For Institutional Investors/Analysts

KAGA ELECTRONICS

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2022

KAGA ELECTRONICS CO., LTD.

August 5, 2021

TSE 1st section 8154

Summary of Financial Results for the First Quarter Ended June 30, 2021

FY2022/3 1Q Results		● **Net sales increased, driven by the electronic components business** as manufacturing activity recovered. ● **Operating income and ordinary income increased significantly**, thanks to higher gross profit resulting from higher sales, as well as efforts to curb SG&A expenses with more efficient operations. **Both operating income and ordinary income reached record highs for a first quarter.** ● **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 companies and posted as extraordinary income in the previous fiscal year.
Overview of the main segments	**Electronic Components**	・The components sales business was **solid owing to a recovery in demand in a broad range of areas**, despite shortages in the supply of some components. ・In the EMS business, **sales in the automotive, industrial equipment, and medical product areas were solid.**
	Information Equipment	・**Sales of PCs to educational institutions and sales of PC peripheral equipment such as security software were strong.** ・Sales declined due to the impact of a reactionary drop in the sale of PCs for remote work and delays to construction work in the LED installation business due to customers' situations.
Outlook for FY2022/3		● While **the first quarter got off to a strong start that exceeded initial forecasts**, we take a cautious view of the uncertain business environment, such as semiconductor shortages and the impact of COVID-19, and have left our **earnings forecasts previously announced unchanged**. ● In the final year of our Medium-Term Management Plan, **we are targeting record high for operating income for the third fiscal year in a row and the achievement of the Medium-Term Management Plan's targets.**

Financial Highlights for FY2022/3 1Q

(million yen)

	FY2021/3 1Q Results		FY2022/3 1Q Results		YoY	FY2022/3 Forecasrt (announced on May 13, 2021)		Progress rate
Net Sales	84,130		**105,949**		25.9%	470,000		22.5%
Gross Profit	9,997	11.9%	**13,550**	12.8%	35.5%	-	-	-
SG&A	8,341	9.9%	**9,098**	8.6%	9.1%	-	-	-
Operating income	1,656	2.0%	**4,452**	4.2%	168.8%	13,000	2.8%	34.2%
Ordinary income	1,533	1.8%	**4,566**	4.3%	197.8%	12,000	2.6%	38.1%
Profit attibutable to owners of parent	8,598	10.2%	**2,872**	2.7%	-66.6%	8,000	1.7%	35.9%
EPS（yen)	313.15	-	**104.55**	-	-	291.20		-
Exchange Rate USD	107.62	-	**109.49**	-	-	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 1Q, net sales decreased by 1,577million yen. Operating income, ordinary income, and profit before income taxes also decreased by 12million yen each.

Financial Results by Business Segment for FY2022/3 1Q

(million yen)

		FY2021/3 1Q Results		FY2022/3 1Q Results		YoY
Electronic Component	Net sales	68,196		**90,624**		32.9%
	Segment income	1,185	1.7%	**3,699**	4.1%	212.0%
Information Equipment	Net sales	12,537		**10,636**		-15.2%
	Segment income	583	4.7%	**568**	5.3%	-2.6%
Software	Net sales	491		**568**		15.5%
	Segment income	-44	-9.1%	**-67**	-11.8%	-
Others	Net sales	2,904		**4,120**		41.9%
	Segment income	-101	-3.5%	**217**	5.3%	-
Total	Net sales	84,130		**105,949**		25.9%
	Segment income	1,656	2.0%	**4,452**	4.2%	168.8%

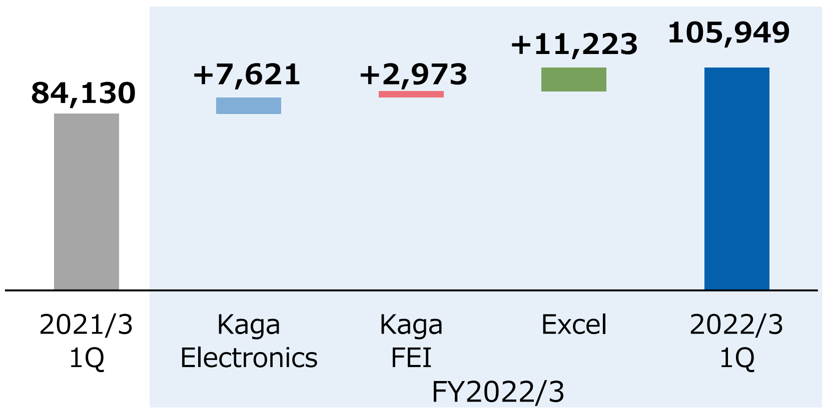
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Effect of M&A (FY2022/3 1Q Results)

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

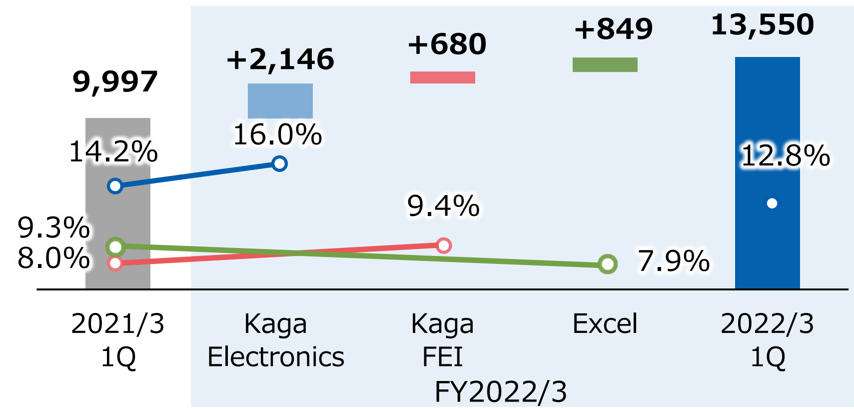
Net Sales

Sales increased for all three companies; in FY2021/3 1Q, EXCEL's overseas subsidiaries were not consolidated.



