

KAGA ELECTRONICS
CO., LTD.

Financial Results Briefing Material
for the First Half of the
Fiscal Year ending March 2021

KAGA ELECTRONICS CO., LTD.

November 26, 2020

TSE 1st section 8154

INDEX

- **FY2021/3 First Half Financial Results** P-2~

Summary/Financial Highlights/
Effect of M&A/
Financial Highlights by Business Segment/
Balance Sheet/Cash Flows

- **Management Topics** P-27~

Response to the Spread of covid-19 Infection/
Acquisition of Kyokuto Electric/
Progress of PMI
・・Fujitsu Electoronics・Kaga EMS Towada・Excel
Sustainability(SDGs) initiatives

- **Refelence** P-36~

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

Managing Director
KAGA ELECTRONICS CO., LTD.

Eiji Kawamura

0

Hello, everyone. I am Eiji Kawamura, Managing Director and Head of Administration Headquarters of Kaga Electronics Co., Ltd. We sincerely thank you for your participation in the briefing of our first half financial results. I would like to explain the outline of our financial results for the first half.

Summary of Financial Results for the First Half Ended September 30, 2020

FY2021/ 2Q Results	<ul style="list-style-type: none"> Although PC sales grew due to the growing utilization of remote work during the coronavirus outbreak, net sales fell as a result of a significant impact from changes in commercial rights and commercial distribution with major business partners. Both operating income and ordinary income declined, despite efforts to reduce SG&A expenses in line with lower sales. Net income increased due to a gain on bargain purchase following a M&A. 				
Overview of the main segments	<table> <tr> <td>Electronic Components</td><td> <ul style="list-style-type: none"> Net sales were down in the components sales business because, although Excel was consolidated in April 2020, the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor pushed sales down sharply. The EMS business maintained a steady performance in the medical equipment area, but sales fell for automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lock downs. </td></tr> <tr> <td>Information Equipment</td><td> <ul style="list-style-type: none"> Sales rose in the PC sales business due to an increase in remote work and online classes. The house-related home electric appliances business continued to post lower sales. </td></tr> </table>	Electronic Components	<ul style="list-style-type: none"> Net sales were down in the components sales business because, although Excel was consolidated in April 2020, the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor pushed sales down sharply. The EMS business maintained a steady performance in the medical equipment area, but sales fell for automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lock downs. 	Information Equipment	<ul style="list-style-type: none"> Sales rose in the PC sales business due to an increase in remote work and online classes. The house-related home electric appliances business continued to post lower sales.
Electronic Components	<ul style="list-style-type: none"> Net sales were down in the components sales business because, although Excel was consolidated in April 2020, the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor pushed sales down sharply. The EMS business maintained a steady performance in the medical equipment area, but sales fell for automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lock downs. 				
Information Equipment	<ul style="list-style-type: none"> Sales rose in the PC sales business due to an increase in remote work and online classes. The house-related home electric appliances business continued to post lower sales. 				
Revised Forecast for FY2021/3	<ul style="list-style-type: none"> There are signs of a gradual recovery from the pandemic in some manufacturing industries, moreover, 2Q earnings results surpassed internal plans. Given these factors, we have raised our forecasts for net sales, operating income and ordinary income upward from the previous forecasts (released on August 6). No change in final profit due to uncertainty in the second half. 				
Shareholder Return	<ul style="list-style-type: none"> Interim dividend was decided to be 30 yen per share as initially announced. Year-end dividend will remain unchanged at the initial forecast of 30 yen per share. 				



1

First of all, I'll introduce a summary of the first half results. Although sales of PCs grew due to the expansion of teleworking amid the COVID-19 outbreak, net sales declined as a result of a significant impact from changes in commercial rights and commercial distribution with major business partners. Both operating income and ordinary income declined despite efforts to reduce SG&A expenses in line with the decline in sales. Net income increased due to a gain on bargain purchase following M&A.

Next is an overview of the main segments. In Electronic Components, the components sales business benefited from the effect of Excel's consolidation in April 2020, but the termination of FEI sales agency agreement with Cypress Semiconductor and other factors pushed sales down sharply. The EMS Business maintained steady performance in the medical equipment area, but sales fell for the automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lockdowns.

In the Information Equipment Segment, sales rose in the PC Sales Business due to an increase in remote work and online classes. On the other hand, sales in the Home Electric Appliances Business continued to post lower sales.

For the fiscal year ending March 2021, there are signs of a gradual recovery from the pandemic in some manufacturing industries. Moreover, the earnings results in the first half surpassed our internal plans. Given these factors, we have raised our forecasts for net sales, operating income, and ordinary income upward from the previous forecasts, which were released on August 6. There was no change in the forecast of profit attributable to owners of parent due to uncertainty in the second half.

Regarding shareholder return, we will pay an interim dividend of JPY30 per share as we initially announced. The year-end dividend will remain unchanged from the initial forecast of JPY30 per share.

Financial Highlights

(million yen)

	FY2020/3 2Q Results		FY2021/3 2Q Results		YoY	FY2021/3 Forecast	Progress rate
Net Sales	230,630		188,859		-18.1%	40,000	47.2%
Gross Profit	23,771	10.3%	21,641	11.5%	-9.0%	—	—
SG&A	18,531	8.0%	17,206	9.1%	-7.1%	—	—
Operating income	5,239	2.3%	4,434	2.3%	-15.4%	5,000	1.3%
Ordinary income	5,546	2.4%	4,338	2.3%	-21.8%	4,500	1.1%
Profit attributable to owners of parent	3,502	1.5%	10,772	5.7%	207.3%	10,000	2.5%
EPS (yen)	127.62	—	392.30	—	—	364.18	—
Exchange Rate USD	108.63	—	106.92	—	-1.71	—	—

We will move on to the highlights of our business performance. Net sales amounted to JPY188,859 million, a decrease of 18.1% YoY. Our initial net sales forecast for the full year was JPY400 billion, so the progress rate is 47.2%. Operating income was JPY4,434 million, a YoY decrease of 15.4%. Against the full-year forecast of JPY5 billion, the rate of progress is 88.7%.

Ordinary income was JPY4,338 million, a YoY decrease of 21.8%. Against the full-year forecast of JPY4.5 billion, the progress rate is 96.4%. Profit attributable to owners of parent was JPY10,772 million, up approximately three-fold, or 207.3%, YoY. We achieved the initial forecast for the full fiscal year of JPY10 billion. EPS was JPY392.30.

Financial Results by Business Segment for FY2021/3 2Q

(million yen)

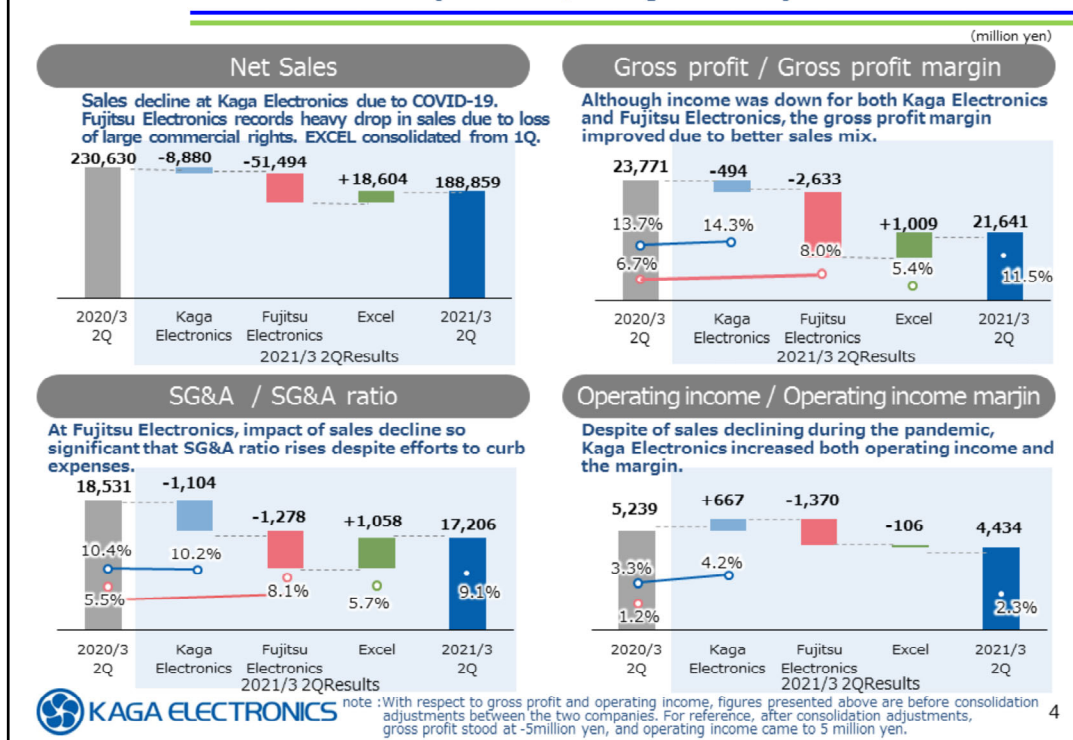
		FY2020/3 2Q Results		FY2021/3 2Q Results		YoY
Electronic Component	Net sales	199,818		156,887		-21.5%
	Segment income	4,238	2.1%	3,083	2.0%	-27.3%
Information Equipment	Net sales	19,968		23,192		16.1%
	Segment income	618	3.1%	1,160	5.0%	87.8%
Software	Net sales	1,332		1,274		-4.3%
	Segment income	46	3.5%	86	6.8%	84.0%
Others	Net sales	9,510		7,505		-21.1%
	Segment income	259	2.7%	36	0.5%	-86.1%
Total	Net sales	230,630		188,859		-18.1%
	Segment income	5,239	2.3%	4,434	2.3%	-15.4%

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

Next, I will explain the business results by segment for the first half. Electronic Component showed net sales of JPY156,887 million, down 21.5% YoY. Segment income amounted to JPY3,083 million, down 27.3% YoY. Sales of information equipment rose 16.1% YoY to JPY23,192 million. Segment income was JPY1,160 million, up 87.8% YoY.

