

KAGA ELECTRONICS  
CO., LTD.

# KAGA ELECTRONICS

## Management Briefing Material

---

March 24, 2022

TSE 1st section 8154

## INDEX

---

- Corporate Profile P- 3 ~ 9
- Medium Term Management Plan 2024 P-11 ~ 18
- Electronic components Business P-20 ~ 21
- EMS Business P-23 ~ 34
- Medium- to Long-Term Sustainability Management Plan P-36 ~ 39
- Consolidated Financial Results for the 3Q of FY2022/3・Forecasts P-41 ~ 50
- References P-52

## **Corporate Profile**

## Corporate Outline

### An independent trading company for general electronics with one-stop services

- Company Name: KAGA ELECTRONICS CO., LTD.
- Representatives: Founder & CEO: Isao TSUKAMOTO  
President & COO: Ryoichi KADO
- Head Office: 20 Kanda matsunagacho,  
Chiyoda-ku Tokyo 101-8629, Japan
- Established: September 12, 1968
- Paid-in Capital: JPY12,133 million
- Stock listing: First Section, Tokyo Stock Exchange  
(securities code: 8154)  
\*Will transition to the "Prime Market" in April 2022
- Number of Group Companies: 65 Companies (FY ended December 2021)
- Number of Employees: 7,669 (FY ended December 2021 )

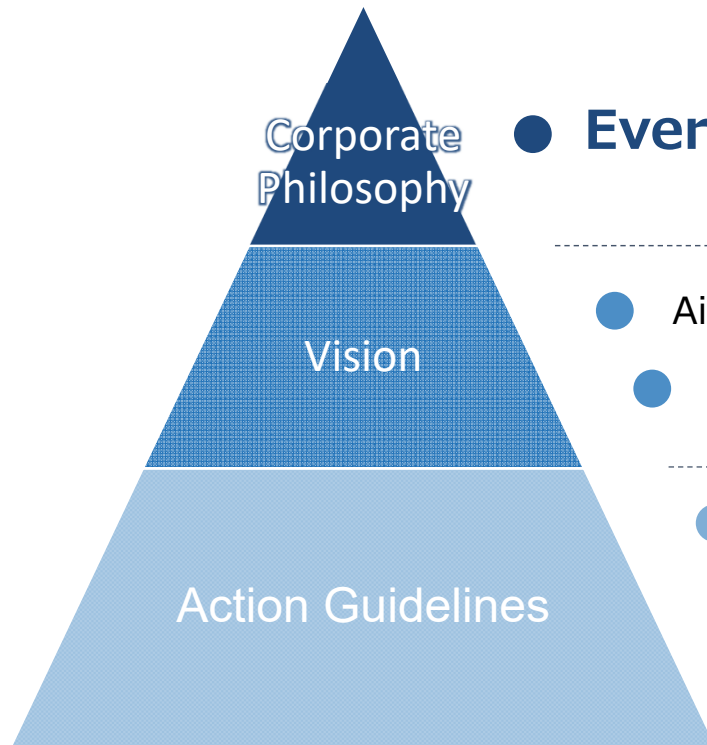


Founder & CEO  
Isao TSUKAMOTO

President & COO  
Ryoichi KADO

# Corporate Philosophy

**“Everything we do is for our customers” – Since Kaga Electronics was founded, by intently listening to the voices of our customers and earnestly catering to their needs, we have expanded our business domain to include our EMS business, which includes everything from kitting to processing and manufacturing electronic components and semiconductors, and our information equipment business, which conducts sales of finished products. Going forward, we will continue to aim to be Japan’s No. 1 corporate group in the industry and become a competitive World-Class company.**



## ● Everything we do is for our customers

- Aim to be “Japan’s No.1 corporate group in the industry”
  - Aim to become a competitive “World Class Company”
- 
- “F.Y.T.” : Flexibility, Young at heart, Try
  - “3G” : General, Global, Group
  - “KAGA-ism” : Management mindset,  
Sales mindset,  
Readiness as a member of society

## KAGA-ism (Behavior Guideline)

There have been many sayings supported by the experiences of the founder and our forebears since the company's foundation, and these should be treated as treasures. They are our DNA that we will carry into the future as a foundation for our actions to overcome daily competition.

Three Pillars	Basic Principle
<b>1. Mindsets as a manager</b> Behavior with the awareness of "being one of the managers"	1-1. Be a manager with a grand dream and a strong will 1-2. Cultivate a hungry spirit to continue challenging yourself in everything that you do 1-3. Act first with high ambition
<b>2. Mindsets as a salesperson</b> Awareness and behavior as a "trading company employee or businessman"	2-1. Make TAXAN (much) effort to gain TAXAN (a large) profit, and become TAXAN (very) happy 2-2. Personal connections are intangible assets 2-3. Always be curious
<b>3. Mindsets as a member of society</b> Awareness and behavior in proceeding with business as a member of society	3-1. Self-improvement 3-2. Reward good work and punish bad work 3-3. Be fair and upright





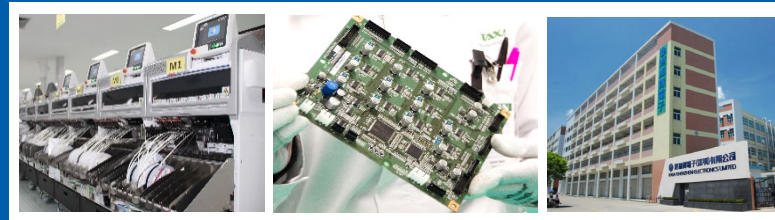
# The Group's Strength-① : Business Domain

## Electronic part and Semiconductors



Sales agent activities for general electronic components and semiconductors for customers in Japan and worldwide

## EMS



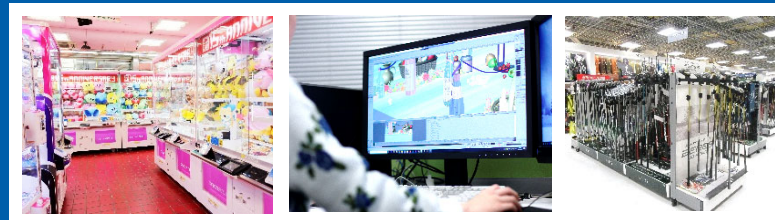
Providing total support for design, development, and manufacture of products ranging from semi-finished to finished products

## Information Equipment



Supplying PCs and peripherals to domestic and international distribution channels, and serving the network solutions field