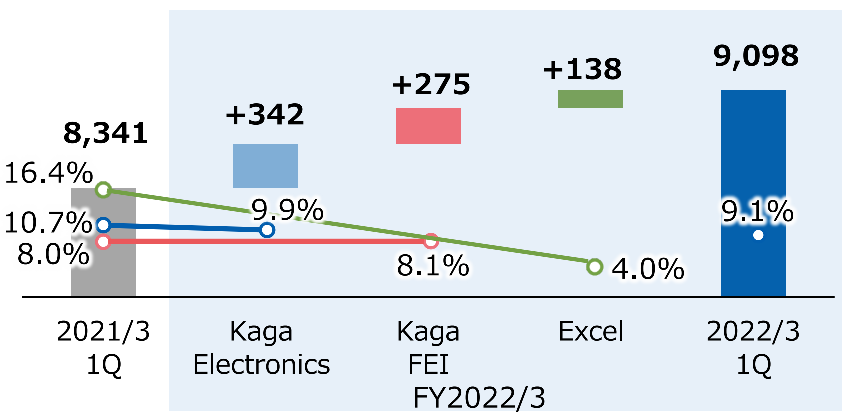
Gross profit / Gross profit margin

Income was up owing to higher sales and improved profit margin.



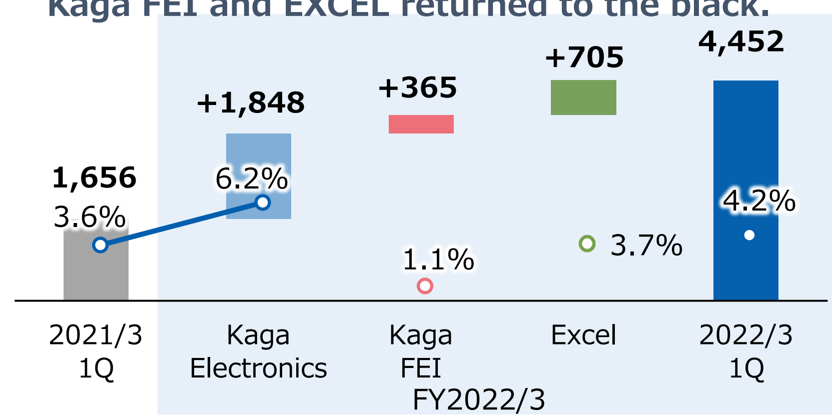
SG&A / SG&A ratio

Although SG&A expenses rose as sales increased, the SG&A ratio was kept down.



Operating income / Operating income marjin

The profit margin improved significantly for Kaga Electronics.
Kaga FEI and EXCEL returned to the black.



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 -126million yen, and operating income came to -121million yen.

Reference

Effect of M&A (FY2022/3 1Q Results)
(After adjustment of results of EXCEL's overseas subsidiaries)

(Million Yen)

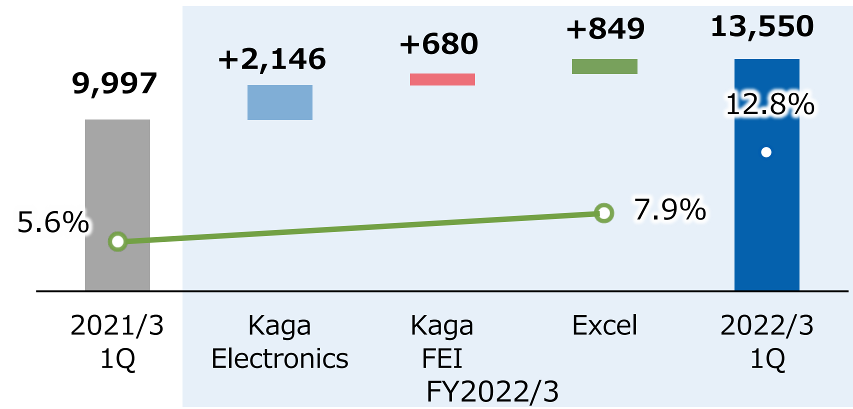
EXCEL, which was consolidated in April 2020, has overseas subsidiaries that conduct settlement in December. The results for FY2021/3 1Q (January to March 2020) have not been included, as this was prior to consolidation.

This page is a reference information created using figures calculated on a non-consolidated basis for the aforementioned overseas subsidiary for EXCEL's FY2021/3 1Q, in order to conduct a realistic comparison of profit margin and SG&A ratio.

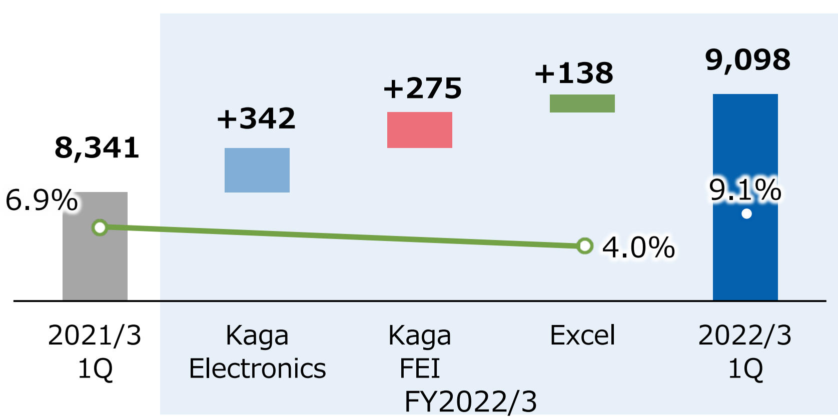
The results of the overseas subsidiaries for the relevant period are as follows.

- Net Sales 9,281 million yen
- Gross profit 427 million yen
- SG&A 405 million yen
- Operating income 22 million yen

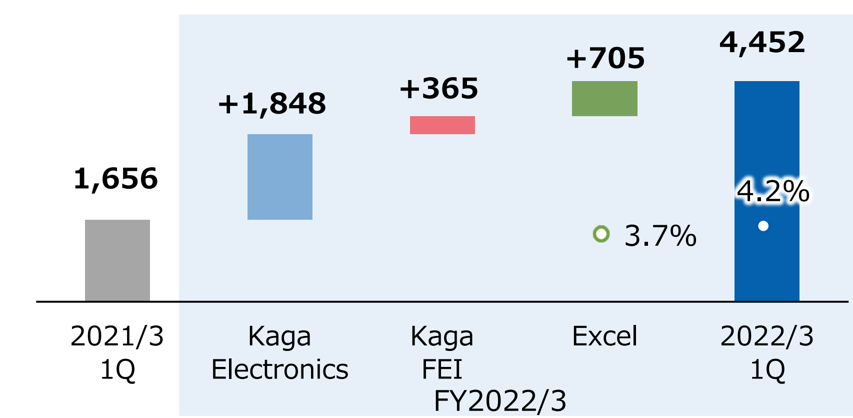
Gross profit / Gross profit margin



SG&A / SG&A ratio



Operating income / Operating income marjin



KAGA ELECTRONICS

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 -126million yen, and operating income came to -121million yen.

