

Kaga Electronics Group  
Integrated Report  
2020



# GROWING FURTHER

Expanding trading company business to drive further growth in EMS business  
KAGA ELECTRONICS will continue to take on challenges to ensure ongoing growth.



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#### Period covered

This report covers from April 1, 2019 to March 31, 2020, except certain parts that include information prior and subsequent to these dates, as required.

#### Financial figures

Figures related to financial content in this report are rounded to the nearest unit. Ratios are rounded to one decimal place after calculation in yen.

#### Scope of report

Data calculation in this report covers Kaga Electronics Co., Ltd. and its 53 consolidated subsidiaries (17 in Japan and 36 overseas), all companies included in the scope of the Company's consolidated accounting, except where stated.

#### Notation and coverage

The Company: Kaga Electronics Co., Ltd.

The Group: Kaga Electronics Co., Ltd. and its 53 consolidated subsidiaries

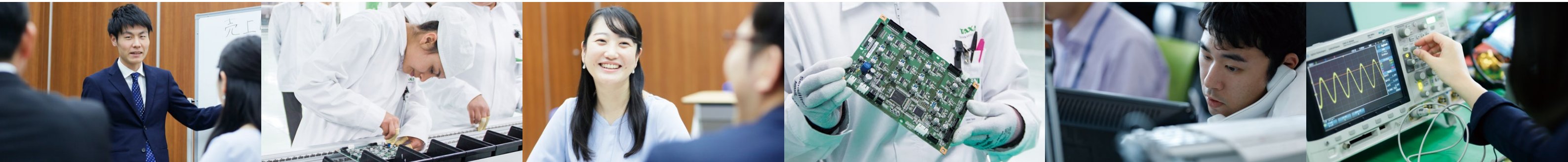
Domestic facilities: Kaga Electronics Co., Ltd. and its 17 domestic consolidated subsidiaries

#### Forward-looking statements

Certain statements in this document may constitute "forward-looking statements." Such statements are based on currently available information and certain premises deemed rational at the time of writing. As such, actual results may differ from those projected due to various factors. Key factors that could cause actual results to differ from those projected include, but are not limited to, general economic conditions in Japan and overseas surrounding the Company's business domains, as well as trends in demand for the Company's products and services, and trends in foreign exchange rates and stock markets.



# Philosophy and Spirit



Corporate Philosophy

Kaga Spirit (The Words of Isao Tsukamoto)

## Everything we do is for our customers

Kaga Electronics Co., Ltd. had very humble beginnings about 50 years ago, starting out in a very small office. We have since grown into a general electronics trading company with operations that now span the globe. Our corporate philosophy, “Everything we do is for our customers,” has remained unchanged since our earliest days. Based on this philosophy, we will keep contributing to the creation of an affluent society by continuing to support the development of our customers.

1

### Personal connections are intangible assets

The Kaga Electronics Group is capable of responding quickly and accurately to changes in the business environment and customer needs to drive continuous growth. This ability stems from the personal connections, or business network, we have built up over the years based on relationships of trust with customers and suppliers. These relationships form a vital part of our management foundations in conducting business as a trading company. The idea that “personal connections are intangible assets” has been passed down over the years as one of the pillars of what we call KAGAism, the essence of who we are.

2

### Never say “no”

Based on the motto “Never say ‘no,’” the Kaga Electronics Group has been expanding its business domain from parts procurement to kit-parts sales and even contract production, planning and development, and maintenance services, while enhancing the lineup of products to meet customer needs. The origins of our global “one-stop service system,” an enduring strength of the Company, lies in this customer-first approach.

3

### An organization driven by communication

It is important to have a corporate culture that makes maximum use of a personal capability in order to be quick to seize an opportunity in a changing business environment full of future uncertainty. Based on this philosophy, the Kaga Electronics Group is working to build an open workplace that encourages different ways of communication to achieve common goals.

