

**Financial Results Briefing Material**  
for the First Half of the  
Fiscal Year ending March 2022

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**KAGA ELECTRONICS CO., LTD.**

**November 25, 2021**

**TSE 1st section 8154**

# Summary of Financial Results for FY2022/3 2Q

## FY2022/3 1H results

- **Net sales increased**, driven by the electronic components business that benefited from recovery in demand.
- **Operating income increased significantly, achieving a record high for the first half**, a result of higher gross profit reflecting higher sales, as well as facilitation of remote working, online conferencing and other tools, and efforts to curb expenses.
- **Net income for the quarter decreased due to the absence of the 7.96 billion yen "gain on bargain purchase"** resulting from the acquisition of EXCEL, which was posted as extraordinary income.

## Overview of the main segments

Electronic Components	<ul style="list-style-type: none"> <li>● In the components sales business, the tight supply/demand balance of electronic components continued but <b>volume could be secured by leveraging strength in procurement capabilities. Net sales increased, driven by robust demand.</b></li> <li>● In the EMS business, <b>sales in the automotive, industrial equipment, and medical product areas were solid.</b></li> </ul>
Information Equipment	<ul style="list-style-type: none"> <li>● <b>PCs to educational institutions and PC peripheral equipment such as security software maintained the strong 1Q sales trend.</b></li> <li>● Net sales declined due to the impact of a reactionary drop in the sale of PCs for remote work as well as extensions of construction periods in the LED and network device installation business caused by delayed delivery of products and materials.</li> </ul>

## FY2022/3 earnings forecast

- While taking note of the steady progress in the first half that exceeded initial plans, forecasts for the 3Q and beyond carefully incorporate the effects of risks such as opportunity loss arising from tight supply/demand balance of electronic components and soaring distribution costs.
- Forecast for net sales remains unchanged. **Forecast for operating income is raised by 2 billion yen, targeting another record high** for the third consecutive fiscal year.

## Shareholder return

- Interim and year-end dividends will both **be increased by 5 yen from the initial forecast, to 45 yen per share.**
- Full-year dividend will be 90 yen per share, an **increase of 10 yen from 80 yen paid in the previous fiscal year.**

# FY2022/3 2Q Financial Highlights

(million yen)

	FY2021/3 2Q Results		FY2022/3 2Q Results		YoY	FY2022/3 Forecast <small>(announced on May 13, 2021)</small>		Progress rate
Net Sales	188,859		223,009		18.1%	470,000		47.4%
Gross Profit	21,641	11.5%	27,133	12.2%	25.4%	—	—	—
SG&A	17,206	9.1%	18,832	8.4%	9.4%	—	—	—
Operating income	4,434	2.3%	8,300	3.7%	87.2%	13,000	2.8%	63.9%
Ordinary income	4,338	2.3%	8,452	3.8%	94.8%	12,000	2.6%	70.4%
Profit attributable to owners of parent	10,772	5.7%	5,624	2.5%	-47.8%	8,000	1.7%	70.3%
EPS (yen)	392.30		207.39		—	291.20		—
Exchange Rate	USD	106.92	—	109.80	—	—	110.50	—

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the beginning of FY2022/3 1Q.  
As a result, compared to the previous method, in this 2Q, net sales decreased by 2,358million yen. Operating income, ordinary income, and profit before income taxes also decreased by 15million yen each.

# FY2022/3 2Q Results by Business Segment

(million yen)

		FY2021/3 2Q Results	FY2022/3 2Q Results	YoY	FY2022/3 Forecast	Progress rate
Electronic Component	Net sales	156,887	194,406	23.9%	404,000	48.1%
	Segment income	3,083 2.0%	7,123 3.7%	131.1%	9,900 2.5%	72.0%
Information Equipment	Net sales	23,192	18,713	-19.3%	45,000	41.6%
	Segment income	1,160 5.0%	910 4.9%	-21.6%	2,300 5.1%	39.6%
Software	Net sales	1,274	1,237	-2.9%	3,000	41.3%
	Segment income	86 6.8%	-109 -	-	300 10.0%	-
Others	Net sales	7,505	8,651	15.3%	18,000	48.1%
	Segment income	36 0.5%	320 3.7%	787.3%	500 2.8%	64.1%
Total	Net sales	188,859	223,009	18.1%	470,000	47.4%
	Segment income	4,434 2.3%	8,300 3.7%	87.2%	13,000 2.8%	63.9%

(announced on May 13, 2021)

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

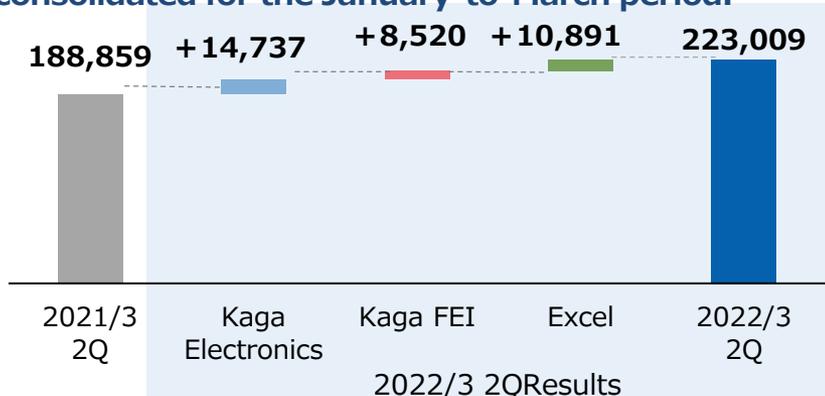
# Effect of M&A (FY2022/3 2Q Results)

\* EXCEL's actual results for FY2021/3 2Q do not include results of overseas subsidiaries' FY2021/Jan-Mar period.

(million yen)

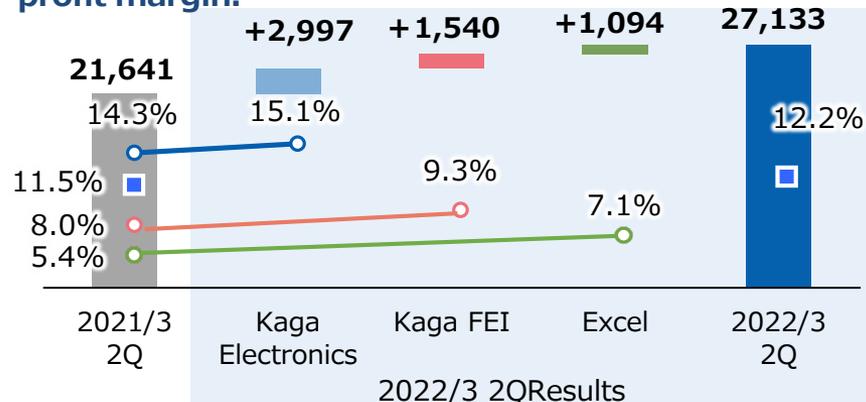
## Net Sales

Sales increased for all three companies. In FY 2021/3, EXCEL's overseas subsidiaries were not consolidated for the January-to-March period.\*



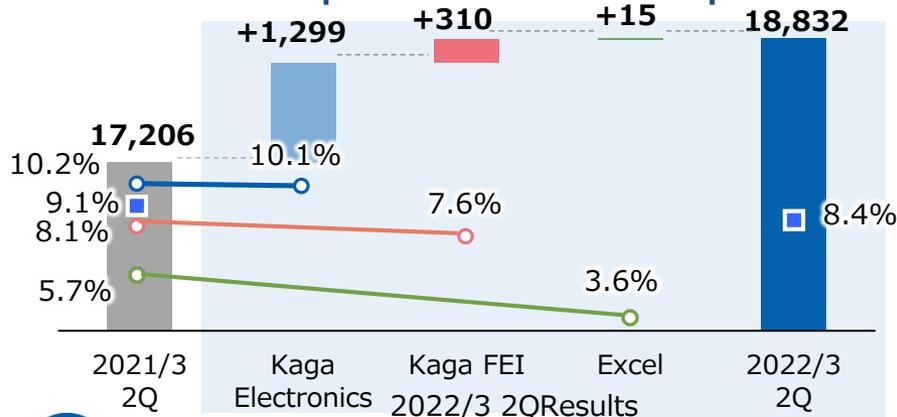
## Gross profit / Gross profit margin

Income increased for all three companies, owing to higher sales that led to higher income and improved profit margin.



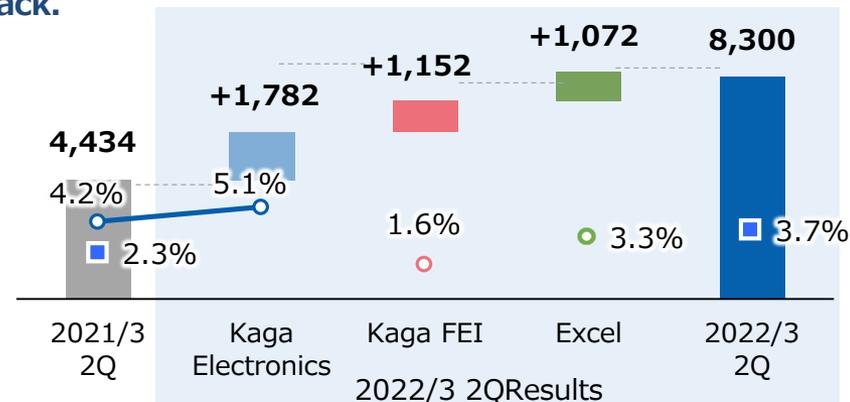
## SG&A / SG&A ratio

Although expenses increased with growth in sales, the SG&A ratio improved for all three companies.