FY2022/3 1Q Results by company

(million yen)

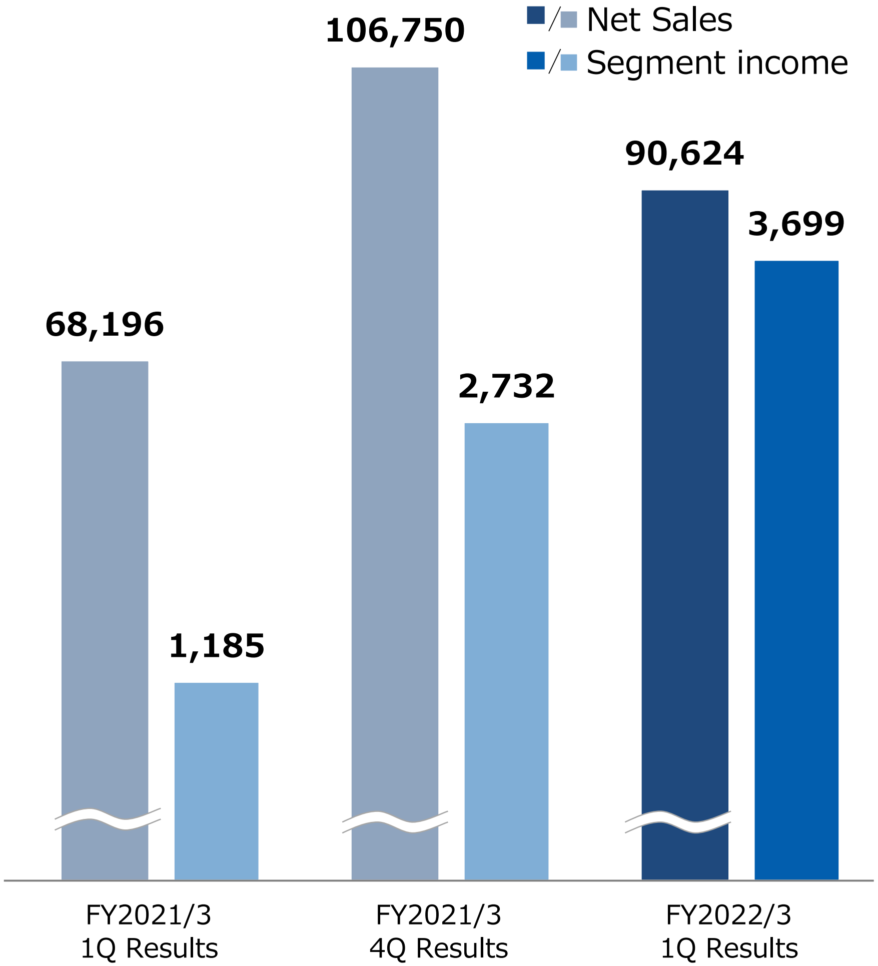
		FY2021/3 1Q Results		FY2022/3 1Q Results		YoY
Kaga Electronics	Net sales	52,493		**60,115**		14.5%
	Gross Profit	7,442	14.2%	**9,588**	16.0%	28.8%
	operating income	1,870	3.6%	**3,719**	6.2%	98.8%
Kaga FEI	Net sales	29,172		**32,145**		10.2%
	Gross Profit	2,328	8.0%	**3,009**	9.4%	29.2%
	operating income	-18	-0.1%	**346**	1.1%	-
Excel	Net sales	2,464		**13,688**		455.5%
	Gross Profit	230	9.3%	**1,079**	7.9%	369.0%
	operating income	-198	-8.0%	**507**	3.7%	-
Total	Net sales	84,130		**105,949**		25.9%
	Gross Profit	9,997	11.9%	**13,550**	12.8%	35.5%
	operating income	1,656	2.0%	**4,452**	4.2%	168.8%

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)

Net sales/Segment income



YoY

- Net Sales **+22,427**million Yen **32.9%Up**
- Segment income **+2,514**million Yen **212.0%UP**

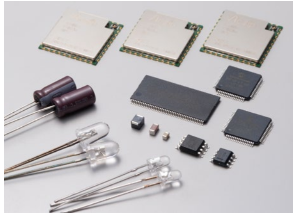
The components sales business was solid owing to a recovery in demand in a broad range of areas, despite shortages in the supply of some components.

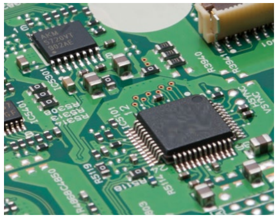
Adjustments in the financial periods of the overseas subsidiaries of EXCEL, acquired in the previous fiscal year, had the effect of boosting sales.

The EMS business remained firm in categories such as automotive, industrial equipment, and medical products.

QoQ

- Net Sales **-16,126**million Yen**15.1%Down**
- Segment income **+967**million Yen **35.4%UP**