## New Businesses

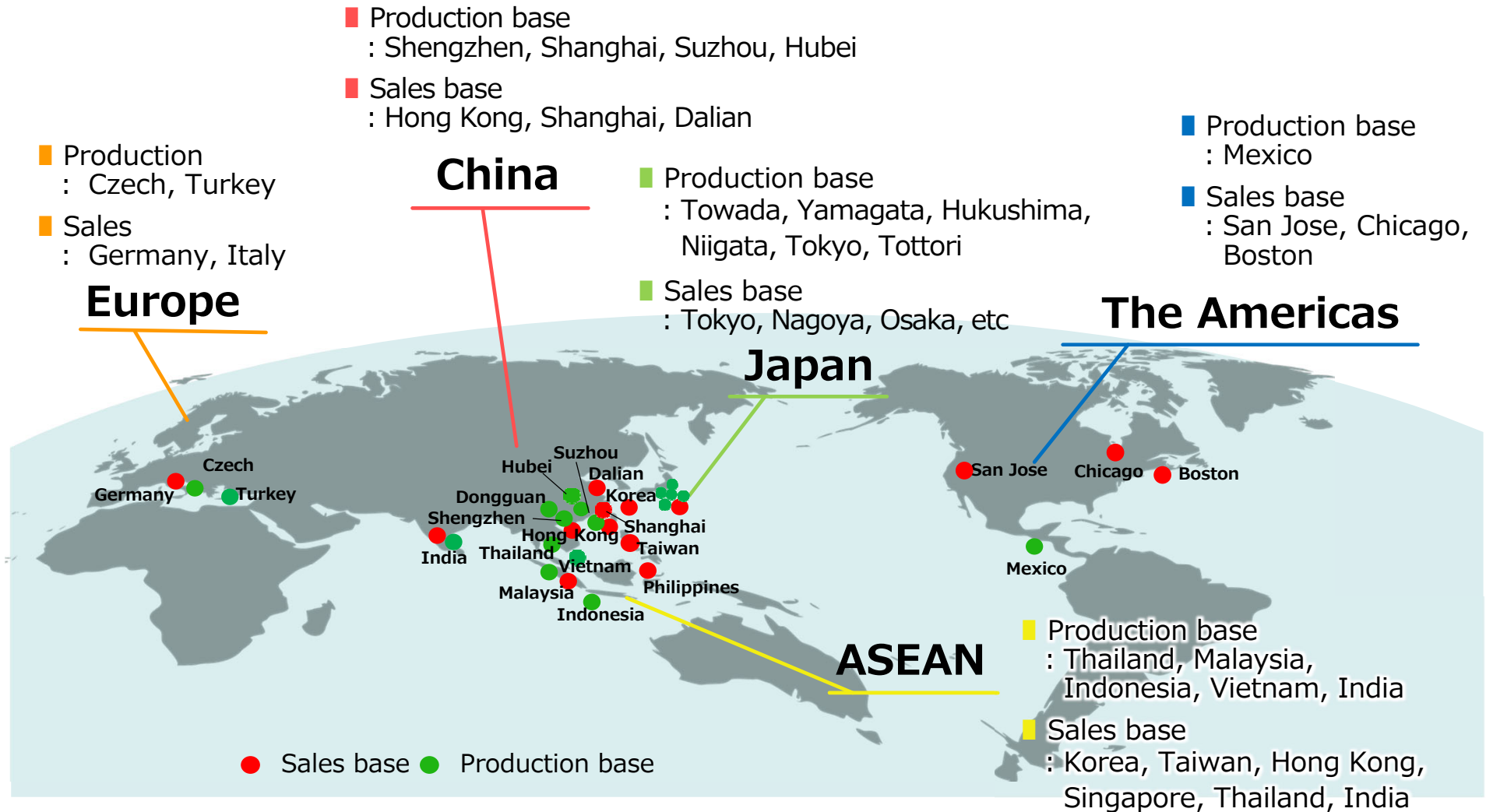


Development, manufacture, and sale of amusement-related products and software



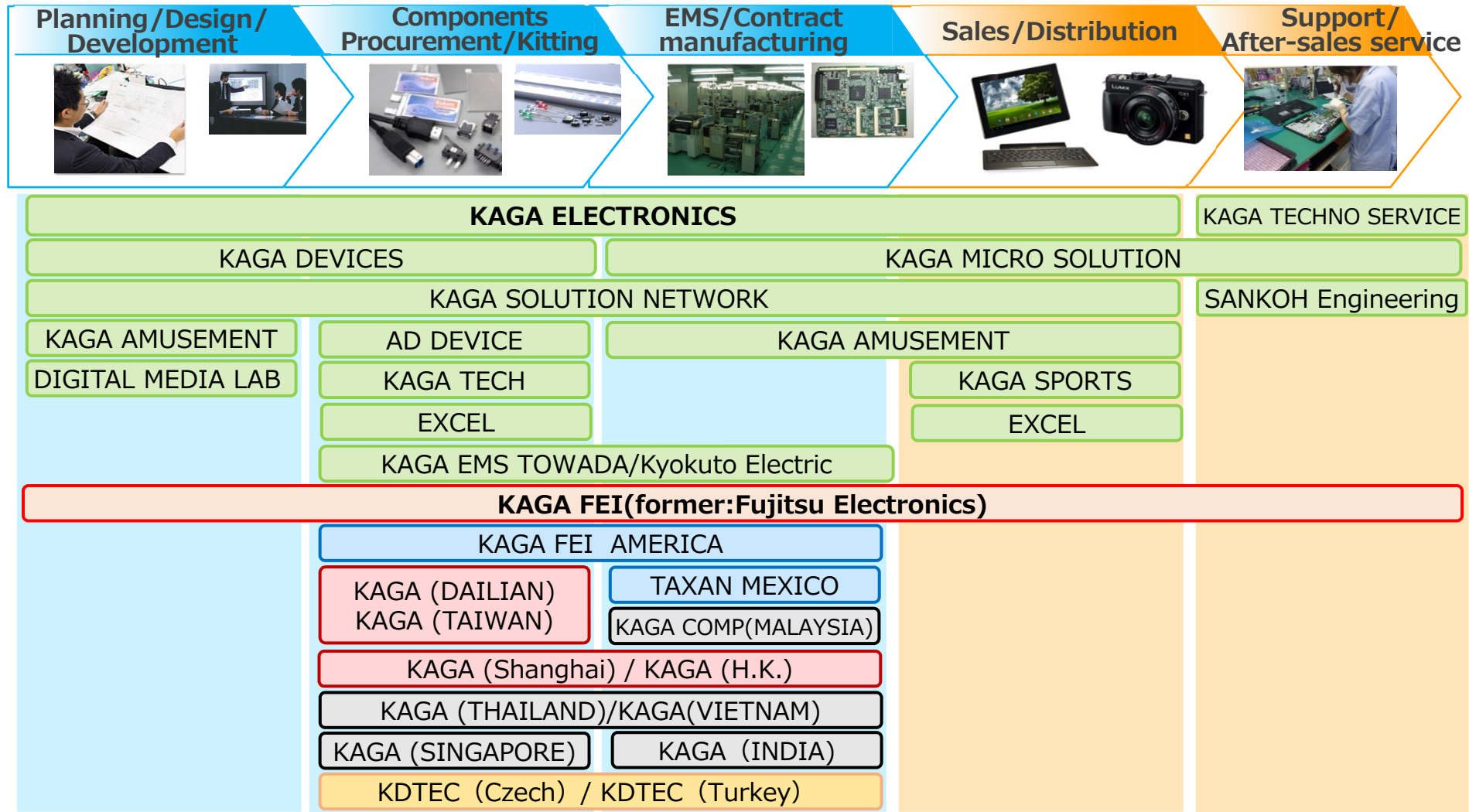
## The Group's Strength-② : Global Network

Global EMS production system with 21 bases in 10 countries to respond swiftly and flexibly to customer needs.



## The Group's Strength-③ : One-Stop Service

Not just contract manufacturing but offer one-stop service from sales to after-sales support



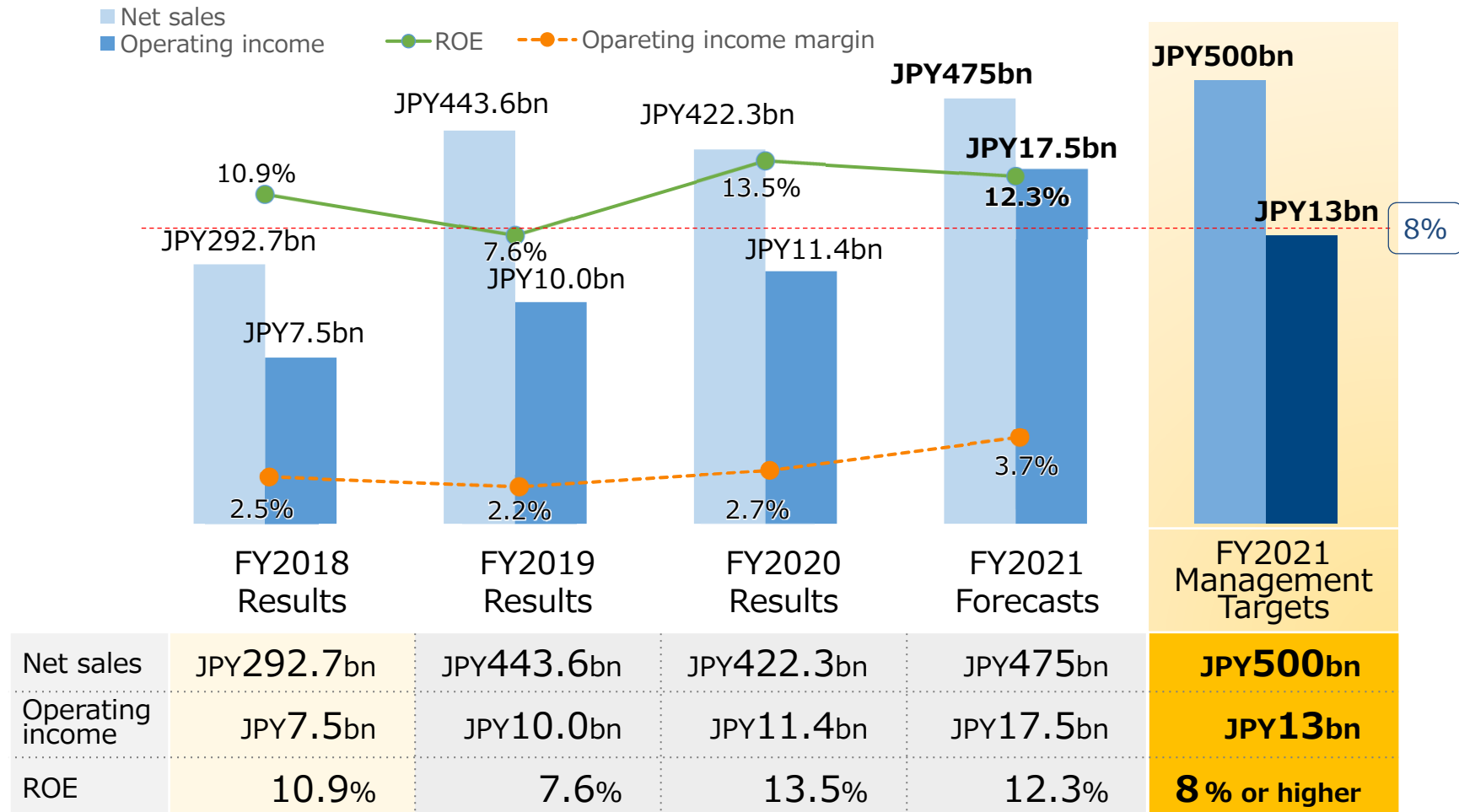
KAGA's Growth Scenario

## **Medium Term Management Plan 2024**

(Extract from materials published on November 25, 2021)

# Review of Medium-Term Management Plan 2021 : Management Targets

Predict for exceeding operating income and ROE targets by executing “profit-focused management”, despite unmet net sales target due to losses of major commercial rights



Medium-Term Management Plan 2021

# Medium-Term Management Plan 2024 : Management Targets

Realize sustainable growth by organic growth and further M&A challenges

## FY2021 Forecasts

Net Sales	JPY 475 bn
Operating Income	JPY 17.5 bn

## FY2024 Management Targets

Organic growth	Including new M&As
JPY 600 bn	JPY 750 bn
JPY 20 bn	

With cost of shareholders' equity (7–8%) in mind,

ROE	12.3 %
-----	--------

stable 8.5 % or higher
------------------------

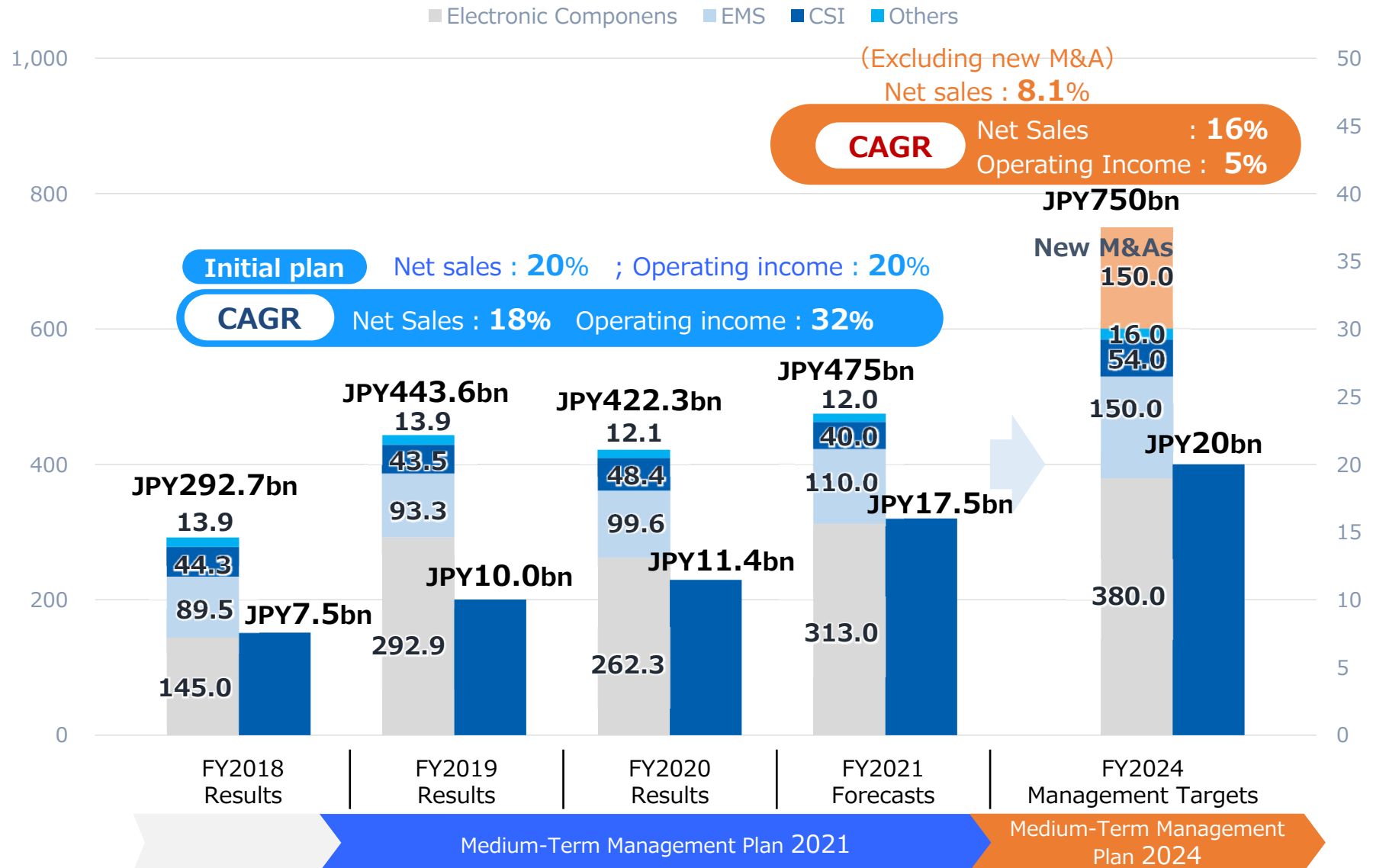
# Medium-Term Management Plan 2024: Basic Policy

## Basic policy and key issues/actions

Further Reinforcement of Profitability	Predicting the era to <b>focus on markets with potential for high growth and profitability</b>	<ul style="list-style-type: none"> <li>• Selection and concentration in growth fields: Mobility, Communications, Environment, Industrial equipment, Medical/Health care</li> <li>• Reinforcement and expansion of EMS business and overseas business</li> </ul>
Reinforcement of Management Base	Pursuit of further efficiency and soundness, and <b>transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry"</b>	<ul style="list-style-type: none"> <li>• Reinforcement of corporate governance</li> <li>• Efficient Group management</li> <li>• Investments in human capital</li> </ul>
Creation of New Businesses	Active use of venture investments and M&As to create new businesses and <b>strengthen resistance to change in the external environment</b>	<ul style="list-style-type: none"> <li>• Initiatives in new fields</li> <li>• Promotion of open innovation through venture investments</li> <li>• M&amp;A efforts aimed at discontinuous growth</li> </ul>
Promotion of SDGs Management	Promotion of management that seeks to <b>achieve solutions to social issues and sustainable growth as a company</b>	(See "Medium-Term Sustainability Management Plan" for details)

