

For Institutional Investors/Analysts



**KAGA ELECTRONICS
CO., LTD.**

Financial Results Briefing Material

for the Fiscal Year ended March 2021

KAGA ELECTRONICS CO., LTD.

TSE 1st section 8154

May 27, 2021

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Consolidated Financial Results
for the Fiscal Year ended March 2021

Managing Director
Eiji Kawamura

My name is Eiji Kawamura, and I'm Head of the Administration Headquarters.
Thank you for your ongoing support.
I also appreciate your attending today's briefing on our financial results.
With that, I will begin our explanation of Kaga Electronics' financial results in the
fiscal year ended
in March 2021.

Summary of Fiscal Year Ended March 2021

Results for FY2021/3	<ul style="list-style-type: none"> Net sales fell short of the previous year's levels due to the lingering effect of the termination of sales agency contracts with major suppliers. When excluding this special factor, however, the Group overcame the effects of COVID-19 and sales trended firm overall. Operating income and ordinary income surpassed previous forecasts and reached a record high for the second fiscal period in a row. Although the Group priced in impairment losses and other, a "gain on bargain purchase" was posted, resulting in a significant increase in net income. Income surpassed forecasts due to sales growth as demand recovered rapidly in Q4 and selling, general and administrative expenses were curtailed and reduced. Sales and income reversed direction and turned upward. Fiscal year-end dividends will be 50 yen per share, with an extraordinary dividend of 10 yen added to the 40 yen (30 yen ordinary dividend + 10 yen extraordinary dividend) previously forecast. <p>※Including the 30 yen interim dividend, the full-year dividend will be 80 yen per share (70 yen in the previous fiscal year)</p>	
Overview of the main segments	Electronic components	<ul style="list-style-type: none"> Although the impact of the termination of the sales agency agreement with Cypress continued to affect the components sales business, the business took advantage of the recovery in demand from Q3 and brought in solid results. In the EMS business, sales in the medical and automotive areas were solid throughout the year.
FY2022/3 earnings forecasts and Medium-Term Management Plan targets	Information equipment	<ul style="list-style-type: none"> The PC sales business grew as it attracted demand spurred by teleworking and online learning. Anti-viral and sterilizing products for companies and commercial facilities were solid performers.
<ul style="list-style-type: none"> In this final year of the Medium-Term Management Plan, net sales are still far from the Medium-Term Plan target, but we have not lowered this target. We aim for record-high operating income for a third straight fiscal year and to achieve our plan targets. We forecast 80 yen per share in same dividends with FY2021/3. 		

I will start with a summary of financial results in the fiscal year ended in March 2021. First, net sales fell short of the previous year's levels because of the lingering effect of the termination of sales agency contracts with major suppliers. However, when excluding this special factor, we overcame the effect of COVID-19, and results were solid overall. Operating income and ordinary income both exceeded our previous forecasts, and we set new records for the second fiscal year in a row. Although we priced in impairment losses and other, net income increased significantly thanks in part to the posting of a "gain on bargain purchase."

In the January–March quarter, sales increased as demand recovered rapidly, and we curtailed and reduced SG&A expenses. Results came in above forecasts, and we were able to reverse direction and bring in higher sales and income. Fiscal year-end dividends will be 50 yen per share, which includes our previous forecast of 40 yen (30 yen ordinary dividend plus a 10 yen extraordinary dividend) and an additional 10 yen extraordinary dividend. Including the 30 yen interim dividend, the full-year dividend will be 80 yen per share. Full-year dividends in the previous fiscal year were 70 yen per share.

Moving on to an overview of the main segments, in the electronic components business, the termination of the sales agency agreement with Cypress continued to have an impact on the components sales business, but the business took advantage of the recovery in demand from Q3 and results were solid.

In the EMS business, sales in the medical and automotive areas were firm throughout the year.

In the information equipment business, the PC sales business grew as it pulled in telework and online demand. The sale of anti-viral and sterilizing products for companies and commercial facilities were robust.

The fiscal year ending in March 2022 will be the final year of the Medium-Term Management Plan, and although net sales are still far from the plan's target, we have not lowered this target. We aim for record-high operating income for the third straight fiscal year. We expect dividends to be 80 yen per share, which is the same as in 2021.

Financial Highlights for FY2021/3

* announced on February 4, 2021

(million yen)

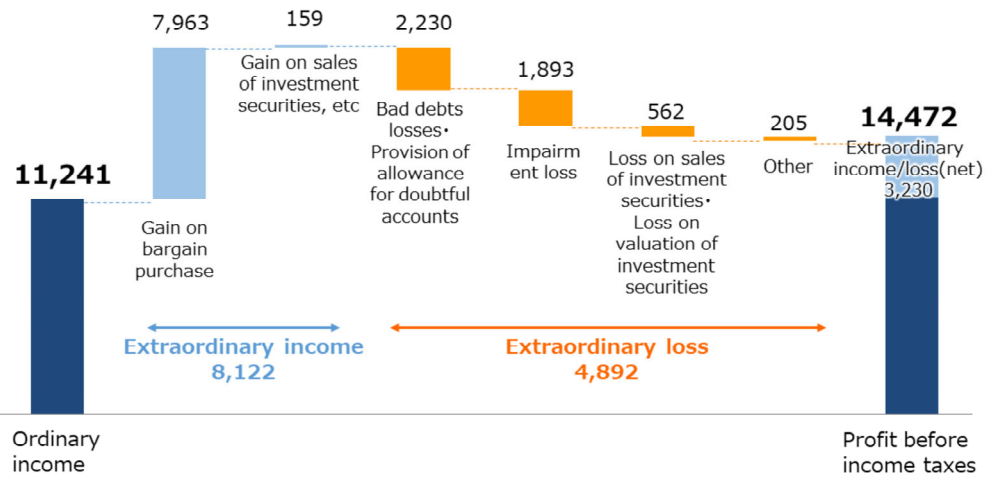
	FY2020/3 Results		FY2021/3 Previous Forecasts		FY2021/3 Results		YoY	vs Forecast
Net sales	443,615		415,000		422,365		-4.8%	1.8%
Gross profit	47,016	10.6%	-		47,936	11.3%	2.0%	-
SG&A	37,001	8.3%	-		36,469	8.6%	-1.4%	-
Operating income	10,014	2.3%	9,000	2.2%	11,467	2.7%	14.5%	27.4%
Ordinary income	10,137	2.3%	8,500	2.0%	11,241	2.7%	10.9%	32.2%
Profit attributable to owners of parent	5,852	1.3%	10,500	2.5%	11,399	2.7%	94.8%	8.6%
EPS (Yen)	213.21		382.30		415.07		-	-
ROE	7.6%		12.7%		13.5%		5.9pt	+0.8pt

Now I would like to explain the financial highlights for the fiscal year ended in March 2021.

Net sales totaled 422,365 million yen, down 4.8% over the previous year. This was 1.8% over the forecast. Gross profit was 47,936 million yen, up 2.0% over the previous year. The gross profit margin amounted to 11.3%, 0.7% higher than in the previous year. SG&A expenses were down 1.4% over the previous year, at 36,469 million yen. Operating income increased 14.5% over the previous year to 11,467 million yen, which was 27.4% higher than the forecast. Ordinary income was 11,241 million yen, up 10.9% over the previous year and 32.2% higher than forecast. Net income attributable to owners of parent came in at 11,399 million yen, which was 94.8% higher than the previous year and 8.6% above forecast. As a result, EPS (net income per share) was 415.07 yen. ROE was 13.5%.

Breakdown of extraordinary gains/losses for FY2021/3

(million yen)



In the ended in March 2021, we posted large amount of extraordinary gains and extraordinary losses, so I will explain their breakdown.

Excel became a Group subsidiary, resulting in a gain on bargain purchase of 7,963 million yen. However, COVID-19 had an impact, and we also incurred losses on bad debts to major suppliers, as well as a 2,230 million yen loss due to the case of fraud at our US subsidiary announced in February. In addition, we posted a 1,893 million yen impairment loss on an overseas subsidiary's manufacturing facilities and a 562 million yen loss on sales of investment securities and loss on valuation of investment securities. These key losses added up to an extraordinary loss of 4,892 million yen. As a result, we posted 3,230 million yen in extraordinary gains.

Financial Results by Business Segment for FY2021/3

(million yen)

		FY2020/3 Results		FY2021/3 Results		YoY
Electronic Component	Net sales	377,587		353,454		-6.4%
	Segment income	7,503	2.0%	8,151	2.3%	8.6%
Information Equipment	Net sales	43,466		48,389		11.3%
	Segment income	1,707	3.9%	2,482	5.1%	45.3%
Software	Net sales	2,778		2,932		5.5%
	Segment income	236	8.5%	263	9.0%	11.4%
Others	Net sales	19,781		17,589		-11.1%
	Segment income	452	2.3%	474	2.7%	4.9%
Total	Net sales	443,615		422,365		-4.8%
	Segment income	10,014	2.3%	11,467	2.7%	14.5%

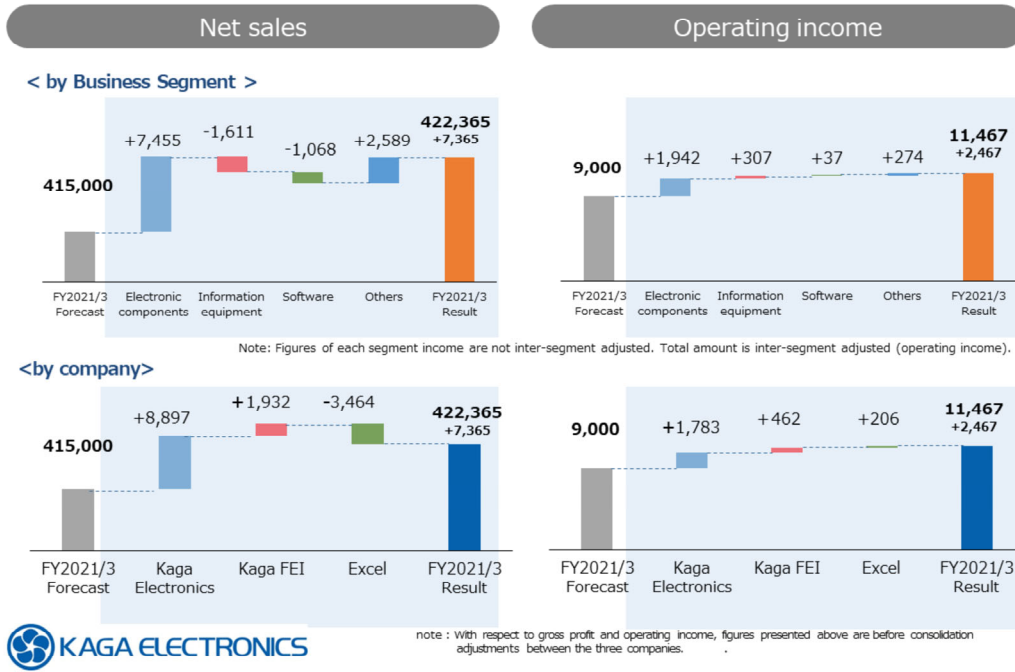
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Next, we will look at financial results by business segment.