4

### Inventory is a liability

In our earliest days, a lack of ample working capital forced us to place orders for products after receiving an order from a customer. This gave birth to the idea that “inventory is a liability,” which has currently evolved into a principle for how we receive and place orders, a critical feature of the Company. Responding as quickly as possible to order information has enabled us to build win-win relationships with customers and suppliers.

5

### People are a finite asset; companies are perpetual entities

The Kaga Electronics Group continues to tackle new challenges with a view that there is no end goal to corporate activities based on the philosophy that “people are a finite asset; companies are perpetual entities.” Acquiring Fujitsu Electronics and developing new products and services that resolve social issues are some of the initiatives we are undertaking to drive sustainable growth. We will remain committed to pushing the envelope as a Group as we head toward a century in business.



## Kaga Electronics Group’s growth timeline

### Since 1968

- Sep. 1968 KAGA ELECTRONICS CO., LTD. founded at 3-8-3 Soto-Kanda, Chiyoda-ku, Tokyo, with a paid-in capital of ¥1 million.
- Mar. 1980 Net sales exceed ¥10 billion.
- July 1981 TSK ELECTRONICS CORPORATION established in the United States.
- Dec. 1985 Stock registered on the Japan Securities Dealers Association as an over-the-counter company. TAXAN (UK) LTD. established in the UK.
- Dec. 1986 Stock listed on the Second Section of the Tokyo Stock Exchange.

### 1990–

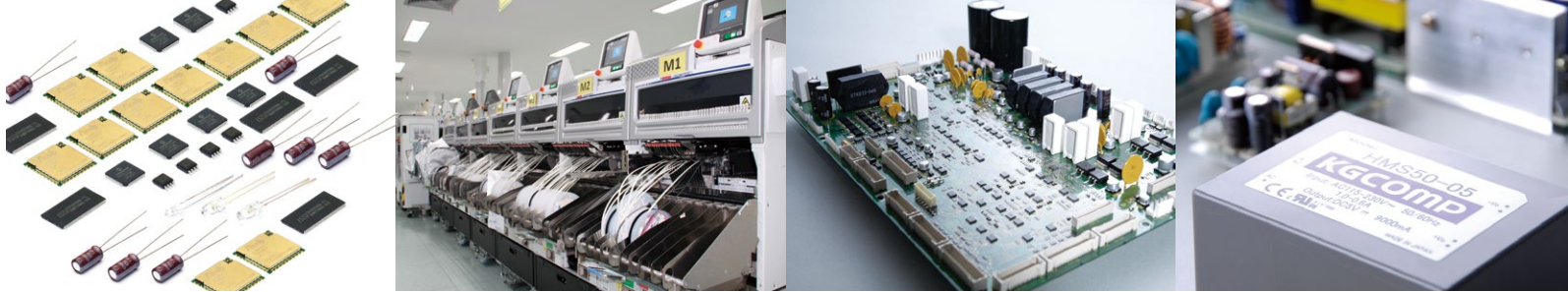
- June 1992 KAGA (H.K.) ELECTRONICS LIMITED established in Hong Kong.
- July 1994 KAGA (SINGAPORE) ELECTRONICS PTE. LTD. established in Singapore.
- Feb. 1995 KAGA (KOREA) ELECTRONICS CO., LTD. established in the Republic of Korea.
- Mar. 1995 Net sales exceed ¥50 billion.
- Dec. 1995 KAGA (TAIWAN) ELECTRONICS CO., LTD. established in Taiwan.
- Sep. 1997 Promoted to the First Section of the Tokyo Stock Exchange.