# Medium-Term Management Plan 2024 : Business Portfolio

\*CSI: Consumer & System Integrator

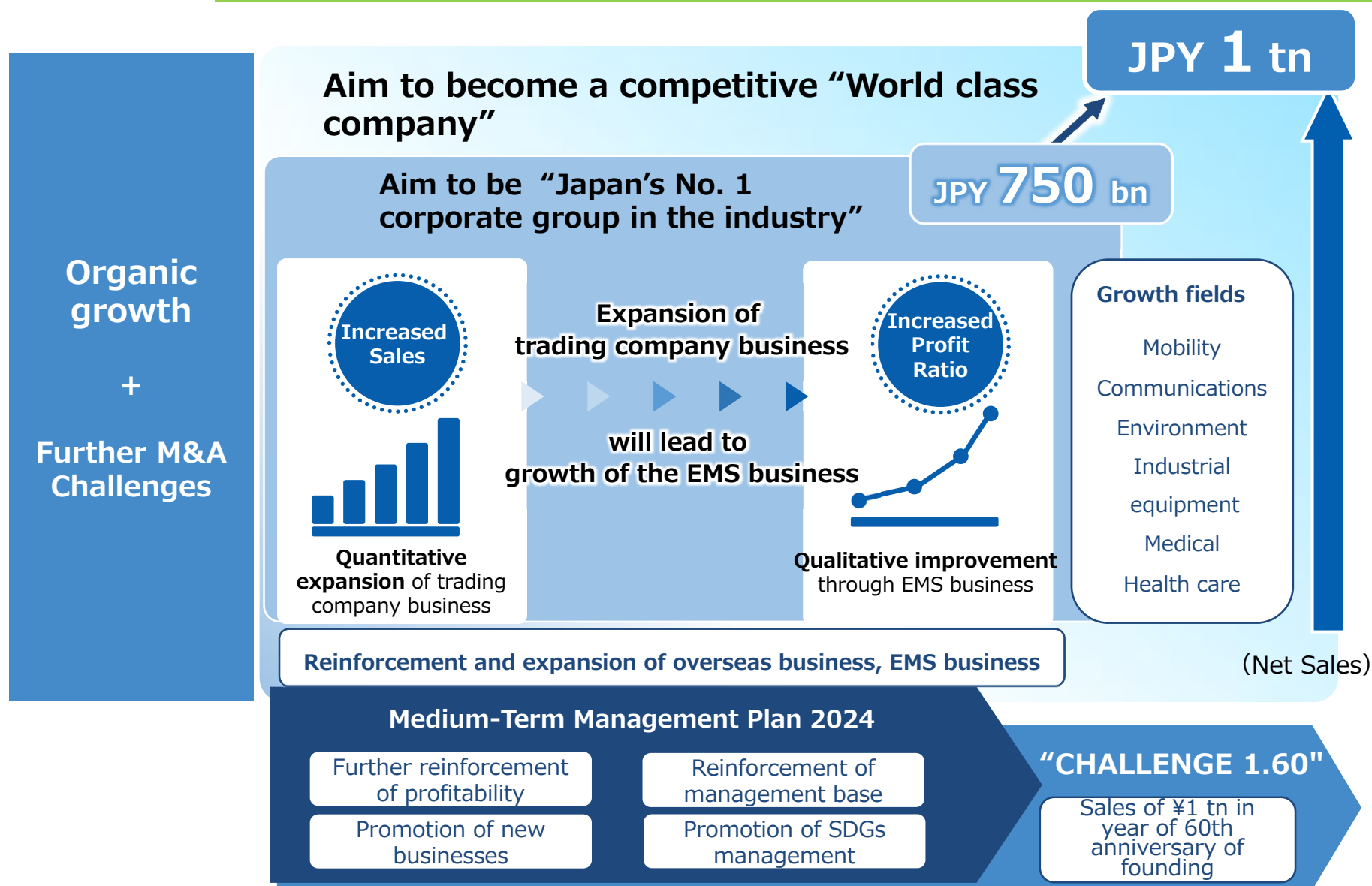




## Basic Strategy for Four Major Businesses

	FY2024 sales targets	Priority measures
Electronic Components Business	JPY 380 bn	<ul style="list-style-type: none"> <li>• Expansion of industrial equipment business</li> <li>• Rollout of new products in vehicular markets</li> <li>• Enhancement of products in communications field</li> </ul>
EMS Business	JPY 150 bn	<ul style="list-style-type: none"> <li>• Reinforcement and expansion of customer base</li> <li>• Shift in value chain to high value-added areas</li> <li>• Reinforcement of business base</li> </ul>
CSI Business	JPY 54 bn	<ul style="list-style-type: none"> <li>• Acquisition of new products/suppliers and new sales channels</li> <li>• Promotion of collaboration within Group and integration of overlapping organizations</li> </ul>
Other Business	JPY 16 bn	<ul style="list-style-type: none"> <li>• Review of unprofitable businesses</li> <li>• Creation of new businesses through venture investments and M&amp;As</li> </ul>

# Medium-Term Management Plan 2024 : Summary



# A Sound Financial Foundation to Support Growth Strategies

## Borrowing capacity

- ▲ Net D/E ratio: **0.04 times**
- ▲ Cash position: **JPY 40.1 bn**
- ▲ Commitment line: **JPY 15 bn**

\*End of September 2021

## Cash generation ability

- ▲ Total 3-year operating cash flow: **JPY 30.8 bn**  
\*FY2018–FY2020
- ▲ Use of cash: ① **Growth investments**  
② **Shareholder returns**  
③ **Repayment of borrowing**

## Capital efficiency

- ▲ ROE: **13.5%** > Cost of shareholders' equity 7.6%

### Assumptions for calculations

- ① Risk-free interest rate : 0.02%/10-year Japanese government bond, five-year average
- ② Market risk premium : 6.3%/TOPIX yield
- ③  $\beta$  (beta) : 1.2%/Five-year, weekly

\*FY2020 results

## Stability and credit rating

- ▲ Equity ratio: **39.6%**

\*End of September 2021

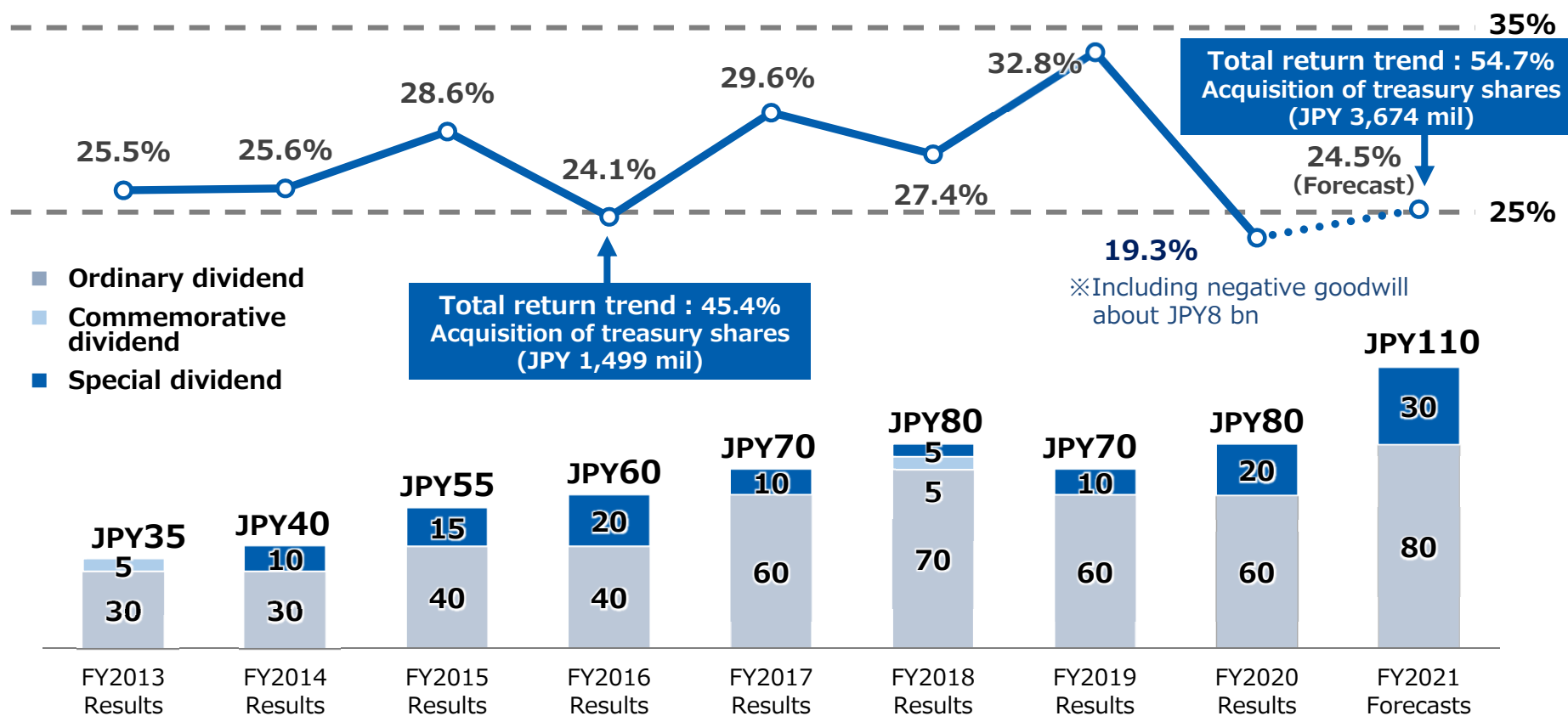
- ▲ Bond rating: **A- (Stable)**

\*Japan Credit Rating Agency, Ltd. (JCR)

# Shareholder Return

## Basic Policy on Dividends of Surplus

- We shall perform **stable dividends**, while securing a **consolidated dividend payout ratio of 25 to 35%**.
- We shall use **funds for business investments, capital investments, and M&A**, etc. in order to contribute to future growth.
- Decisions on the **acquisition of treasury shares** shall be made appropriately, in consideration of capital efficiency and share price, etc.