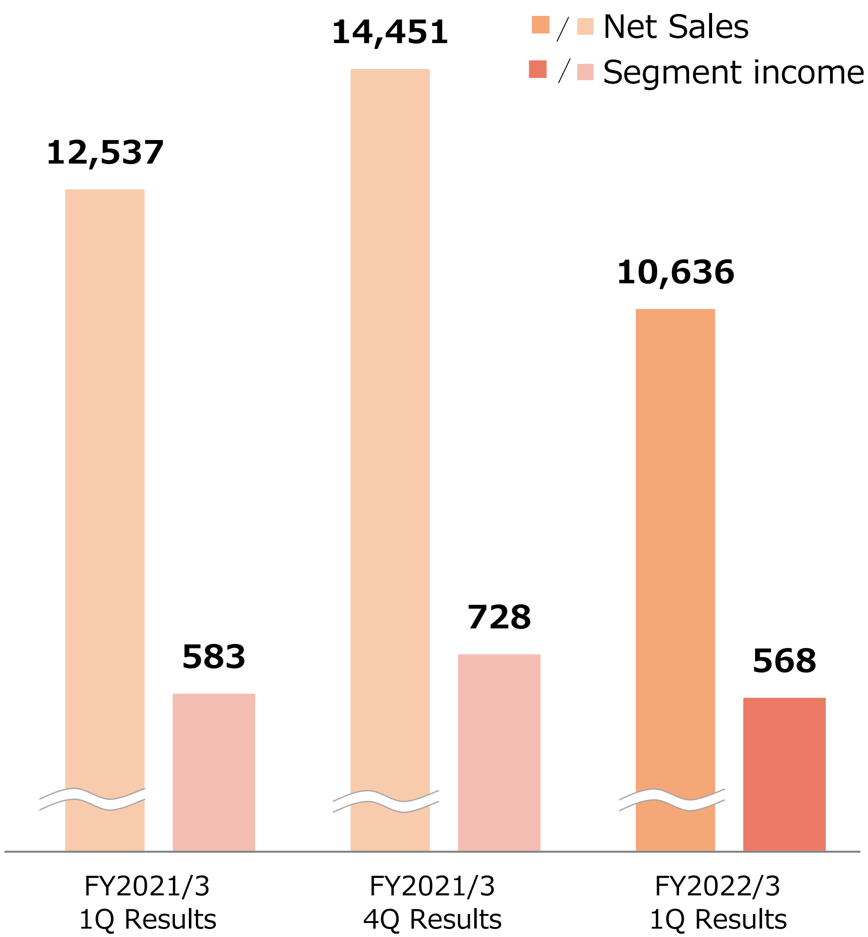




Financial Highlights: Information Equipment Segment

(million yen)

Net sales/Segment income



YoY

- Net Sales **-1,901**million yen **15.2**%**Down**
- Segment income **-14**million yen **2.6**%**Down**

The sale of PCs to educational institutions and the sale of PC peripheral equipment such as security software remained solid, despite the reactionary decline in PCs for remote work.

Sales fell in the LED installation business due to delays in construction schedules attributable to customers' situations, among other factors.

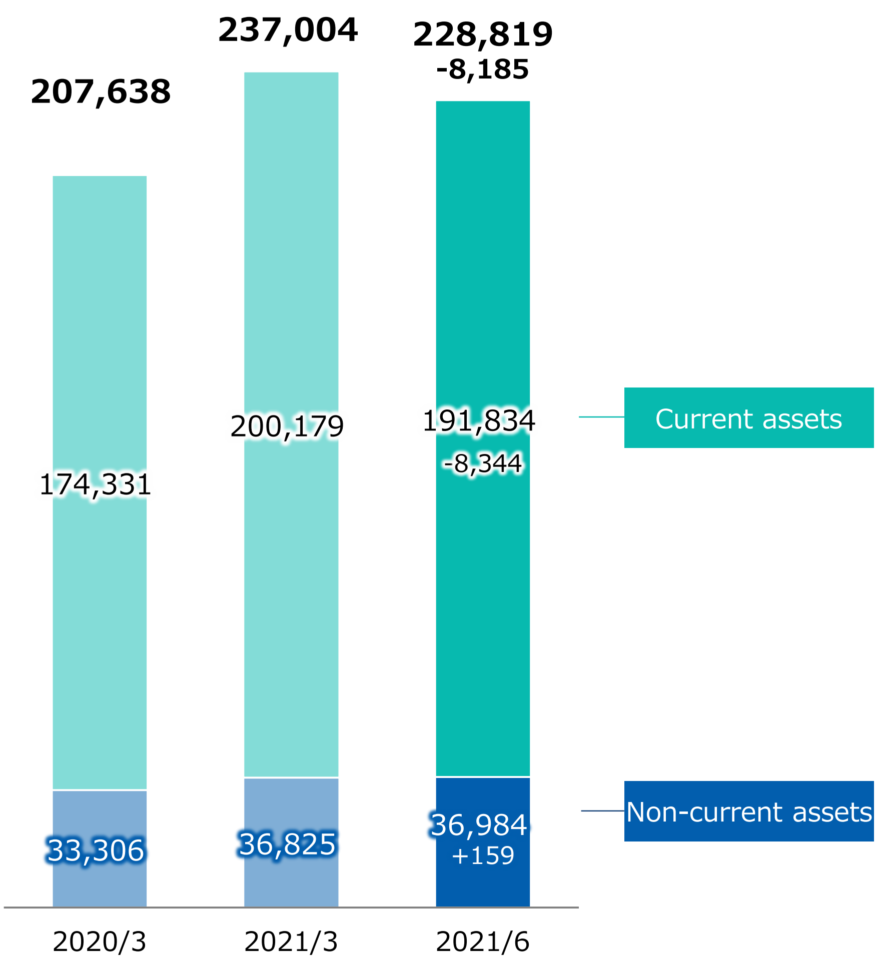
QoQ

- Net Sales **-3,815**million yen **26.4**%**Down**
- Segment income **-160**million yen **22.0**%**Down**