In the Software Segment, sales were JPY1,274 million, down 4.3% YoY. Segment income amounted to JPY86 million, up 84.0% YoY. Net sales in Others decreased 21.1% YoY to JPY7,505 million. Segment income was JPY36 million, down 86.1% YoY.

Effect of M&A (FY2021/3 2Q Results)



We will continue to explain the impact of M&A, which has led to an increase in the scale of the Group. First of all, net sales decreased JPY41,771 million YoY. The breakdown is as follows. Total sales at conventional Kaga Electronics group companies declined JPY8,880 million. Sales at FEI were down JPY51,494 million. Excel, which was consolidated in the first quarter, posted sales of JPY18,604 million.

Gross profit of the overall Group decreased JPY2,130 million. The conventional Kaga Electronics Group incurred a decline of JPY494 million, FEI saw a decline of JPY2,633 million, and Excel enjoyed a rise of JPY1,009 million. The gross profit margin for the conventional Kaga Electronics Group was 14.3%, up from 13.7% in the same period of the previous year. FEI's GPM was 8.0%, up from 6.7%.

SG&A expenses were down JPY1,325 million in total. The conventional Kaga Electronics Group slashed SG&A expenses by JPY1,104 million, and FEI by JPY1,278 million. SG&A expenses at Excel, which joined the Group in the current year, pulled up the total expense amount by JPY1,058 million.

Finally, the Group's overall operating income was down JPY805 million YoY. The conventional Kaga Electronics Group posted a rise of JPY667 million, FEI incurred a fall of JPY1,370 million, and Excel saw a decline of JPY106 million.

FY2021/3 2Q results by company

(million yen)

		2020/3 2Q Results		2021/3 2Q Results		YoY
Kaga Electronics	Net sales	119,415		110,535		-7.4%
	Gross Profit	16,347	13.7%	15,853	14.3%	-3.0%
	operating income	3,952	3.3%	4,619	4.2%	16.9%
Fujitsu Electronics	Net sales	111,214		59,720		-46.3%
	Gross Profit	7,418	6.7%	4,784	8.0%	-35.5%
	operating income	1,286	1.2%	-84	-0.1%	-
Excel	Net sales	-	-	18,604		-
	Gross Profit	-	-	1,009	5.4%	-
	operating income	-	-	-106	-0.6%	-
Total	Net sales	230,630		188,859		-18.1%
	Gross Profit	23,771	10.3%	21,641	11.5%	-9.0%
	operating income	5,239	2.3%	4,434	2.3%	-15.4%

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

Next, I would like to explain the first half business results by company. The conventional Kaga Electronics Group posted sales of JPY110,535 million, down 7.4% YoY. Gross profit was JPY15,853 million, down 3.0% YoY. Operating income was JPY4,619 million, a YoY increase of 16.9%.

FEI posted net sales of JPY59,720 million, down a sharp 46.3% YoY. Gross profit was JPY4,784 million, down 35.5% YoY. The company incurred operating loss of JPY84 million.

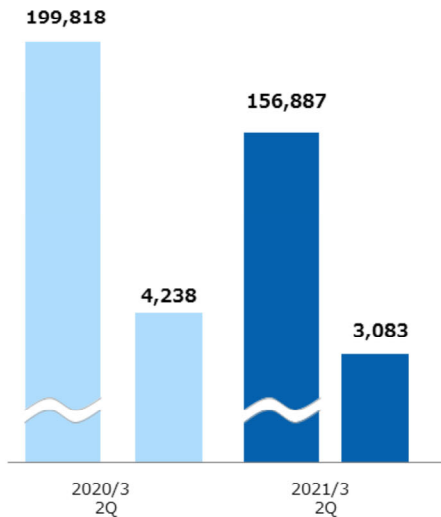
Excel posted sales of JPY18,604 million. Gross profit was JPY1,009 million. It incurred operating loss of JPY106 million.

Financial Highlights: Electronic Component Segment

(Million Yen)

Net sales/Segment income

YoY



- Net Sales - **42,931**million yen **21.5%Down**
- Segment income - **1,155**million yen **27.3%Down**

• The components sales business benefited from the effect of Excel's consolidation, but sales fell due to the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor and other factors.

- The EMS business continued to perform well in the medical equipment area, but was sluggish in the areas of automotive and air conditioning devices.
- The company was affected by partial suspension of operations and production adjustments at overseas plants due to the pandemic.



I will explain the results of the main segments. In the Electronic Component Segment, as I mentioned earlier, net sales decreased JPY42,931 million, down 21.5% YoY. Segment income was down 1,155 million, or 27.3%. The Components Sales Business benefited from the effect of Excel's consolidation, but sales fell significantly due to the termination of FEI sales agency agreement with Cypress Semiconductor.

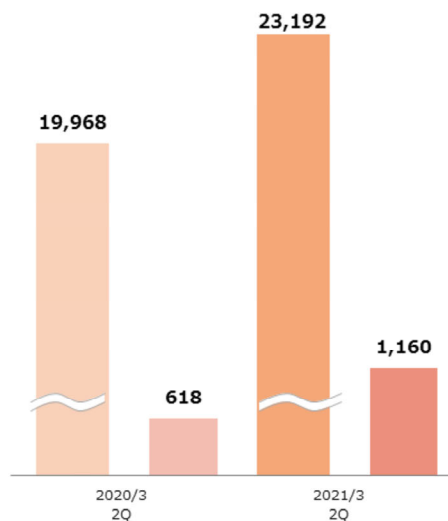
The EMS Business continued to perform well in the medical equipment area, but was sluggish in the areas of automotive and air conditioning devices. The Company was affected by partial suspension of operations and production adjustments at overseas plants due to the pandemic.

Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income

YoY



- Net Sales **+3,223**million yen **16.1%Up**
- Segment income **+542**million yen **87.8%Up**

• Sales of PCs and PC peripherals to home appliance stores, schools and educational facilities were strong during the coronavirus outbreak due to the increase in remote work and online classes.

• The house-related home electric appliances business remained sluggish.



In the Information Equipment Segment, sales were up JPY3,223 million, or 16.1%, YoY. Segment income increased JPY542 million, or 87.8%. Sales of PCs and PC peripherals to electronics mass retailers, schools and educational facilities were strong during the COVID-19 outbreak due to the increase in remote work and online classes. On the other hand, the Home Electric Appliances Business remained sluggish.

Financial Highlights (3months)

(million yen)

	FY2020/3 2QResults		FY2021/3 1QResults		FY2021/3 2QResults		YoY	QoQ
Net Sales	121,066		84,130		104,729		-13.5%	24.5%
Gross Profit	12,708	10.5%	9,997	11.9%	11,643	11.1%	-8.4%	16.5%
SG&A	9,319	7.7%	8,341	9.9%	8,864	8.5%	-4.9%	6.3%
Operating income	3,389	2.8%	1,656	2.0%	2,778	2.7%	-18.0%	67.8%
Ordinary income	3,500	2.9%	1,533	1.8%	2,804	2.7%	-19.9%	82.9%
Profit attributable to owners of parent	2,152	1.8%	8,643	10.3%	2,128	2.0%	-1.1%	-75.4%
EPS (yen)	78.42	—	314.77	—	77.53	—	—	—

Next, I would like to explain the three-month figures for the second quarter alone. Net sales for the July-to-September second quarter were JPY104,729 million, down 13.5% YoY. Against the result in the first quarter of JPY84,130 million, it was up 24.5% QoQ.

Operating income was JPY2,778 million, down 18% YoY and up 67.8% QoQ. Ordinary income was 2,804 million, down 19.9% YoY and up 82.9% QoQ. Profit attributable to owners of parent was JPY2,128 million, down 1.1% YoY and down 75.4% QoQ. This is largely attributable to the recording of Excel's negative goodwill in the first quarter.

Financial Results by Business Segment for FY2021/3 2Q(3months)

		(million yen)							
		FY2020/3 2QResults		FY2021/3 1QResults		FY2021/3 2QResults		YoY	QoQ
Electronic Component	Net sales	105,230		68,196		88,690		-15.7%	30.1%
	Segment income	2,617	2.5%	1,185	1.7%	1,897	2.1%	-27.5%	60.0%
Information Equipment	Net sales	9,842		12,537		10,654		8.2%	-15.0%
	Segment income	429	4.4%	583	4.7%	577	5.4%	34.6%	-0.9%
Software	Net sales	895		491		783		-12.5%	59.2%
	Segment income	108	12.2%	-44	-9.1%	131	16.8%	20.5%	—
Others	Net sales	5,097		2,904		4,600		-9.8%	58.4%
	Segment income	186	3.7%	-101	-3.5%	137	3.0%	-26.2%	—
Total	Net sales	121,066		84,130		104,729		-13.5%	24.5%
	Segment income	3,389	2.8%	1,656	2.0%	2,778	2.7%	-18.0%	67.8%

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

Next, I will explain the quarterly figures by segment. Sales in the Electronic Component Segment were JPY88,690 million, down 15.7% YoY and up 30.1% QoQ. Segment income amounted to JPY1,897 million, down 27.5% YoY and up 60.0% QoQ.