**KAGA ELECTRONICS'**  
**Electronic Components Business**

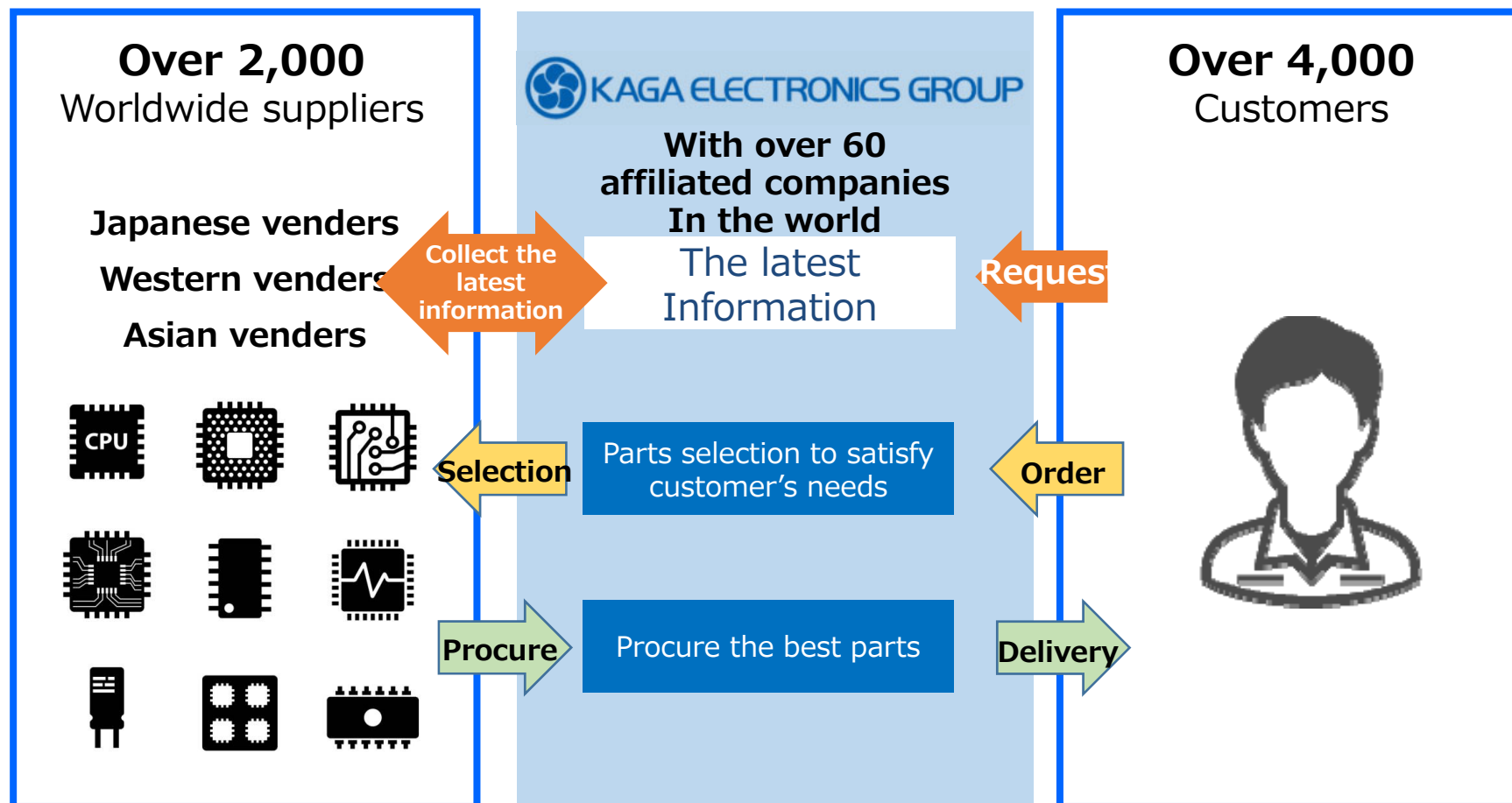
# The Strengths of Kaga's Electronic Components Business

**Our strengths are our independence, meaning that we are not affiliated with any other manufacturer, our global reach, which extends around the world, and the professional skills of our technical teams.**

The advantage of an independent trading company	As an independent comprehensive trading company, we have access to a vast range of parts. We have earned our customers' trust and developed vast expertise in our 50 years of business.	<ul style="list-style-type: none"><li>• Kaga Electronics trades directly with more than 2,000 suppliers in Japan and abroad and more than 4,000 customer businesses (7,000 accounts).</li><li>• As an independent trading company, we are not limited in the goods that we carry. We use this advantage and our worldwide network to connect large numbers of suppliers and customers and ensure that customers get the optimal product in the ideal form.</li></ul>
The power of a global network	We utilize our ability to gather information to foresee the future, as well as the power of a Group working in a wide range of fields.	<ul style="list-style-type: none"><li>• Kaga Electronics boasts a global network of more than 60 companies around the world, including North America, Europe, and Asia. Our Group power enables us to rapidly gather and deliver the latest knowledge and unpublished information that is unavailable to our competitors.</li><li>• We also offer full support through our local subsidiaries. We provide the solutions you need, wherever you need them.</li></ul>
Technical support system	Count on our experienced technical teams. Our dependable system today is the product of years of earning trust.	<ul style="list-style-type: none"><li>• Our technical teams include field application engineers (FAEs) who are experts in the latest technologies. We offer not only optimal products, but also a sense of trust backed up by our track record.</li><li>• This gives our customers peace of mind even when using products developed by cutting-edge venture companies that are not yet well known.</li></ul>

# Business Flow of the Electronic Components Business

We provide optimal solutions to customers through our cutting-edge information network and our component procurement system, which leverage the Group's network.



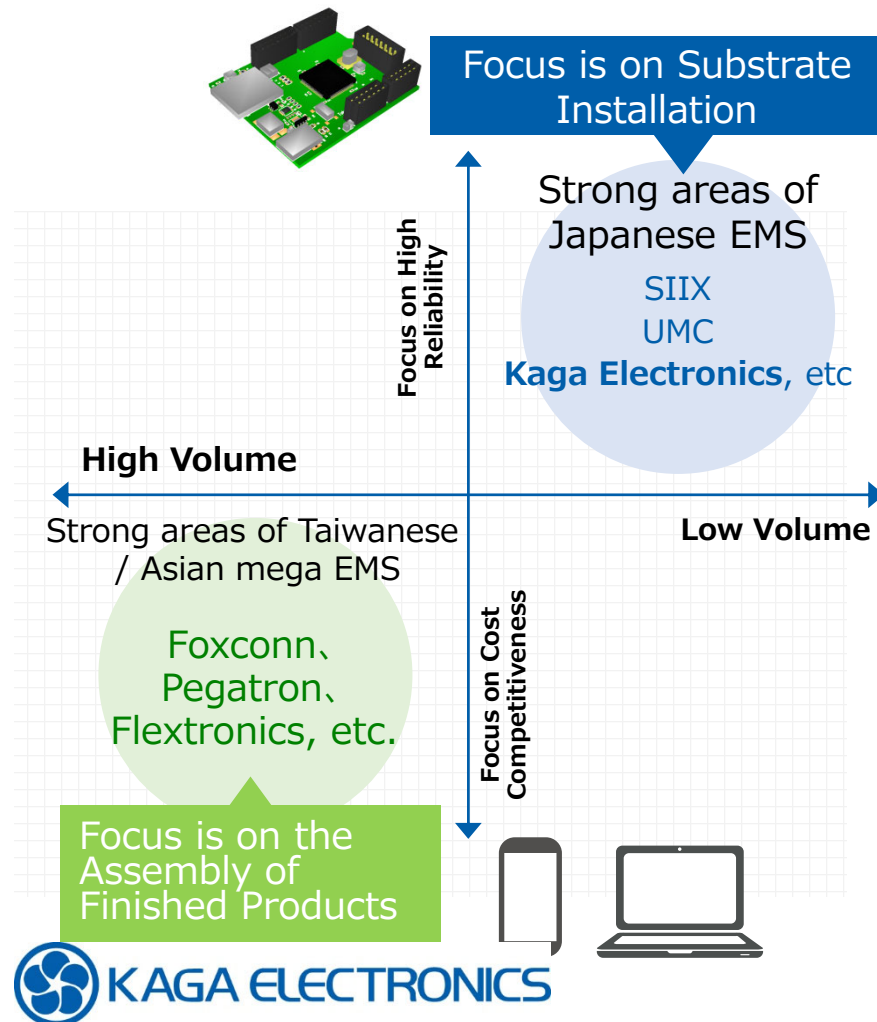


## **KAGA ELECTRONICS' EMS Business**

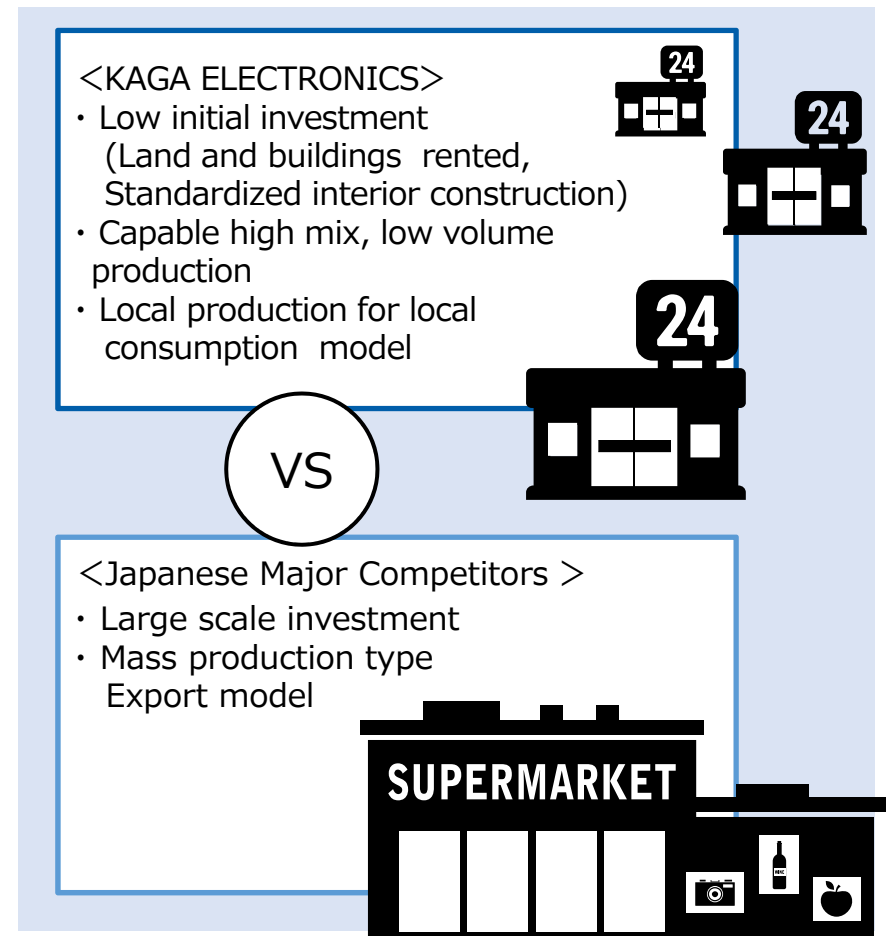
# The Strengths of Kaga's EMS : Convenience Store EMS

Kaga Electronics globally deploys a “Convenience Store EMS” that is convenience and valuable for its customers.

## Japanese EMS vs Taiwanese / Asian EMS



## Convenience Store EMS vs GMS EMS



# Major Production Bases: China

## Kaga Electronics (Shenzhen)

Established	1 9 9 9
Number of Employees	9 5 0
Products	Automotive-related units, industrial equipment, OA equipment, amusement equipment, communications equipment.



< Shenzhen Factory >

## Kaga Technology (Suzhou) Electronics

Established	2 0 0 9
Number of Employees	3 6 0
Products	Automotive-related units, medical equipment, industrial equipment, residential equipment, electronic musical instruments, communications equipment



< Suzhou First Factory (For Export) >

# Major Production Bases: ASEAN

## KAGA ELECTRONICS (THAILAND)

Established	2 0 0 2
Number of Employees	9 1 4
Products	Automotive-related units, OA equipment, air conditioning equipment, industrial equipment



<Thailand Factory>

## KAGA ELECTRONICS (VIETNAM)

Established	2 0 1 7
Number of Employees	1 2 0
Products	Automotive-related units, air conditioning equipment, business equipment, medical equipment



< Vietnam Factory>

# Major Production Bases: Europe and the Americas

## KD TEC

Established	2 0 0 9
Number of Employees	1 1 2
Products	Air conditioning equipment.



< Czechia Factory >

## TAXAN MEXICO

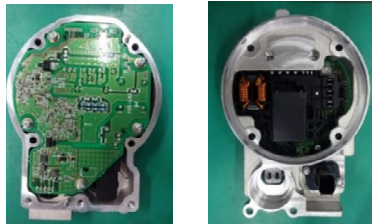
Established	2 0 1 7
Number of Employees	3 2 4
Products	Automotive-related units, business equipment, industrial equipment.



