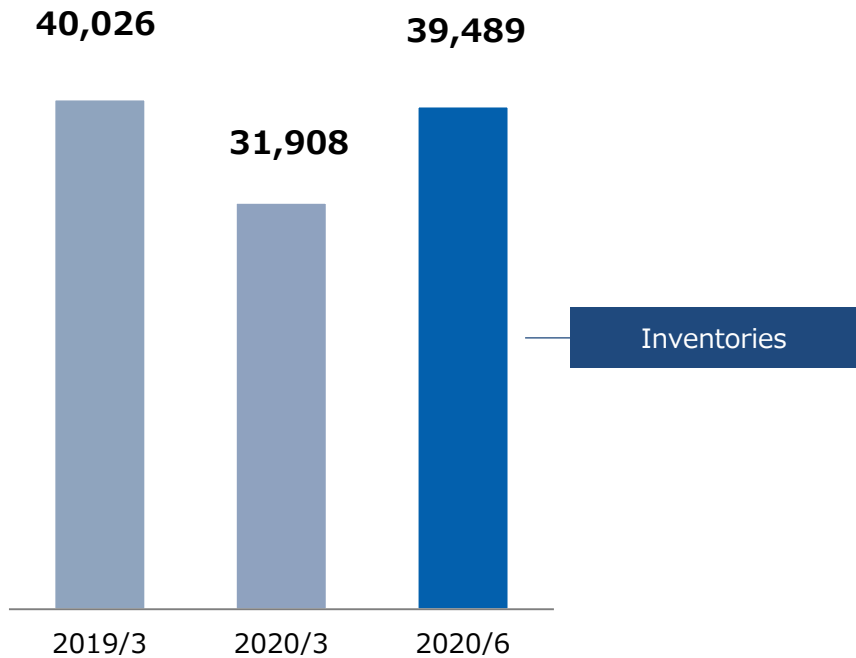
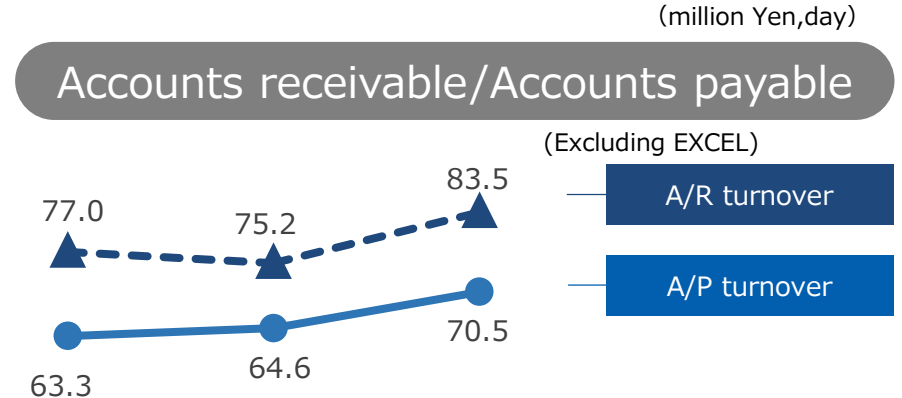
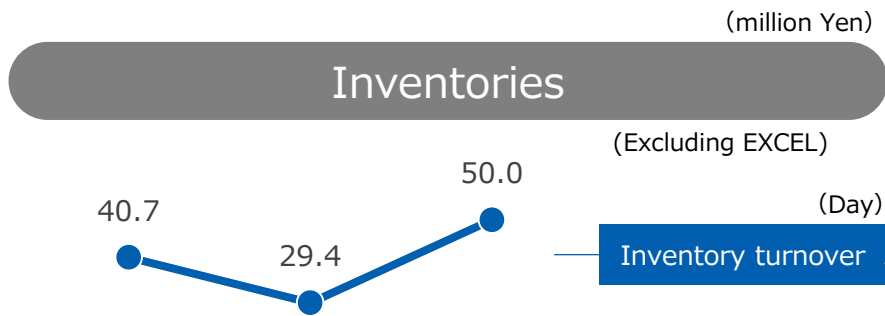
Total assets