Sales in the Information Equipment Segment were JPY10,654 million, up 8.2% YoY and down 15.0% QoQ. Segment income amounted to JPY577 million, up 34.6% YoY and down 0.9% QoQ.

Sales in the Software Segment were JPY783 million, down 12.5% YoY and up 59.2% QoQ. Segment income was JPY131 million, up 20.5% YoY.

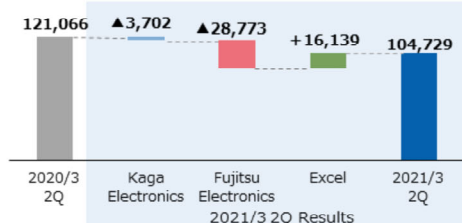
Sales in the Others Segment were JPY4,600 million, down 9.8% YoY and up 58.4% QoQ. Segment income was JPY137 million, down 26.2% YoY. The segment turned into the black from loss of JPY101 million in the previous quarter.

Effect of M&A (FY2021/3 2Q Results, 3months)

(million yen)

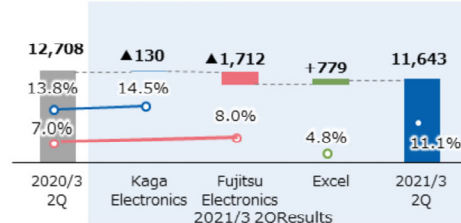
Net Sales

Fujitsu Electronics continued to heavy drop in sales due to loss of large commercial rights.



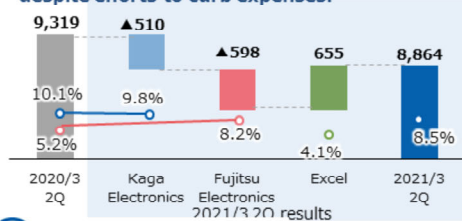
Gross profit / Gross profit margin

Kaga Electronics improved sales mix and gross profit declined limitedly.



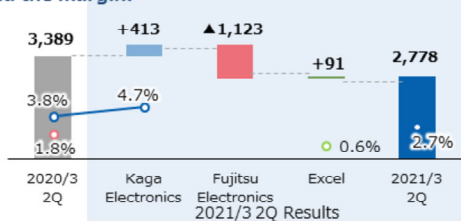
SG&A / SG&A ratio

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



Operating income / Operating income margin

Despite of sales declining during the pandemic, Kaga Electronics increased both operating income and the 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 -2million yen, and operating income came to 3million yen.

FY2021/3 2Q results by company (3 months)

		(million yen)							
		FY2020/3 2QResults		FY2021/3 1QResults		FY2021/3 2QResults		YoY	QoQ
Kaga Electronics	Net sales	61,744		52,493		58,041		-6%	10.6%
	Gross Profit	8,540	13.8%	7,442	14.2%	8,410	14.5%	-1.5%	13.0%
	operating inc	2,335	3.8%	1,870	3.6%	2,749	4.7%	17.7%	47.0%
Fujitsu Electronics	Net sales	59,322		29,172		30,548		-48.5%	4.7%
	Gross Profit	4,168	7.0%	2,328	8.0%	2,455	8.0%	-41.1%	5.5%
	operating inc	1,057	1.8%	-18	-0.1%	-65	-0.2%	-	-
Excel	Net sales	-	-	2,464		16,139		-	554.9%
	Gross Profit	-	-	230	9.3%	779	4.8%	-	238.6%
	operating inc	-	-	-198	-8.0%	91	0.6%	-	-
Total	Net sales	121,066		84,130		104,729		-13.5%	24.5%
	Gross Profit	12,708	10.5%	9,997	11.9%	11,643	11.1%	-8.4%	16.5%
	operating inc	3,389	2.8%	1,656	2.0%	2,778	2.7%	-18.0%	67.8%

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

Next, I will explain the quarterly business results by company. Sales of the conventional Kaga Electronics Group were JPY58,041 million for the second quarter, down 6.0% YoY and up 10.6% QoQ. Gross profit was JPY8,410 million, down 1.5% YoY and up 13.0% QoQ. Operating income was JPY2,749 million, up 17.7% YoY and up 47.0% QoQ.

FEI posted net sales of JPY30,548 million, down 48.5% YoY and up 4.7% QoQ. Gross profit was JPY2,455 million, down 41.1% YoY and up 5.5% QoQ. The company reported operating loss of JPY65 million, against operating income of JPY1,057 million in the second quarter of the previous year. A sharp decrease in gross profit resulted in the red ink.

Excel, which joined the Group in the current fiscal year, posted net sales of JPY16,139 million. Gross profit was JPY779 million, and operating profit was JPY91 million. The company turned into the black in the second quarter partly because results at its overseas subsidiaries were included in its consolidated figures from the second quarter.

Financial Highlights: Electronic Component Segment(3months)

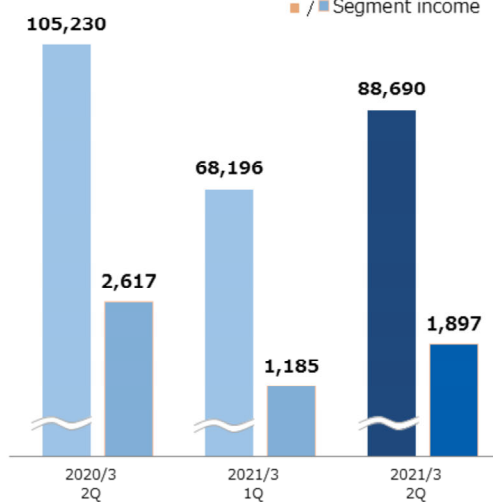
(million Yen)

Net sales/Segment income

YoY

■ / ■ Net Sales
■ / ■ Segment income

- Net Sales - 16,539million yen 15.7%Down
- Segment income - 720million yen 27.5%Down



QoQ

- Net Sales +20,494million yen 30.1%Up
- Segment income +711million Yen 60.0%Up

Financial Highlights: Information Equipment Segment (3months)

(million yen)

Net sales/Segment income

YoY

■ / ■ Net Sales

● Net Sales +811million yen 8.2%Up

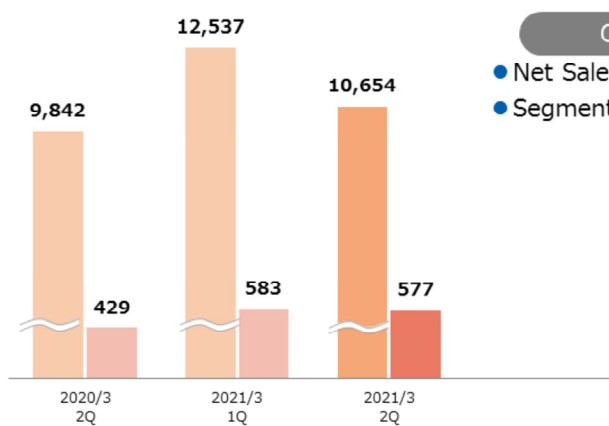
■ / ■ Segment Income

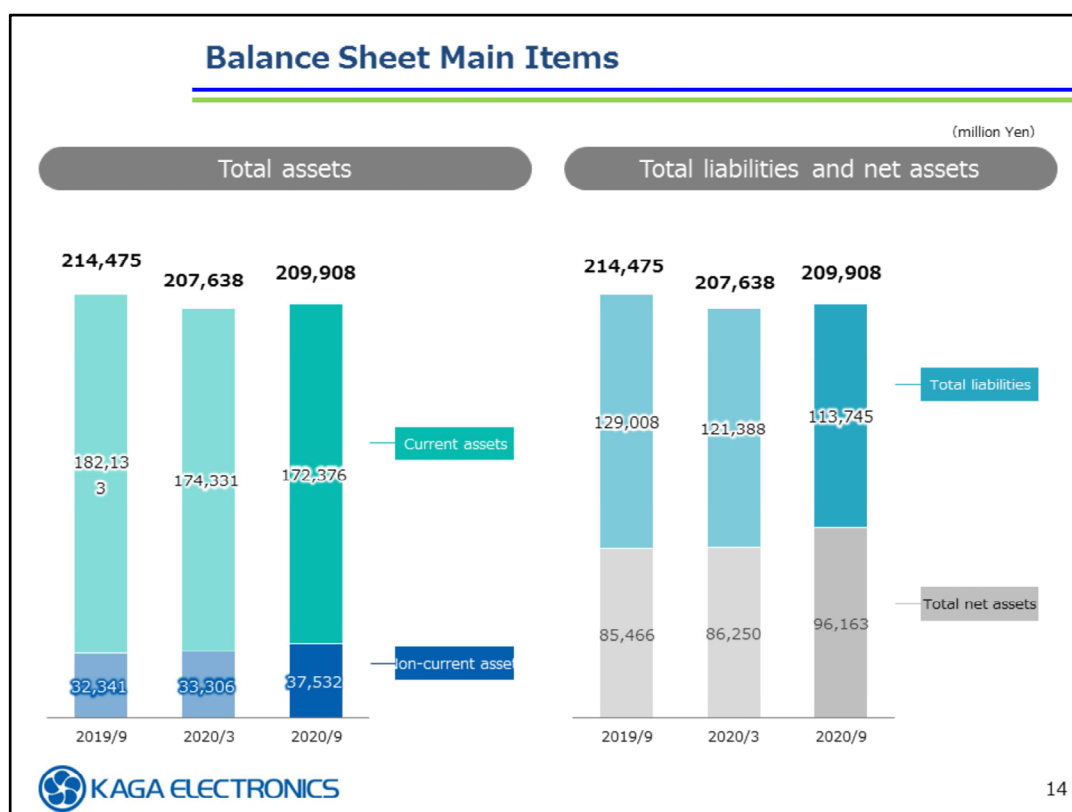
● Segment income +148million yen 34.6%Up