### 2000–

- Aug. 2000 KAGA (SHANGHAI) ELECTRONICS CO., LTD. established in China.
- Mar. 2001 Net sales exceed ¥100 billion.
- Apr. 2002 KAGA ELECTRONICS (THAILAND) COMPANY LIMITED established in Thailand.
- Dec. 2003 KAGA ELECTRONICS (USA) INC. established in the United States.
- Aug. 2006 KAGA (DALIAN) ELECTRONICS CO., LTD. established in China.
- Apr. 2009 KAGA (EUROPE) ELECTRONICS LTD. established in the UK. KD TEC s.r.o. established in the Czech Republic.
- Mar. 2014 Transferred to current Head Office building (company-owned building).
- Jan. 2017 TAXAN MEXICO, S.A. DE C.V. established in Mexico.
- July 2017 KAGA ELECTRONICS (VIETNAM) CO.,LTD. established in Vietnam.
- Sep. 2018 KAGA ELECTRONICS (INDIA) PVT.LTD. established in India.
- Jan. 2019 Fujitsu Electronics Inc. made into a Group company.
- Oct. 2019 Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.) made into a Group company.
- Apr. 2020 EXCEL CO., LTD. made into a Group company.



# Business and Strengths



Electronic parts and semiconductor business

In this business, we provide a wide range of electronics-related parts and materials that include semiconductors, general electronic components, LEDs, sensors and liquid crystal displays. We leverage our network of more than 60 companies in the United States, Europe, Asia and other parts of the globe to deliver world-class parts and components to customers. Our exceptional support system enables us to meet the needs of customers globally.

● Major Domestic Group Companies

Fujitsu Electronics Inc.  
KAGA TECH CO., LTD.  
KAGA DEVICES CO., LTD.  
AD DEVICE CO., LTD.  
EXCEL CO., LTD.

● Major Overseas Group Companies

KAGA ELECTRONICS (USA) INC.  
KAGA (SINGAPORE) ELECTRONICS PTE. LTD.  
KAGA (KOREA) ELECTRONICS CO., LTD.  
KAGA (TAIWAN) ELECTRONICS CO., LTD.  
KAGA DEVICES (H.K.) LIMITED  
KAGA (DALIAN) ELECTRONICS CO., LTD.

EMS business

The Kaga Electronics Group utilizes production facilities in China and other parts of Asia as well as in Europe and the Americas in a production system that allows us to manufacture in regions that best suit our customers. In addition to the design and development of products, we have developed a total support system that is geared to flexibly meet different demands from high-mix, low-volume production and semi-finished to finished products. In addition, our global supplier network enables us to propose optimal alternatives to parts and materials that suit each customer best.

● Major Domestic Group Companies

KAGA MICRO SOLUTION CO., LTD. / KAGA DEVICES CO., LTD. / KAGA EMS TOWADA CO., LTD.

● Major Overseas Group Companies

KAGA (H.K.) ELECTRONICS LIMITED / KAGA (SHENZHEN) ELECTRONICS CO., LTD. / KAGA (SHANGHAI) ELECTRONICS CO., LTD. / KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD. / KAGA ELECTRONICS (THAILAND) COMPANY LIMITED / KAGA COMPONENTS (MALAYSIA) SDN.BHD / KD TEC s.r.o. / TAXAN MEXICO, S.A. DE C.V. / KAGA ELECTRONICS (USA) INC. / KAGA (DALIAN) ELECTRONICS CO., LTD. / KAGA ELECTRONICS INDONESIA, PT / KAGA ELECTRONICS (VIETNAM) CO., LTD. / KD TEC TURKEY ELEKTRONIK SANAYI VE TICARET LIMITED SIRKETI / KAGA DEVICES INDIA PVT. LTD.

Strength 1

Comprehensive capability in the electronics field

The strength of the Kaga Electronics Group lies in the broad range of products and services it handles. We meet a wide variety of needs by providing modules and finished products in addition to electronics-related parts and materials as well as hardware, software and systems. Our business covers everything from large-lot consumer goods to small-lot industrial devices. This comprehensive capability, coupled with our one-stop service capability, allows us to meet customer needs with exceptional precision.

Information equipment business

The Kaga Electronics Group carries out the functions of a sales agency in providing such places as domestic consumer electronics mass retailers, camera stores, general companies and educational institutes with PCs and PC peripherals made by major Japanese and overseas brands. In addition, we offer a one-stop service for network solutions from the proposal to the construction and maintenance of local area network (LAN) systems, security systems and eco-friendly energy systems for corporations and government agencies.