Total liabilities and net assets



Balance Sheet Main Items



note : Inventory turnover = Inventories ÷ Cost of Sales × 91 (day)

notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating

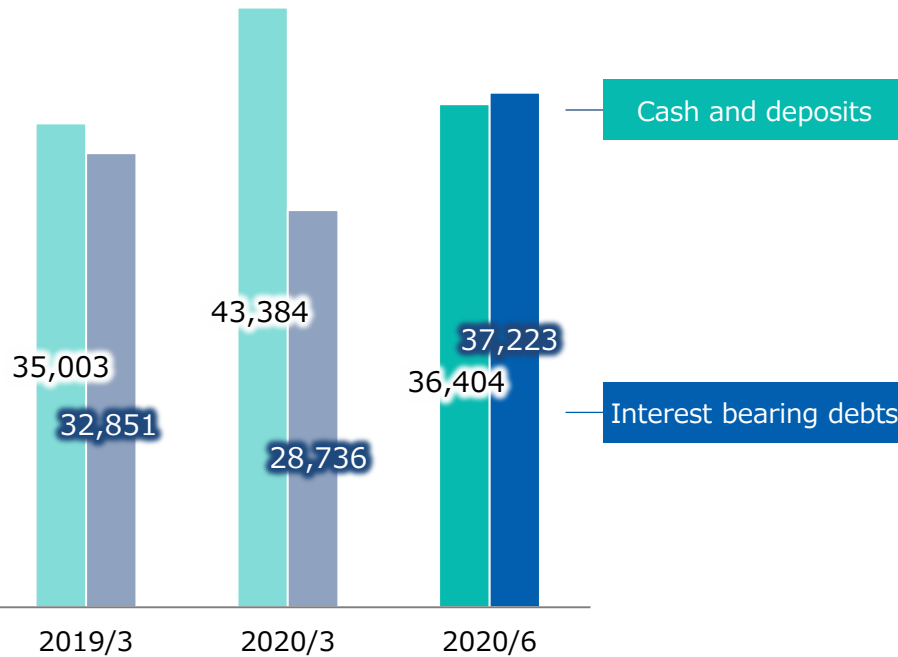
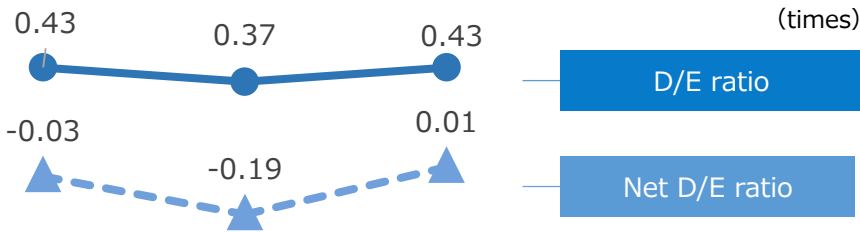
•A/R turnover = Notes and A/R ÷ Net sales × 91 (day)

•A/P turnover = Notes and A/P ÷ Cost of sales × 91 (day)

Balance Sheet Main Items

(million yen)

Cash and Deposits/Interest Bearing Debt



note : D/E ratio = Interest bearing debts ÷ Shareholder's equity
 Net D/E ratio = (Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

Forecast for the Fiscal Year ending March

(単位：百万円)

	FY2020/3 Results		FY2021/3 Initial forecast <small>(Announced May 21, 2020)</small>	FY2021/3 Current forecast	Changes	
Net sales	443,615		—	400,000	-9.8%	
Operating income	10,014	2.3%	—	5,000	1.3%	-50.1%
Ordinary income	10,137	2.3%	—	4,500	1.1%	-55.6%
Profit attributable to owners of parent	5,852	1.3%	—	10,000	2.5%	70.9%
EPS (Yen)	213.21		—	364.18		—
ROE	7.6		—	11.8		+4.2pt