QoQ

● Net Sales - 1,882million yen 15.0%Down

● Segment income - 5million yen 0.9%Down

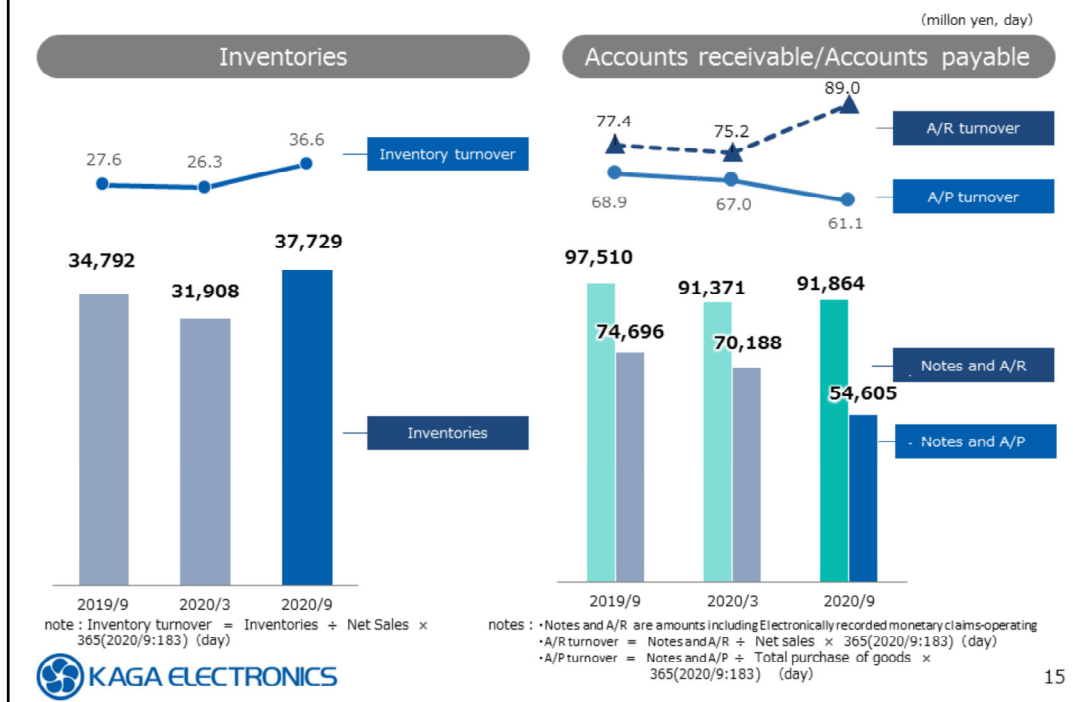




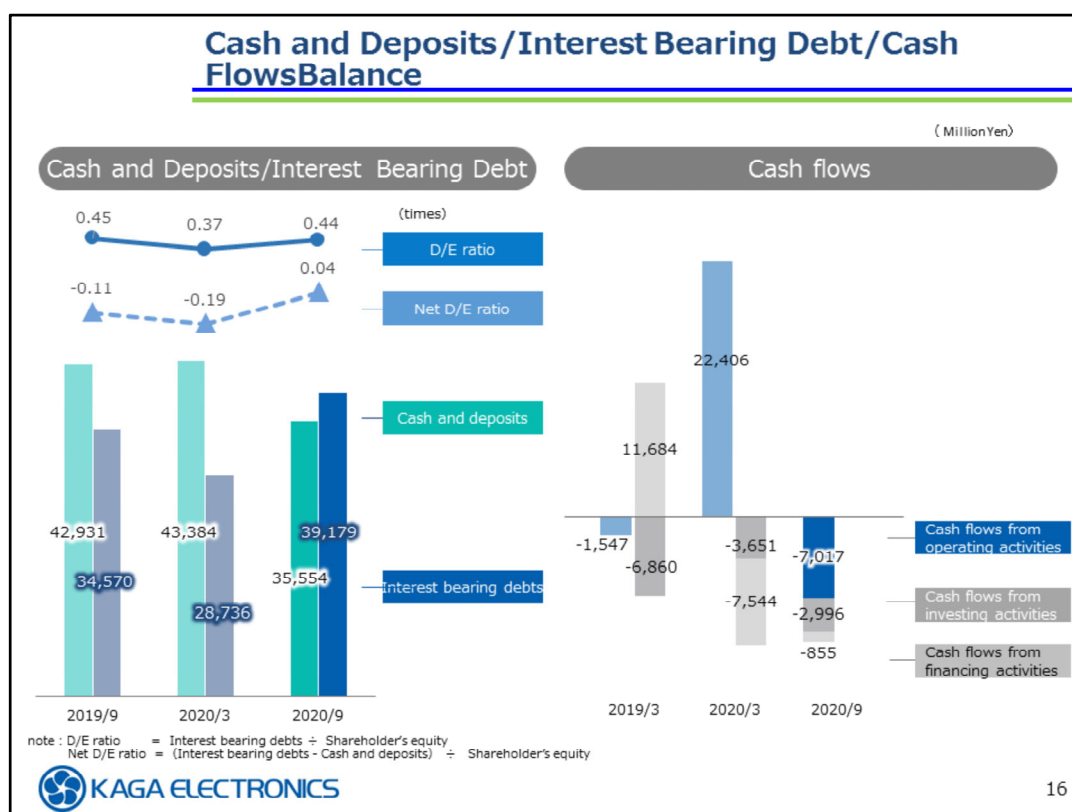
I will explain our balance sheet. As for assets, total assets were JPY209,908 million, an increase of JPY2,270 million from the end of March. Current assets were JPY172,376 million, a decrease of JPY1,955 million from six months earlier. Non-current assets were JPY37,532 million, an increase of JPY4,226 million.

Total liabilities were JPY113,745 million, a decrease of JPY7,643 million from the end of March. Net assets were JPY96,163 million, an increase of JPY9,913 million.

Balance Sheet Main Items



This is a breakdown of the assets. First of all, inventories were JPY37,729 million, an increase of JPY5,821 million. The inventory turnover period was 36.6 days. Notes and accounts receivable were JPY91,864 million, an increase of JPY493 million. Notes and accounts payable were JPY54,605 million, a decrease of JPY15,583 million. The accounts receivable turnover was 89 days, and the accounts payable turnover was 61.1 days.



Next, I will explain cash and deposits, interest-bearing debt, and cash flows. Cash and deposits amounted to a balance of JPY35,554 million, a decrease of JPY7,830 million from six months earlier. Interest-bearing debt amounted to JPY39,179 million, an increase of JPY10,443 million. The D/E ratio was 0.44, and the net D/E ratio was 0.04.

Among cash flows, cash flows from operating activities showed a net outflow of JPY7,017 million. Cash flows from investing activities posted a net outflow of JPY2,996 million, and those from financing activities showed a net outflow of JPY855 million.

Supplementary information on cash flow

Cash flow from operating activities recorded a temporary increase in outflow in FY2020/9 due to the acquisition of Excel, loss of large commercial rights and the impact of COVID-19, but is expected to reverse within FY2021/3.

	Main variation items	FY2019/9	FY2020/9
Cash flows from operating activities	• Profit before income taxes	5,302	12,126
	• Gain on negative goodwill	—	-7,963 ...①
	• Decrease (increase) in notes and accounts receivable - trade	2,979	10,547 ...②
	• Decrease (increase) in inventories	4,784	1,835 ...③
	• Increase (decrease) in notes and accounts payable - trade	-2,095	-21,540 ...④
	• Decrease (increase) in accounts receivable - other	-497	1,607
	Net cash provided by (used in) operating activities	12,913	-5,242

Main factors

- | | |
|--|---|
| ① Gain on negative goodwill | ➡ Due to the acquisition of Excel |
| ② Decrease in notes and accounts receivable -trade | ➡ Fujitsu Electronics decreased 9,375 due to sales decline related to loss of large commercial rights |
| ③ Increase in inventories | ➡ Excel reduced inventories related to China operation |
| ④ Decrease in notes and accounts receivable -trade | ➡ Fujitsu Electronics decreased 13,851 due to loss of large commercial rights and COVID-19 |

Let me explain cash flows. Cash flows from operating activities recorded a temporary increase in outflow due to the acquisition of Excel, loss of large commercial rights, and the impact of COVID-19. However, it is expected to be reversed by the end of the current fiscal year ending March 2021.