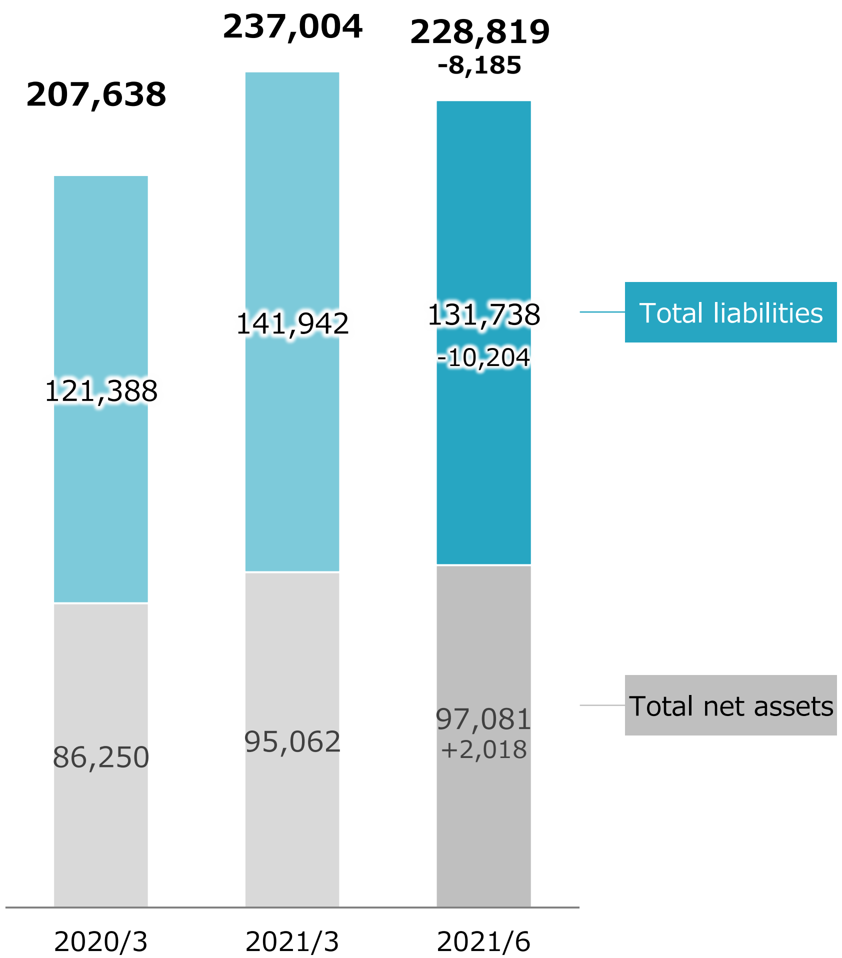
Balance Sheet Main Items

(Million Yen)

Total assets



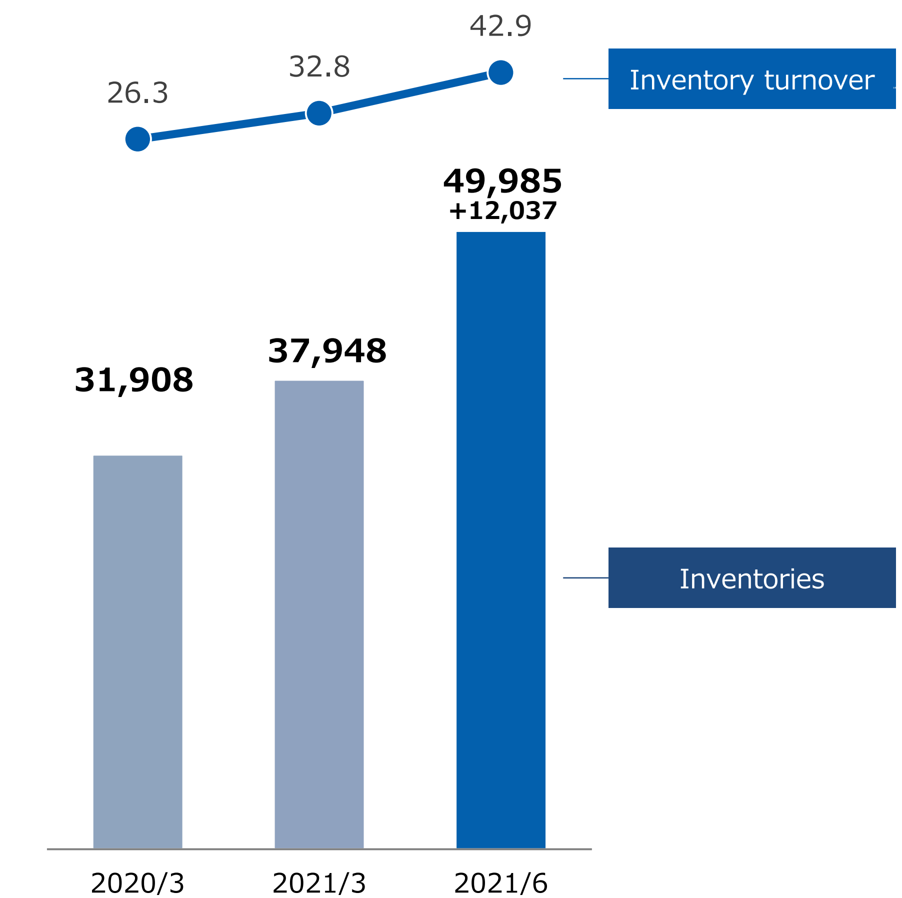
Total liabilities and net assets



Balance Sheet Main Items

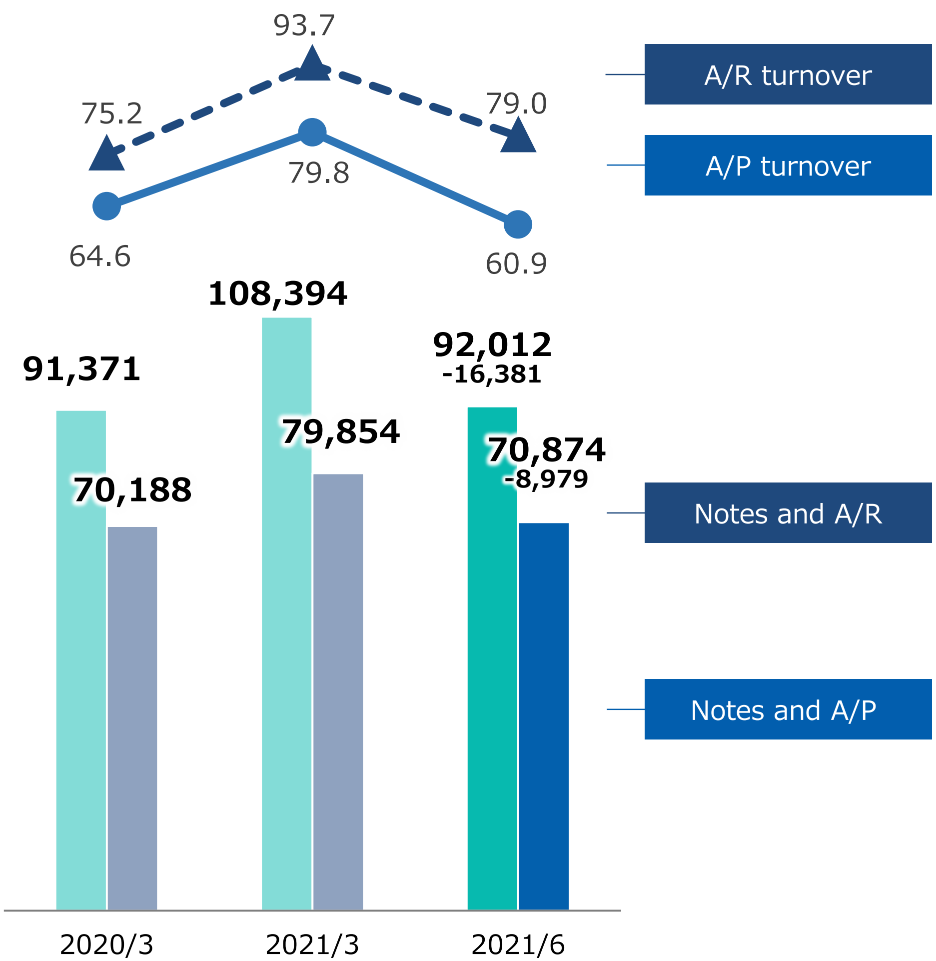
(million Yen,day)