The electronic components business posted net sales of 353,454 million yen, down 6.4% over the previous year. Income in this business totaled 8,151 million yen, up 8.6% over the previous year. In the information equipment business, net sales totaled 48,389 million yen, up 11.3% over the previous year. Segment income amounted to 2,482 million yen, up 45.3% over the previous year. In the software business, net sales were 2,932 million yen, up 5.5% over the previous year. Income totaled 263 million yen, up 11.4% over the previous year. In the Others business, net sales were down 11.1% to 17,589 million yen. Segment income was up 4.9% year-on-year to 474 million yen.

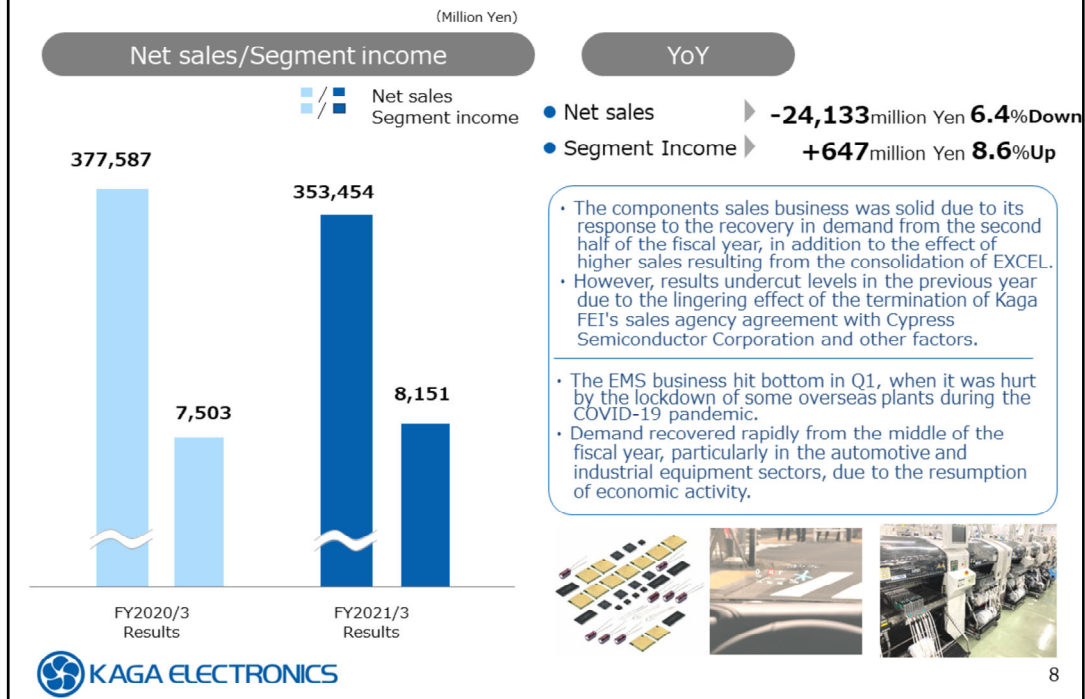
Changes from Previous forecast (announced on February 4, 2021)

(million yen)



This slide shows changes in segment results from the forecasts previously announced in February. Net sales were 7,455 million yen higher than this forecast in the electronic components business, 1,611 million yen lower in the information equipment business, 1,068 million yen lower in the software business, and 2,589 million yen higher in the Others business. Operating income was 1,942 million yen higher than the forecast in the electronic components business, 307 million yen higher in the information equipment business, 37 million yen higher in the software business and 274 million yen higher in the Others business. Operating income exceeded forecasts for all businesses. By company, Kaga Electronics' net sales came in 8,897 million yen above forecast, Kaga FEI's sales were 1,932 million yen higher, and EXCEL's sales were 3,464 million yen lower than forecast. Kaga Electronics' operating income was 1,783 million yen higher than the forecast, Kaga FEI's was 462 million yen higher and Excel's operating income was 206 million yen higher.

Financial Highlights: Electronic Component

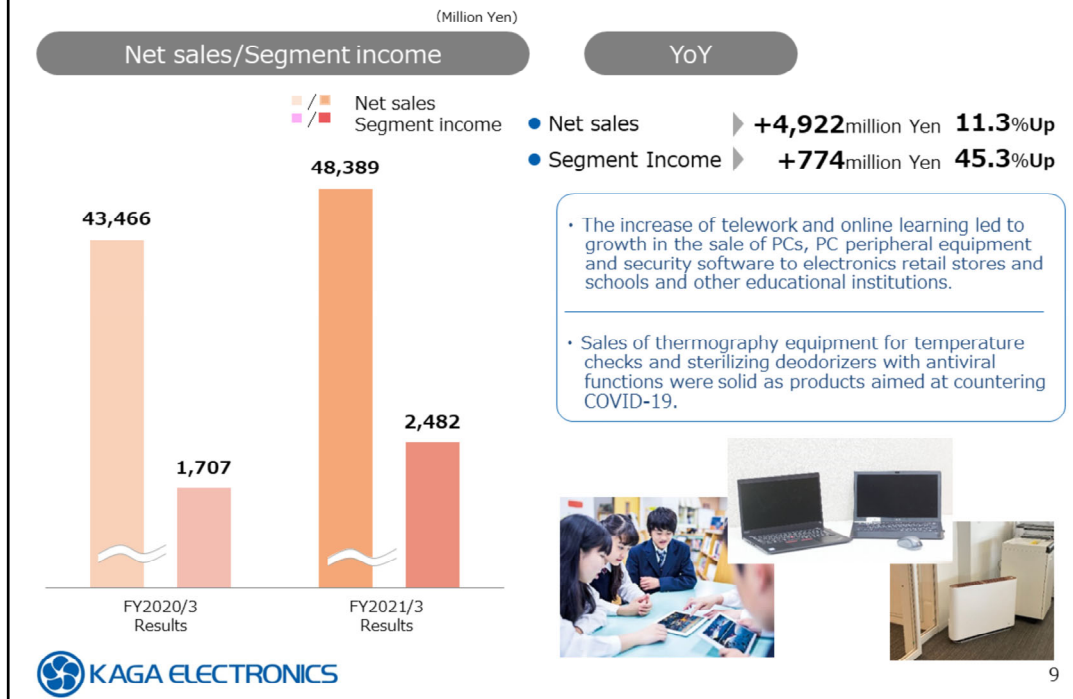


I will now explain the performance of the electronic components business by segment.

I just explained the factors pushing up net sales and segment income, but not only did the consolidation of Excel raise income for the components sales business; this segment also adapted to the recovery in demand from the second half of the fiscal year and performed well. However, Kaga FEI continued to be affected by the termination of its sales agency agreement with Cypress, and results fell short of the previous year's levels.

The EMS business hit its lowest point in Q1, when it was affected by the lockdown of some overseas plants during the COVID-19 pandemic. Demand recovered rapidly from the middle of the fiscal year, particularly in the automotive and industrial equipment sectors, as economic activity picked up again.

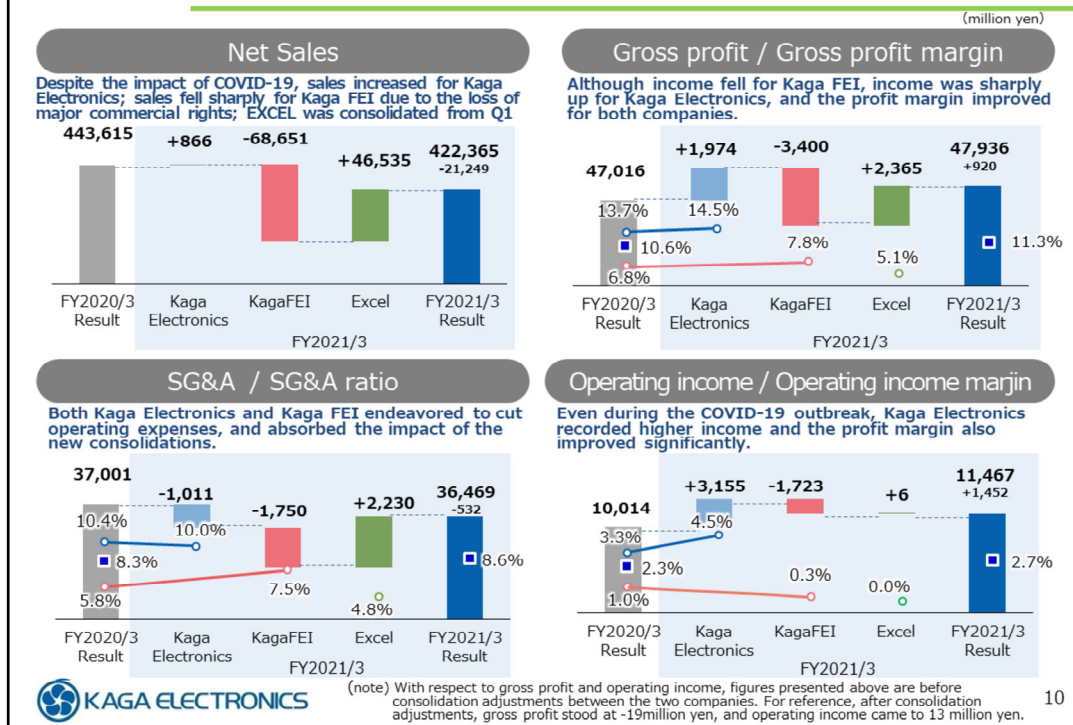
Financial Highlights: Information Equipment



In the information equipment business, net sales and segment income all rose, primarily because the increase of telework and online learning led to higher sales of PCs, PC peripherals and security software to electronics retail stores and schools and other educational institutions.

Sales were strong for thermography equipment for temperature checks and sterilizing deodorizers with antiviral functions, which were sold as products aimed at countering COVID-19.

Effect of M&A



Moving on to the status of M&As, Kaga Electronics was affected by COVID-19, but sales increased by 866 million yen. Sales were down 68,651 million yen for Kaga FEI due to the loss of major commercial rights. The addition of 46,535 million in sales from Excel was unable to fully compensate for the decline at Kaga FEI, and the Group's sales overall fell 21,249 million yen.

Gross profit increased 1,974 million yen for Kaga Electronics, and fell 3,400 million yen for Kaga FEI. Excel, the new subsidiary, contributed 2,365 million yen, so that gross profit rose 920 million yen for the Group overall.

The gross profit margin increased from 13.7% to 14.5% for Kaga Electronics and from 6.8% to 7.8% for Kaga FEI. With the addition of a 5.1% gross profit margin from Excel, the Group's overall gross profit margin increased from 10.6% in the previous year to 11.3%.