This is a breakdown of operating cash flows. Profit before income taxes amounted to JPY12,126 million, and gain on negative goodwill led to outflow of JPY7,963 million. A decrease in notes and accounts receivable-trade was JPY10,547 million, a decrease in inventories was JPY1,835 million, and a decrease in notes and accounts receivable-trade was JPY21,540 million, leading to net cash used in operating activities worth JPY7,017 million.

Forecast for the Fiscal Year ending March, 2021

(Million Yen)

	FY2020/3 Results		FY2021/3 Initial forecast		FY2021/3 Current forecast		Changes	YoY
				(announced on August 6, 2020)				
Net sales	443,615		400,000		410,000		2.5%	-7.6%
Operating income	10,014	2.3%	5,000	1.3%	7,500	1.8%	50.0%	-25.1%
Ordinary income	10,137	2.3%	4,500	1.1%	7,500	1.8%	66.7%	-26.0%
Profit attributable to owners of parent	5,852	1.3%	10,000	2.5%	10,000	2.4%	—	70.9%
EPS (Yen)	213.21		364.18		364.18		—	70.8%
ROE	7.6		11.8		11.8		—	+4.2pt

Finally, I would like to explain our full-year earnings forecasts. As of August 6, we announced our full-year earnings forecasts, but in light of our first half results, we revised up our net sales forecast by JPY10 billion to JPY410 billion. We increased our forecast for operating income by JPY2.5 billion to JPY7.5 billion. We also raised our ordinary income forecast by JPY3 billion to JPY7.5 billion.

We left our forecast for profit attributable to owners of parent unchanged at JPY10 billion.

Breakdown of revised forecasts for FY2021/3

(million yen)		Previous forecast		Revised forecast	
Net Sales	● Kaga Electronics	Before COVID-19	240,000	-5,000	235,000
	● Fujitsu Electronis	Pandemic	160,000	-35,000	125,000
	● Excel		50,000		50,000
	● Risks due to COVID-19		-50,000	(-40,000)	
	Total		400,000	Change : +10,000	410,000
Operating Income	● Kaga Electronics	Before COVID-19	7,500		8,000
	● Fujitsu Electronics	Pandemic	1,000		-500
	● Excel		0		0
	● Risks due to COVID-19		-3,500	-1,000	
	* Lost gross profit due to lower sales:		-5,000	-4,000	
Profit attributable to owners of parent	* Profit recovery:		+1,500	+3,000	
	Total		5,000	Change : +2,500	7,500
	● Gains on negative goodwill		8,000		7,963
	● Restructuring cost, others		-1,500	-3,000	
	● Income Taxes		-1,500	-2,500	
	Total		10,000		10,000



19

These are the factors behind the increases in the earnings forecasts. I will explain them briefly. When we previously forecast annual net sales at JPY400 billion, we estimated sales at the conventional Kaga Electronics Group at JPY240 billion, those at FEI at JPY160 billion, and those at Excel at JPY50 billion. These totaled JPY450 billion, which was the estimate before the COVID-19 pandemic, and we estimated the risk to slash sales at JPY50 billion, leading to the previous forecast of net sales at JPY400 billion.

Following the financial results for the first half, we newly estimated sales at the conventional Kaga Electronics Group at JPY235 billion, down JPY5 billion from the initial projection, those at FEI at JPY125 billion, down JPY35 billion, and those at Excel at JPY50 billion, unchanged from the previous estimate. As a result, we came up with the total net sales forecast of JPY410 billion, up JPY10 billion.

In terms of operating income, we previously estimated the value for the conventional Kaga Electronics Group to be JPY7.5 billion and that for FEI to be JPY1 billion, and that for Excel to break even, prior to the pandemic. Then we added a risk of gross profit decrease due to the impact of COVID-19 worth JPY5 billion, and the effect of efforts to recover profits worth JPY1.5 billion, leading to a net decrease of JPY3.5 billion, and resulting in the total operating income forecast of JPY5 billion. In response to the results in the first half, we estimated a gross profit decrease at JPY4 billion and the effect of recovery efforts at JPY3 billion, leading to a net decrease JPY1 billion. As a result, we revised our operating income forecast upward by JPY2.5 billion to JPY7.5 billion.

Regarding profit attributable to owners of parent, we initially estimated extraordinary profit worth JPY8 billion from gains on negative goodwill by the acquisition of Excel, and extraordinary loss worth JPY1.5 billion due to restructuring cost, business risks and others. In addition, we estimated income taxes at JPY1.5 billion, leading to JPY10 billion in profit. This time, we estimated extraordinary loss to be JPY3 billion and income taxes to be JPY2.5 billion, leaving the forecast unchanged at JPY10 billion.

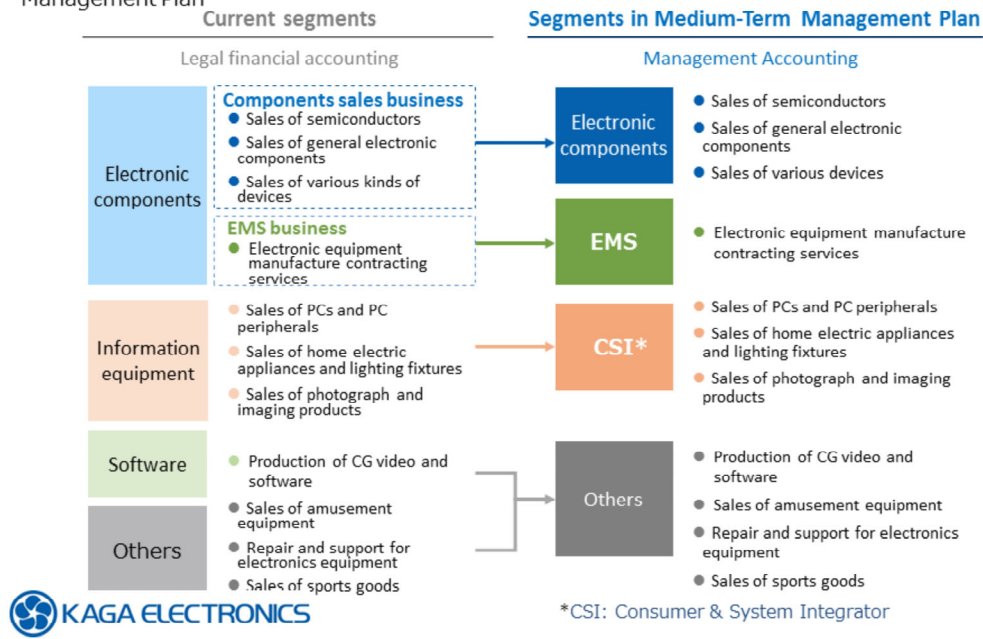
As described above, we are pursuing our businesses in an extremely challenging environment, and our full-year results are expected to incur YoY falls in both sales and profits. However, we would like to do our utmost to improve our business performance of the whole Group, and we appreciate your support.

Thank you for your listening.

Reference

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



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 SOLUTION CO., 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.	●	●		

Reference

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

(Million Yen)

		FY2020/3 2Q Results		FY2021/3 2Q Results		YoY
Electronic Components	Net sales	156,803		117,287		-25.2%
	Segment income	2,127	1.4%	851	0.7%	-60.0%
EMS	Net sales	46,945		42,940		-8.5%
	Segment income	2,100	4.5%	2,265	5.3%	7.9%
CSI	Net sales	19,968		23,192		16.1%
	Segment income	618	3.1%	1,160	5.0%	87.8%
Others	Net sales	6,912		5,438		-21.3%
	Segment income	316	4.6%	88	1.6%	-72.2%
Total	Net sales	230,630		188,859		-18.1%
	Segment income	5,239	2.3%	4,434	2.3%	-15.4%

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

Reference
**Financial Highlights by Business Segment of
the Medium-Term Management Plan(3months)**

(Million Yen)

		FY2020/3 2Q Results		FY2021/3 2Q Results		YoY
Electronic Components	Net sales	84,698		67,547		-20.2%
	Segment income	1,651	2.0%	807	1.2%	-51.1%
EMS	Net sales	22,425		23,120		3.1%
	Segment income	830	3.7%	1,181	5.1%	42.3%
CSI	Net sales	9,842		10,654		8.2%
	Segment income	429	4.4%	577	5.4%	34.6%
Others	Net sales	4,099		3,406		-16.9%
	Segment income	430	10.5%	177	5.2%	-58.9%
Total	Net sales	121,066		104,729		-13.5%
	Segment income	3,389	2.8%	2,778	2.7%	-18.0%

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

Forecasts by Business Segment of the Medium-Term Management Plan

(million yen)

		FY2020/3 Results		FY2021/3 Forecasts		YoY
Electronic Components	Net sales	292,905		264,000		-9.9%
	Segment income	3,553	1.2%	2,000	0.8%	-43.7%
EMS	Net sales	93,340		85,000		-8.9%
	Segment income	4,015	4.3%	3,000	3.5%	-25.3%
CSI	Net sales	43,466		50,000		15.0%
	Segment income	1,707	3.9%	2,300	4.6%	34.7%
Others	Net sales	13,902		11,000		-20.9%
	Segment income	623	4.5%	200	1.8%	-67.9%
Total	Net sales	443,615		410,000		-7.6%
	Segment income	10,014	2.3%	7,500	1.8%	-25.1%

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

Management Topics

President & Representative Director
KAGA ELECTRONICS CO., LTD.