## Operating income / Operating income margin

Significant improvement in profit margin at Kaga Electronics. Both Kaga FEI and EXCEL returned to the black.



# FY2022/3 2Q Results by Company

(million yen)

		2021/3 2Q Results		2022/3 2Q Results		YoY
Kaga Electronics	Net sales	110,535		125,272		13.3%
	Gross Profit	15,853	14.3%	18,850	15.1%	18.9%
	operating income	4,619	4.2%	6,402	5.1%	38.6%
Kaga FEI	Net sales	59,720		68,240		14.3%
	Gross Profit	4,784	8.0%	6,325	9.3%	32.2%
	operating income	-84	-0.1%	1,067	1.6%	—
Excel	Net sales	18,604		29,495		58.5%
	Gross Profit	1,009	5.4%	2,103	7.1%	108.4%
	operating income	-106	-0.6%	966	3.3%	—
Total	Net sales	188,859		223,009		18.1%
	Gross Profit	21,641	11.5%	27,133	12.2%	25.4%
	operating income	4,434	2.3%	8,300	3.7%	87.2%

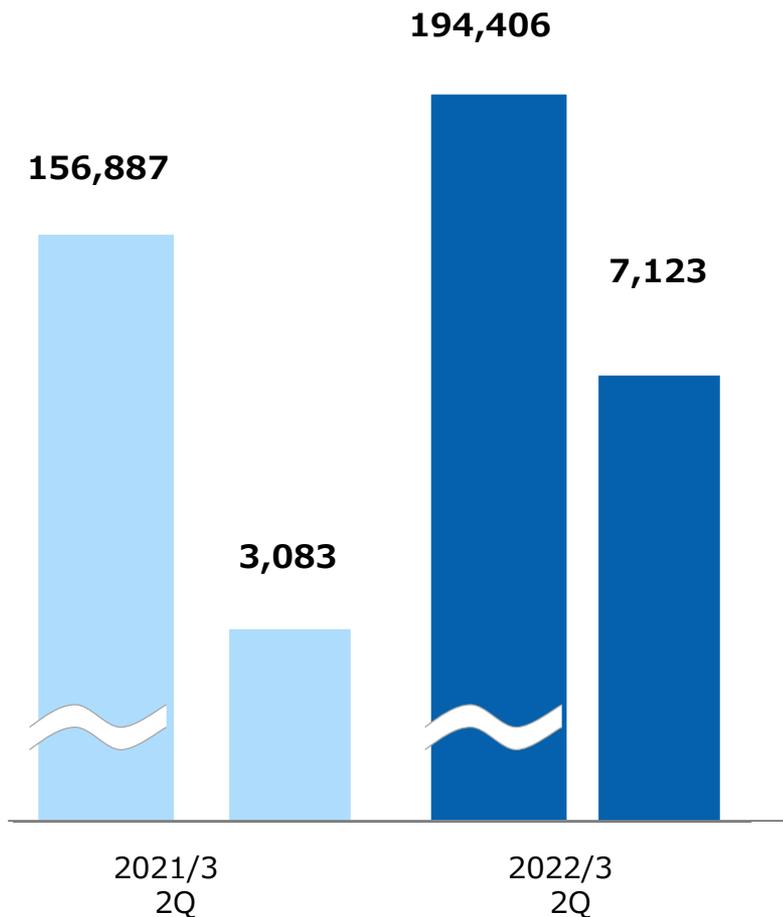
(note) With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.

# Financial Highlights: Electronic Component Segment

(Million Yen)

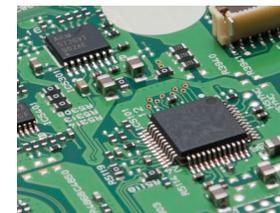
Net sales/Segment income

YoY



- Net Sales + **37,519**million yen **23.9%Up**
- Segment income +**4,040**million yen **131.1%Up**

- In the components sales business, tight supply/demand balance of semiconductors and electronic components persisted, but by leveraging strength in procurement capabilities as an independent trading company, sales increased driven by robust demand from a broad range of industries.
- Adjustments in the financial periods of the overseas subsidiaries of EXCEL, acquired in the previous fiscal year, had the effect of boosting sales.
- The EMS business remained firm in categories such as automotive, industrial equipment, and medical products.

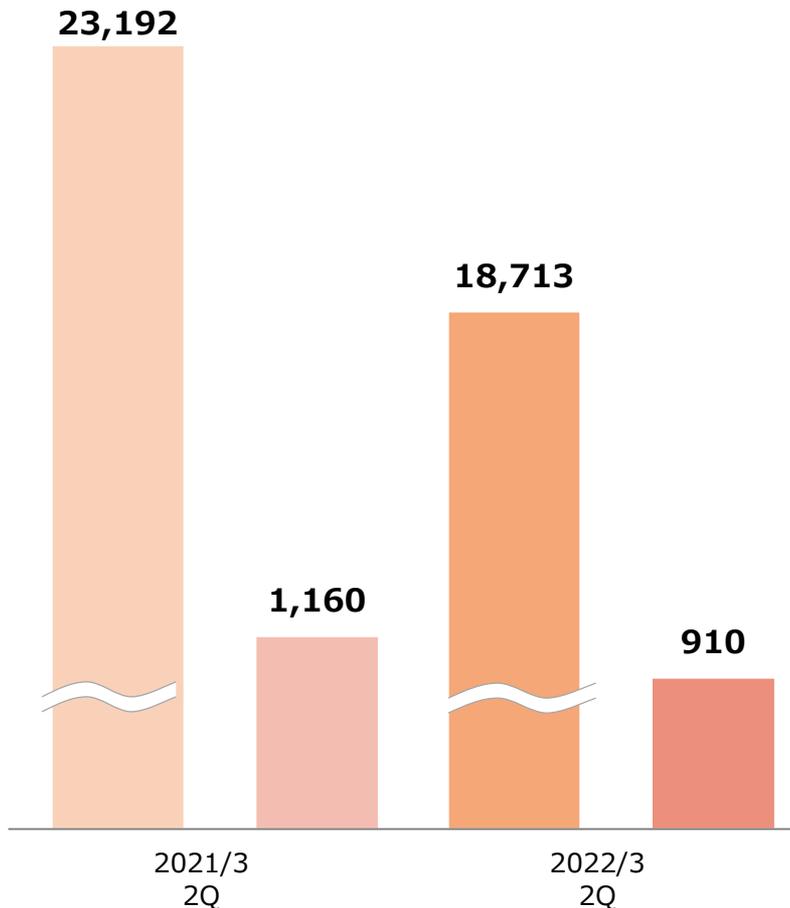


# Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income

YoY



- Net Sales **-4,478**million yen **19.3%Down**
- Segment income **-250**million yen **21.6%Down**

- PCs to educational institutions and PC peripheral equipment such as security software continued to see strong sales.
- Sales of PCs to corporate users were slow, as remote work-related demand had run its course; product supply problems caused by a shortage of electronic components also had an effect.
- In the LED lighting and network device installation business, net sales declined due to extensions of construction periods resulting from delayed delivery of products and materials caused by a shortage of components.



(million yen)

	FY2021/3 2QResults		FY2022/3 1QResults		FY2022/3 2QResults		YoY	QoQ
Net Sales	104,729		105,949		117,059		11.8%	10.5%
Gross Profit	11,643	11.1%	13,550	12.8%	13,582	11.6%	16.7%	0.2%
SG&A	8,864	8.5%	9,098	8.6%	9,733	8.3%	9.8%	7.0%
Operating income	2,778	2.7%	4,452	4.2%	3,848	3.3%	38.5%	-13.6%
Ordinary income	2,804	2.7%	4,566	4.3%	3,885	3.3%	38.5%	-14.9%
Profit attributable to owners of parent	2,128	2.0%	2,872	2.7%	2,752	2.4%	29.3%	-4.2%
EPS (yen)	77.53	—	104.55	—	102.48	—	—	—

(million yen)

		FY2021/3 2QResults		FY2022/3 1QResults		FY2022/3 2QResults		YoY	QoQ
Electronic Component	Net sales	88,690		90,624		103,782		17.0%	14.5%
	Segment income	1,897	2.1%	3,699	4.1%	3,423	3.3%	80.5%	-7.5%
Information Equipment	Net sales	10,654		10,636		8,077		-24.2%	-24.1%
	Segment income	577	5.4%	568	5.3%	342	4.2%	-40.8%	-39.8%
Software	Net sales	783		568		669		-14.5%	17.8%
	Segment income	131	16.8%	-67	-11.8%	-42	-6.3%	-	-
Others	Net sales	4,600		4,120		4,530		-1.5%	9.9%
	Segment income	137	3.0%	217	5.3%	103	2.3%	-25.0%	-52.4%
Total	Net sales	104,729		105,949		117,059		11.8%	10.5%
	Segment income	2,778	2.7%	4,452	4.2%	3,848	3.3%	38.5%	-13.6%