Inventories



Note : Inventory turnover ＝ Inventories ÷ Net Sales × 91 (day)

Accounts receivable/Accounts payable

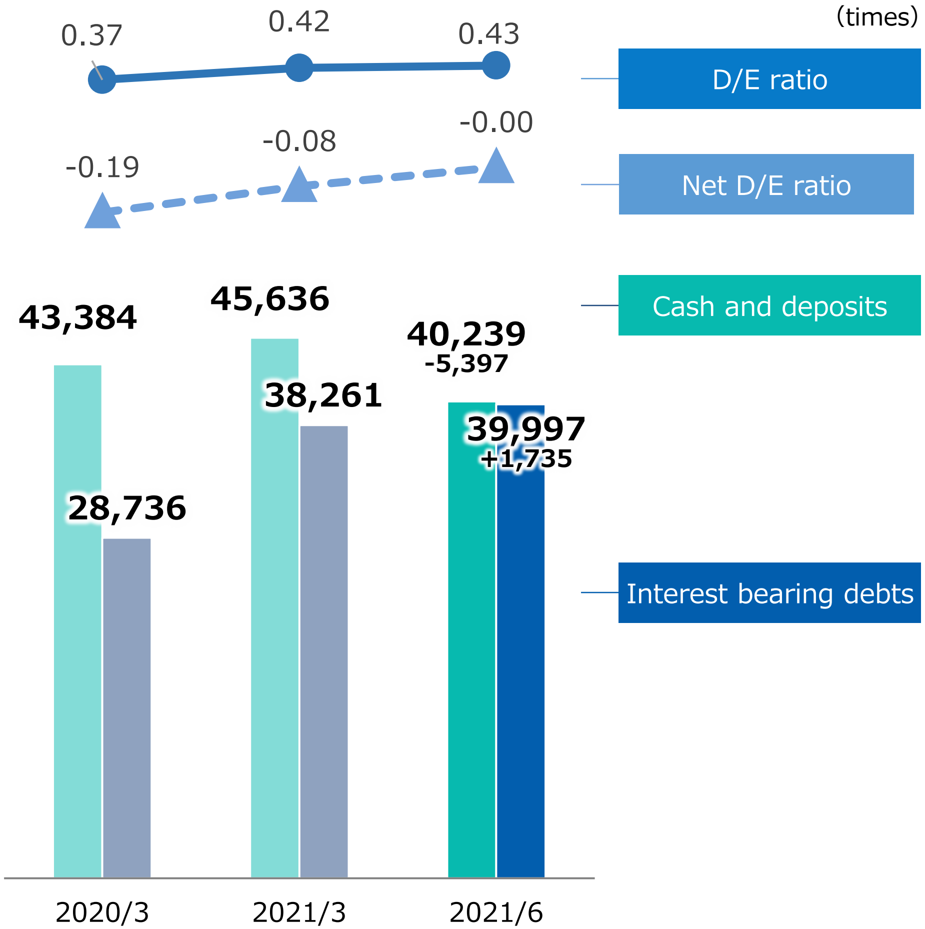


Notes : ･Notes and A/R are amounts including Electronically recorded monetary claims-operating
･Notes and A/P are amounts including Electronically recorded obligations - operating
･A/R turnover ＝ Notes and A/R ÷ Net sales × 91 (day)
･A/P turnover ＝ Notes and A/P ÷ Total purchase of goods × 91 (day)

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 (Announced on May 13, 2021)

(million yen)

	FY2021/3 Results		FY2022/3 Forecast		YoY	Management Targets FY2022/3
Net sales	422,365		**470,000**		11.3%	500,000
Operating income	11,467	2.7%	**13,000**	2.8%	13.4%	13,000
Ordinary income	11,241	2.7%	**12,000**	2.6%	6.7%	–
Profit attributable to owners of parent	11,399	2.7%	**8,000**	1.7%	-29.8%	–
EPS (Yen)	415.07		**291.20**		–	–
ROE	13.5%		**8.5%**		-5.0pt	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.

Forecasts for FY2022/3 by Segment

(million yen)

		FY2021/3 Results		FY2022/3 Forecasts		YoY
Electronic components	Net sales	353,454		**404,000**		14.3%
	Segment income	8,151	2.3%	**9,900**	2.5%	21.5%
Information equipment	Net sales	48,389		**45,000**		-7.0%
	Segment income	2,482	5.1%	**2,300**	5.1%	-7.3%
Software	Net sales	2,932		**3,000**		2.3%
	Segment income	263	9.0%	**300**	10.0%	13.9%
Others	Net sales	17,589		**18,000**		2.3%
	Segment income	474	2.7%	**500**	2.8%	5.4%
Total	Net sales	422,365		**470,000**		11.3%
	Segment income	11,467	2.7%	**13,000**	2.8%	13.4%

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

Reference

Segment disclosure associated with 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

Current segments

Legal financial accounting

Electronic components

Components sales business
- Sales of semiconductors
- Sales of general electronic components
- Sales of various kinds of devices

EMS business
- Electronic equipment manufacture contracting services

Information equipment
- Sales of PCs and PC peripherals
- Sales of home electric appliances and lighting fixtures
- Sales of photograph and imaging products

Software
- Production of CG video and software

Others
- Sales of amusement equipment
- Repair and support for electronics equipment
- Sales of sports goods

Segments in Medium-Term Management Plan

Management Accounting

Electronic components
- Sales of semiconductors
- Sales of general electronic components
- Sales of various devices

EMS
- Electronic equipment manufacture contracting services

CSI
- Sales of PCs and PC peripherals
- Sales of home electric appliances and lighting fixtures
- Sales of photograph and imaging products

CSI: Consumer & System Integrator

Others
- Production of CG video and software
- Sales of amusement equipment
- Repair and support for electronics equipment
- Sales of sports goods