Ryoichi Kado


0

Hello, everyone. I'm Ryoichi Kado, President & COO of Kaga Electronics Co., Ltd. Thank you very much for your continued cooperation in our IR activities. Now, let me report on important management issues that occurred during the first half, from April to September, of the current fiscal year.

Response to the Spread of Novel Coronavirus Infection

Sales bases	<p>•We continued with marketing activities while implementing safety measures in Japan and overseas, such as telework and staggered work times, in line with guidance from the central and local governments.</p>									
			Apr.	May	June	July	Aug.	Sept.	Number of COVID-19 cases	
	Office attendance rate	Kaga Electronics	29.4%	27.0%	42.4%	46.8%	37.3%	48.6%	1	
Production bases		Group companies	35.4%	30.3%	51.4%	55.8%	46.9%	54.1%	1	
	<p>• We are continuing to operate with a minimum number of people while implementing safety measures in accordance with the guidance of the central government and regional governments. Overseas, some sites suspended operations during lockdowns.</p>									
	Status of suspended operations following increase in COVID-19 cases								Number of COVID-19 cases	
		Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	
	Thai•Indonesia•Turkey	No suspension of operations								
	Hubei, China		Feb.1~Mar.15							0
	Suzhou, China		Feb.1~Feb.9							0
	Shenzhen, China		Feb.1~Feb.13							0
	Malaysia			Mar.18~Apr.20						0
	Vietnam			Apr.1~Apr.15						0
	India			Mar.25~May31						0
	Czech			Apr.7~Apr.9						1
	Mexico			Apr.1~May30						2




... Operation suspension period

1



... Operation suspension period

1

The first topic is about COVID-19. At the previous briefing in May, we explained the situation at that time. In this slide, we have updated the situation during April and September. In Japan, our sales offices were based on teleworking or staggered working hours. Overseas, according to the instructions of governments and agencies, employees continued sales activities with safety first, partly using telecommuting.

In this table, we summarized the rate of office attendance in Japan. Until May, when the Declaration of a State of Emergency was lifted, this rate was kept to 30% or less, and subsequently kept to 40% to 50% from June onward. From October, when there was a spread phase again, we directed that the attendance rate in the metropolitan areas around Tokyo and Osaka should be around 40%, and that the attendance rate in other areas should be 50% or so. During April and September, there was one infected employee at the Kaga Electronics Headquarters in August, and one at a Group company in September. There has been no infected person thereafter.

On the other hand, our production bases in Japan, Thailand, and Indonesia continued their production activities without having to suspend operations. However, as described in the slide, our plants in China, Malaysia, Vietnam, and etc., suspended operations in accordance with the lockdown triggered by the government of each country. Currently, the production activities are continuing at all sites while implementing safety measures.

At overseas business bases, we had one infected person in the Czech Republic in April and two in Mexico in July. There have been reports on several infection cases in the Czech Republic, Mexico, and Turkey amid the renewed spread of COVID-19 in Europe and North America. At the Kaga Group companies, both in Japan and overseas, employees of course wash hands and mouths and use hand sanitizers. In addition, we measure body temperatures of employees and visitors at the time of entry into buildings.

At our plants, we are working to prevent the spread of infections by establishing sanitizing showers, production lines with proper social distancing, and boundaries at employee dining halls to prevent contact between employees. So far, we had only separate cases of infections, and have had no cluster infections.

Acquisition of Kyokuto Electric		
Outline of Kyokuto Electric Co., Ltd.	Name	• Kyokuto Electric Co., Ltd.
	Representative	• Representative Director and Chairman : Motonori Toshinari (Director, Division Manager of EMS Business Division of KAGA ELECTRONICS) • Representative Director and President : Yasuhiro Sawada (present position)
	Address	• 6-2-1 Shinmori, Asahi-ku, Osaka-shi, Osaka
	Business description	• Manufacture of safety breakers, power leakage circuit breakers, and DC switching device • Electronic equipment EMS Business
Acquisition scheme	<ul style="list-style-type: none"> • April 28, 2020: Kyokuto Electric petitioned the Osaka District Court for the application of the Civil Rehabilitation Act • August 31, 2020: Kaga Electronics concludes agreement to sponsor the civil rehabilitation of Kyokuto Electric • November 2, 2020: Kyokuto Electric is divided, Kaga Electronics acquires 100% of the shares of the newly established Kyokuto Electric and the new company becomes a consolidated subsidiary on the same day. 	
Purpose of acquisition	<ul style="list-style-type: none"> • Continue to supply Kaga Electronics' automotive product EMS customers • Build an EMS site in western Japan to enhance domestic production capability • Contribute to Group revenue by strengthening competitiveness of Kyokuto Electric's unique products* <p>*Products for which Kyokuto Electric has a 75~100% market share, such as earth leakage plugs, earth leakage relays, power leakage circuit breakers, and DC switching devices.</p>	
Effect on earnings	<ul style="list-style-type: none"> • The effect on earnings in the fiscal year ending in March 2021 is expected to be minimal. 	

The next topic is the acquisition of shares of Kyokuto Electric Co., Ltd. and consolidation of the company into the Group. The company, headquartered in Osaka, manufactures safety breakers and power leakage circuit breakers. It also engages in the EMS business. It is the leading manufacturer of leakage protection plugs and leakage protection relays, dominating domestic market shares of 75% to 100%.

In April, Kyokuto Electric petitioned the Osaka District Court to commence civil rehabilitation procedures. The company, which had operated in Japan and overseas, fell into trouble as it was hit by COVID-19 this year after its Chinese business had been sluggish since last year.

As Kaga Electronics had outsourced its EMS business related to onboard automotive products for part of its customers to Kyokuto, the Company entered a sponsorship agreement with Kyokuto in August. Thereafter, on November 2, we acquired 100% of shares of the new Kyokuto Electric, which was established through a corporate split the same day after separating the old Kyokuto Electric's unnecessary businesses, such as the Chinese business. Kyokuto Electric is now our consolidated subsidiary.

The purposes of the acquisition are described here. In particular, the second point, establishing an EMS base in western Japan, is very important. Kyokuto has plants in Tottori, western Japan. By having Kaga EMS Towada Co., Ltd. in eastern Japan and Kyokuto in western Japan, Kaga Electronics will establish a system to be able to meet the need of a broad range of customers that are oriented toward production in Japan.

Progress of PMI at Fujitsu Electronics

EMS initiatives	<ul style="list-style-type: none"> Obtained orders for development, experimental production and mass production from five companies, including automotive equipment manufacturers and electronics manufacturers 84 companies/new visits → 40 companies/currently in sales talks <p><Focus point> Results from activities in first half of fiscal year were in line with results in the previous year; first order for overseas mass production was Obtained</p>
Cross-selling initiatives	<ul style="list-style-type: none"> Strengthened sales of Kaga Electronics' influential products to large and important clients <p><Focus point> Large-scale sales talks are underway in several fields, including information equipment, infrastructure equipment and home electronics</p>
New product initiatives	<ul style="list-style-type: none"> Expanded products and services in a wide range of fields, such as semiconductors, electronic parts and unit modules <p><Focus point> New products handled: 79 companies; estimated sales in current fiscal year: 14.7 billion yen (10.4 billion yen in previous fiscal year)</p>
Consolidation of sales bases	Japan <ul style="list-style-type: none"> Relocation of FEI Osaka Office to KG Kansai Sales Office [December/2020] * Nagoya, Hiroshima and Niigata have already completed integration
	Overseas <ul style="list-style-type: none"> KG US sales company to integrate with FEI US sales company (spring 2021) Sales companies in Korea of both company are also under consideration [Spring/2021]
*Abbreviations: Kaga Electronics → KG, Fujitsu Electronics → FEI	
Others	<ul style="list-style-type: none"> Company name will be changed to Kaga FEI Co., Ltd. effective December 28, 2022



3

Next, I report on the PMI process after the acquisition of Fujitsu Electronics Inc. Regarding the initiatives for the EMS business, as I explained at the previous briefing, we established a sales team within Fujitsu Electronics specializing in EMS in April last year. This team cooperates with Kaga Electronics' EMS Business Division and conducts sales activities with FEI's major customers. During April and September, it approached 84 companies for business talks and obtained orders for development, trial production, and mass production from five of them.

In the previous fiscal year, it approached 90 companies and obtained orders from four, so its performance in the six months was equivalent to the full-year result. Many of the orders will generate sales from FY2021. Among them, we look forward to a project for an onboard automotive product for a Tier 1 parts supplier because it is a big project, worth billions of JPY.

The next important initiative is the third one, finding new products for sale. As we explained, FEI has lost major commercial rights in connection with Cypress Semiconductor of the US and other business partners and need new businesses to offset the loss. FEI has keenly been seeking new merchandise for five years. The Company has started transactions with 79 suppliers on a cumulative basis. For the current fiscal year, sales of the new merchandise are expected to total JPY15 billion, up 40% year on year. We look forward to further growth because there are four products whose sales are worth several billions of JPY.