● Major Group Companies

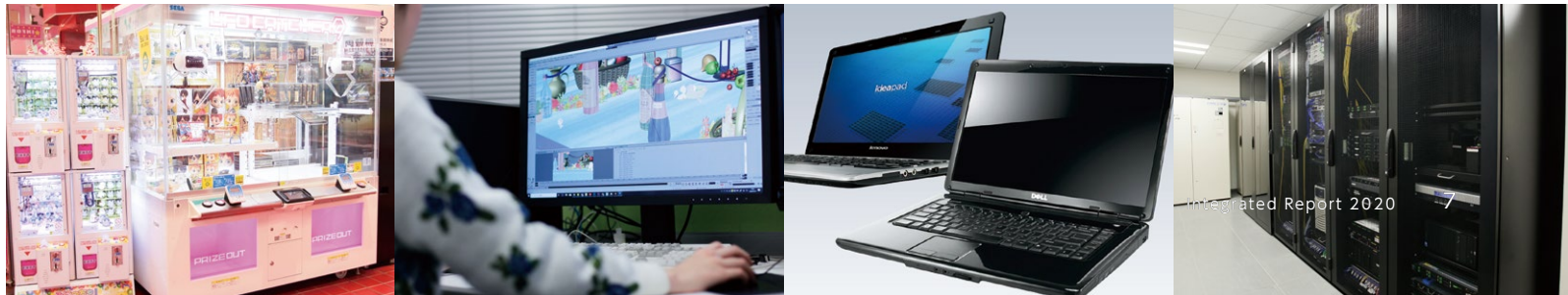
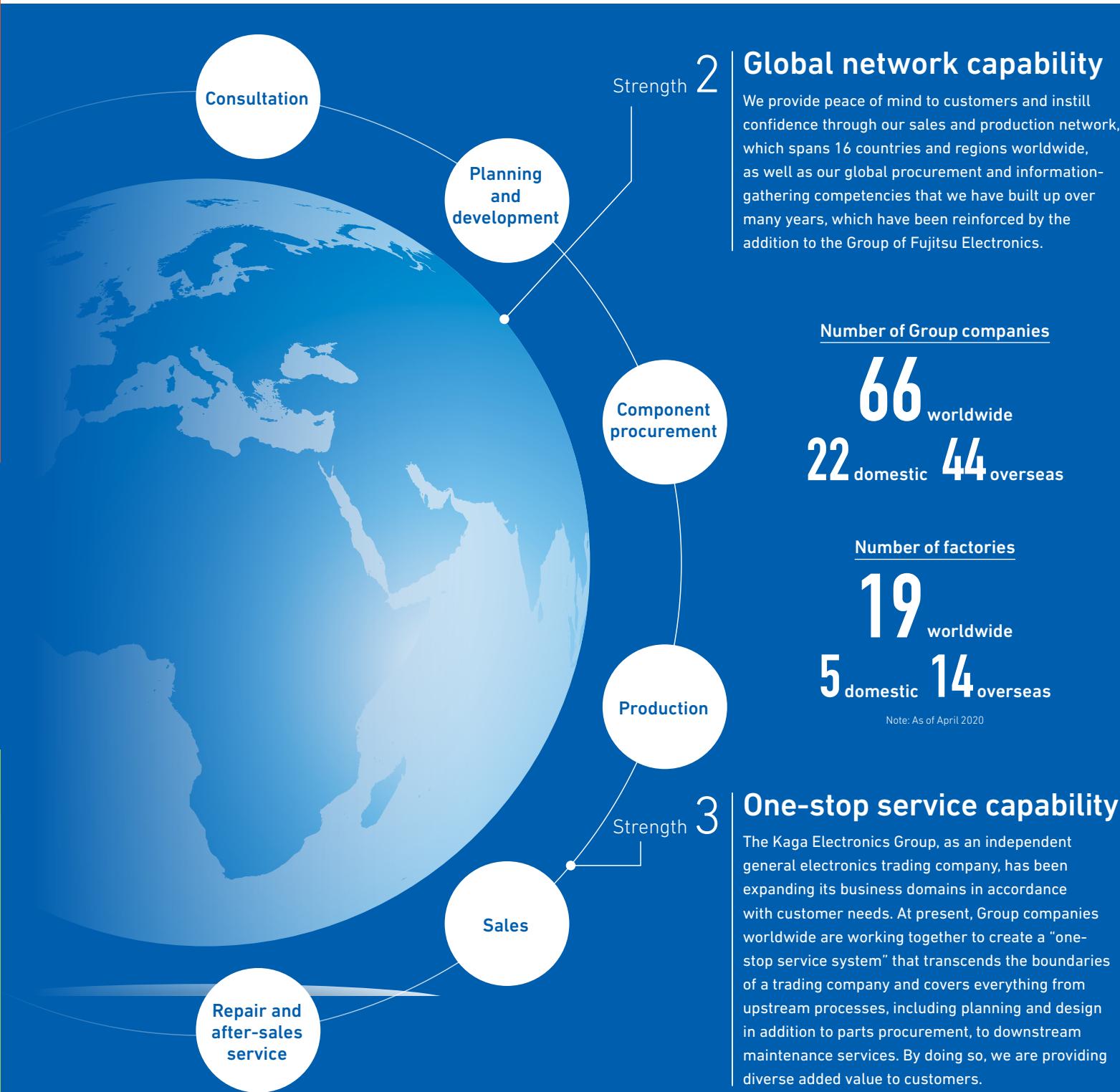
KAGA SOLUTION NETWORK CO., LTD.  
KAGA TECHNOSERVICE CO., LTD.