Reference

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.			●	
KAGA FEI CO., LTD.(former:FUJITSU ELECTRONICS INC.)	●			
KAGA EMS TOWADA CO., LTD.		●		
EXCEL CO., LTD.	●			
KYOKUTO ELECTRIC 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) ELECRONICS PTE LTD	●	(●)		(●)
KAGA ELECTRONICS (USA) INC.	●	●		
TAXAN MEXICO S.A. de C.V.		●		
KD TEC s.r.o.	●	●		

Reference

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

(million yen)

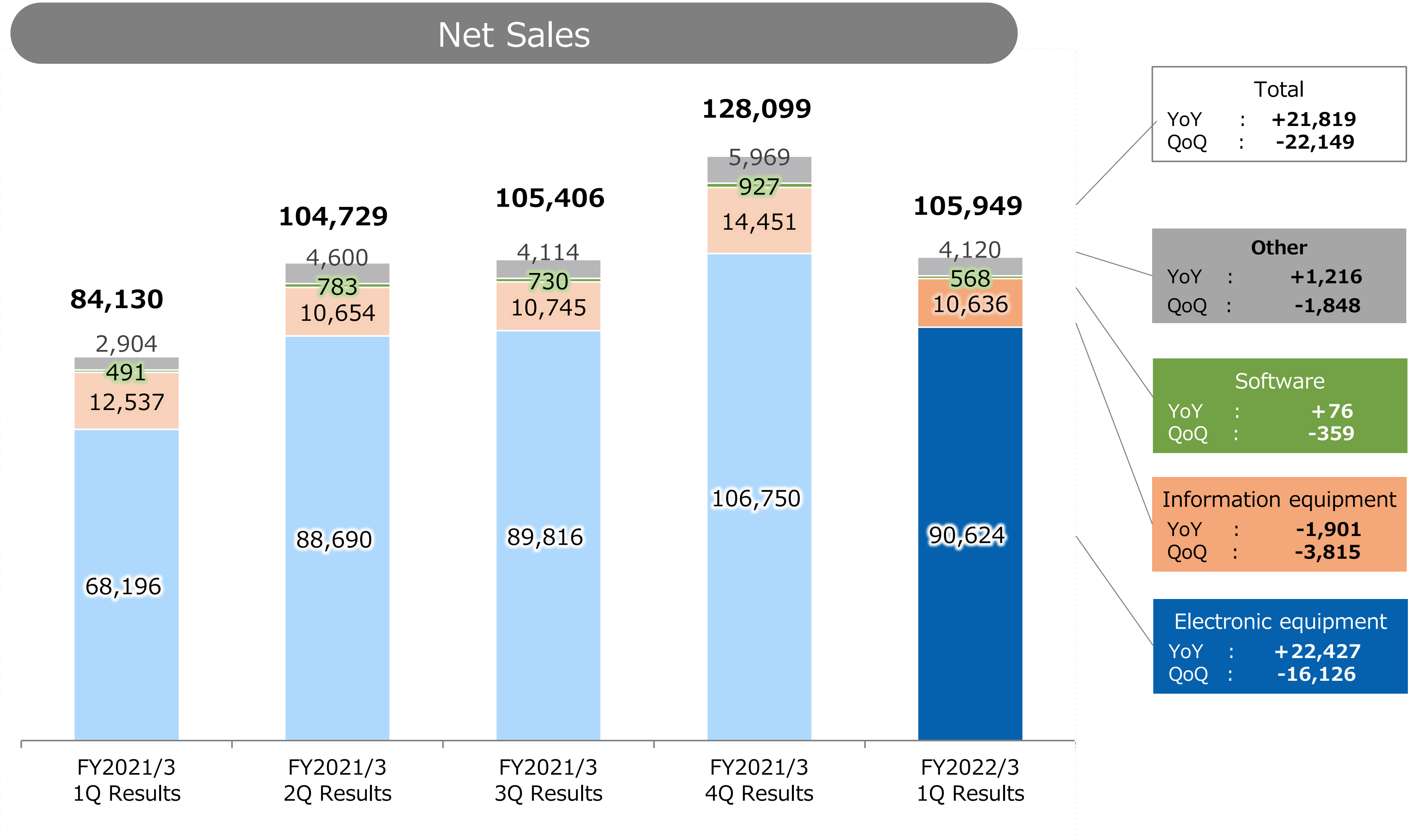
		FY2020/3 1Q Results	FY2021/3 1Q Results	FY2022/3 1Q Results	YoY
Electronic Componens	Net sales	72,105	49,740	**66,124**	32.9%
	Segment income	475	44	**1,775**	-
EMS	Net sales	24,520	19,820	**26,334**	32.9%
	Segment income	1,269	1,083	**2,060**	90.1%
CSI	Net sales	10,126	12,537	**10,636**	-15.2%
	Segment income	188	583	**568**	-2.6%
Others	Net sales	2,812	2,031	**2,854**	40.5%
	Segment income	-114	-89	**14**	-
Total	Net sales	109,564	84,130	**105,949**	25.9%
	Segment income	1,850	1,656	**4,452**	168.8%