< Mexico Factory >

# Major Products: In-vehicle Products

Electrical  
Compressor Units



AC Inverter Units



Automotive Navigation  
System



Lighting Units for  
Automotive



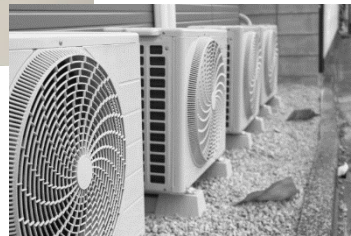
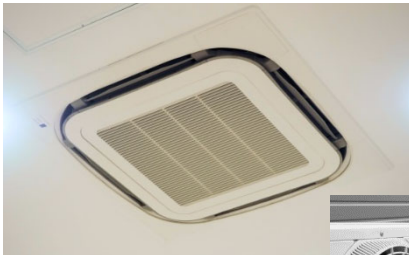
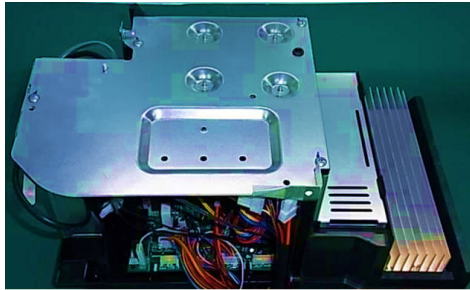
In-vehicle Auxiliary  
Battery Packs



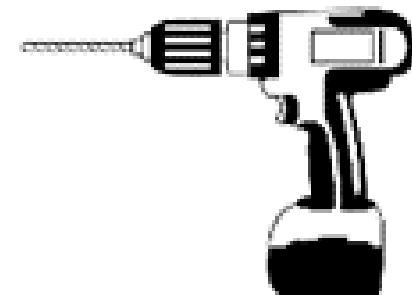


# Major Products: HVAC and Industrial Equipment

Air Conditioner Unit



Products for Electrical Tools





# Major Products: Medical related Equipments

## Medical Equipment



<Automated Medication Dispensing Cabinet>

## Medical Examination Equipment



<Reagent Testing Equipment>



<Blood Flow Testing Equipment>

# Major Products: Consumer Electrical Equipment and Office Equipment

Washing Toilet

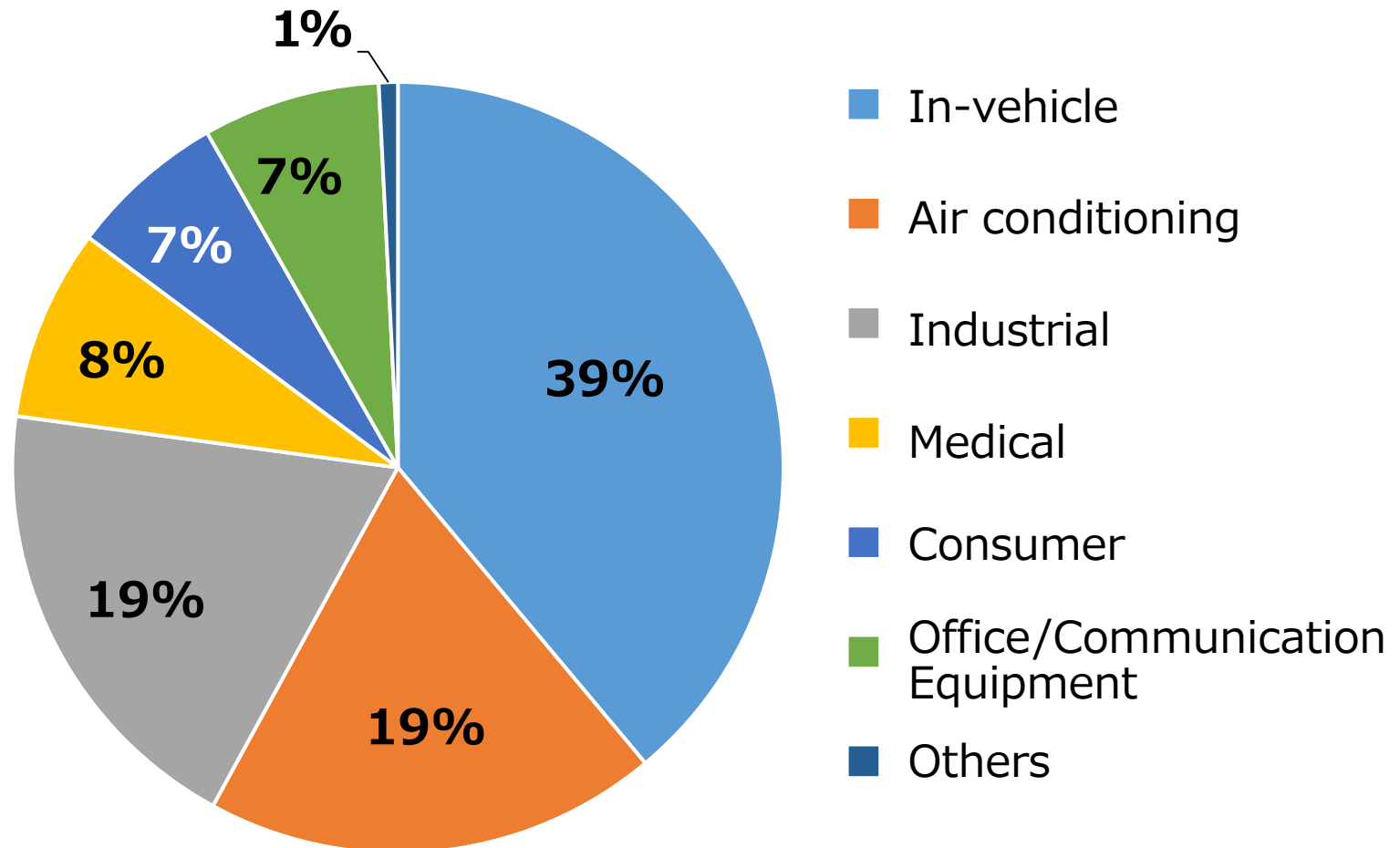


Substrate for Office Equipment



## Sales Composition by Application

FY2022/3 Net Sales Forecast : JPY110bn



## Measures to Increase Competitiveness -① : Increasing of Production Capacity

We will respond flexibly and nimbly to the movement to shift production out of China due to the prolonged trade tensions between the US and China and the movement to restore domestic production to avoid exchange rate fluctuations and increasing labor expenses.

### Fukushima Factory



#### Business Content

- ▶ Manufacture, repair, reuse, and recycling of communications equipment, PCs, and PC peripherals

#### Operation start date

October 2019

### Amata Nakhon 2<sup>nd</sup> Factory



#### Business Content

Installation of substrates for multifunction devices, printers and automotive related units

#### Operation start date

December 2019



## Measures to Increase Competitiveness -② : Strengthening Manufacturing Capabilities

Through the acquisition of Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.), we will further improve the quality level of the EMS business and improve our competitive advantage compared to other competitors, by sharing the tangible and intangible assets developed through many years as a specialist electronics manufacturer, such as manufacturing know-how, exceptional production personnel and equipment, jig design, and quality assurance systems. We will also designate KAGA EMS TOWADA as the “mother factory” of the EMS business, connect with overseas sites, promote overall optimization, strengthen the management framework, and improve business efficiency.

KAGA EMS TOWADA		  
	Business Content	
	Automotive electronic equipment, installation of substrates in medical equipment, assembly of finished Products	
	Acquisition date	
October 2019		

## Measures to Increase Competitiveness -③ : In-house Development of Manufacturing Equipment

We will provide customers with total substrate mounting solutions with overwhelming cost competitiveness, high quality, and high reliability, by merging with major Chinese equipment manufacturers and developing, designing, and producing manufacturing equipment.

### Introduction of HATTEN Equipment



#### ① Modular soldering baths

##### ■ Product lineup

- ① 1-head unit ISF-300
- ② 2-head unit ISF-450-II
- ③ 4-head unit ISF-450D
- ④ 4-head unit ISF-450-4H
- Modular high-speed soldering bath
- ⑤ Modular flux applicator



#### ② Surface Mounting Equipment

##### ■ Product lineup

- ① CPM H2  
Chip component mounting
- ② CPM F2  
Non-standard component mounting
- ③ CPM/FH  
Miniature chip component mounting
- ④ HATTEN line  
\*Mass production underway by Kaga in Jiangsu



#### ③ Testing Equipment

##### ■ Product lineup

- ① 3D SPI  
Cream solder testing
- ② Post-SMT AOI equipment  
Visual inspection of mounted components
- ③ Pre-soldering bath S-AOI  
Inspection of hand-inserted components
- ④ Post-soldering bath AOI  
Solder-lifting inspection  
Component float inspection



#### ④ Vertical High-temperature Furnaces

##### ■ Product lineup

- ① Coating hardening furnace  
After coating final hardening
- ② Potting hardening furnace  
After potting final hardening
- ③ High temperature deterioration testing furnace  
Product deterioration testing



# Medium- to Long-Term Sustainability Management Plan

(Extract from materials published on November 25, 2021)





# Sustainability Policy

---

Under our corporate philosophy of "Everything we do is for our customers," the Kaga Electronics Group seeks to achieve both a sustainable society and sustainable growth of the Group. Toward this purpose, we will respect dialogue with customers, business partners, shareholders, investors, employees, local communities, and all other stakeholders, based on our Basic CSR Policy, Environmental Policy, and Action Guidelines. We will work to increase our corporate value as we play an active role in achieving a sustainable society.

## ① We will tackle environmental issues through our business activities

Through our business activities, we will take action to cut CO<sub>2</sub> emissions, reduce waste, and promote reuse. At the same time, by providing environmentally considerate products and services, we will contribute to bringing about a society that values the global environment.

## ② We will respect human rights and develop human resources











We will respect the human rights of all stakeholders, regardless of gender, age, nationality, social status, disabilities, or other personal attributes. We will develop work environments in which diverse employees can work in safety and health, both physically and mentally, and will develop personnel systems and education and training systems that allow these employees to maximize their individual abilities. We will further work to develop human resources who will take on the challenge of innovation.

## ③ We will work to build mutual trust with society

We will work to be a company that earns the trust of society by observing laws and regulations, by strengthening our governance structure, and by sincerely engaging in fair competition, the provision of high-quality products and services, timely and appropriate information disclosure, and other corporate activities.

# Materiality

The Kaga Electronics Group is committed to seriously addressing a variety of issues relevant not only to itself but also communities around the world and thereby living up to the expectations of society. In line with this commitment, the Group has employed four perspectives— Environmental (E), Social (S), Governance (G) and Business (B)—to identify priority issues that are deemed to exert significant impact on its business operations, as listed below. Through its efforts to tackle the materiality of these issues, the Group will practice corporate activities aimed at contributing to the realization of a sustainable society, with the aim of further improving its corporate value.