Other business

In addition to the planning, manufacture and sale of amusement related equipment such as arcade amusement machines, the Kaga Electronics Group produces commercials, movies and animation as well as original content using advanced computer graphics technology. Our diverse business also includes environmentally friendly PC reuse and recycling, and the retail and wholesale of golf supplies.

● Major Group Companies

DIGITAL MEDIA LAB., INC.  
KAGA MICRO SOLUTION CO., LTD.  
KAGA SPORTS CO., LTD.  
KAGA AMUSEMENT CO., LTD.





To our stakeholders

# Aiming to become a competitive “world-class company”

**Isao Tsukamoto**  
Founder & CEO



## Toward the next 50 years of growth

“People are a finite asset; companies are perpetual entities.” Based on the philosophy we have upheld since our earliest days that there is no end goal to corporate activities, I have continued to take on a variety of challenges. Fortunately, we have received great support from customers and other concerned parties, and thanks to this, we successfully reached the milestone of 50 years in business in 2018. I would like to extend my warmest appreciation to all our stakeholders for your unending cooperation.

With these feelings of gratitude foremost in mind, I have newly resolved to boldly tackle further challenges aimed at the next 50 years of growth.

In 2017, we established an internal fund of ¥5 billion for investment in a venture company, reaffirming our DNA as an organization that perceives changes in the times as opportunities for growth.

## Turning the changing times into growth opportunities

Our business environment indeed signals a turning point, a shift in the era that offers a chance for growth. Advances in the Internet of Things (IoT) and artificial intelligence (AI) have accelerated a digital transformation in which every industry utilizes electronics-related products and services. In addition, against the backdrop of trade friction between the United States and China, the spread of COVID-19 and other such factors, we are heading toward a new stage of globalization in the supply chain of manufacturers both in Japan and abroad.

On the other hand, competition with global corporate groups boasting sales of ¥2–3 trillion is inevitable in the future world market.

To outstrip our rivals over the next 50 years and lead the Group along a new path to growth, it is imperative that we have a vision and strategy that is global in nature.