FY2021/3 results by company


(million yen)

		FY2020/3 Results		FY2021/3 Results		YoY
Kaga Electronics	Net sales	243,031		243,897		+0.4%
	Gross Profit	33,298	13.7%	35,273	14.5%	+5.9%
	operating income	7,927	3.3%	11,083	4.5%	+39.8%
Kaga FEI	Net sales	200,584		131,932		-34.2%
	Gross Profit	13,708	6.8%	10,307	7.8%	-24.8%
	operating income	2,086	1.0%	362	0.3%	-82.6%
Excel	Net sales	-	-	46,535		-
	Gross Profit	-	-	2,365	5.1%	-
	operating income	-	-	6	0.0%	-
Total	Net sales	443,615		422,365		-4.8%
	Gross Profit	47,016	10.6%	47,936	11.3%	+2.0%
	operating income	10,014	2.3%	11,467	2.7%	+14.5%

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

Next, we have SG&A expenses. Both Kaga Electronics and Kaga FEI endeavored to cut costs and absorbed the impact of the new consolidation. Kaga Electronics reduced SG&A expenses by 1,011 million yen and Kaga FEI cut them by 1,750 million yen. SG&A expenses increased by 2,230 million yen for Excel, the newly consolidated company. In the Kaga Electronics Group, Towada Pioneer (currently Kaga EMS Towada), which joined the Group in the previous fiscal year, and Kyokuto Electric, which joined the Group last autumn, pushed up SG&A expenses, so when discounting for these new additions, the Kaga Electronics Group actually reduced SG&A expenses by more than 1,011 million yen.

Reference		Financial Highlights (3 months)						
		(million yen)						
	FY2020/3 4Q Results		FY2021/3 3Q Results		FY2021/3 4Q Results		YoY	QoQ
Net sales	104,813		105,406		128,099		22.2%	21.5%
Gross profit	11,770	11.2%	12,005	11.4%	14,289	11.2%	21.4%	19.0%
SG&A	9,488	9.1%	8,923	8.5%	10,339	8.1%	9.0%	15.9%
Operating income	2,282	2.2%	3,082	2.9%	3,950	3.1%	73.0%	28.2%
Ordinary income	2,161	2.1%	2,892	2.7%	4,010	3.1%	85.5%	38.7%
Profit attributable to owners of parent	927	0.9%	1,956	1.9%	-1,329	-1.0%	-	-
EPS	33.78		71.23		-48.38		-	-

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Next, we have operating income. During the COVID-19 outbreak, operating income increased for Kaga Electronics, and the operating income margin improved significantly. Kaga Electronics' operating income increased by 3,155 million yen, Kaga FEI's operating income fell by 1,723 million yen, and Excel's operating income increased by 6 million yen. This boosted the Group's overall operating income by 1,452 million yen.

The operating income margin increased from 3.3% in the previous year to 4.5% for Kaga Electronics. Kaga FEI's operating income was 1% in the previous year, so unfortunately it decreased to 0.3%. In the Group overall, the operating income margin increased from 2.3% in the previous year to 2.7%.

Reference

financial Results by Business Segment (3 months)

(million yen)

		FY2020/3 4Q Results	FY2021/3 3Q Results	FY2021/3 4Q Results	YoY	QoQ
Electronic Components	Net sales	84,060	89,816	106,750	27.0%	18.9%
	Segment income	1,084	2,335	2,732	151.9%	17.0%
Information Equipment	Net sales	13,677	10,745	14,451	5.7%	34.5%
	Segment income	853	592	728	-14.6%	23.1%
Software	Net sales	990	730	927	-6.3%	27.1%
	Segment income	226	20	156	-31.0%	662.0%
Others	Net sales	6,085	4,114	5,969	-1.9%	45.1%
	Segment income	87	112	325	270.3%	188.1%
Total	Net sales	104,813	105,406	128,099	22.2%	21.5%
	Segment income	2,282	3,082	3,950	73.0%	28.2%

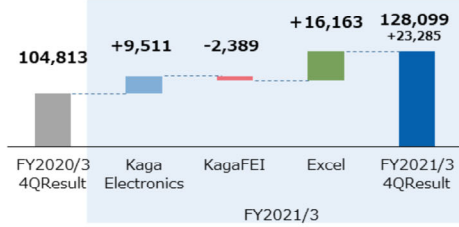
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

This table shows the results for each company that I just explained. Pages 10 to 15 explain earnings in each quarter, so please take a look.

(million yen)

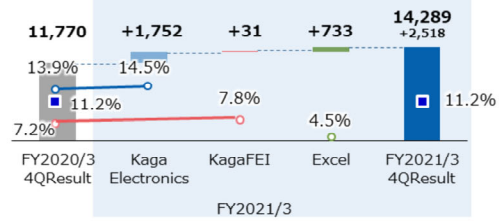
Net Sales

Sales increased significantly for Kaga Electronics, however the loss of major commercial rights continued to impact Kaga FEI.



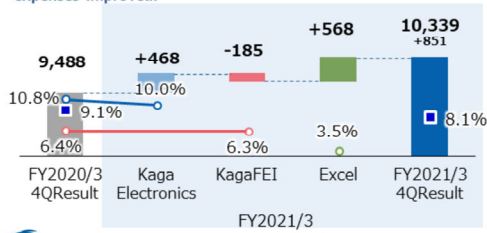
Gross profit / Gross profit margin

Income rose substantially for Kaga Electronics, and began to increase for Kaga FEI as well, with both companies seeing an improvement in their profit margin.



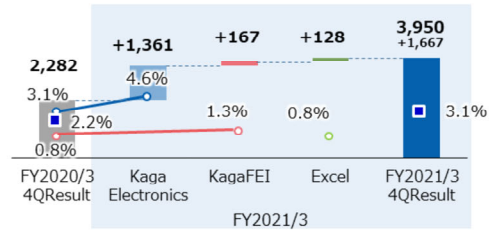
SG&A / SG&A ratio

Kaga Electronics saw its expenses rise, but efforts to curb operating costs paid off and selling, general and administrative expenses improved.



Operating income / Operating income margin

All three companies generated higher income, and profit margins improved significantly for Kaga Electronics and Kaga FEI.



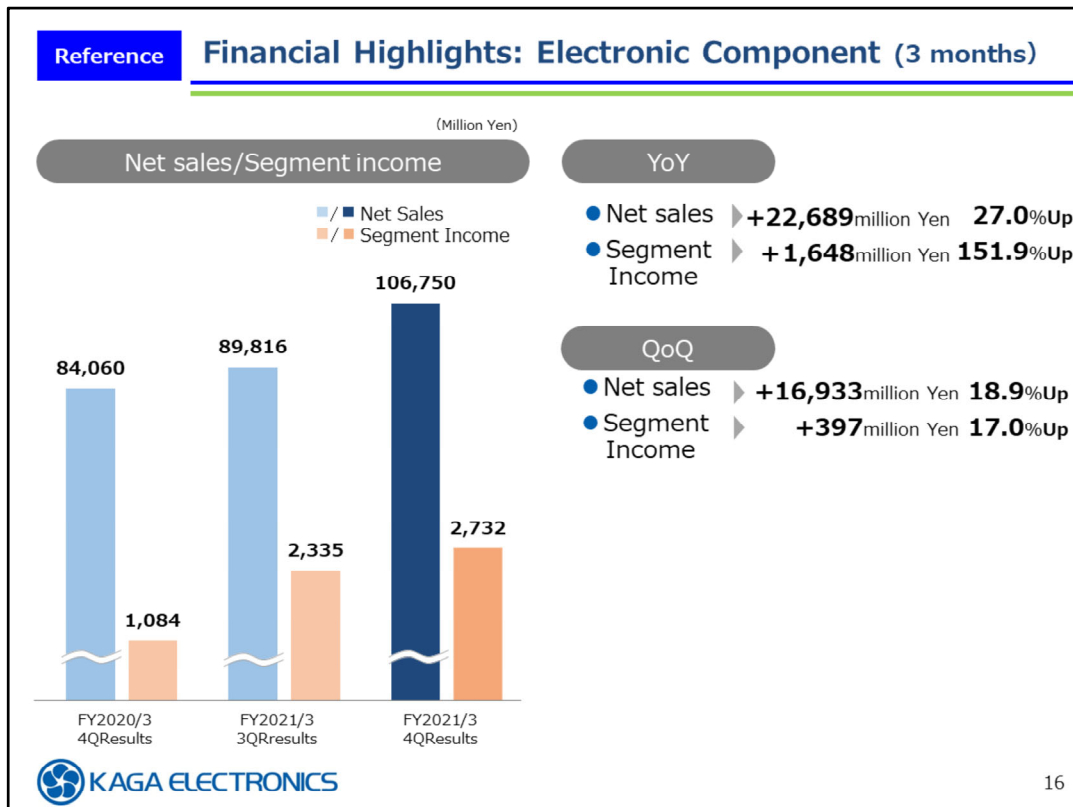
(note) With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at 3 million yen, and operating income came to 10 million yen.

Reference

FY2021/3 results by company (3 months)

		(million yen)							
		FY2020/3 4QResults		FY2021/3 3QResults		FY2021/3 4QResults		YoY	QoQ
Kaga Electronics	Net sales	62,912		60,938		72,423		+15.1%	+18.8%
	Gross Profit	8,736	13.9%	8,931	14.7%	10,488	14.5%	+20.1%	+17.4%
	operating income	1,942	3.1%	3,158	5.2%	3,304	4.6%	+70.1%	+4.6%
Kaga FEI	Net sales	41,901		32,700		39,511		-5.7%	+20.8%
	Gross Profit	3,032	7.2%	2,458	7.5%	3,064	7.8%	+1.0%	+24.6%
	operating income	339	0.8%	-59	-0.2%	506	1.3%	+49.3%	-
Excel	Net sales	-		11,767		16,163		-	+37.4%
	Gross Profit	-	-	623	5.3%	733	4.5%	-	+17.7%
	operating income	-	-	-14	-0.1%	128	0.8%	-	-
Total	Net sales	104,813		105,406		128,099		+22.2%	+21.5%
	Gross Profit	11,770	11.2%	12,005	11.4%	14,289	11.2%	+21.4%	+19.0%
	operating income	2,282	2.2%	3,082	2.9%	3,950	3.1%	+73.0%	+28.2%

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



Page 16 explains the financial status.

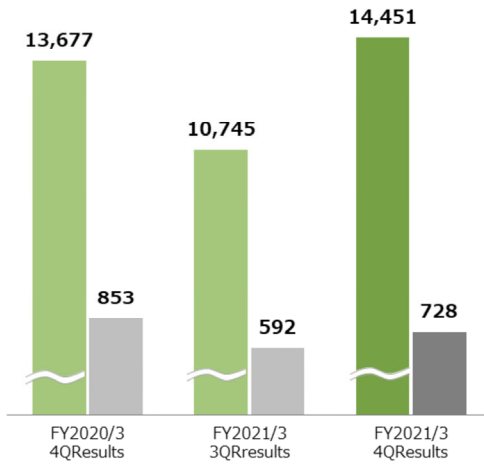
Starting with assets, total assets amount to 237,004 million yen, which is up 29,366 million yen compared with the previous fiscal year. Of this, current assets total 200,179 million yen, up 25,847 million yen. Non-current assets are 36,825 million yen, up 3,518 million yen.