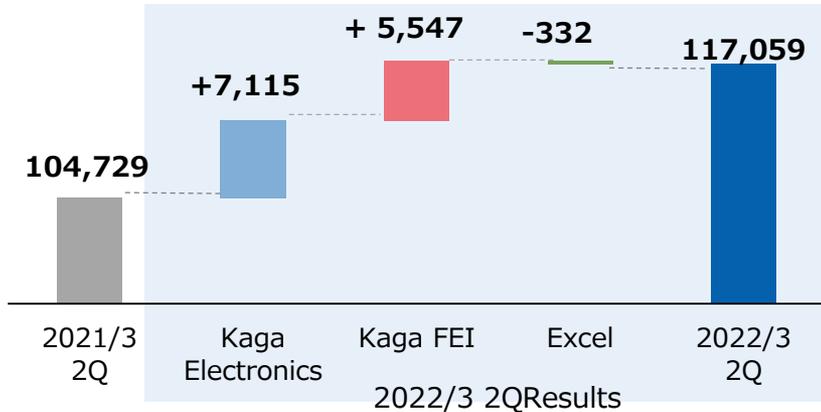
Note: Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).

# Effect of M&A (FY2022/3 2Q Results) (3months)

(million yen)

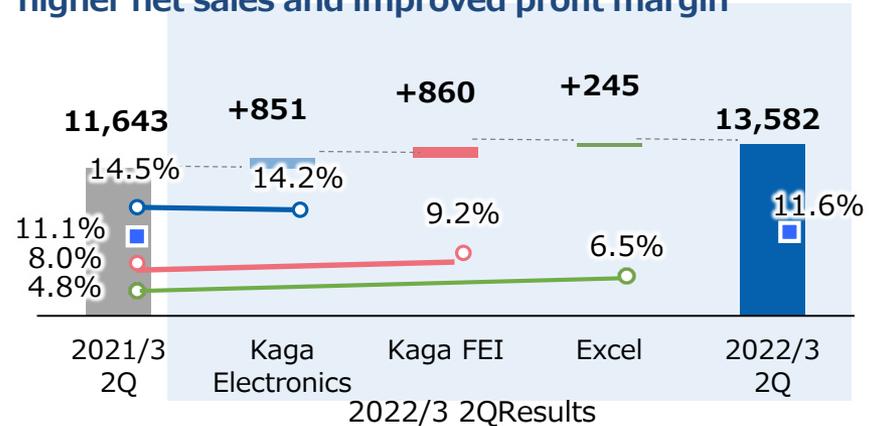
## Net Sales

EXCEL was flat year on year but Kaga Electronics and Kaga FEI drove growth in net sales



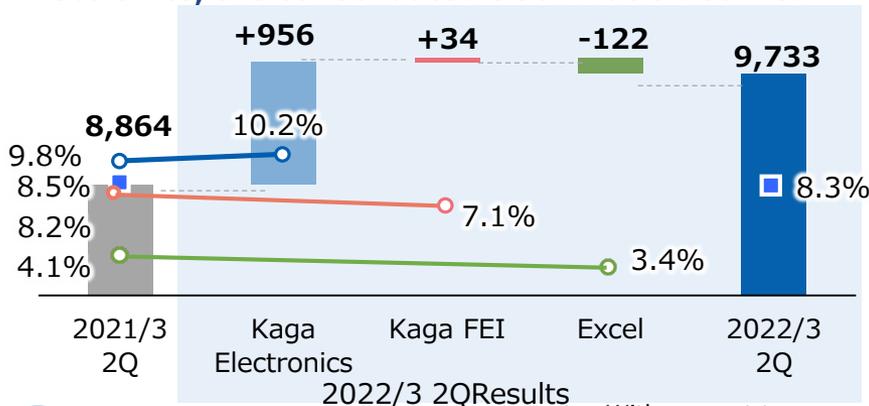
## Gross profit / Gross profit margin

Income increased for all three companies, owing to higher net sales and improved profit margin



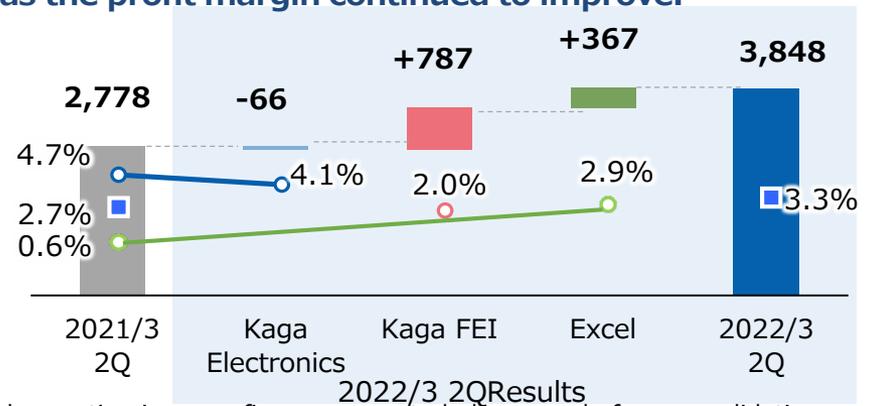
## SG&A / SG&A ratio

Despite cost increases due to higher sales at Kaga Electronics, the consolidated SG&A ratio declined



## Operating income / Operating income margin

Kaga FEI returned to the black. Income increased, as the profit margin continued to improve.



# FY2022/3 2Q Results by Company (3months)

(million yen)

		2021/3 2QResults		2022/3 1QResults		2022/3 2QResults		YoY	QoQ
Kaga Electronics	Net sales	58,041		60,115		65,157		12.3%	8.4%
	Gross Profit	8,410	14.5%	9,588	16.0%	9,261	14.2%	10.1%	-3.4%
	operating income	2,749	4.7%	3,719	6.2%	2,683	4.1%	-2.4%	-27.9%
Kaga FEI	Net sales	30,548		32,145		36,095		18.2%	12.3%
	Gross Profit	2,455	8.0%	3,009	9.4%	3,316	9.2%	35.0%	10.2%
	operating income	-65	-0.2%	346	1.1%	721	2.0%	—	108.0%
Excel	Net sales	16,139		13,688		15,807		-2.1%	15.5%
	Gross Profit	779	4.8%	1,079	7.9%	1,024	6.5%	31.5%	-5.1%
	operating income	91	0.6%	507	3.7%	458	2.9%	401.6%	-9.6%
Total	Net sales	104,729		105,949		117,059		11.8%	10.5%
	Gross Profit	11,643	11.1%	13,550	12.8%	13,582	11.6%	16.7%	0.2%
	operating income	2,778	2.7%	4,452	4.2%	3,848	3.3%	38.5%	-13.6%

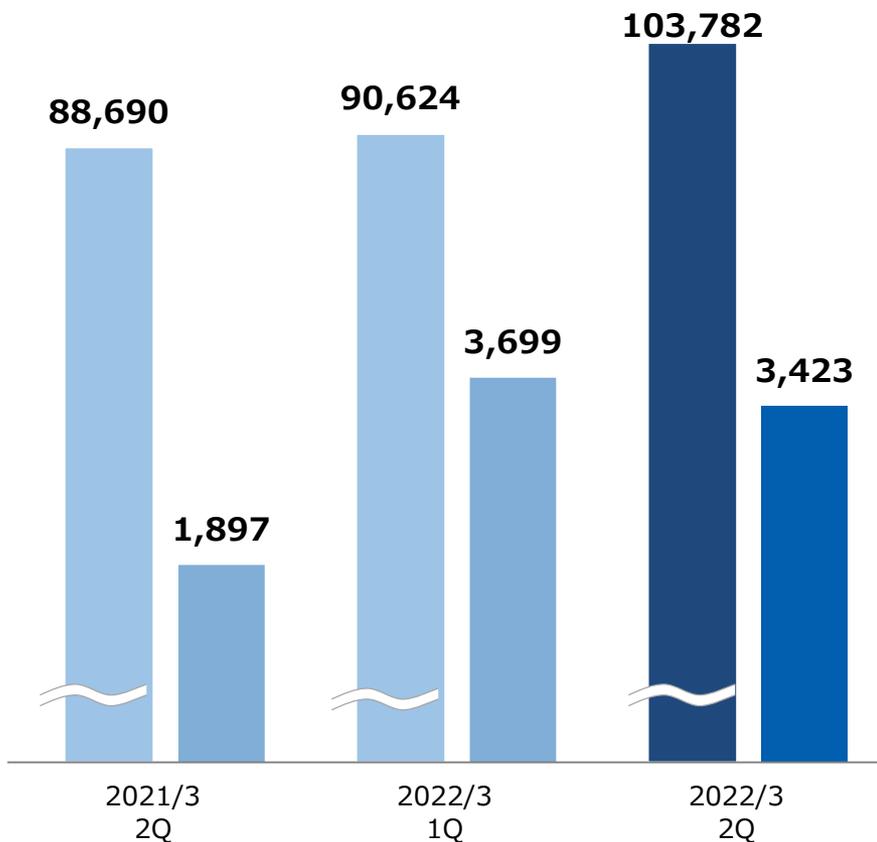
Note: Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).

