Kaga Electronics Co., Ltd.
Financial Results Briefing
for the First Half of the Fiscal Year ending March 2021
Main Questions and Answers

Date and time：Thursday, November 26, 2020 16:00-16:30

（Online briefing）

<Points to note>

"Main Questions and Answers" has been posted as a reference for the convenience of those who were unable to attend the financial results briefing. Please be aware that it is not a transcription of all matters discussed at the financial results briefing, but rather a brief summary of what Kaga Electronics judges to be the key points.

Please also note that the statements contained in this document that relate to the future, such as results forecasts, are based on information currently in the possession of Kaga Electronics and certain assumptions that have been judged to be reasonable. Actual performance, etc. may differ substantially due to a range of factors.

On the EMS business

Q: I would like to know how many operation bases you have for the EMS business.

A: With the addition of Kyokuto Electric Co., Ltd. which we acquired in November, we currently have "22 bases in 10 countries."

Q: What are the reasons for the improvement in gross profit margin of the EMS business (3% range in the first half of the fiscal year ended March 2020, 5% range in the first half of the fiscal year ending March 2021)

A: Steady performance of medical equipment for the US market, with its very high profit margin, led to the improvement in profit margin of the entire EMS business. Further, in the fiscal year ended March 2020, production volume declined due to model change, and its recovery to the normal level in the first half of the current fiscal year also contributed to profit margin improvement.

On the companies acquired through M&A

Q: It appears that post-M&A reforms are making steady progress, but how is the progress in each company?

A: Of the companies that were recently made a subsidiary of the Group, steady progress is being made in Kaga EMS Towada, Kyokuto Electrics and Excel, and we feel that the benefits of the reforms will start to emerge at an early stage. Reforms of Fujitsu Electronics Inc. are anticipated to take a little longer given the size of the company compared with the other three.

Q: An operating deficit is projected for Fujitsu Electronics for the full year. What are the causes?

A: In the first half of the year, from April or May, production at large camera makers, the main customer segment, decreased to about 20 to 30% of the previous year's level due to COVID-19. Factoring in also the impact of production decline in the area of automotive devices, we project an operating deficit for the full year in the fiscal year ending March 31, 2021. If these factors had not existed, we believe that a more or less break-even level would have been achievable.

Q: Do you have measures for achieving profitability of Fujitsu Electronics?

A: Business with new vendors is growing, and we are seeing a 10 billion yen-level increase in net sales. From the fiscal year ending March 31, 2022, onward, we plan to leverage this business with new vendors to make up for the decrease.

Q: Is there any possibility of your acquiring an overseas company?

A: We are open to acquisitions if good opportunities arise.

On results of the first half of the fiscal year ending March 31, 2021, full-year earnings forecast

Q: I think semiconductor and EMS trading companies are moving toward increasing their net sales and income in overseas markets. In this respect, isn't the percentage of your overseas operation lower than other companies?

A: Overseas sales are expanding, driven by the EMS business. With respect to the electronic components business, while the percentage of overseas operation is low in Kaga Electronics on a non-consolidated basis, the percentage is high in Fujitsu Electronics, and overall, therefore, we do not consider the percentage to be low compared with other companies.

Q: In the full-year earnings forecast, you mention extraordinary loss, restructuring costs, and risks. What specifically are you projecting?

A: Impairment risks are projected due to COVID-19, which is causing a delay in achieving profitability at the overseas subsidiaries launched in the past two to three years, including those in Vietnam and Mexico.

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