Moving on to liabilities and net assets, liabilities total 141,942 million yen, up 20,553 million yen. Net assets amount to 95,062 million yen, up 8,812 million yen.

(Million Yen)

Net sales/Segment income

■ Net Sales
■ Segment Income



YoY

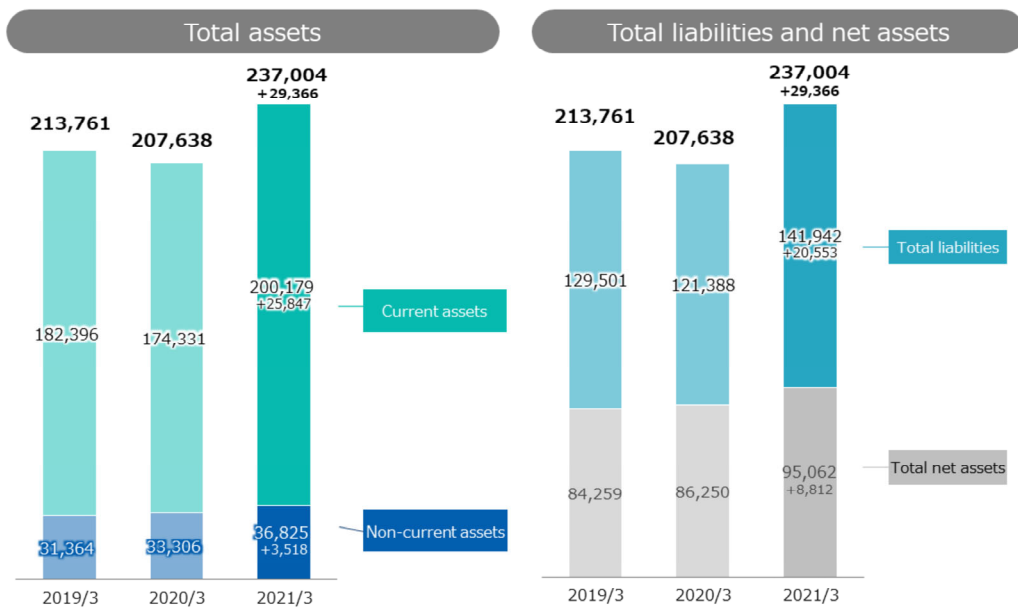
- Net sales ▶ +774million Yen 5.7%Up
- Segment Income ▶ -124million Yen 14.6%Down

QoQ

- Net sales ▶ +3,705million Yen 34.5%Up
- Segment Income ▶ +136million Yen 23.1%Up

Balance Sheet Main Items

(million yen)

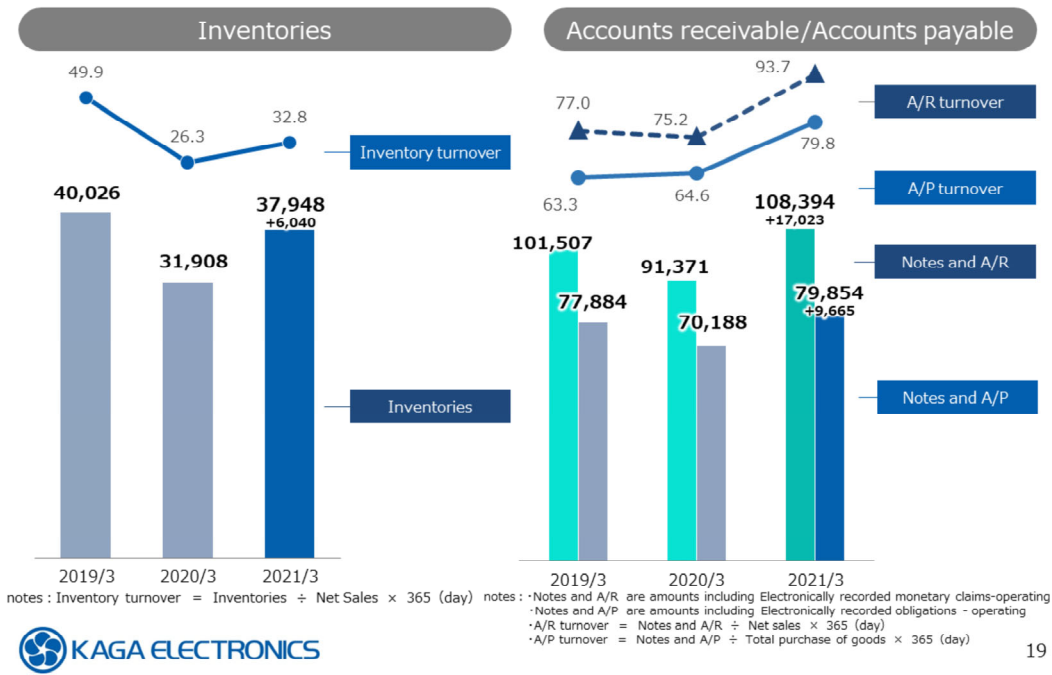


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Moving on to liabilities and net assets, liabilities total 141,942 million yen, up 20,553 million yen. Net assets amount to 95,062 million yen, up 8,812 million yen.

Balance Sheet Main Items

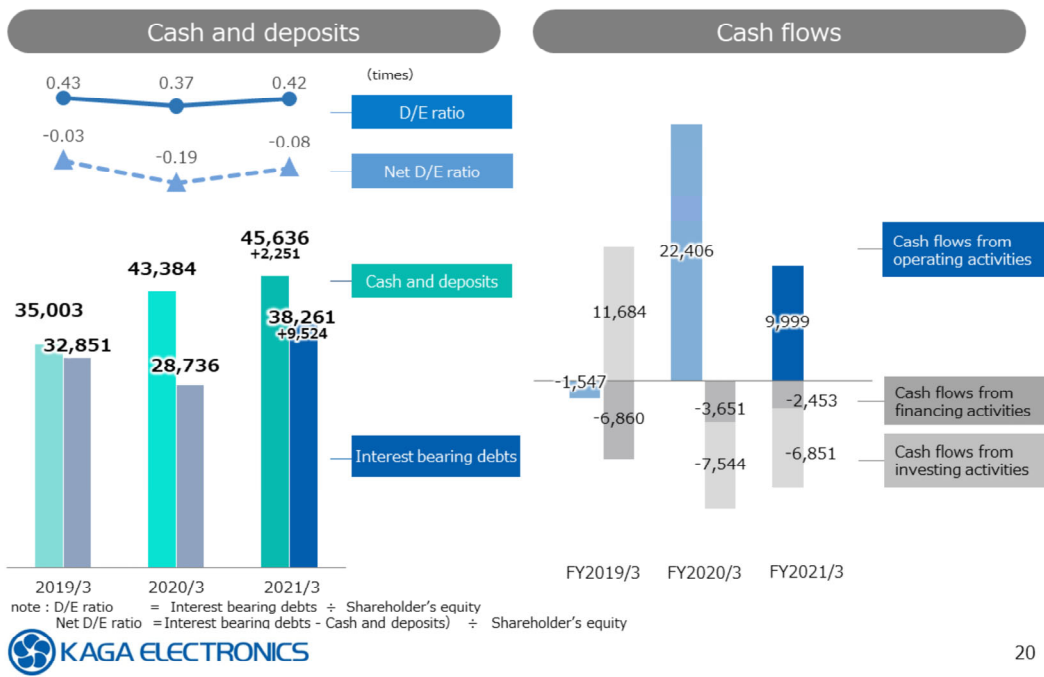
(million yen,day)



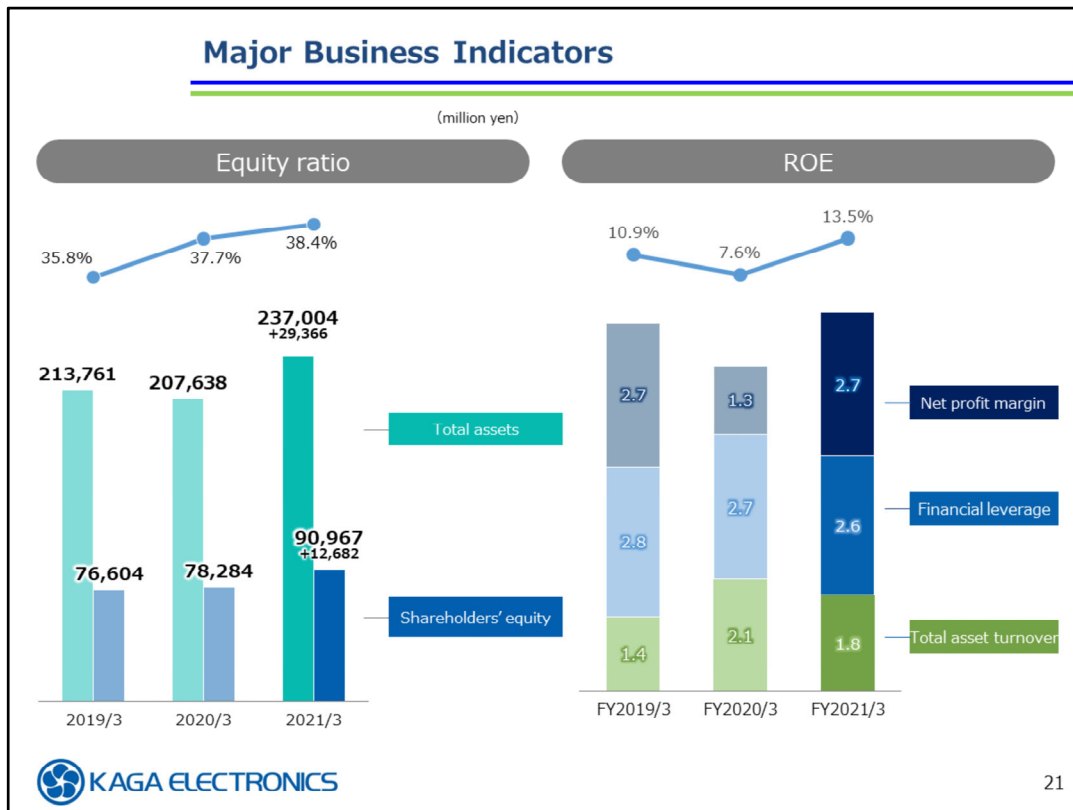
Next, we have inventories. Inventories total 37,948 million yen, up 6,040 million yen. Inventory turnover was 32.8 days. Notes and accounts receivable were 108,394 million yen, up 17,023 million yen. Notes and accounts payable were 79,854 million yen, which is a 9,665 million yen increase. The A/R turnover was 93.7 days and the A/P turnover was 79.8 days.