# Financial Highlights: Electronic Component Segment (3months)

(million Yen)

## Net sales/Segment income

■ / ■ Net Sales  
■ / ■ Segment income



## YoY

- Net Sales **+15,091**million yen **17.0%Up**
- Segment income **+1,526**million yen **80.5%UP**

## QoQ

- Net Sales **+13,158**million yen **14.5%Up**
- Segment income **-276**million Yen **7.5%Down**

# Financial Highlights: Information Equipment Segment (3months)

(million yen)

Net sales/Segment income

YoY

■ / ■ Net Sales

● Net Sales **-2,577**million yen **24.2%Down**

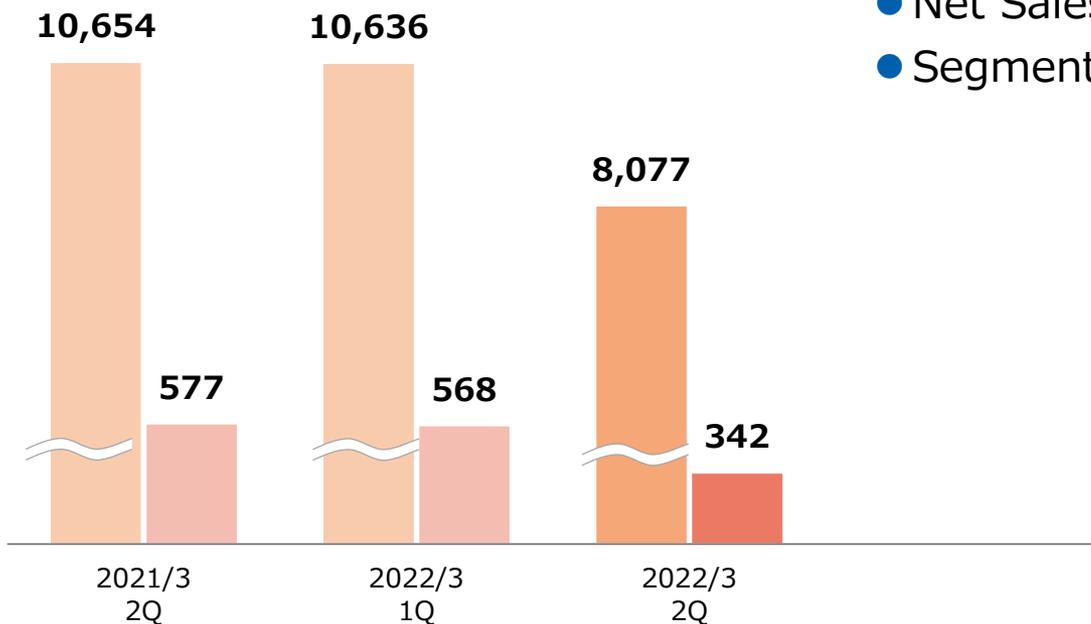
■ / ■ Segment Income

● Segment income **-235**million yen **40.8%Down**

QoQ

● Net Sales **-2,558**million yen **24.1%Down**

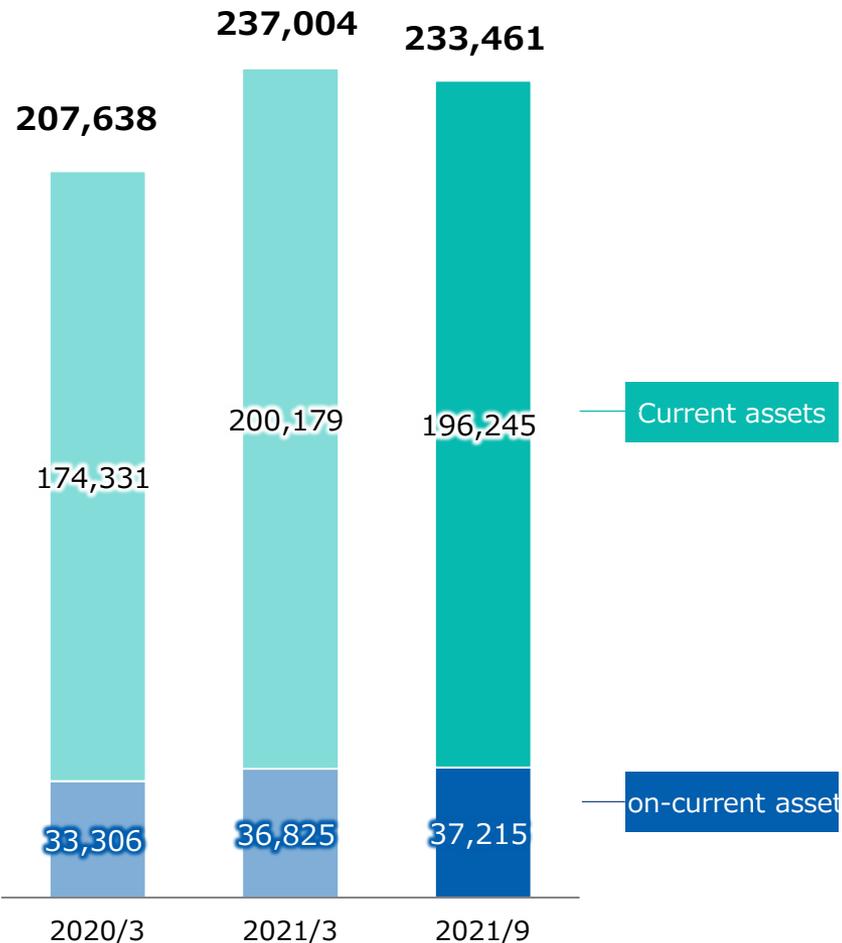
● Segment income **-226**million yen **39.8%Down**



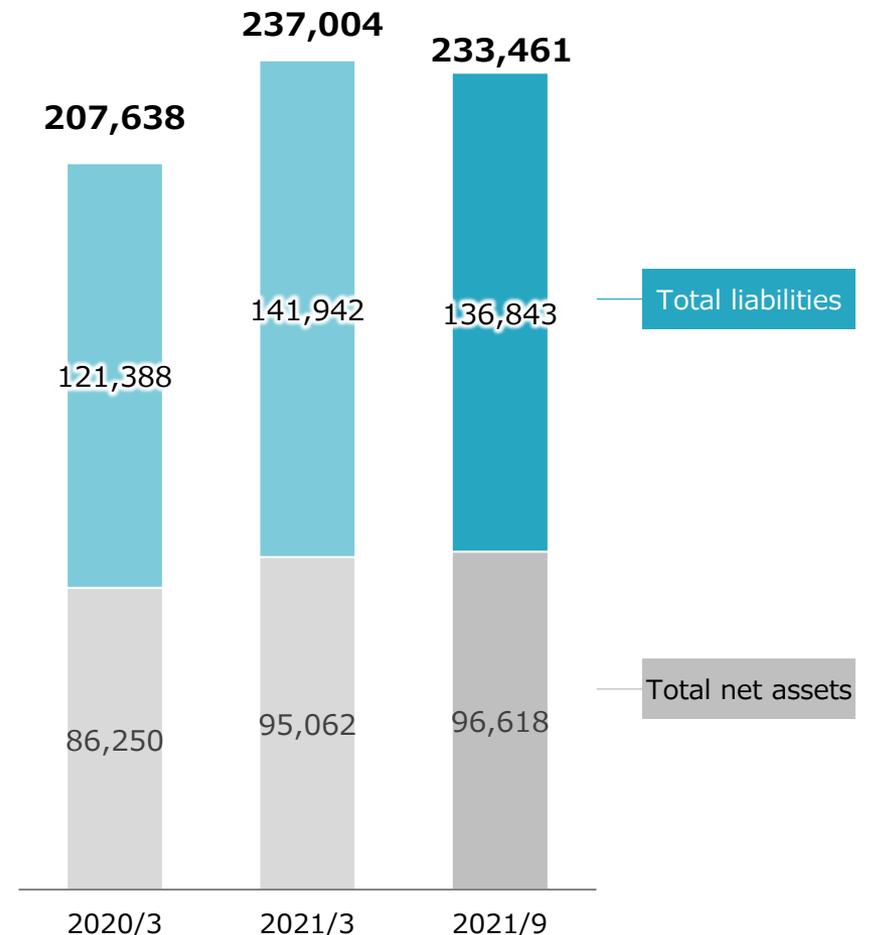
# Balance Sheet Main Items

(million yen)