Positioning of the Medium- to Long-Term Vision and the Medium-Term Management Plan 2021



## Become a ¥1 trillion company with a strong presence in the global market

Based on an awareness of this environment, the Kaga Electronics Group formulated its Medium- to Long-Term Vision covering the next 50 years of becoming a corporate group capable of generating ¥1 trillion in sales, the scale required to compete and rank with rivals overseas at the several trillion yen level in the intensely competitive global market. We have also formulated a new Medium-Term Management Plan with the aim of becoming Japan's No. 1 corporate group in the industry with sales of ¥500 billion over three years. The plan sets out three key challenges: Enhancement of the revenue base, stabilization of the management base and creation of new business. The addition of Fujitsu Electronics to the Group in January 2019 forms part of this growth strategy.

Going forward, we will strive to quantitatively expand our revenue base through mergers and acquisitions in the trading company business domain, and utilize our global production base to significantly enhance Group management, which includes developing our customer base for EMS business.

As a result of various management measures based on this growth strategy, we were able to achieve record highs in both operating income and ordinary income for the fiscal year ended March 31, 2020. In light of these results, an extraordinary dividend of ¥10 per share was added to the

ordinary dividend of ¥60 per share, which was forecast at the start of the fiscal year.

## Create universal value as a company that benefits society

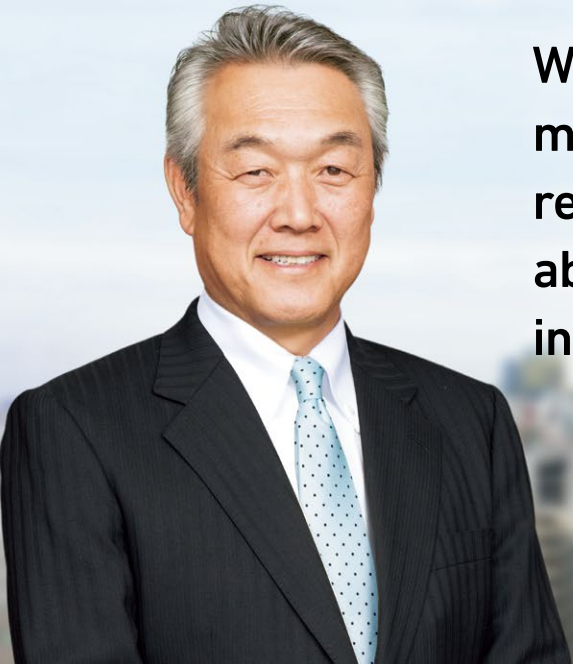
In addition to this growth strategy, over the long term we will seek to develop new products and services that contribute to the resolution of social issues in the realms of safety and security and environmental preservation on top of meeting customer needs.

Besides strengthening products for electric vehicles, we started handling U.S.-made helicopters as a new business from 2020 and deliveries are underway to local governments where there is increasing demand for use in disaster prevention and other areas. In the medical field dealing with aging, we are making preparations to sell mobile CT scanners and mammography units for breast cancer examinations.

While I do not expect to see results from this endeavor overnight, I am sure that our efforts will start to bear fruit if we just persevere in a way that typifies who we are. I would like KAGA ELECTRONICS to be a leader in how to effectively raise universal corporate value by showing that the key to sustainable growth is being a company that benefits society.

I humbly ask all of our stakeholders for your continued support of the Kaga Electronics Group and our initiatives.





We will strengthen the Group’s management base and maximize revenue by enhancing our ability to respond to changes in the environment.

Ryoichi Kado  
President & COO

Review of the fiscal year ended March 31, 2020

Achieved ordinary income of ¥10.0 billion in the first fiscal year of the new Medium-Term Management Plan

KAGA ELECTRONICS embarked on the Medium-Term Management Plan 2021 in April 2019. Net sales in the fiscal year ended March 31, 2020, the first fiscal year of the plan, amounted to ¥443,615 million, representing a significant increase of 51.5% year on year. The electronic components business, the core business of the Kaga Electronics Group, performed well while corporate acquisitions also contributed to the increase in sales. In terms of profit, operating income was ¥10,014 million, up 32.3% year on year, and ordinary income was ¥10,137 million, up 29.0% year on year. Both of these indicators saw record highs. Profit attributable to owners of the parent was down 27.0% year on year to ¥5,852 million, however, due to the absence of a gain on negative goodwill, which was recorded in the previous fiscal year, and a loss on valuation of investment securities recorded in the fiscal year under review. All profit indicators exceeded the initial forecasts as well as the revised upward forecasts made during the period. In particular, even though it was one year behind the schedule set under our previous Medium-Term Management Plan, we did manage to achieve our target of ¥10.0 billion for ordinary income, which enabled us to draw a line in terms of where we are placed management-wise.