Breakdown of earnings forecasts for FY2021/3

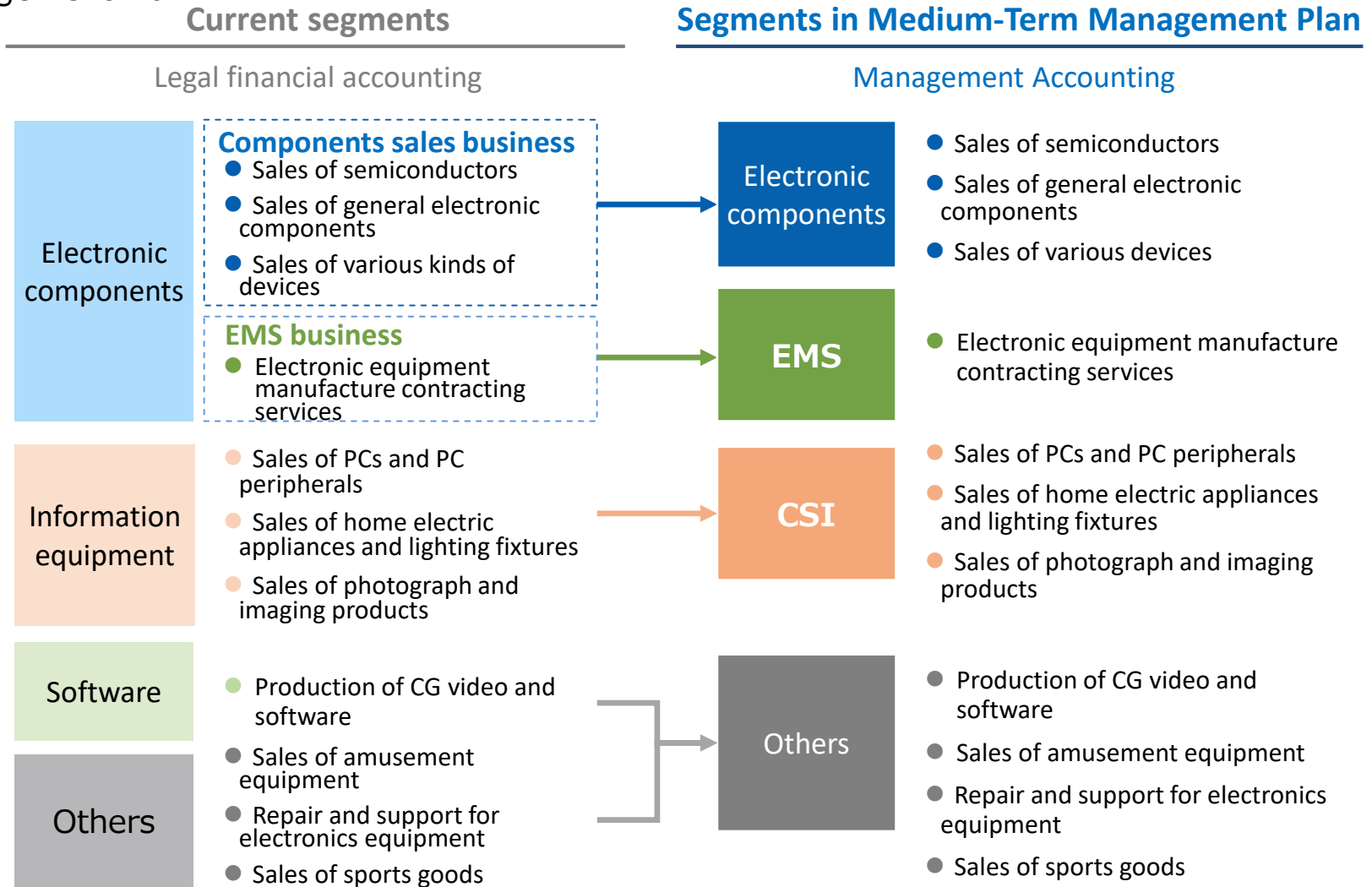
		(million yen)	FY2020/3	FY2021/3	
Net Sales	● Kaga Electronics		243,031	240,000	Before COVID-19 Pandemic
	● Fujitsu Electronics		200,584	160,000	
	* Decrease due to changes in commercial rights :			About -60,000	
	● Excel	(Reference: 53,373)		50,000	
	Simple Total		443,615	450,000	
	● Risk of sales decrease due to the spread of COVID-19 :			About -50,000	
			with COVID-19	400,000	
Operating Income	● Kaga Electronics		7,927	7,500	Before COVID-19 Pandemic
	● Fujitsu Electronics		2,086	1,000	
	● Excel	(Reference: -695)		B/E	
	Simple Total		10,014	8,500	
	● Lost gross profit due to lower sales -5,000 + Profit recovery +1,500 :			About -3,500	
			with COVID-19	5,000	
Profit attributable to owners of parent	● Extraordinary income	Gains on negative goodwill...		8,000	
	● Extraordinary loss	Restructuring costs, others ...		-1,000	
	● Income Taxes			-1,500	
				with COVID-19	10,000