## Total assets



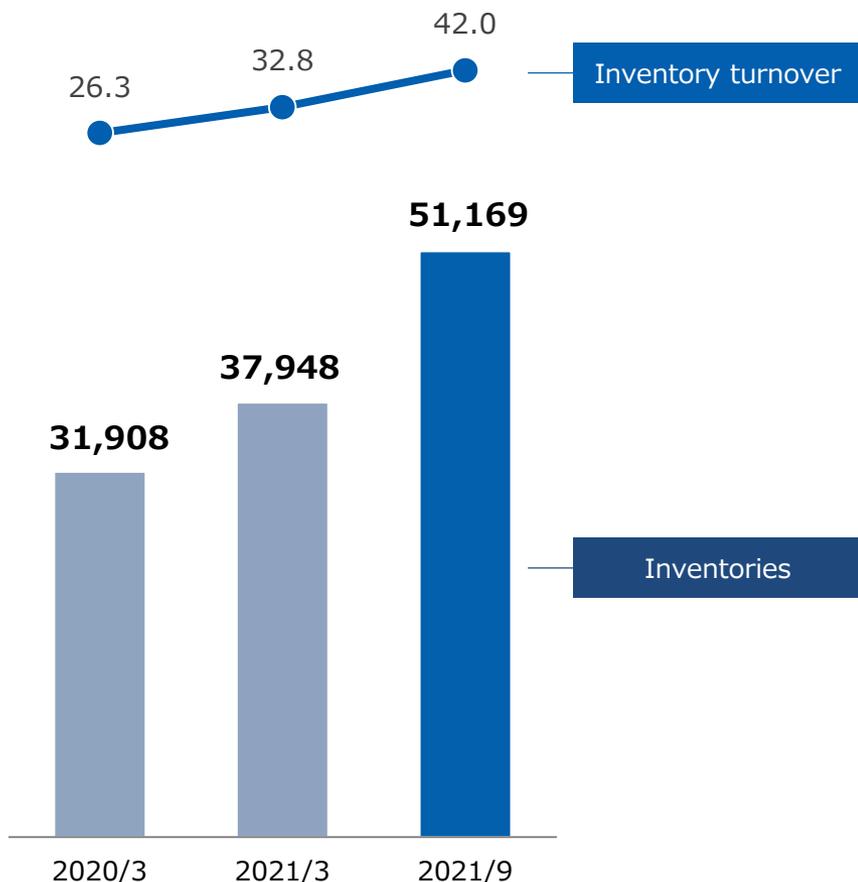
## Total liabilities and net assets



# Balance Sheet Main Items

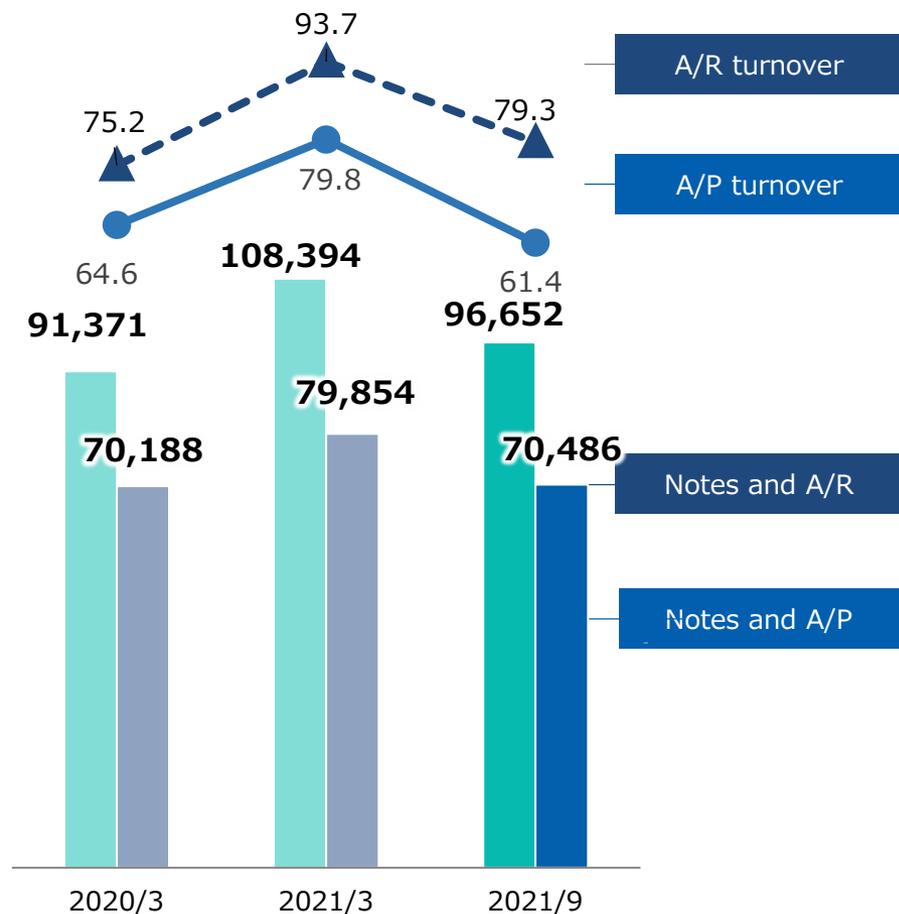
(million yen, day)

## Inventories



note : Inventory turnover = Inventories ÷ Net Sales × 365(2020/9:183) (day)

## Accounts receivable/Accounts payable

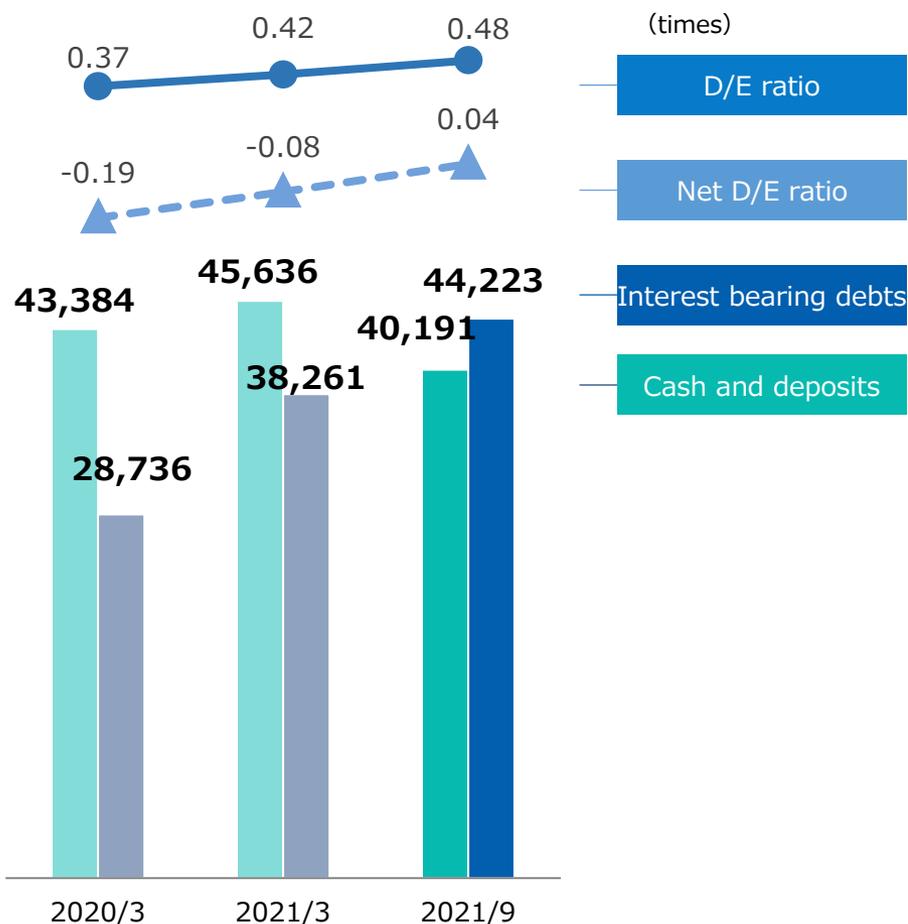


notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating  
 •A/R turnover = Notes and A/R ÷ Net sales × 365(2021/9:183) (day)  
 •A/P turnover = Notes and A/P ÷ Total purchase of goods × 365(2021/9:183) (day)