Financial results

(millions of yen)	2019/3	2020/3	YoY change
Net sales	292,779	443,615	Up 51.5%
Operating income	7,570	10,014	Up 32.3%
Ordinary income	7,859	10,137	Up 29.0%
Profit attributable to owners of the parent	8,014	5,852	Down 27.0%
ROE	10.9%	7.6%	—

In the electronic components business, Fujitsu Electronics Inc., which joined the Group in January 2019, contributed to revenue for the entire year, and sales surged in the components sales business as a result. In the EMS business, sales in the medical equipment and automotive sectors were strong. Although operations were temporarily halted from February to March 2020 at certain factories in China and Malaysia due to the outbreak of COVID-19, the impact on business performance for the fiscal year was minimal. We also actively implemented management measures in the electronics manufacturing services (EMS) business to further bolster the competitiveness of the Group, including the construction of new factories in Fukushima, Japan and in Thailand as well as the consolidation of Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.) into the Group. We therefore assess that we made a good start in the first fiscal year of the new Medium-Term Management Plan both in terms of business results and measures taken.

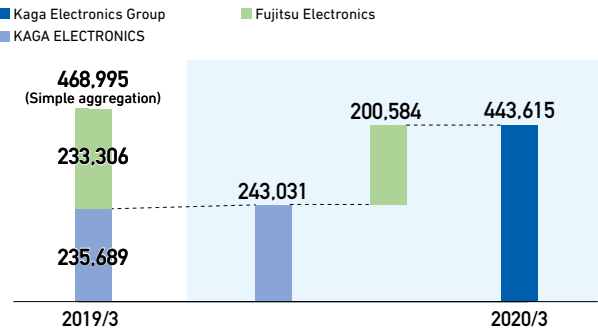
Progress in post-merger integration of Fujitsu Electronics

Advancements made in enhancing profitability, cultivating customers in the EMS business and consolidation of sites and organizations

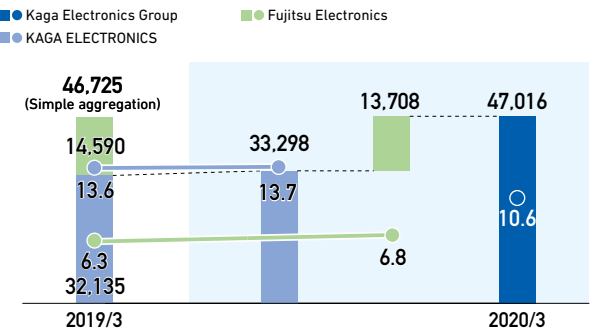
Since making Fujitsu Electronics a subsidiary of the Group in January 2019, we have experienced both positive and not-so-positive news regarding the first full-year performance in real terms. On the positive side, profitability has improved. Although some investors pointed out that the gross profit margin at Fujitsu Electronics was lower than KAGA ELECTRONICS, it has improved 0.5 percentage point, from 6.3% to 6.8%, since the time of acquisition.

Efforts to enhance profitability are being implemented in two stages, broadly speaking. In stage one, we are gradually switching over from the low-margin products handled by Fujitsu Electronics to the leading products of KAGA ELECTRONICS that we have brought in from all around the world as an independent trading company. I can confirm that this measure has been steadily bearing fruit, albeit little by little. For stage two, we are drawing up plans to improve the profit ratio by also offering our EMS services, where we enjoy a competitive advantage, as a package together with products to customers of Fujitsu Electronics.