	Materiality	Related SDGs	Changes in the socio-economic environment	Our initiatives
E	Create a clean global environment	 	<ul style="list-style-type: none"> <li>Growing seriousness of global warming and other environmental problems</li> <li>Urgent call for carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Provide products and services designed to help resolve environmental and energy issues</li> <li>Continue initiatives to reduce the environmental burden</li> </ul>
S	Create an inclusive company as well as an affluent society	  	<ul style="list-style-type: none"> <li>Changes in social structure as we move toward the popularization of the new normal</li> <li>Human resource shortages attributable to a low birthrate and an aging population</li> </ul>	<ul style="list-style-type: none"> <li>Promote workforce diversity and innovative work styles to better adapt to the new normal</li> <li>Develop human resources by passing down and updating KAGA-ism</li> </ul>
G	Create a sustainable management base	 	<ul style="list-style-type: none"> <li>Public calls for more robust corporate governance</li> <li>Growing need for business resilience against changes in the operating environment</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen corporate governance and compliance</li> <li>Thoroughly practice a profit-focused management approach</li> </ul>
B	Realize sustainable business growth	  	<ul style="list-style-type: none"> <li>Progress in digital transformation</li> <li>Coming of a “super-smart” society due to the popularization of ICT, such as IoT and AI</li> <li>Intensification of global competition</li> </ul>	<ul style="list-style-type: none"> <li>Provide products and services that contribute to the transition to a digital-driven society</li> <li>Create new businesses aimed at helping</li> </ul>

## Medium- to long-term sustainability targets and major KPIs

	Key themes	Issues to address and issues to examine	Medium-term targets	Long-term targets
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>• Adoption of renewable energy at domestic sales offices</li> <li>• Adoption of renewable energy at domestic manufacturing sites</li> <li>• Adoption of renewable energy at overseas manufacturing sites</li> </ul>	2024: 40% (1%) By 2024: Information gathering/analysis and determination of policy • In-house power generation/external procurement • Solar panel/biomass power generation/renewable energy businesses	2030: 100% 2030: 50% 2050: 100% 2030: 30% 2050: 100%
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>• Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> <li>• Initiatives to employ elderly workers and persons with disabilities</li> </ul>	Percentage of female new graduates in general positions 2023: 30% (5.8%) Percentage of women in management positions 2024: 15% (13.3%)	Percentage of female new graduates in general positions 2028: 40% Percentage of women in management positions 2029: 17%
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>• Enhancement of programs such as childcare/family-care and telework</li> <li>• Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	2022: Implementation of review 2023: Certification	2025: Certification by outside party 2024 onward: Continuation of certification
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<ul style="list-style-type: none"> <li>• Independent Outside Directors: at least 1/3</li> <li>• Establishment of Nomination and Compensation Committee</li> </ul>	Performed in June 2021	Setting of targets in line with next Corporate Governance Code revision
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"> <li>• Diversification of the Board of Directors</li> <li>• Full compliance with Corporate Governance Code for Prime Market</li> <li>• Adoption of delegation-based executive officer structure</li> <li>• Transition to structure of company with committees</li> </ul>	By June 2022: Determination of policy Performed in November 2021 April 2022: Enactment By March 2023: Determination of policy	

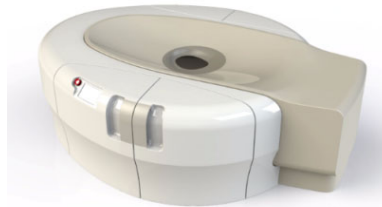
\*Numbers in parentheses represent current values

# New Initiatives: Sustainability

## Medical equipment × QOL



Mobile CT scanner



Breast cancer CT scanner



## Wearable Device and Support of People with Disabilities



ONTENA



Care Support System



## "Watch-Over" System in an Aging Society



Green Capacitor

## Breakthrough × Next-generation battery storage devices

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

**(Extract from materials published on February 3, 2022)**

# Summary of Financial Results for the Third Quarter Ended December 31, 2021

FY2022/3Q Results	<ul style="list-style-type: none"><li>● <b>Driven by the core electronic components business, net sales achieved significant growth by capturing robust part demand with the recovery of production activities in manufacturing industries both in Japan and overseas.</b></li><li>● <b>Operating income increased significantly, achieving record highs for the period, as a result of higher gross profit reflecting higher sales, as well as continued efforts in facilitation of teleworking and in reduction and control of expenses.</b></li><li>● <b>Net income for the quarter decreased due to the absence of the 7.96 billion yen "gain on bargain purchase" resulting from the acquisition of EXCEL, which was posted as extraordinary income.</b></li></ul>	
Overview of the main segments	Electronic Components	<ul style="list-style-type: none"><li>• The components sales business placed top priority on securing volume in the face of prolonged supply constraints regarding electronic components, and <b>maintained strong performance by leveraging the Company's procurement capabilities as an independent trading company.</b></li><li>• In the EMS business, <b>sales in the automotive, industrial equipment, and medical product areas were solid.</b></li></ul>
	Information Equipment	<ul style="list-style-type: none"><li>• While PC peripherals including security software remained strong, sales of PCs were subdued given the abatement of demand associated with the shift to remote working and the impact of product supply difficulties due to a shortage of parts.</li><li>• The LED installation business was sluggish due to extensions of construction periods caused by difficulties in materials procurement.</li></ul>
Revised Forecast for FY2022/3	<ul style="list-style-type: none"><li>● Sales and income are both expected to exceed forecasts announced in 2Q and are <b>revised upward for the second time this fiscal year.</b></li><li>● <b>Operating income will achieve three consecutive fiscal years of record highs. Net income for the fiscal year has also turned to a positive growth forecast and will achieve two consecutive fiscal years of record highs.</b></li><li>● <b>Operating income will exceed the target of 13 billion yen set out in "Medium-Term Management Plan 2021."</b></li></ul>	
Shareholder Return	<ul style="list-style-type: none"><li>● <b>The year-end dividend has been revised to 65 yen per share, an increase of 20 yen in light of upward revision to the earnings forecast.</b></li><li>● <b>For the full-year dividend, including interim dividend, a 30 yen increase from the previous fiscal year is planned, to 110 yen per share.</b></li></ul>	

## Financial Highlights

(million yen)

	FY2021/3 3Q Results		FY2022/3 3Q Results		YoY	FY2022/3 Forecast <small>(announced on November 4, 2021)</small>		Progress rate
Net Sales	294,266		352,684		19.9%	470,000		75.0%
Gross Profit	33,646	11.4%	42,761	12.1%	27.1%	—	—	—
SG&A	26,129	8.9%	28,102	8.0%	7.6%	—	—	—
Operating income	7,517	2.6%	14,658	4.2%	95.0%	15,000	3.2%	97.7%
Ordinary income	7,230	2.5%	14,886	4.2%	105.9%	14,500	3.1%	102.7%
Profit attributable to owners of parent	12,728	4.3%	10,414	3.0%	-18.2%	9,000	1.9%	115.7%
EPS (yen)	463.49		387.76			336.84		
Exchange Rate    USD	106.11		111.10			—		



## Reference

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

(million yen)

		FY2021/3 3Q Results		FY2022/3 3Q Results	YoY
Electronic Components	Net sales	181,913		232,869	28.0%
	Segment income	1,657	0.9%	7,772	3.3% 369.1%
EMS	Net sales	70,216		84,595	20.5%
	Segment income	3,890	5.5%	5,463	6.5% 40.4%
CSI	Net sales	33,937		26,301	-22.5%
	Segment income	1,753	5.2%	1,216	4.6% -30.6%
Others	Net sales	8,199		8,918	8.8%
	Segment income	126	1.5%	129	1.5% 2.0%
Total	Net sales	294,266		352,684	19.9%
	Segment income	7,517	2.6%	14,658	4.2% 95.0%

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



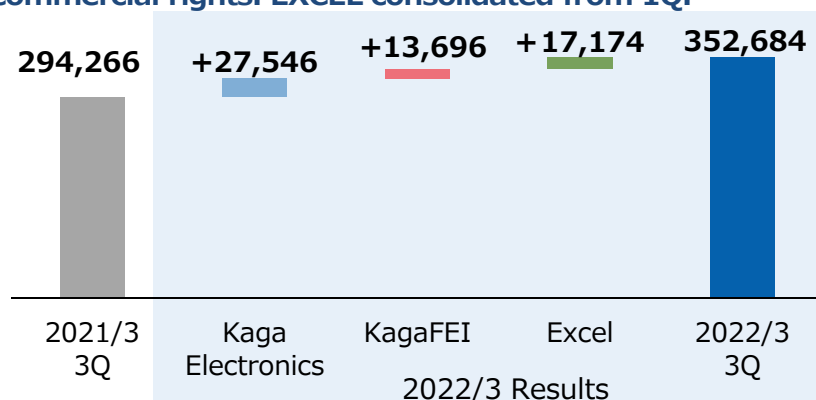
# Effect of M&As (FY2022/3 3Q Results)

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

(million yen)

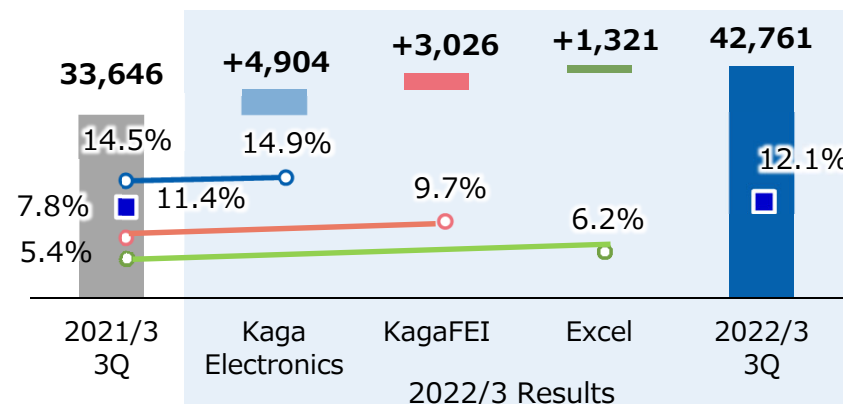
## Net Sales

Sales decline at Kaga Electronics due to COVID-19. Kaga FEI records heavy drop in sales due to loss of large commercial rights. EXCEL consolidated from 1Q.



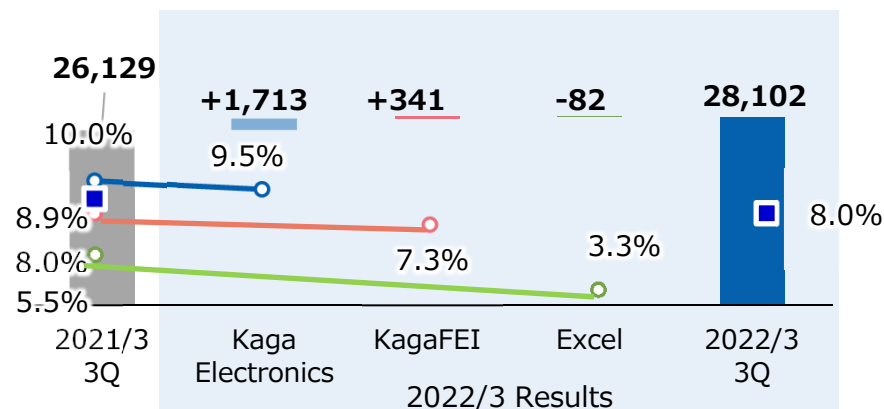
## Gross profit / Gross profit margin

Income decreased at Kaga FEI, but gross profit margin improved at both Kaga Electronics and Kaga FEI



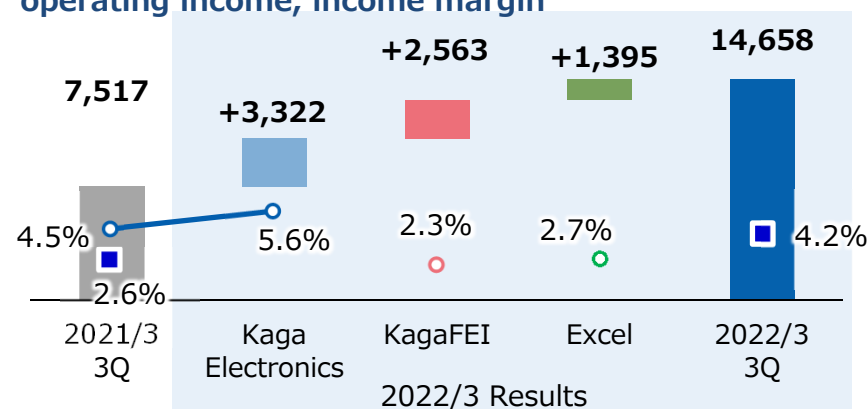
## SG&A / SG&A ratio

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



## Operating income / Operating income margin

also improved significantly Despite of sales declining during the pandemic, Kaga Electronics increased operating income, income margin



## FY2022/3 3Q results by company

(million yen)