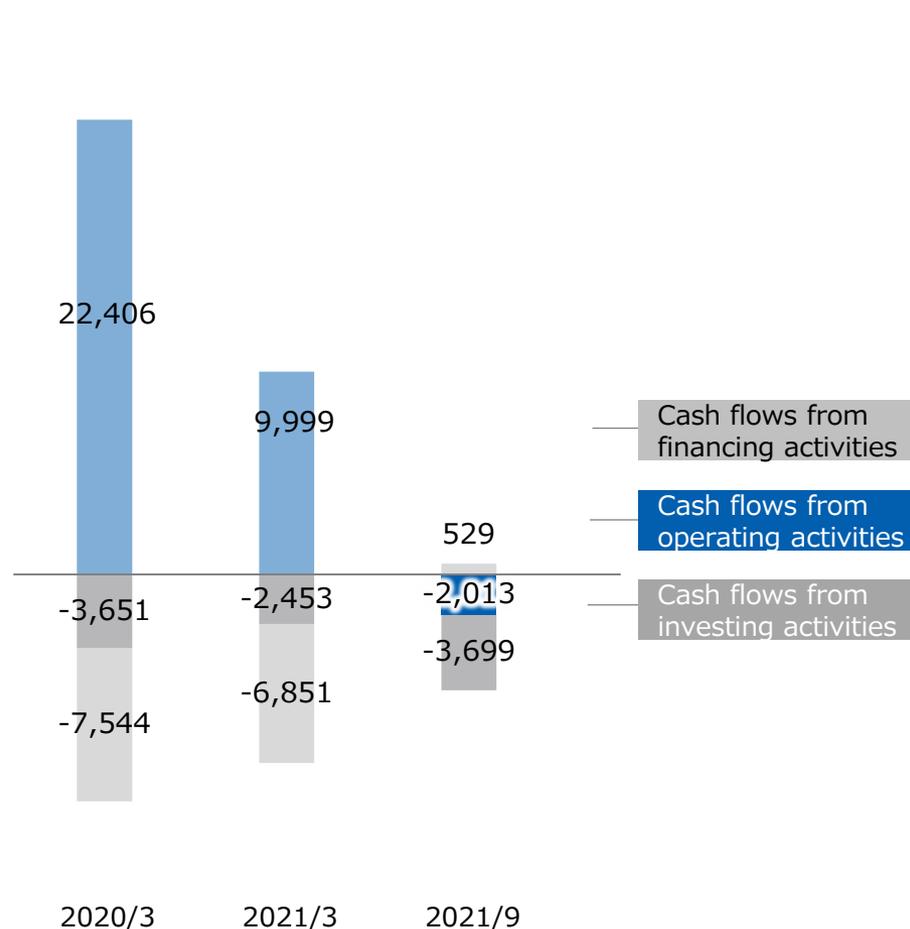
# Cash and Deposits/Interest Bearing Debt/Cash Flows

(million yen)

## Cash and Deposits/Interest Bearing Debt



## Cash flows



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 2022

# Forecast for FY2022/3

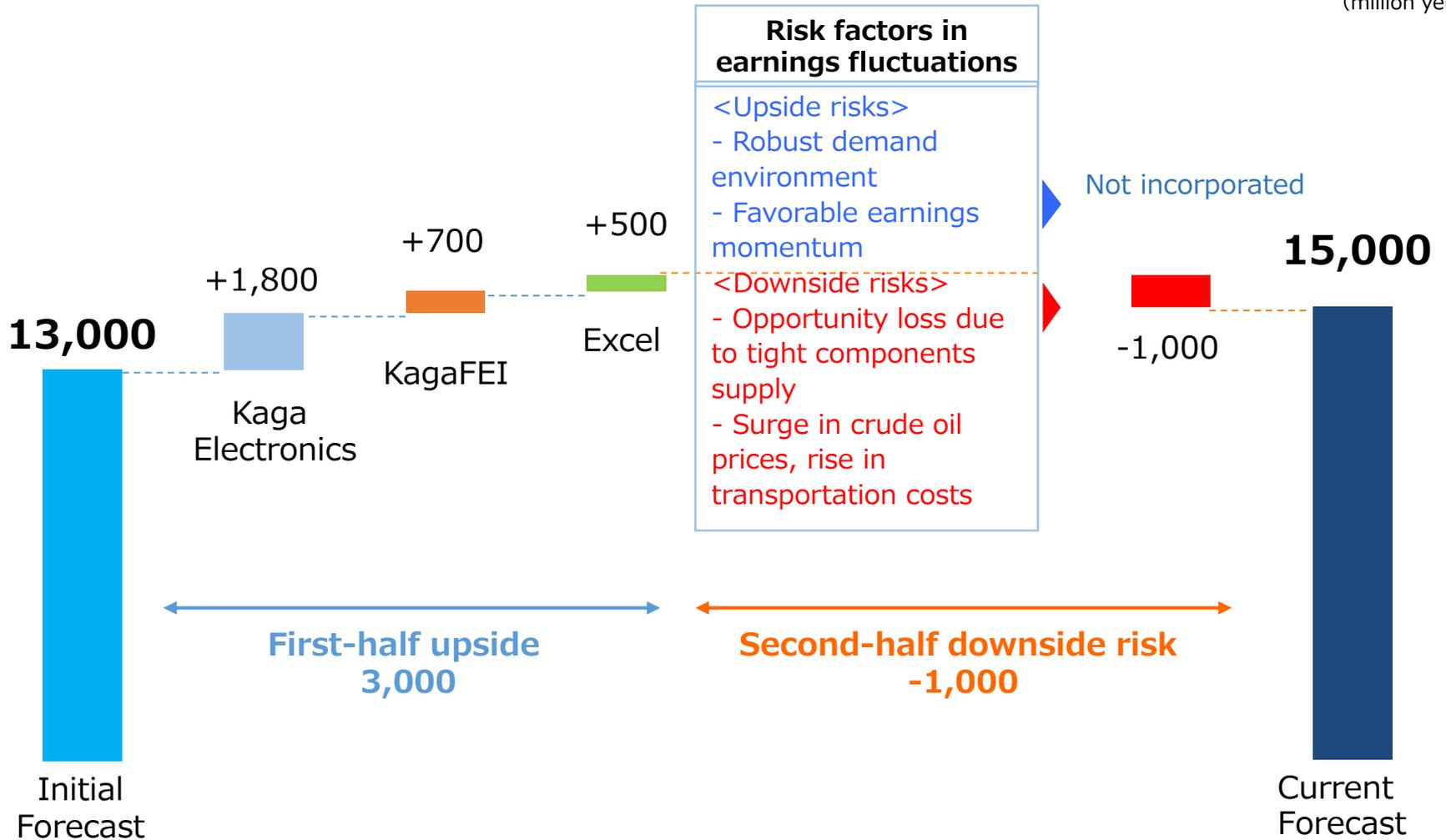
(million yen)

	FY2021/3 Results	FY2022/3 Initial Forecast	FY2022/3 Current Forecast	Changes	YoY	Management Targets FY2022/3
	(announced on May 13, 2021)					
Net sales	422,365	470,000	470,000	–	11.3%	500,000
Operating income	11,467 2.7%	13,000 2.8%	15,000 3.2%	15.4%	30.8%	13,000 2.6%
Ordinary income	11,241 2.7%	12,000 2.6%	14,500 3.1%	20.8%	29.0%	– –
Profit attributable to owners of parent	11,399 2.7%	8,000 1.7%	9,000 1.9%	12.5%	-21.1%	– –
EPS	415.07	291.20	336.84	–	– -18.8%	– –
ROE	13.5%	8.5%	9.7%	–	1.2pt -3.8pt	8.0% or higher

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. is applied from the beginning of FY2022/3 1Q, and thus the above consolidated earnings forecasts are figures after this accounting standard, etc. has been applied.

# Forecast for FY2022/3 Upward Revision of Operating Income

(million yen)



# Forecast for FY2022/3 by Business Segment

(million yen)

		FY2021/3 Results	FY2022/3 Initial Forecast		FY2022/3 Current Forecast		Changes	YoY	
		(announced on May 13, 2021)							
Electronic components	Net sales	353,454		<b>404,000</b>		<b>409,000</b>	1.2%	15.7%	
	Segment income	8,151	2.3%	<b>9,900</b>	2.5%	<b>12,300</b>	3.0%	24.2%	50.9%
Information equipment	Net sales	48,389		<b>45,000</b>		<b>40,000</b>	-11.1%	-17.3%	
	Segment income	2,482	5.1%	<b>2,300</b>	5.1%	<b>2,000</b>	5.0%	-13.0%	-19.4%
Software	Net sales	2,932		<b>3,000</b>		<b>3,000</b>	—	2.3%	
	Segment income	263	9.0%	<b>300</b>	10.0%	<b>200</b>	6.7%	-33.3%	-24.0%
Others	Net sales	17,589		<b>18,000</b>		<b>18,000</b>	—	2.3%	
	Segment income	474	2.7%	<b>500</b>	2.8%	<b>500</b>	2.8%	—	5.5%
Total	Net sales	422,365		<b>470,000</b>		<b>470,000</b>	—	11.3%	
	Segment income	11,467	2.7%	<b>13,000</b>	2.8%	<b>15,000</b>	3.2%	15.4%	30.8%