We are also working diligently to consolidate the sales bases and organizations of both companies. In Japan, we have already been integrating and transferring operations in Nagoya, Hiroshima, and Niigata, and we plan to transfer FEI's sales office in Osaka by the end of the year. Overseas, we are in the process of integrating the US sales company toward the spring of next year. As the US is hit by the spread of COVID-19, we are moving ahead with safety first.

Finally, the Company will change its name to Kaga FEI on December 29. The Company will start next year with the new name.

Progress of PMI at Kaga EMS Towada(Former Towada Pioneer)


Bring in new customers ①Collaboration with Kaga Electronics	Automotive	<ul style="list-style-type: none"> Start of mass production of electronic boards for Japanese tier-1 companies (from July 2020) Mass production orders of electronic boards for Japanese tier-1 companies (from November 2021)
	Office equipment	<ul style="list-style-type: none"> Mass production orders of electronic boards for major Japanese office equipment manufacturer (from 2021)
	Electronics	<ul style="list-style-type: none"> Acquired "certified factory" accreditation from major Japanese electronics manufacturer
Bring in new customers ②Own efforts	Medical equipment	<ul style="list-style-type: none"> Contract manufacturing of sensors for Japanese medical equipment manufacturer (from December 2020) Contract manufacturing of units for Japanese medical equipment manufacturer (from May 2022)
Initiatives as EMS mother factory	<ul style="list-style-type: none"> Expansion of tools that incorporate IT into production (management software, facilities) developed by Kaga EMS Towada to manufacturing bases within Group Sharing standardization expertise on manufacturing Support for overseas manufacturing bases, deployment of human resources stationed overseas Accelerate training of human resources in quality management and manufacturing technology Promotion of IT from a manufacturing perspective (quality management, materials, factory operations, accounting) 	



The next topic is the PMI process of Kaga EMS Towada Co., Ltd., which became a Group company, in October 2019, as a result of the acquisition of former Towada Pioneer. The company was originally manufacturing automotive navigation systems and others as Pioneer Corporation's subsidiary. After entering our Group, the company has eagerly been seeking new customers not to depend on its existing products.

One approach is cooperation with Kaga Electronics' EMS Business Division. Kaga EMS Towada has obtained two mass production orders for onboard automotive products and one mass production order for office automation equipment. As it was qualified as a certified plant of a major Japanese electronics manufacturer, transactions are expected to increase. The other way is through their own efforts. As Towada Pioneer, the company acquired a license for manufacturing medical equipment. Against this backdrop, it obtained two orders from Japanese medical equipment makers.

One of our purposes of the acquisition was to strengthen our manufacturing capabilities in the EMS business. We share Kaga EMS Towada's long-standing expertise as a dedicated electronics maker, excellent human resources for production, production facilities, quality assurance system and other tangible and intangible assets and are making horizontal deployment globally. We aim to improve quality levels of our EMS business as the Group's mother factory and enhance our competitive edge.

Progress of PMI at EXCEL		
New business Initiatives	<ul style="list-style-type: none"> Expanded sales of photocatalytic sanitizer/deodorizer* manufactured by Kaltech Co., Ltd. Expanded sales of EV buses manufactured by China's Alfabus Co., Ltd. <p><Focus point> Utilization and full-scale deployment of networks owned by Kaga Electronics and EXL is currently underway *Orders for two EV buses were confirmed in H1</p>	
Cross-selling initiatives	<ul style="list-style-type: none"> Strengthen sale of products held by Kaga Electronics to major customers <p><Focus point> A Group Synergy Promotion Office has been set up within EXL to strengthen the collaboration. Moreover, a Special Sales Marketing Division has been set up, and it is currently expanding the handling of products other than electronic parts.</p>	
Consolidation of sales bases	Japan	<ul style="list-style-type: none"> EXL merged with ADS (on October 1, 2020) EXL's headquarters will be moved to Kaga Electronics' headquarters (Akihabara) [around spring 2021] EXL's Nagoya branch will be moved to KG's Nagoya sales office [around spring 2021] Changes for other sites in Japan are currently being considered
	Overseas	<ul style="list-style-type: none"> EXL Singapore will be liquidated and business moved to Kaga Singapore [around winter 2020] ADS Hong Kong will be liquidated and business moved to EXL Hong Kong [around winter 2020] Changes for other overseas sites are being considered
<p>*Abbreviations: EXCEL→EXL Advanced Display Solutions (EXL's subsidiary) →ADS</p> <p> KAGA ELECTRONICS</p>		

5

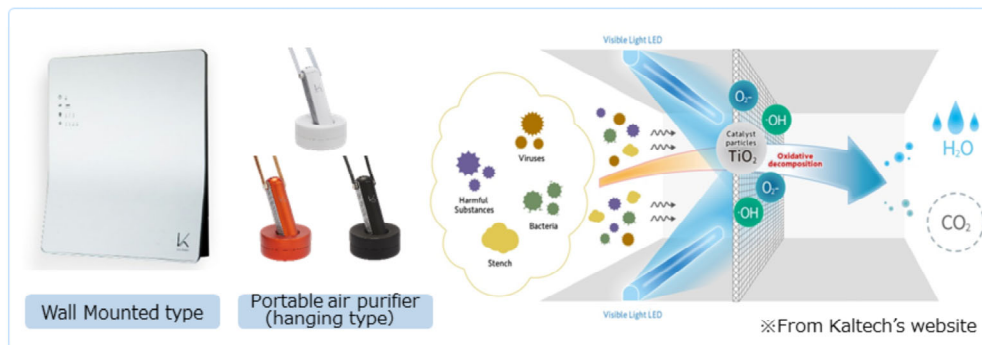
Excel Co., Ltd. is the final case of our PMI processes. We acquired the company in April this year with the aim of expanding the share of the Electronic Components business and the scale of the EMS business, and acquiring new businesses. Here, I will explain the progress made in the six months with respect to new businesses and consolidation and closure of business bases.

Regarding the initiatives for new businesses, we introduced two examples. As I will explain the first one, collaboration with Kaltech, in detail on the following slide, I would like to mention the EV bus business. Excel established Alfa Bus Japan Co., Ltd., in 2019, as a sales agent for Jiangsu Alfa Bus Co., Ltd., a Chinese EV bus manufacturer. Alfa Bus Japan is working to expand sales of environmentally friendly EV buses in Japan. Jiangsu Alfa Bus was established in 1999. It manufactures 12-meter-long large EV buses in alliance with a Swedish bus manufacturer in terms of production of vehicles and with a Japanese battery manufacturer in terms of batteries.

In China, which leads the world in EV buses, Alfa buses are adopted by the cities of Shanghai, Chengdu, and Wuxi. In Europe, they are also being used for route buses in major cities in Spain and Italy. In Japan, Alfa Bus Japan received two orders from local governments in the first half of the current fiscal year. Needless to say, EV buses are driven by clean energy with no carbon emissions, so I think it is a socially beneficial business in line with the UN SDGs.

Regarding the consolidation and closure of sales offices, we are steadily implementing important structural reforms at home and abroad, such as the integration and relocation of business bases and the liquidation of subsidiaries.

Kaltech's photocatalytic sanitizer/deodorizer



About Kaltech Co., Ltd.

- Kaltech is a venture company set up by a former Sharp engineers in 2018.
- The company works on sanitizer/deodorizer equipped with photocatalytic technology developed by Kaltech.
- EXL has invested in this company and expanded its relationship, signing a basic agreement to collaborate on sales and parts procurement in the Group overall. EMS development is being considered for the future.



Kaltech's photocatalytic technology

- By radiating visible LED at a photocatalytic filter coated with titanium oxide using Kaltech's proprietary technology, viruses and harmful substances that attach to the filter are broken down into water and carbon dioxide.
- An evaluation of the functions carried out jointly by Riken and Nihon University School of Medicine found that the machine deactivated 99.9% of covid-19 in 20 minutes.

6

Next, I would like to explain TURNED K, a photocatalytic sanitizing and deodorizing machine, which has been developed and sold by Kaltech. First, let me explain Kaltech. Kaltech is a venture company launched in 2018, led by Junichi Somei, a former Sharp Corporation engineer. Using proprietary photocatalytic technology, Caltech provides the world with environmental products for the purification of air and water.

As Excel invested part of the startup funds in Kaltech, we agreed to expand this relationship to the entire Kaga Electronics Group and collaborate in product sales and parts procurement. In the future, we are looking to collaborate on production by using our EMS network.

Next, I will explain the technical matters. Although it does not use new technology for photocatalysts, the points of the company's technology are its proprietary coating technology for titanium oxide as a photocatalyst and its use of visible light LEDs as light sources. This has resulted in world-class response efficiencies in decomposing viruses and germs, which are floating in the air, into water and CO₂. In the case of influenza viruses, the Kaltech technology is confirmed to have eliminated 99.9% in five minutes.

In recent collaboration with RIKEN and Nihon University School of Medicine, the company conducted a trial of the efficacy of photocatalysts against the novel coronavirus within a certain space, and it was confirmed that more than 99.9% of the virus was removed in about 20 minutes. The result has already been announced by the company and has been covered by various media reports, such as newspapers and television. The deodorizing and sanitizing product is being sold very well at electronics mass retailers and on mail orders. There is a wall-hanging type and a neck-hanging type that I am wearing.