Exchange Rate/FOREX Sensitivity

	FY2020/3 1Q Results (yen)	FY2021/3 1Q Results (yen)	(Reference) Effect of 1% change (million yen)		Forex Assumption for 2021/3(yen)
			Net Sales	Ordinary income	
USD	109.90	107.62	200	11	108.00
THB	3.48	3.37	10	1	3.50
RMB	16.33	15.60	44	1	15.50
HKD	14.02	13.89	32	0	14.00

Segment disclosure associated with the start of the Medium-Term Management Plan

Continuous disclosure based on current segmentation according to legal financial accounting, along with voluntary disclosure based on segmentation in line with the new Medium-Term Management Plan



Business segments of Parent company and Group companies

	Electronic Components	EMS	CSI	Others
KAGA ELECTRONICS CO., LTD.				
Electronics Business Division	●	●	(●)	●
EMS Business Division		●		
Communication Network Sales Division	●	●	●	(●)
Specific Industry Business Division	●	●	(●)	●
Sales Promotion Division	●			
Major Affiliates in Japan				
KAGA TECH CO., LTD.	●	(●)	(●)	(●)
KAGA DEVICES CO., LTD.	●	●	●	●
KAGA SOLUTION NETWORK CO., LTD.			●	
AD DEVICE CO., LTD.	●			
KAGA MICRO SOLUTIONCO., LTD.		●	(●)	●
DIGITAL MEDIA LAB., INC.				●
KAGA SPORTS CO., LTD.				●
KAGA AMUSEMENT CO., LTD.				●
KAGA TECHNOSERVICE CO., LTD.			●	
FUJITSU ELECTRONICS INC.	●			
KAGA EMS TOWADA CO., LTD.		●		
EXCEL CO., LTD.	●			
Major Affiliates Overseas				
KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.		●		
KAGA (SHANGHAI) ELECTRONICS CO., LTD.	(●)	●		
KAGA (SHENZHEN) ELECTRONICS CO., LTD.		●		
KAGA (H.K.) ELECTRONICS LIMITED		●		
KAGA DEVICES (H.K.) LIMITED	●			
KAGA (TAIWAN) ELECTRONICS CO., LTD	●	(●)		
KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	(●)	●		
KAGA COMPONENTS (MALAYSIA) SDN.BHD.		●		
KAGA ELECTRONICS INDONESIA, PT	●	●		
KAGA ELECTRONICS (VIETNAM) CO., LTD.		●		
KAGA (SINGAPORE) ELECTRONICS PTE LTD	●	(●)		(●)
KAGA ELECTRONICS (USA) INC.	●	●		
TAXAN MEXICO S.A. de C.V.		●		
KD TEC s.r.o.	●	●		

Financial Highlights by Business Segment of the Medium-Term Management Plan

(million yen)

		FY2020/3 1Q Results		FY2021/3 1Q Results		YoY
Electronic Components	Net sales	72,105		49,740		-31.0%
	Segment income	475	0.7%	44	0.1%	-90.6%
EMS	Net sales	24,520		19,820		-19.2%
	Segment income	1,269	5.2%	1,083	5.5%	-14.7%
CSI	Net sales	10,126		12,537		23.8%
	Segment income	188	1.9%	583	4.7%	208.8%
Others	Net sales	2,812		2,031		-27.8%
	Segment income	-114	-4.1%	-89	-4.4%	—
Total	Net sales	109,564		84,130		-23.2%
	Segment income	1,850	1.7%	1,656	2.0%	-10.5%

Note : Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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



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