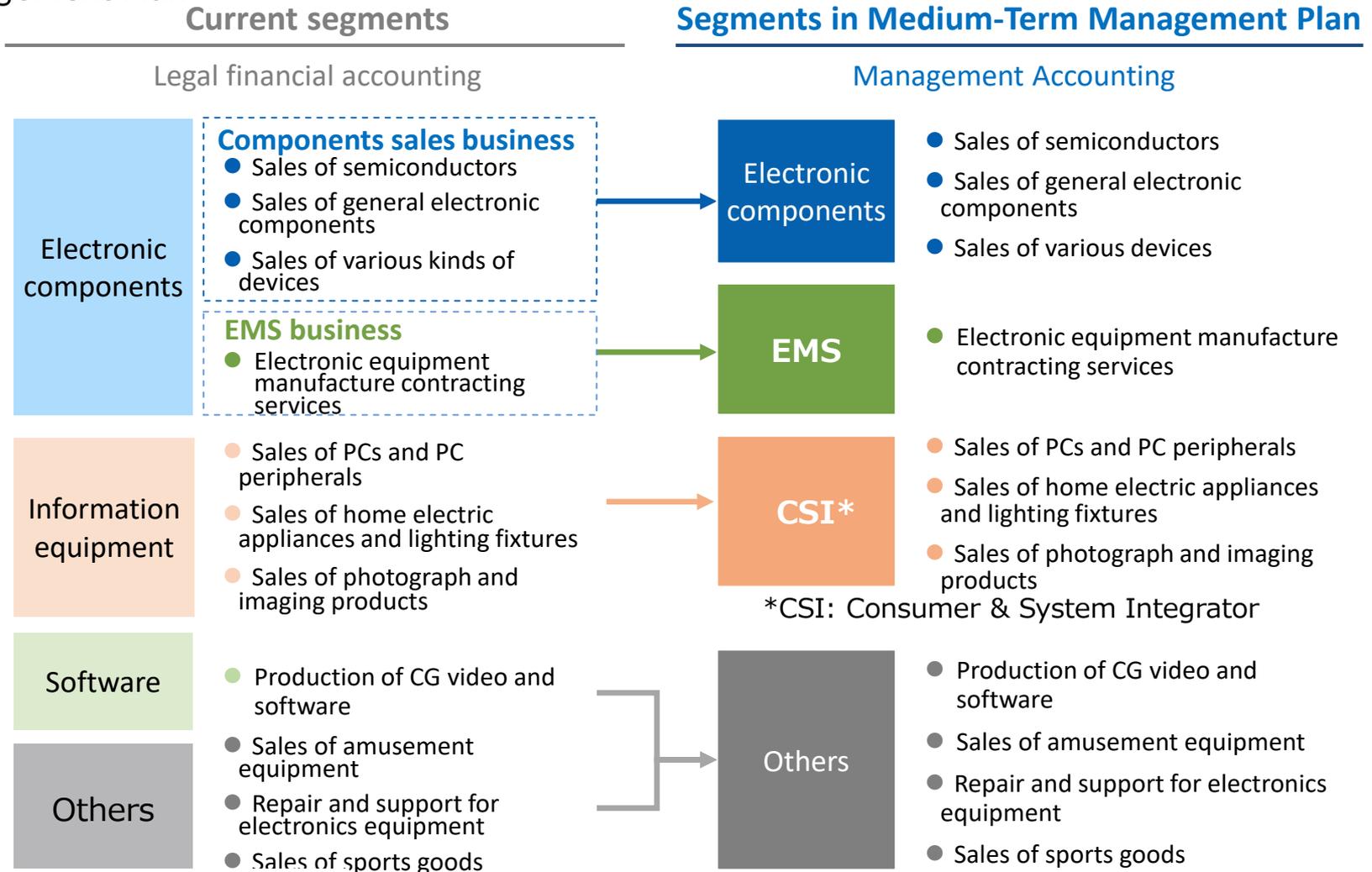
Note: 1. Figures of each segment income are not inter-segment adjusted. Total amount is inter-segment adjusted (operating income).

2. The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. is applied from the beginning of FY2022/3 1Q, and thus the above consolidated earnings forecasts are figures after this accounting standard, etc. has been applied.

# Appendix

# Segment disclosure associated 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



\*CSI: Consumer & System Integrator

# Business segments of Parent company and Group companies

	Electronic Components	EMS	CSI	Others
<b>KAGA ELECTRONICS CO., LTD.</b>				
Electronics Business Division	●	●	(●)	●
EMS Business Division		●		
Communication Network Sales Division	●	●	●	(●)
Specific Industry Business Division	●	●	(●)	●
Sales Promotion Division	●			
<b>Major Affiliates in Japan</b>				
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.			●	
KAGA FEI CO., LTD.(former:FUJITSU ELECTRONICS INC.)	●			
KAGA EMS TOWADA CO., LTD.		●		
EXCEL CO., LTD.	●			
KYOKUTO ELECTRIC CO.,LTD.		●		
<b>Major Affiliates Overseas</b>				
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.	●	●		

# FY2022/3 2Q Results by Business Segment of the Medium-Term Management Plan

(million yen)

		FY2021/3 2Q Results		FY2022/3 2Q Results		YoY
Electronic Components	Net sales	117,287		144,790		23.4%
	Segment income	851	0.7%	3,948	2.7%	363.4%
EMS	Net sales	42,940		53,453		24.5%
	Segment income	2,265	5.3%	3,322	6.2%	46.6%
CSI	Net sales	23,192		18,713		-19.3%
	Segment income	1,160	5.0%	910	4.9%	-21.6%
Others	Net sales	5,438		6,052		11.3%
	Segment income	88	1.6%	64	1.1%	-26.8%
Total	Net sales	188,859		223,009		18.1%
	Segment income	4,434	2.3%	8,300	3.7%	87.2%

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

# FY2022/3 2Q Results by Business Segment of the Medium-Term Management Plan (3months)

(million yen)

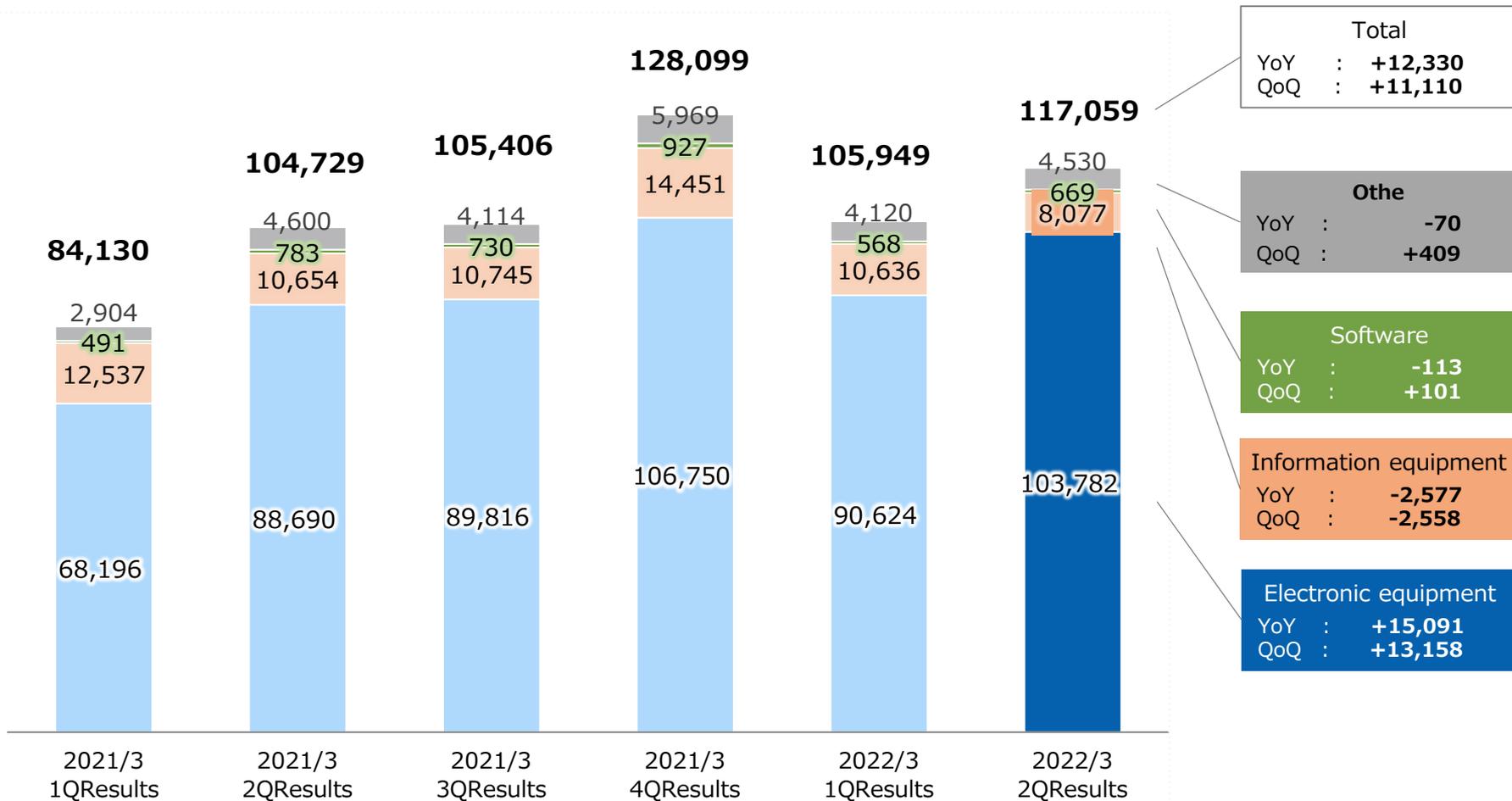
		FY2021/3 2Q Results		FY2022/3 1Q Results		FY2022/3 2Q Results		YoY	QoQ
Electronic Components	Net sales	67,547		66,124		78,665		16.5%	19.0%
	Segment income	807	1.2%	1,775	2.7%	2,172	2.8%	169.2%	22.4%
EMS	Net sales	23,120		26,334		27,118		17.3%	3.0%
	Segment income	1,181	5.1%	2,060	7.8%	1,262	4.7%	6.8%	-38.7%
CSI	Net sales	10,654		10,636		8,077		-24.2%	-24.1%
	Segment income	577	5.4%	568	5.3%	342	4.2%	-40.8%	-39.8%
Others	Net sales	3,406		2,854		3,198		-6.1%	12.0%
	Segment income	177	5.2%	14	0.5%	49	1.6%	-71.8%	245.0%
Total	Net sales	104,729		105,949		117,059		11.8%	10.5%
	Segment income	2,778	2.7%	4,452	4.2%	3,848	3.3%	38.5%	-13.6%