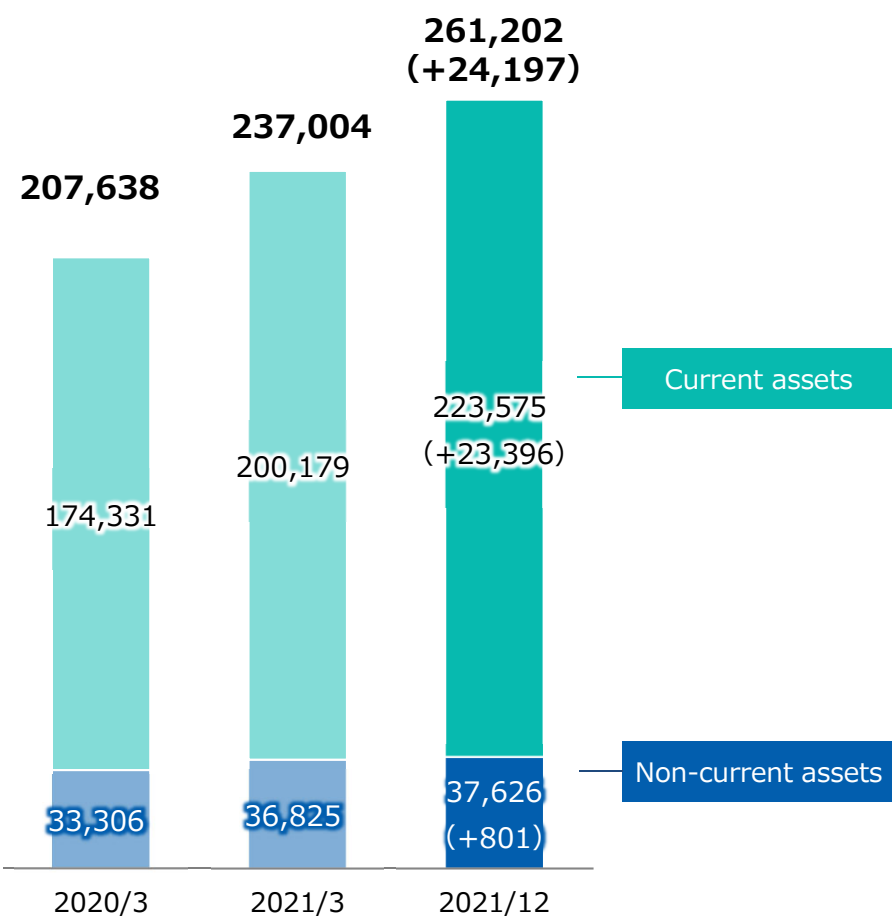
		FY2021/3 3Q Results		FY2022/3 3Q Results		YoY
Kaga Electronics	Net sales	171,474		199,021		16.1%
	Gross Profit	24,784	14.5%	29,689	14.9%	19.8%
	operating income	7,778	4.5%	11,100	5.6%	42.7%
Kaga FEI	Net sales	92,420		106,117		14.8%
	Gross Profit	7,243	7.8%	10,270	9.7%	41.8%
	operating income	-143	-0.2%	2,419	2.3%	—
Excel	Net sales	30,371		47,546		56.5%
	Gross Profit	1,632	5.4%	2,953	6.2%	81.0%
	operating income	-121	-0.4%	1,274	2.7%	—
Total	Net sales	294,266		352,684		19.9%
	Gross Profit	33,646	11.4%	42,761	12.1%	27.1%
	operating income	7,517	2.6%	14,658	4.2%	95.0%

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

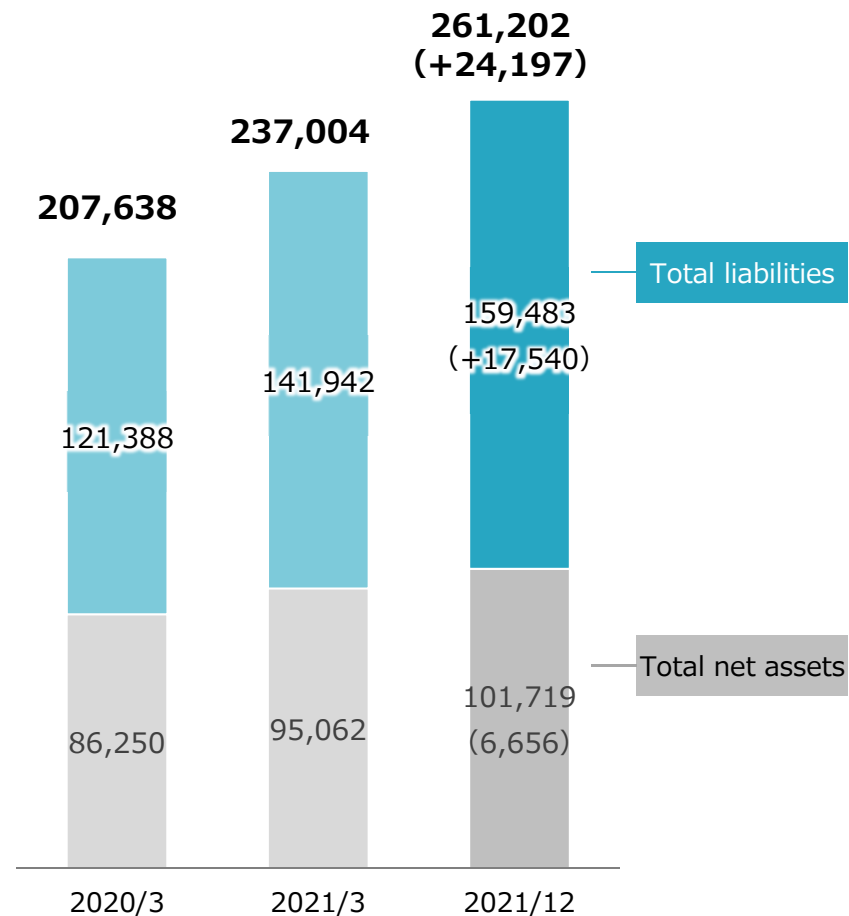
# Balance Sheet Main Items

(million Yen)

## Total assets



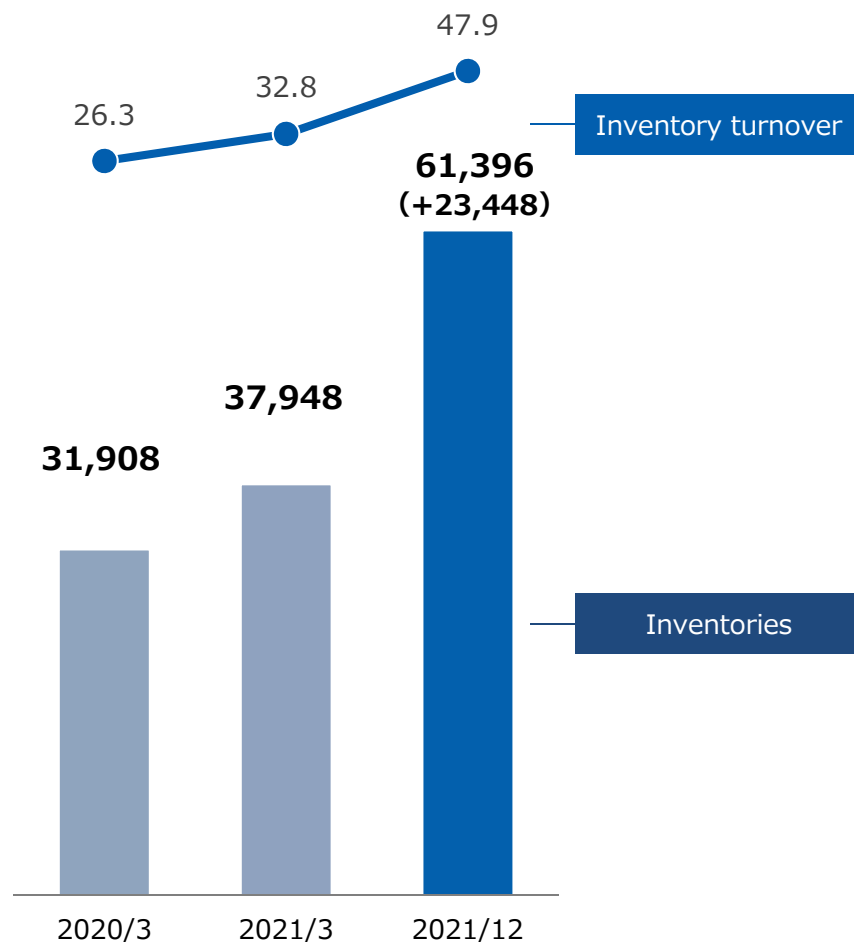
## Total liabilities and net assets



# Balance Sheet Main Items

(million yen, day)

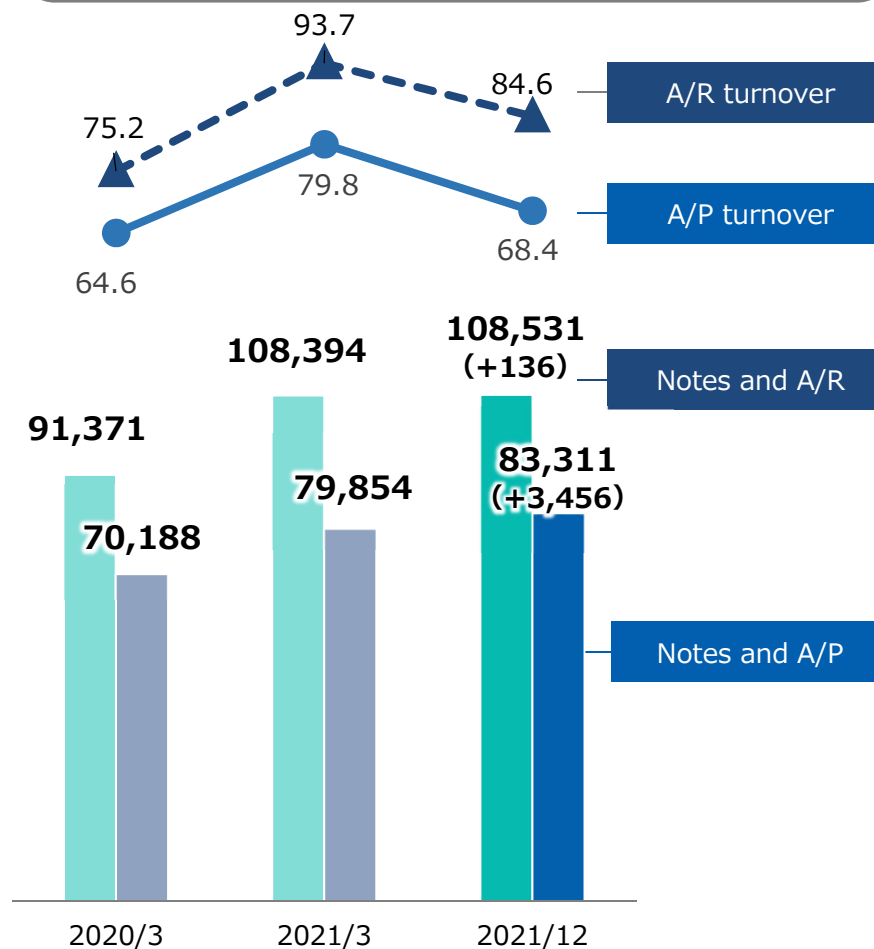
## Inventories



note : Inventory turnover = Inventories ÷ Net Sales × 365(2021/12:275) (day)