Cash and Deposits/Interest Bearing Debt/Cash Flows

(million yen)



Next, I would like to explain cash and deposits, interest-bearing debt and cash flows. Cash and deposits totaled 45,636 million yen, up 2,251 million yen. Interest-bearing debt was 38,261 million yen, up 9,524 million yen. Cash flow from operating activities provided 9,999 million yen, cash flow from investing activities used 2,453 million yen, and cash flow from financing activities used 6,851 million yen.



Continuing on to the equity ratio, total assets were 237,004 million yen, up 29,366 million yen, and shareholders' equity was 90,967 million yen, up 12,682 million yen. As a result, the equity ratio was 38.4%. The ROE increased significantly to 13.5%. The net profit margin was 2.7%, double compared with the previous year. Financial leverage was almost unchanged at 2.6, and the total asset turnover decreased to 1.8.

Forecasts for FY2022/3

(million yen)

	FY2021/3 Results		FY2022/3 Forecasts		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

*Medium-term Management Plan 2021
Management Targets

Note: Beginning with the start of the fiscal year ending on March 31, 2022, the "Accounting Standard for Revenue Recognition" (Business Accounting Standards No. 29), etc. will be adopted, and thus the above consolidated earnings forecasts are figures after this accounting standard, etc. has been applied.

Finally, I would like to explain our full-year earnings forecasts for the fiscal year ending in March 2022.

We expect net sales to increase 11.3% over the previous year to 470,000 million yen. We forecast 13,000 million yen in operating income, up 13.4% over the previous year. Ordinary income is expected to increase 6.7% over the previous year to 12,000 million yen. We expect profit attributable to owners of parent to decrease 29.8% over the previous year to 8,000 million yen. As a result, EPS would be 291.20 yen and ROE would be 8.5%.

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).

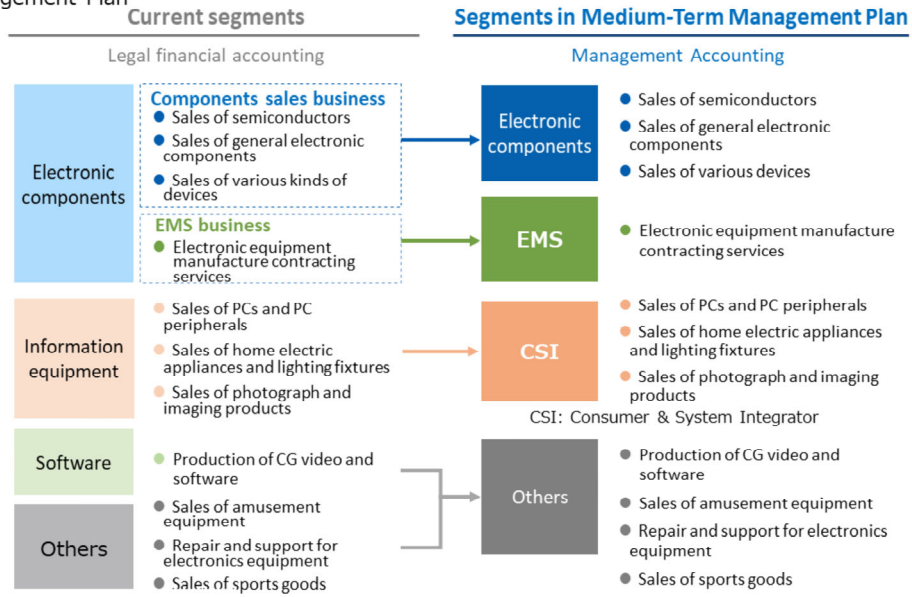
If we look at forecasts by segment, we expect net sales in the electronic components business to be 404,000 million yen and segment income to total 9,900 million yen. This amounts to a 14.3% increase in net sales over the previous year and a 21.5% increase in segment income.

In the information equipment business, we expect a 7% decrease in net sales to 45,000 million yen, and a 7.3% decrease in segment income, to 2,300 million yen. In the software business, we forecast 3,000 million yen in net sales, up 2.3%, and 300 million yen in segment income, up 13.9%. In the Others business, we forecast 18,000 million yen in net sales, up 2.3%, and 500 million yen in segment income, up 5.4%.

As the final year of the Medium-Term Management Plan 2021, the entire Group will work together to achieve its initial operating income target of 13,000 million yen. We ask for your ongoing support.

Thank you for your attention.

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



Business segments of Parent company and Group companies

	Electronic Components	EMS	CSI	Others
KAGA ELECTRONICS CO., LTD.				
Electronics Business Division	●	●	(●)	●
EMS Business Division		●		
Communication Network Sales Division	●	●	●	(●)
Specific Industry Business Division	●	●	(●)	●
Sales Promotion Division	●			
Major Affiliates in Japan				
KAGA TECH CO., LTD.	●	(●)	(●)	(●)
KAGA DEVICES CO., LTD.	●	●	●	●
KAGA SOLUTION NETWORK CO., LTD.			●	
AD DEVICE CO., LTD.	●			
KAGA MICRO SOLUTIONCO., LTD.		●	(●)	●
DIGITAL MEDIA LAB., INC.				●
KAGA SPORTS CO., LTD.				●
KAGA AMUSEMENT CO., LTD.				●
KAGA TECHNOSERVICE CO., LTD.			●	
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) ELECTRONICS PTE LTD	●	(●)		(●)
KAGA ELECTRONICS (USA) INC.	●	●		
TAXAN MEXICO S.A. de C.V.		●		
KD TEC s.r.o.	●	●		



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

* announced on February 4, 2021

(million yen)

		FY2020/3		FY2021/3		FY2021/3		YoY	vs Forecasts
		Results		Previous Forecasts(*)		Results			
Electronic Components	Net sales	292,905		267,000		262,318		-10.4%	-1.8%
	Segment income	3,553	1.2%	2,500	0.9%	2,961	1.1%	-16.7%	+18.5%
EMS	Net sales	93,340		87,000		99,599		+6.7%	+14.5%
	Segment income	4,015	4.3%	4,000	4.6%	5,539	5.6%	+38.0%	+38.5%
CSI	Net sales	43,466		50,000		48,389		+11.3%	-3.2%
	Segment income	1,707	3.9%	2,300	4.6%	2,482	5.1%	+45.3%	+7.9%
Others	Net sales	13,902		11,000		12,057		-13.3%	+9.6%
	Segment income	623	4.5%	200	1.8%	387	3.2%	-37.8%	+93.9%
Total	Net sales	443,615		415,000		422,365		-4.8%	+1.8%
	Segment income	10,014	2.3%	9,000	2.2%	11,467	2.7%	+14.5%	+27.4%

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

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

(million yen)

		FY2020/3 4QResults		FY2021/3 3QResults		FY2021/3 4QResults		YoY	vs Forecasts
Electronic Components	Net sales	64,221		64,625		80,405		+25.2%	+24.4%
	Segment income	614	1.0%	805	1.2%	1,304	1.6%	+112.2%	+62.1%
EMS	Net sales	22,618		27,275		29,383		+29.9%	+7.7%
	Segment income	559	2.5%	1,625	6.0%	1,649	5.6%	+194.6%	+1.5%
CSI	Net sales	13,677		10,745		14,451		+5.7%	+34.5%
	Segment income	853	6.2%	592	5.5%	728	5.0%	-14.6%	+23.1%
Others	Net sales	4,296		2,760		3,858		-10.2%	+39.8%
	Segment income	225	5.2%	38	1.4%	261	6.8%	+16.0%	+574.3%

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

Management Topics

President & Representative Director
Ryoichi Kado

My name is Ryoichi Kado, and I am the President and COO of Kaga Electronics. Thank you for your ongoing support and cooperation with our IR activities.

I would like to report on Kaga Electronics' important management issues in the fiscal year ended in March 2021, entitled "Management Topics."

Today's Key Message

Overview of FY2021/3

- **Operating income at highest level for second fiscal year in a row.**
- **Operating income exceeding 10 billion yen was steadily generated** due to progress with our profit-generating capability.

Progress with Medium-Term Management Plan

- **Progress was generally in line with the plan.** Although net sales are still far from the target, we expect **operating income to reach the target.**
- **Within FY2022/3, we plan to release the next medium-term management plan.** We aim to continue setting new records for income.

PMI of acquired companies

- **Progress was generally in line with plans,** including the consolidation of sales bases.
- In FY2021/3, operating income was in the black, and the companies will begin to **contribute to income from FY2022/3.**

Coronavirus countermeasures

- We are managing the Group with **employee safety and peace of mind as our top priority** both in Japan and overseas.

Strengthening governance and SDGs

- We have decided to increase the number of outside directors so that **they account for one-third or more of the board members,** and set up a **Nomination and Compensation Committee.**
- **The SDGs Committee** was established under the President and will address ESG issues throughout the Group.

This slide provides a summary of today's briefing. There are five themes.

The first is an overview of financial results in the fiscal year ended in March 2021. Operating income reached a record high for the second year in a row. I am particularly impressed with the progress the Company has made with its ability to generate income. I think we have reached the point at which we can consistently generate over 10 billion yen in operating income.

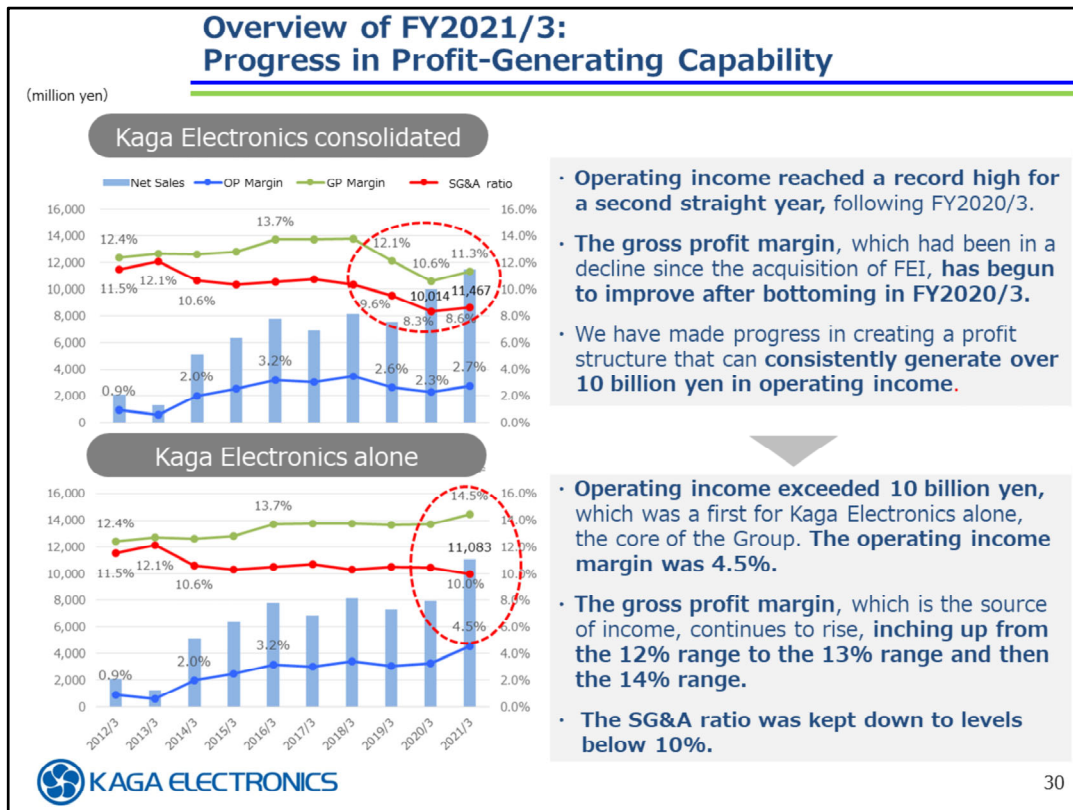
The second theme is our progress with the Medium-Term Management Plan, which is in line with our income targets. The fiscal year ending in March 2022 is the final year of the plan, and the year in which we will not only wrap up the current plan, but also prepare for the next medium-term plan. As a result, we plan to announce our next medium-term plan during this fiscal year.