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

# Quarterly Net Sales Trends by Business Segment

(million yen)

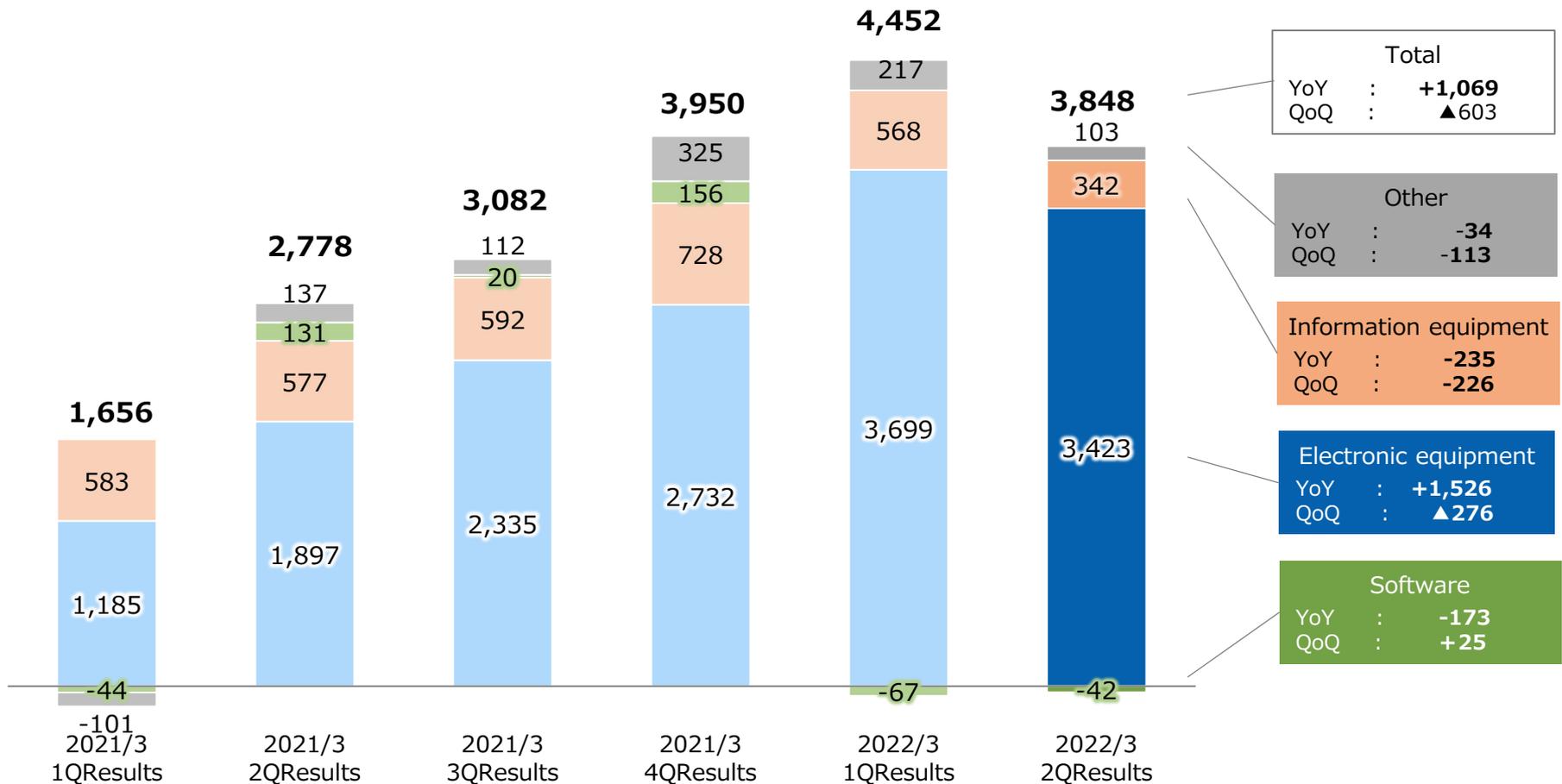
## Net Sales



# Quarterly Segment Income Trends by Business Segment

(million yen)

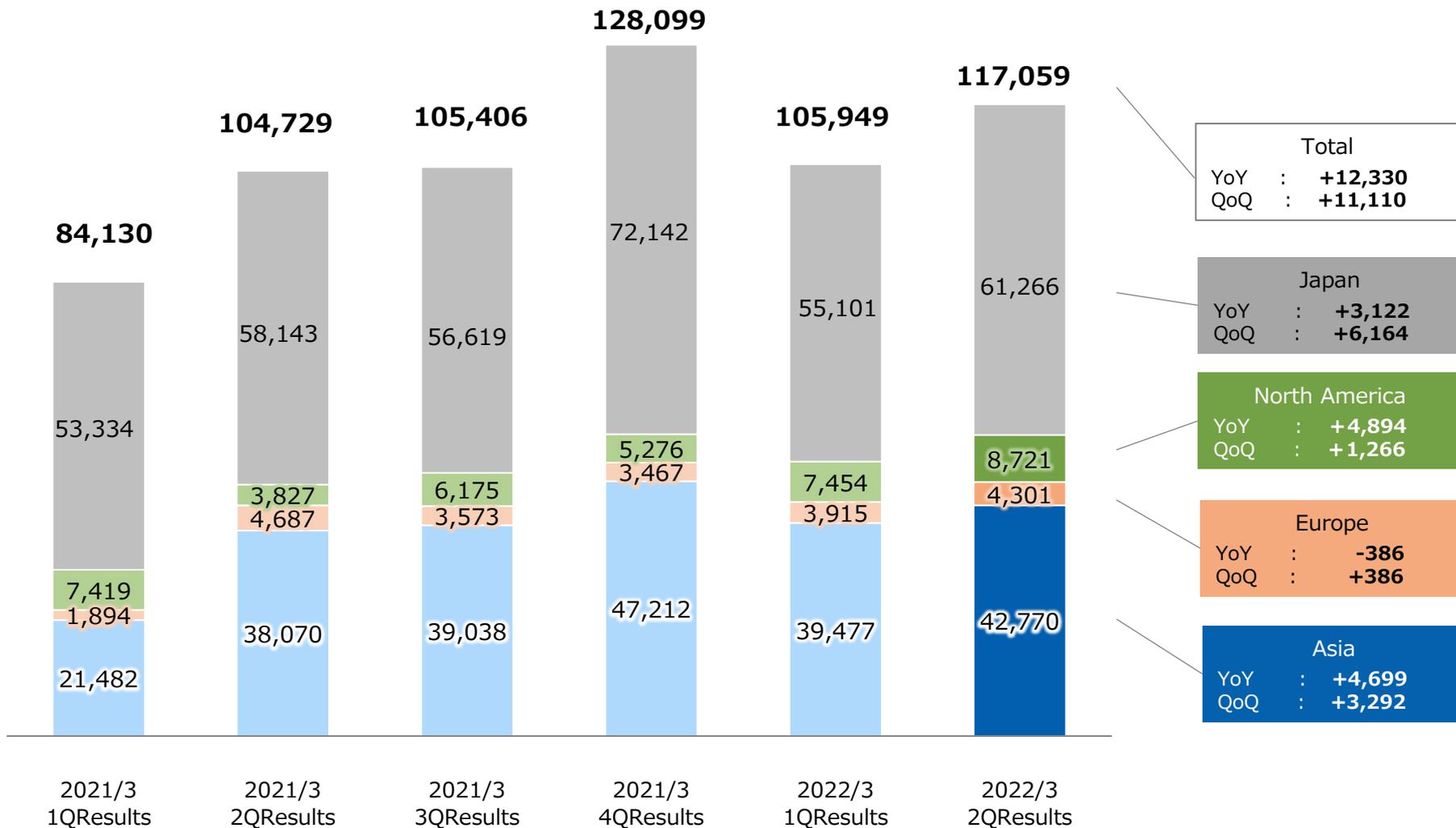
## Segment Income



# Quarterly Net Sales Trends by Region

(million yen)

## Net Sales



## Exchange Rate/FOREX Sensitivity

	FY2021/3 2Q Results (yen)	FY2022/3 2Q Results (yen)	(Reference) Effect of 1% change (million yen)		Forex assumption for FY2022/3 (yen)
			Net Sales	Ordinary income	
USD	106.92	109.80	588	18	110.50
THB	3.38	3.42	115	7	3.50
RMB	15.39	16.66	112	4	17.00
HKD	13.80	14.13	107	3	14.00

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for our customers**



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- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.
  
- Display method in this material
  - Number : Truncated less than the display unit.
  - Ratio : After calculation in yen units, Round down one digit of Display unit.