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

Reference

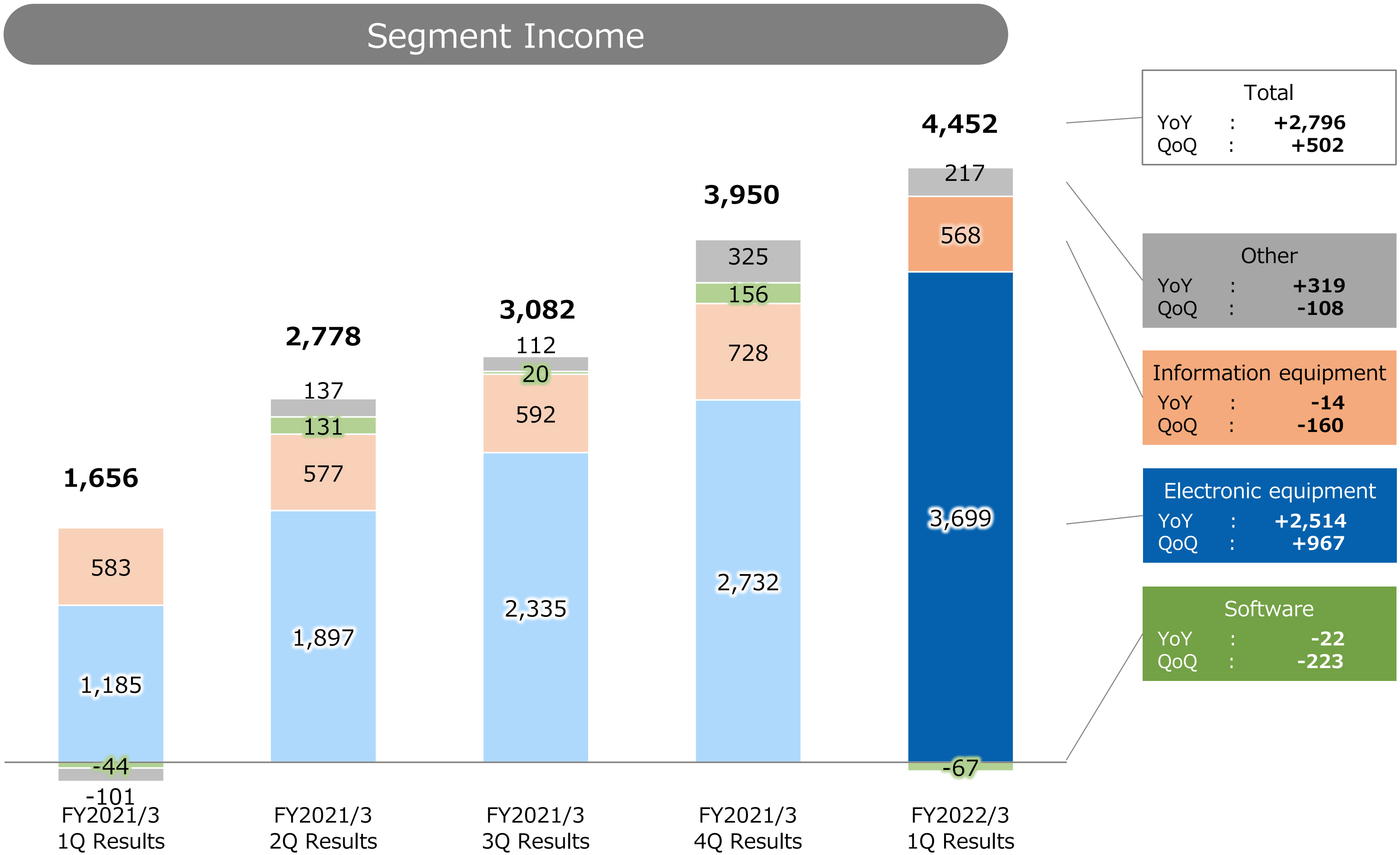
Quarterly Net Sales Trends

(million yen)



Quarterly Segment Income Trends

(million yen)

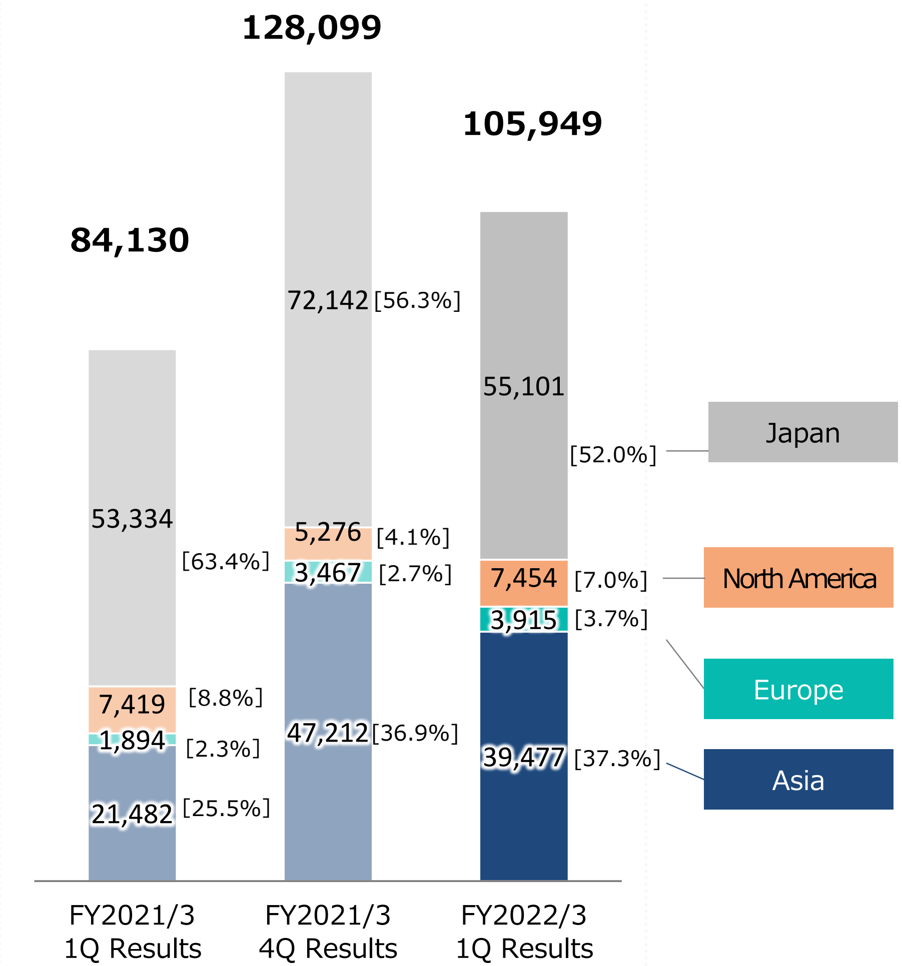


Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Net Sales by Region

(million Yen)

Net Sales



YoY

- Japan **+1,767** million Yen **3.3%Up**
- North America **+35** million Yen **0.5%Up**
- Europe **+2,021** million Yen **106.7%Up**
- Asia **+17,994** million Yen **83.8%Up**

QoQ

- Japan **-17,040** million Yen **23.6%Down**
- North America **+2,177** million Yen **41.3%Up**
- Europe **+447** million Yen **12.9%Up**
- Asia **-7,734** million Yen **16.4%Down**

Exchange Rate/FOREX Sensitivity

	FY2021/3 1Q Results (yen)	FY2022/3 1Q Results (yen)	(Reference) Effect of 1% change (million yen)		Forex Assumption for 2022/3(yen)
			Net Sales	Ordinary income	
USD	107.62	109.49	152	9	110.50
THB	3.37	3.50	46	3	3.50
RMB	15.60	16.36	61	2	15.50
HKD	13.89	14.10	56	2	14.00

“Everything we do is for our customers

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