Our third theme concerns the post-merger integration (PMI) of the companies we have acquired recently. Progress is generally in line with plans for Kaga FEI and EXCEL. Both companies managed to post operating income in the black, and will begin to contribute to income from the fiscal year ending in March 2022.

The fourth theme is COVID-19 countermeasures, and we are operating with the safety and security of our employees as our main priority.

Our final theme is strengthening governance and SDGs. We increase the number of outside directors so that they comprise one-third or more of the directors, and also set up a Nomination and Compensation Committee. We also started the SDGs Committee to pursue sustainability management.

I will now explain each of these themes more fully.



As a means of summarizing the fiscal year ended in March 2021, I will explain the progress we made in building up our ability to generate income. This ability is the capacity to create operating income, and we posted record-high operating income for two straight years, following the previous fiscal year, as I will now explain.

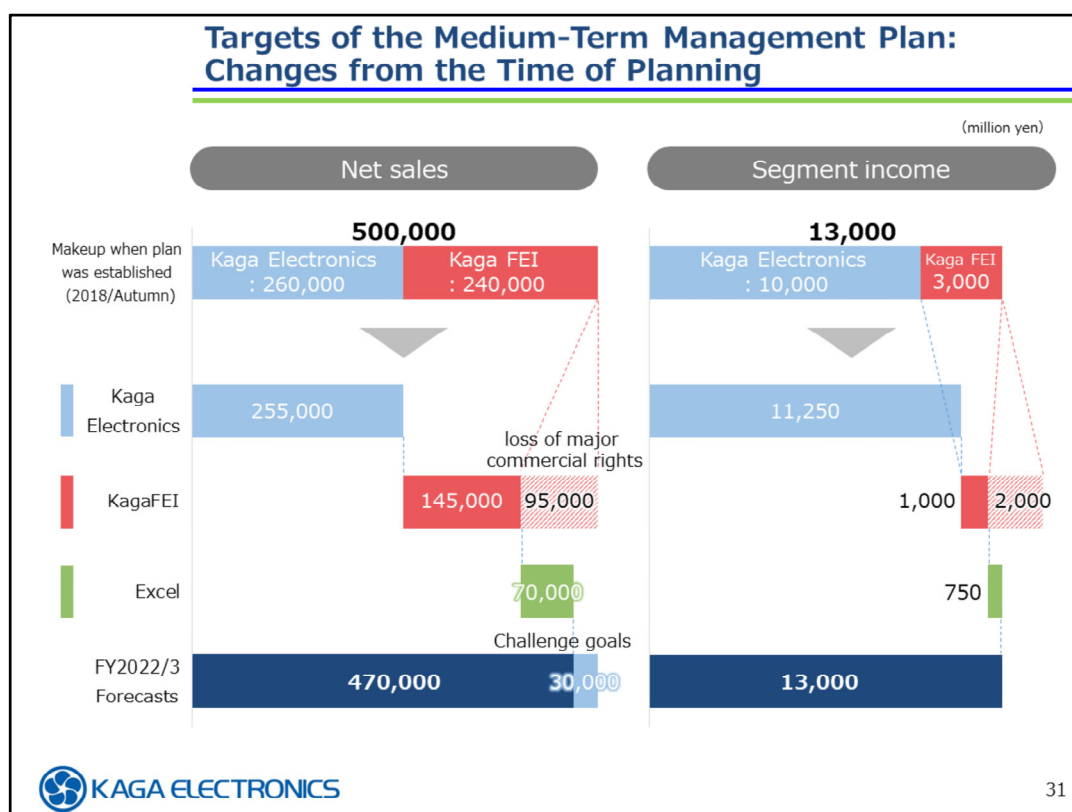
If you look at the two graphs on the left, you will see that the upper one shows the Group's consolidated operating income over 10 years as a bar graph, and the line graph shows the gross profit margin, SG&A ratio, and operating income margin for the same period.

Kaga FEI became a Group company in the fiscal year ended in March 2019, which is represented by the third line from the right. Bringing a company with a lower margin than Kaga Electronics into the Group brought the gross profit margin down for two straight years, to 12.1% and then 10.6%, but it began to improve after bottoming out in the fiscal year ended in March 2020.

As a result, we have achieved a revenue structure capable of consistently generating operating income over 10 billion yen in the fiscal years ended in March 2020 and 2021.

The lower graph, which shows the same 10-year period for Kaga Electronics on a parent basis, allows us to delve into this a little deeper. The gross profit margin rose from the 12% range 10 years ago to the 13% range and then gradually but steadily rose, reaching the 14.5% range in the fiscal year ended in March 2021. The SG&A ratio rose from the 11% range to the 12% range 10 years ago, but since I took current position, it was consistently kept down in the 10% range, and we were finally able to bring this ratio below 10% in the fiscal year ended in March 2021. This may sound picky, but while the graph shows 10%, in reality the ratio was 9.99%.

As a result, Kaga Electronics' operating income margin was 4.5% on a parent basis. We have gone through several M&As, including the acquisition of Kaga FEI and EXCEL, but we have not relaxed our grip on Kaga Electronics' approach to management with an emphasis on income. We will continue our M&As to become a company worth 1 trillion yen net sales, but as long as Kaga Electronics' own revenue base does not change, the Group's income growth will be sustainable.



Next, I will discuss the new fiscal year, which ends in March 2022.

The fiscal year ending in March 2022 is the last year of the three-year Medium-Term Management Plan 2021. The management targets for this plan were 500 billion yen in net sales and 13 billion yen in operating income. Respective earnings forecasts, which were released on May 13, are 470 billion yen and 13 billion yen. While we expect to achieve the plan's target for operating income, net sales are still some ways from the target.

The plan was established three years ago, in summer to autumn 2018. During this period, there were no major changes for Kaga Electronics itself, but in the Group, Kaga FEI's major sales agency agreements were terminated, resulting in the loss of nearly 100 billion yen in sales. This was offset to some extent with the acquisition of EXCEL, but about 30 billion yen could not be covered. At this point, however, we have no plans to lower our management targets in the medium-term plan, and will work hard to cover this 30 billion yen over the next year as my own "challenge" goal.

Operating income has changed in substance from three years ago, but as Kaga Electronics' own ability to generate income has improved, we think this target can be achieved.

Progress of PMI at KAGA FEI (formerly 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 124 companies/new visits ➔ 74 companies/currently in sales talks <p><Focus point> The EMS/E2MS Business Division was established, and the number of new orders exceeded levels in the previous year despite COVID-19. Affiliations were formed with EMS factories within the Group for mass-production orders.</p>	
Cross-selling initiatives	<ul style="list-style-type: none"> Continue to expand sales of Kaga Electronics' influential products to large and important clients <p><Focus point> Large-scale sales talks are underway in several fields, including auto solutions, network solutions, system equipment, infrastructure equipment, home appliances and other.</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: 90 companies, sales are expected to total about 20 billion yen in FY2022/3 (Sales were 12.6 billion yen in the 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 [January 2021] Kaga Electronics' sales company in South Korea and KFEI's sales company in South Korea are under consideration (target date of H1 FY2021)



*Abbreviations : KAGA FEI → KFEI

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I would like to explain our progress with the post-merger integration (PMI) of Kaga FEI, which we acquired in January 2019.

Starting with our EMS initiatives, as I explained previously, in April 2019 we established the EMS/E2MS Business Division within Kaga FEI as a sales team dedicated to EMS, and this division has worked with Kaga Electronics' EMS Division on sales activities targeting our major customers. In the fiscal year ended in March 2021, the division approached 124 companies and brought in 11 orders from eight companies for development, experimental production and mass production, and we expect them to begin posting sales from this fiscal year. Last year we approached 90 companies and received orders from four, showing that EMS marketing has really picked up over the past year.

The next key point is initiatives with new products. We have already explained the loss of major sales agency agreements with Cypress and others, and new business is essential to fill this hole. Kaga FEI has aggressively worked to develop new products for five years now, and has initiated new business with a total of 90 companies to date. Net sales generated by these new products totaled 12 billion yen in the fiscal year ended in March 2021, and we expect about 20 billion yen in sales in this fiscal year.

We worked hard to consolidate and close the sales bases and organizations that these two companies have in Japan and overseas. Our work on this is generally finished in Japan, and overseas, we are working on consolidation in South Korea.

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 ※ EV bus sales: 2 buses introduced in FY2021, finalized orders for 2 buses for FY2022</p>	
Cross-selling initiatives	<ul style="list-style-type: none"> Strengthen sale of products held by Kaga Electronics to major customers <p><Focus point> The Group Synergy Promotion Office was set up to strengthen ties with Kaga Electronics. In addition, the Special Sales Marketing Division was set up, and the range of products other than electronic components that are handled is being expanded.</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) [March 2021] EXL's Nagoya branch will be moved to KG's Nagoya sales office [April 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 [December 2020] ADS Hong Kong's business was transferred to EXL Hong Kong [20年12月] Changes for other overseas sites are being considered

*Abbreviations: EXCEL→EXL Advanced Display Solutions (EXL's subsidiary) →ADS



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Next, I will explain the status of our progress with PMI for EXCEL, which we acquired in April 2020. As I explained before, I will discuss new business and the consolidation and closure of bases.

In the first new business, we expanded sales of photocatalytic sanitizer/deodorizers manufactured by Kaltech Co., Ltd. Sales were expanded by making full use of not only EXCEL's sales channels, but also those of Kaga Electronics Group. The product line-up expanded from personal products worn around the neck to wall-mounted products suitable for a 16-mat room and a stationary type for a 60-mat room. These products meet companies' needs for coronavirus countermeasures.