The last two slides explain our efforts for the sustainability and SDGs. This slide is a visualization of our sustainability efforts. We were originally a trading company and have been operating for 54 years with the motto of “not saying no” to our customers. As a result, we have expanded our business domains as a general trading company in electronics from sales of finished products to post-sales support, with the parts sales business and EMS business at the core.

In a conventional business, we sell high-quality PC products to schools and other educational institutions. We also contribute to the reduction of waste through recycling businesses, such as the reuse and recycling of PC products and home appliances. Although we are unable to select customers or select transactions in our parts sales and EMS business, we understand that our position is to be indirectly involved in the SDGs through products to be deployed by our customers in line with the SDGs and through our services to help them.

Meanwhile, we are challenging new businesses in line with the SDGs without being constrained by precedents and customs. We have launched a helicopter business for government agencies, which are increasingly aware of disaster prevention in response to frequent large-scale disasters such as earthquakes and heavy rains. We are also preparing to sell medical devices such as mobile CT scanners. In this way, we go beyond the boundaries of an electronics trading company and are working on the businesses to solve social issues. In order to accelerate the SDGs initiatives, collaboration with external parties is essential. We support start-up companies working to solve social issues through venture investments.

In addition, we are working to commercialize next-generation energy materials and other products through open innovations in industry-academia collaboration with Japan Advanced Institute of Science and Technology (JAIST) and others.

New Initiatives: Sustainability

<p style="text-align: center;">Medical equipment × QOL</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;">  <p>3 GOOD HEALTH AND WELL-BEING</p> </div> <div style="text-align: center;">  <p>4 QUALITY EDUCATION</p> </div> </div> <p style="text-align: center;">Mobile CT scanner</p>	<p style="text-align: center;">Wearable Device and Support of People with Disabilities</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <p style="text-align: center;">ONTENNA</p>
<p style="text-align: center;">“Watch-Over” System in an Aging Society</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <p style="text-align: center;">Care Support System</p>	<p style="text-align: center;">Breakthrough × Next-generation battery storage devices</p> <div style="display: flex; justify-content: space-around; align-items: center;">   </div> <p style="text-align: center;">Green Capacitor</p>


8

The final slide introduces four specific examples in line with the SDGs. The top left picture is a mobile CT scanner we are preparing to sell. We hope that this will lead to the promotion of health for the elderly, who are difficult to walk. This flatbed CT scanner is used for women's breast cancer examinations. Unlike conventional mammography, it is painless, so I think that the number of examinations will increase, leading to a rise in early detections of cancer.

The photo on top right shows an interface called “Ontenna”, developed by FEI, to feel the sound with the surface of the body. By converting sounds with 60 decibels to 90 decibels into 256 levels of vibration and light intensity and transmitting them to the body, hearing impaired people can feel the rhythms, patterns, and magnitude of sounds. We expect the device to be used in schools for the deaf and other educational settings, as well as in sports and cultural events.

The photo at bottom left shows the care support system we sell. This system allows administrators to watch residents 24 hours a day with sensors installed at several points indoors. In addition to the detection of actions such as getting up and getting out of bed, in the event of an accident, such as falling to the floor or abnormal breaths, it will notify the staff's smartphones of the accident. Since the status of tenants can be confirmed by videos, appropriate measures can be taken at an early stage and operational efficiency can be improved dramatically. There were reports that the facilities that introduced this system have improved their operational efficiency by about 30%.

The last example is the Green Capacitor at bottom right. This was developed by Spacelink, which we invested in as a venture company. We are working with JAIST to commercialize this product in industry-academia collaboration. As an energy device capable of rapid, large-capacity charging, it is expected to be used in a wide range of fields, including consumer electronics devices like mobile terminals and wearable terminals, industrial equipment like robots and drones, and EVs.

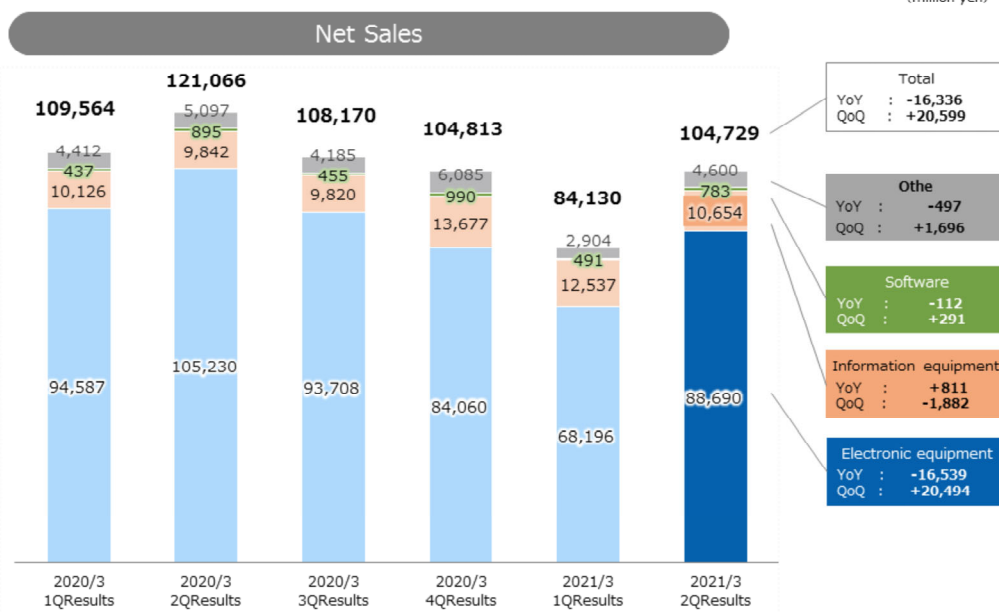
In this way, we will contribute to the SDGs through a three-way combination: conventional businesses, new businesses, and external collaboration.

My explanation is over. Thank you for listening.

Refelence

Financial Highlights by Business Segment^① (Net Sales)

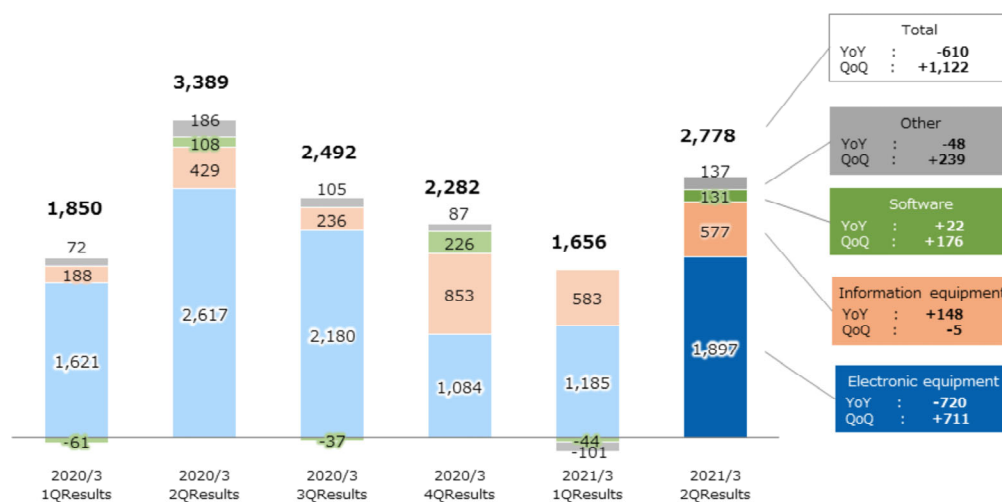
(million yen)



Financial Highlights by Business Segment② (Segment Income)

(million yen)

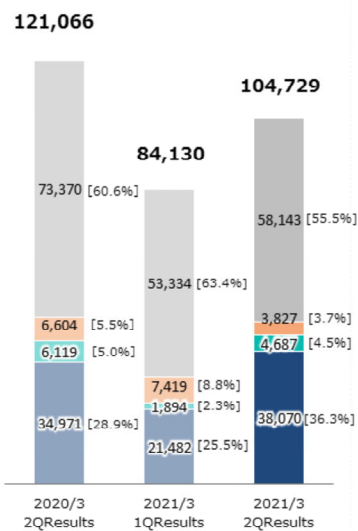
Segment Income



Net Sales by Region

(million yen)

Net Sales



YoY

- Japan - 15,227million yen **20.8%Down**
- North America - 2,777million yen **42.1%Down**
- Europe - 1,431million yen **23.4%Down**
- Asia + 3,099million yen **8.9%Up**

QoQ

- Japan + 4,809million yen **9.0%Up**
- North America - 3,591million yen **48.4%Down**
- Europe + 2,793million yen **147.5%Up**
- Asia + 16,587million yen **77.2%Up**

Exchange Rate/FOREX Sensitivity

	FY2020/3 2Q Results (yen)	FY2021/3 2Q Results (yen)	(Reference) Effect of 1% change (million yen)		Forex assumption for FY2021/3 (yen)
			Net Sales	Ordinary income	
USD	108.63	106.92	649	19	105.50
THB	3.49	3.38	90	2	3.50
RMB	16.20	15.39	524	3	15.00
HKD	13.86	13.80	482	2	13.50

“Everything we do is for our customers



KAGA ELECTRONICS CO.,LTD.

20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : webmaster@taxan.co.jp

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

- 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.