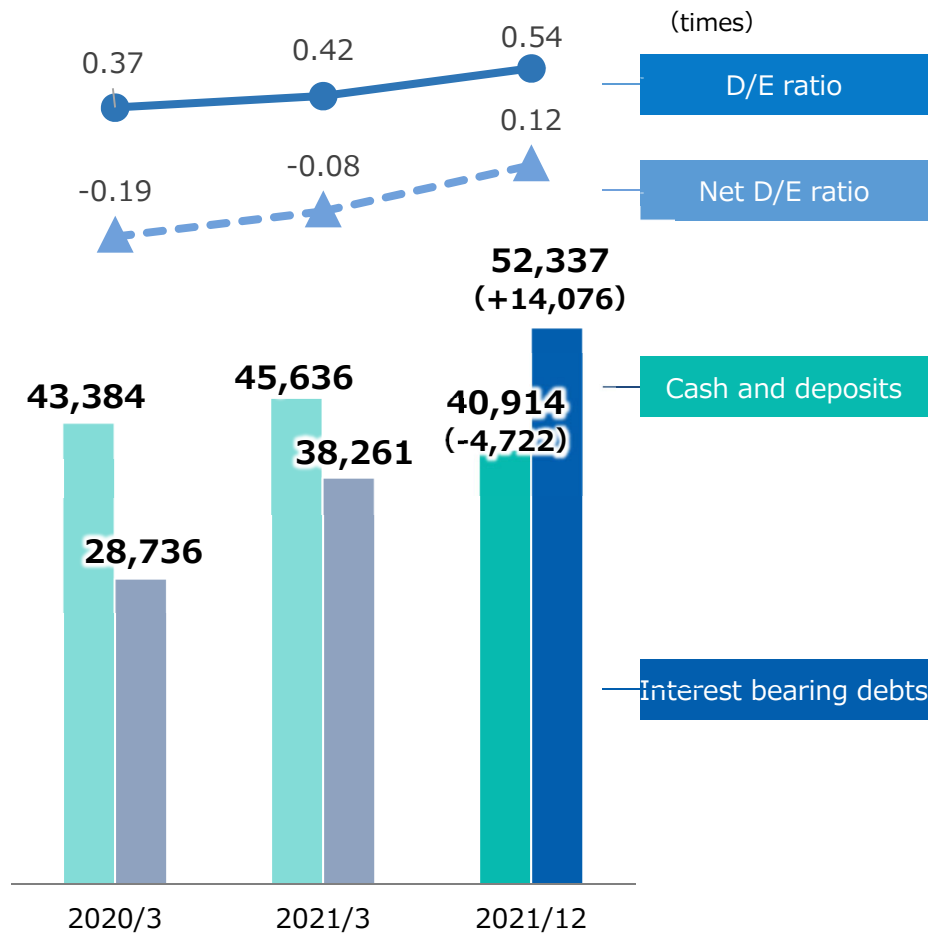
## Accounts receivable/Accounts payable



notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating  
 •Notes and A/P are amounts including Electronically recorded obligations - operating  
 •A/R turnover = Notes and A/R ÷ Net sales × 365(2021/12:275) (day)  
 •A/P turnover = Notes and A/P ÷ Total purchase of goods × 365(2021/12:275) (day)

# Balance Sheet Main Items

## Cash and Deposits/Interest Bearing Debt



note : D/E ratio = Interest bearing debts ÷ Shareholder's equity  
 Net D/E ratio = (Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

## Forecast for FY2022/3

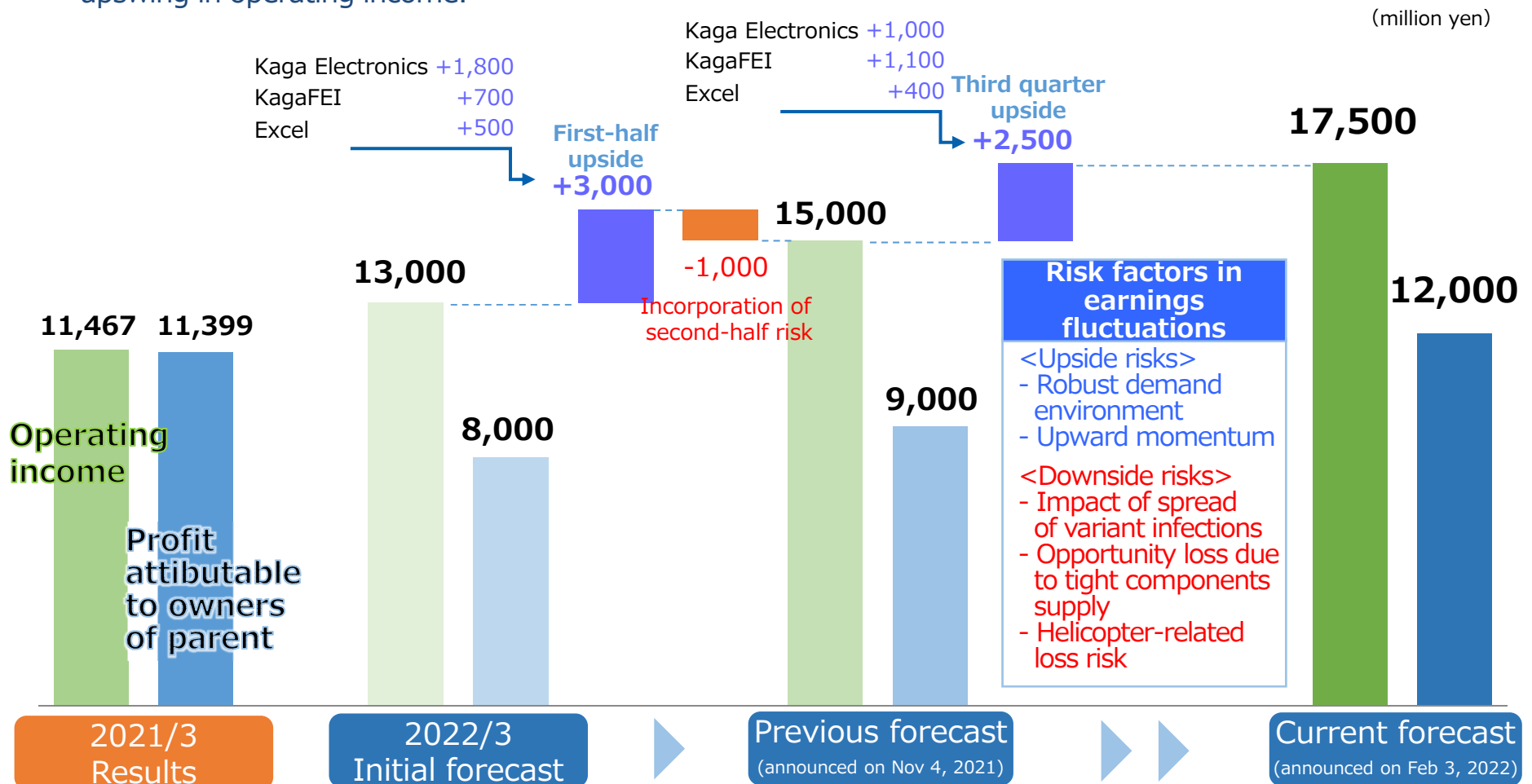
(million yen)

	FY2021/3 Results		FY2021/3 Previous Forecast		FY2022/3 Current Forecast		Changes	YoY	Management Targets FY2022/3	
	(announced on November 4, 2021)									
Net sales	422,365		470,000		475,000		1.1%	12.5%	500,000	
Operating income	11,467	2.7%	15,000	3.2%	17,500	3.7%	16.7%	52.6%	13,000	2.6%
Ordinary income	11,241	2.7%	14,500	3.1%	18,000	3.8%	24.1%	60.1%	—	—
Profit attributable to owners of parent	11,399	2.7%	9,000	1.9%	12,000	2.5%	33.3%	5.3%	—	—
EPS	415.07		336.84		449.13		—	8.2%	—	—
ROE	13.5%		9.7%		12.3%		—	2.6pt	-1.2pt	8.0% or higher

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

# Forecast for FY2022/3 Upward Revision of Operating Income/Profit attributable to owners of parent

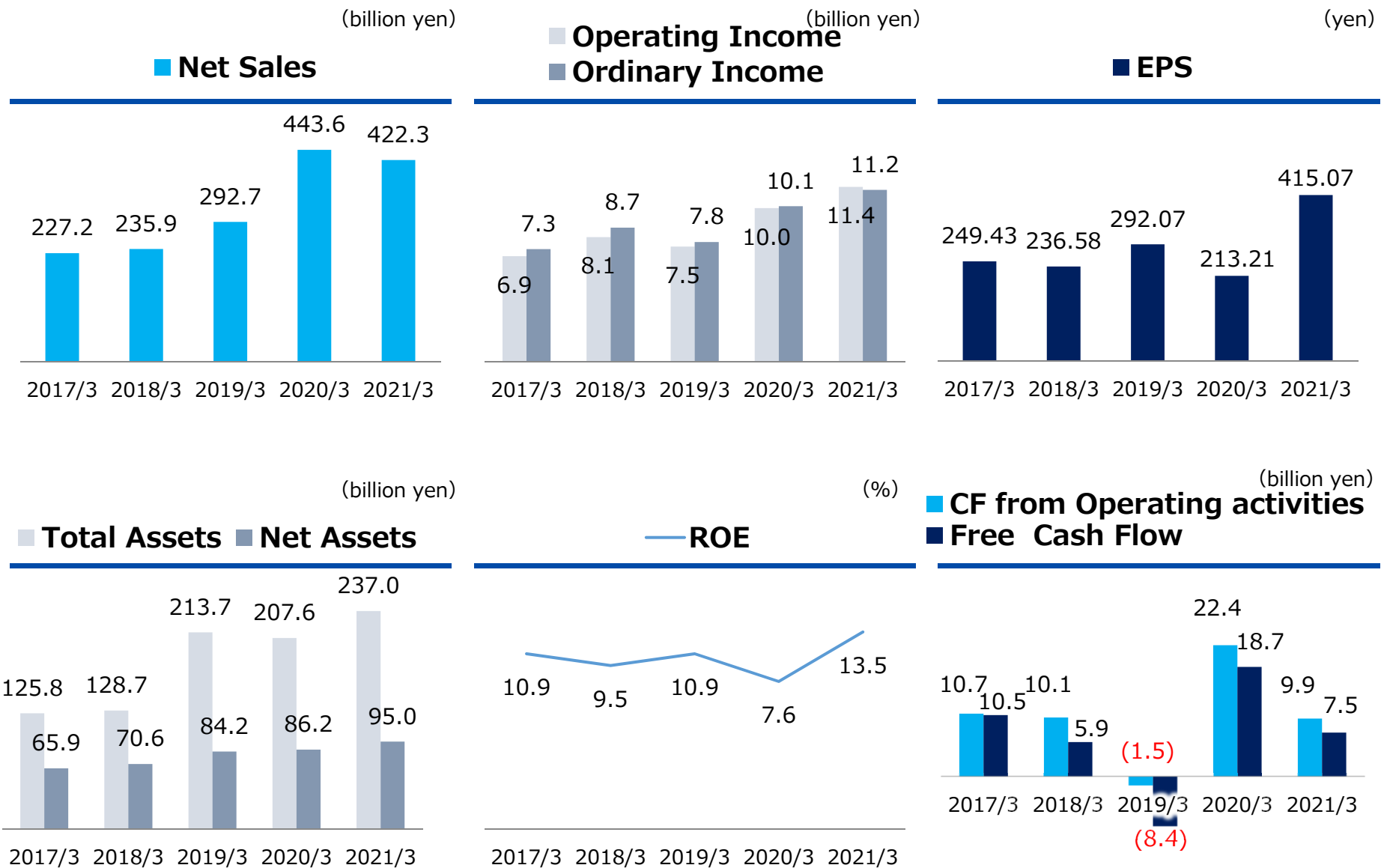
- This is the second upward revision in the current fiscal year. Operating income and net income for the fiscal year are forecasted to achieve record highs for the third and second consecutive fiscal year, respectively.
- Operating income incorporates cumulative upswing from 3Q. Neutral upside/downside risks are assumed in 4Q.
- Net income for the fiscal year will turn from a negative growth forecast to positive growth as a result of the upswing in operating income.



## References



# 5-Year Financial Summary



## **Other IR Information**

- Investor Relations Website

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



- Integrated Report 2021

[https://www.taxan.co.jp/en/ir/ir\\_library/library\\_05.html](https://www.taxan.co.jp/en/ir/ir_library/library_05.html)



# **“Everything we do is for our customers**



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](mailto:webmaster@taxan.co.jp)

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

- 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.