Now let's move on to EV buses. As the sales agent for Alfabus Co., Ltd., an EV bus manufacturer in China, EXCEL established Alfabus Japan in 2019, where the company is working to expand sales of eco-friendly EV buses. Alfabus China was established in 1999 and collaborated with a Swedish bus manufacturer on vehicle manufacturing and with a Japanese battery manufacturer on the battery to produce a large, 12-meter class EV bus. As the top runner in China, which is particularly advanced in EV bus manufacturing, Alfabus EV buses operate in Shanghai, Chengdu, Wuxi and other cities, and are also running through major cities in Spain and Italy. In Japan, the company received orders from local governments and delivered two buses in the fiscal year ended in March 2021, with two additional confirmed orders for the fiscal year ending in March 2022. EV buses use clean energy with no exhaust gas emissions, making this a business that gives back to society in line with SDGs.

In regards to the consolidation and closure of sales bases, we are steadily implementing structural reforms, such as liquidating subsidiaries, consolidating offices in Japan and overseas with Kaga Electronics' offices, and moving the headquarters to Kaga Electronics' headquarters building.

Response to the Spread of Novel Coronavirus Infection

Sales bases		<ul style="list-style-type: none"> We continued operating with an emphasis on safety measures, such as telework and staggered commuting times, in line with directions from the national and local governments. We curbed the flow of people with a target of 20% of employees coming into work when the government declared a state of emergency. 		
		H1	H2	Number of COVID-19 cases
Office attendance rate	Kaga Electronics	39.1%	46.5%	2
	Group companies	46.2%	52.7%	14
Production bases		<ul style="list-style-type: none"> In Japan, we continued operations with an emphasis on safety measures, in line with guidance from the national and local governments. Overseas, some bases suspended operations due to lockdowns in H1 of FY2021/3. Operations have continued since then. 		
		Status of suspended operations following increase in COVID-19 cases		
		H1	H2	Number of COVID-19 cases
Thai·Indonesia·Turkey	No suspension of operations			(region)
Hubei, China	Feb.1~Mar.15 *			(China)
Suzhou, China	Feb.1~9 *			0
Shenzhen, China	Feb.1~13 *			(Asia)
Malaysia	Mar.18~Apr.20			0名
Vietnam	Apr.1~15			(Europe)
India	Mar.25~May31			30
Czech	Apr.7~9			(American)
Mexico	Apr.1~May30			25

* H2 of FY2020/3 ■■■ Operation suspension period



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We reported on COVID-19 at the previous briefing in November, and will now provide an update on conditions since then.

Our sales bases continue with marketing activities with safety as our top priority, primarily achieved with telework and staggered working times in line with guidance from the central and local governments in Japan and overseas.

This table summarizes the office attendance rate in Japan, showing that the rate was 39% for Kaga Electronics on a parent basis and 46% for Group companies in H1; in H2, the respective rates were 46% and 52%. Until now, we have tried to operate with an office attendance rate below 30% when the government has declared states of emergency and 40-50% when they've been lifted. We have further endeavored to restrict the flow of people even more with an office attendance rate of 20% in response to the most recent third state of emergency declaration.

In Japan, two employees contracted COVID-19 at Kaga Electronics' headquarters and 14 at Group companies. Luckily, none of the cases were severe, and all have returned to work in good health.

None of our production bases in Japan, Thailand and Indonesia suspended operations even once, and have continued manufacturing activity, however our bases in China, Malaysia, Vietnam and other countries temporarily suspended operations in H1 in line with the lockdowns ordered by their governments, as shown here.

Overseas, 30 employees developed COVID-19 in Europe and 25 in the Americas. All of these cases were due to the rise in cases caused by variants from the second half of 2020. There were no cases in China or other parts of Asia.

Response to the Spread of Novel Coronavirus Infection

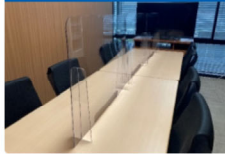
Sales bases in Japan

Do not bring the virus to work or spread it

Thermometers were set up



Partitions within offices

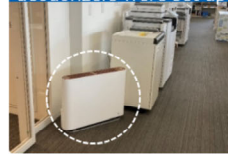


Thorough antiviral and antibacterial measures were taken

Antiviral coating was applied



Photocatalytic sterilizing deodorizers were set up



Overseas production bases

Do not bring the virus to work or spread it

Temperature taken when arriving at work



Goggles and masks worn



Social distancing was strictly enforced

Production lines



Commuting to work on company-owned bus



This slide shows measures to prevent the spread of COVID-19 at our offices in Japan and overseas. The top four photos show offices in Japan, including our headquarters, and the bottom four show EMS plants overseas.

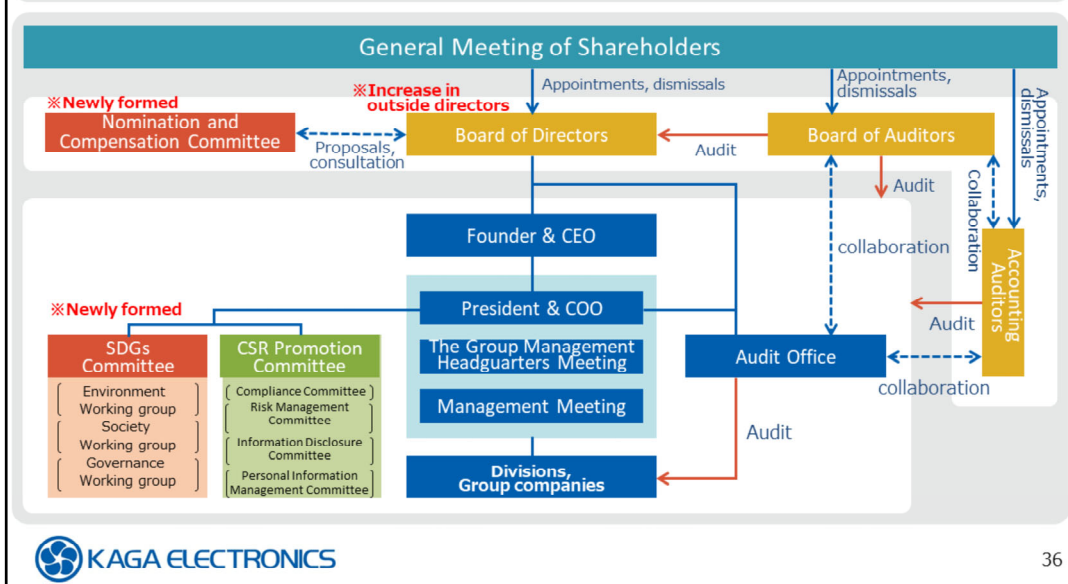
With the goal of not bringing the virus into work and not passing it on, we have set up thermography machines at office entrances, and all employees and visitors have their temperature taken when they arrive and also disinfect their hands. We have also set up partitions in the rooms to prevent airborne droplets, and antiviral coatings are applied within rooms, with Kaltech's photocatalytic sanitizer/deodorizer demonstrating our exhaustive antiviral and antibacterial measures.

At EMS plants overseas, temperatures are taken when entering the building, masks and goggles are worn within, and social distancing measures are enforced on production lines and in the buses used for commuting to work.

We are also taking measures to prevent the spread of COVID-19, including hand-washing, gargling, and disinfecting with alcohol, as well as partitions set up in the disinfecting showers and employee cafeteria to prevent contact between employees at plants. To date, infections have been singular events, with most occurring within the home; there have been zero clusters of outbreaks in the workplace.

Strengthening the Governance System

- We have decided to increase the number of independent outside directors by one, so that they account for one-third or more (June 29, 2021).
- We are setting up a **Nomination and Compensation Committee** as a voluntary advisory body (June 29, 2021).
- The **SDGs Committee** was established to promote sustainability management across the Group (April 1, 2021).



I will now explain efforts to strengthen our governance system.


We decided to rebuild our governance system so that it can adequately meet the demands made upon it, in line of the revisions to the Corporate Governance Code this year and the changes that the Tokyo Stock Exchange is making to its market segments next year.

The first change is to increase our number of outside independent directors by one, from three to four. We have seven internal directors, so outside directors will make up more than one-third of the Board of Directors.

We also set up a Nomination and Compensation Committee as a voluntary advisory council. Needless to say, this is intended to raise the transparency of the decision-making process for officers' nominations and compensation. An outside director will serve as chairperson.

These two changes will be implemented following the general meeting of shareholders to be held in June, but before this, we established the SDGs Committee with the aim of deepening our initiatives on ESG issues from April. The decision to make outside directors comprise one-third of the board and the formation of a Nomination and Compensation Committee are both part of this effort.

SDGs Committee	
Basic stance on SDGs	<ul style="list-style-type: none"> We established the SDGs Committee with the aim of deepening our response to CSR and ESGs, which we have been working on, and pursuing sustainability management across the Group. We will contribute to the creation of a sustainable society in line with our corporate philosophy of “everything we do is for our customers” by resolving social issues and achieving sustainable growth as a company.
System for promoting SDGs internally	<ul style="list-style-type: none"> The SDGs Committee is chaired by the President, and consists of each division’s chief officers, among others. Working groups on the environment, society and governance are set up under this committee to establish guidelines, measures and objectives for the ESG issues, as well as to monitor progress and perform other functions. This committee is under the direct control of the President, and with the commitment of top management, the committee will work closely with the business divisions and Group companies to expand SDG initiatives on an ongoing basis.
ESG issues to address	Environment <ul style="list-style-type: none"> We will address the aggressive use of reusable energy at the Group’s offices in Japan and factories overseas to help achieve a decarbonized society, among others.
	Society <ul style="list-style-type: none"> We will promote diversity, as well as work-style reforms and health management adapted to COVID-19 conditions, to contribute to a sustainable society in which the company and employees cooperate and the quality of life is improved.
	Governance <ul style="list-style-type: none"> We will build a governance system aimed at strengthening our competitiveness in line with our corporate philosophy and commitment to legal compliance so that we continue to be a valuable company for all stakeholders.

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In closing, I will explain the SDGs Committee that we launched in April.

Our basic stance on SDGs is that it is important to intensify our response to CSR and ESG that we have developed thus far and implement sustainability management. We established the SDGs Committee as a means of promoting these efforts throughout the Group in hopes of balancing solutions to social issues with ongoing growth as a company while contributing to the creation of a sustainable society.

The SDGs Committee is chaired by myself, with each division’s chief officers and others serving as members. Working groups on the environment, society and governance are set up under this committee to establish and implement guidelines, measures and objectives for these ESG issues. Since this committee is under the direct supervision of the president, all business divisions and Group companies will be involved with the commitment of top management as we expand SDGs initiatives.

Finally, we will explain the ESG issues that each working group needs to address.

- The Environment Working Group will consider ways to aggressively utilize renewable energy at offices in Japan and overseas to contribute to the realization of a decarbonized society. If possible, we would like to aim for RE100.
- The Society Working Group will work on promoting diversity, including the active participation and utilization of women, and workstyle reforms and health management, among other issues.
- The Governance Working Group will consistently address the Corporate Governance Code, which will be revised regularly from this point, helping to ensure that Kaga Electronics can continue to be a valuable company for all stakeholders, beginning with our shareholders.

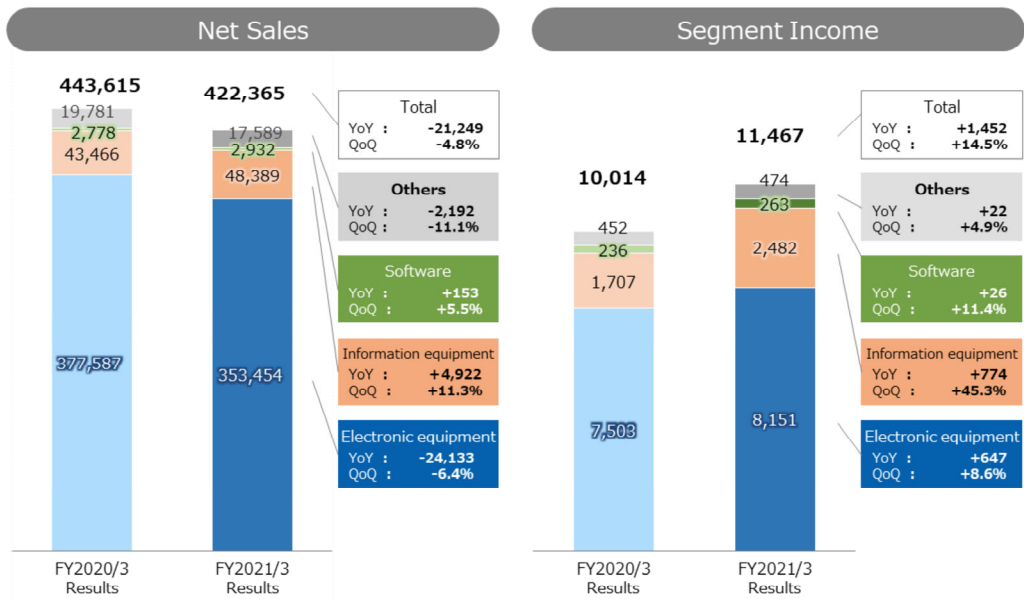
We will organize the output of these activities in a Medium-term Sustainability Plan this fiscal year as a roadmap and report back to all of you, together with a new medium-term business plan.

This concludes my briefing.
Thank you for your attention.

Reference

Financial Highlights by Business Segment

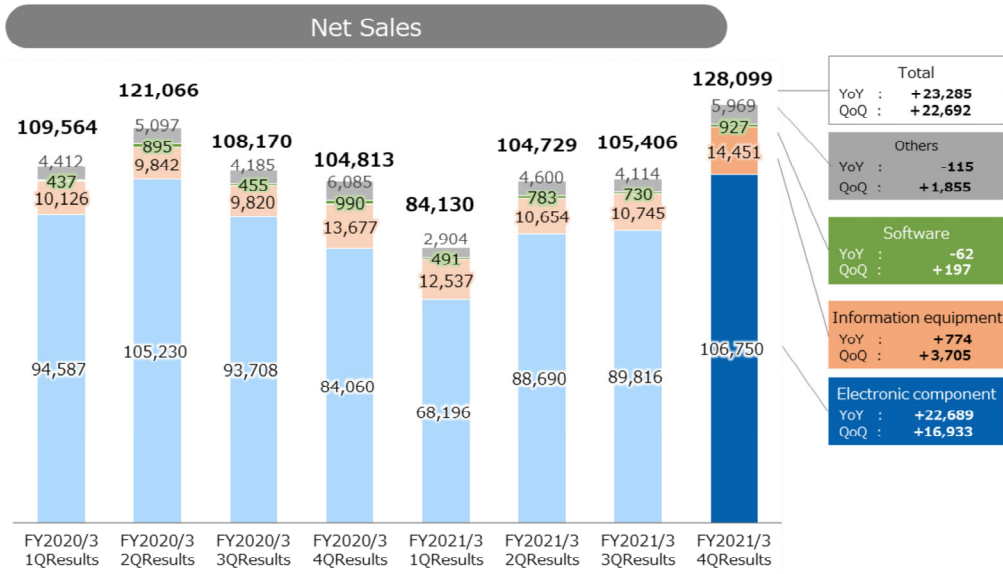
(million yen)



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

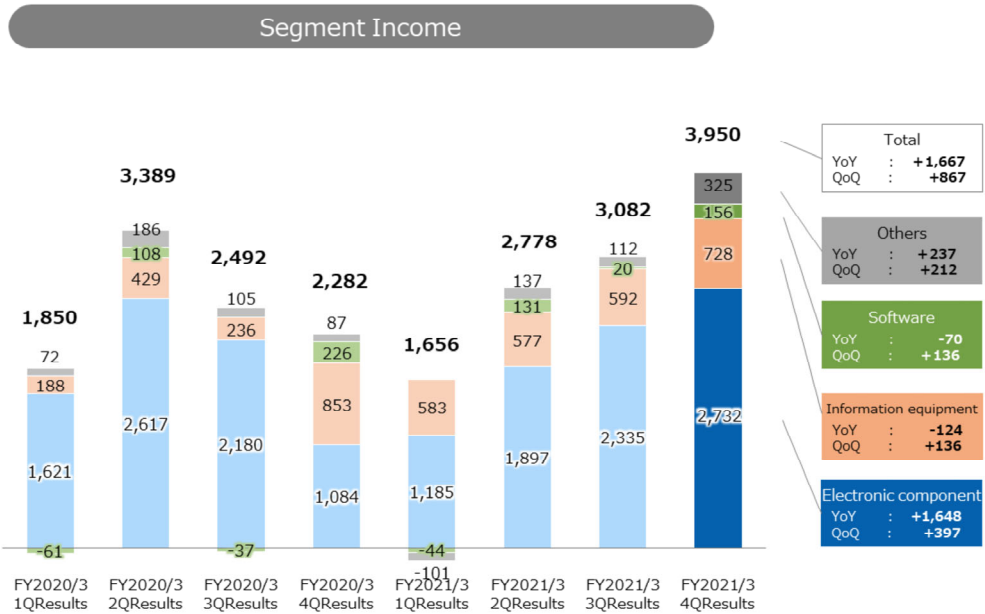
Financial Highlights by Business Segment <Net Sales>

(million yen)



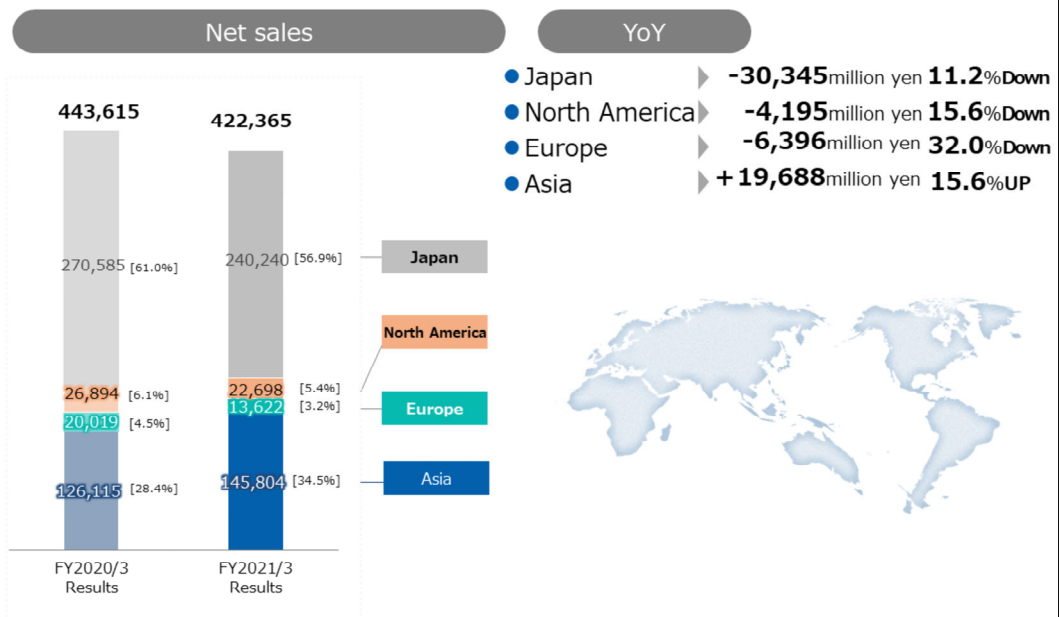
Financial Highlights by Business Segment < Segment Income >

(million yen)



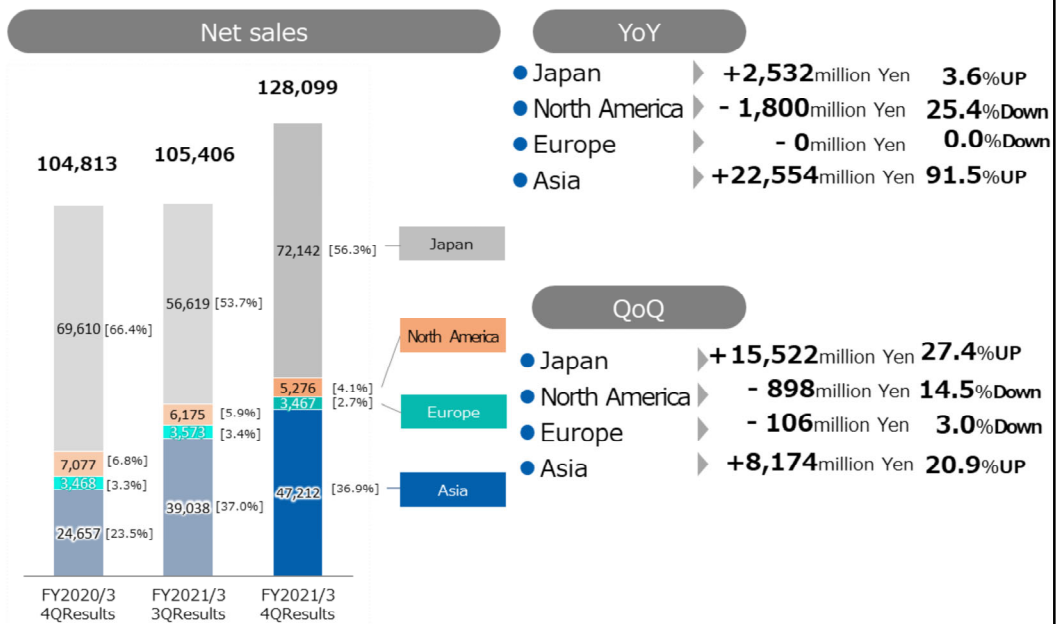
Net Sales by Region

(million yen)



Net Sales by Region (3 months)

(million yen)



Exchange Rate/FOREX Sensitivity

	FY2020/3 Results (Yen)	FY2021/3 Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2022/3(yen)
			Net sales	Ordinary income	
USD	108.74	106.06	1,558	35	110.50
THB	3.52	3.42	223	11	3.50
RMB	15.78	15.48	165	9	15.50
HKD	13.91	13.68	150	3	14.00

<memo>

ご静聴ありがとうございました。

**“Everything we do is
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.