Net sales (millions of yen)



Gross profit (millions of yen) / Gross profit margin (%)

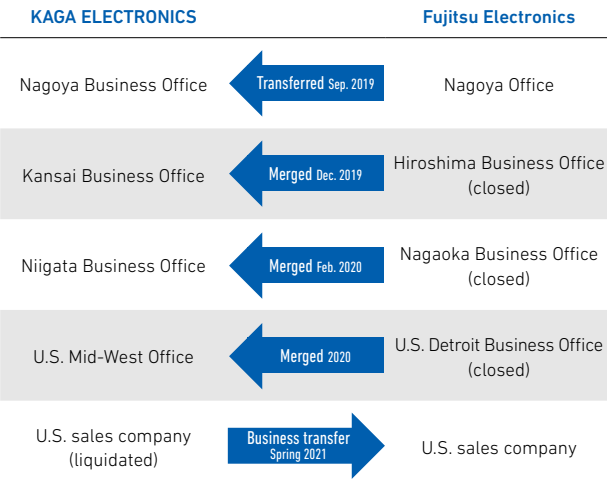


On the less-than-positive side, a distribution agreement with U.S.-based Cypress Semiconductor Corporation was terminated in October 2019. This agreement generated around ¥25.0 billion in sales in the first half of the fiscal year, but this turned to zero in the second half. Losing such a large volume of business does hurt from the perspective of Group sales, but could be seen as a positive from the perspective of profitability since our sales mix has actually improved. In any case, it goes without saying that we need to make up for the decrease in sales as soon as possible by dealing in new products.

On a business front, we have received new orders for our EMS services from four existing customers of Fujitsu Electronics. This can be attributed to the formation of a dedicated EMS sales team at Fujitsu Electronics in April 2019 that approached 90 top-level companies in collaboration with our EMS Business Division. We are in ongoing talks with more than 30 of these companies and expect this to translate into a high number of new business deals.

We are also consolidating the sales sites and organizations of KAGA ELECTRONICS and Fujitsu Electronics. We started with Japan, integrating the Nagoya business offices of the two companies and closing the Hiroshima and Nagaoka offices of Fujitsu Electronics, which have been transferred to the nearest KAGA ELECTRONICS sales sites. Overseas, we are making changes to our sales company structure in the United States and South Korea. In these ways, we have not wasted any time making steady inroads in post-merger integration.

Consolidation of sales sites



Note: We are currently reviewing the situation of the South Korean sales companies of the two companies (with a decision to be made in spring 2021).



Response to COVID-19

Novel Coronavirus Response Committee established to give full support to sites in Japan and abroad

The Novel Coronavirus Response Committee was set up at the Head Office to handle our response to the COVID-19 pandemic. I am serving as chair of this committee and have instructed that the Groupwide policy is to prioritize the safety of all employees in the Group and to let personnel stationed abroad

Initiatives to curb COVID-19

In December 2019, a new and at the time unidentified pneumonia reported in Wuhan, China began to spread around the world. Now officially known as COVID-19, the pandemic had accounted for around 30 million infections worldwide and more than 900,000 deaths as of September 15, 2020. And there is still no end in sight.

On February 27, 2020, KAGA ELECTRONICS established the Novel Coronavirus Response Committee at Head Office. At the time, cities in China, where the virus was first detected, started to go into lockdown after the lunar Chinese New Year, while in Japan concerns began to increase over community infection, particularly with the cluster that occurred on the Diamond Princess cruise ship that was docked in Yokohama. An experts' meeting was set up around this time to advise the government, and on February 25, 2020 a set of basic policies was announced followed by a series of government requests. The next day on February 26, the government called for the cancellation, postponement and scaling-down of sports and cultural events nationwide, and on February 27 there was a request for elementary, junior and senior high schools throughout the country to close their

doors until the end of the spring holidays.

Initiatives at KAGA ELECTRONICS were led by the Novel Coronavirus Response Committee and prioritized the safety and security of all Group employees. In particular, we promptly sent out supplies such as face masks, sanitizer and food from the Head Office to EMS sites in China and other countries that had been forced into lockdown and provided other forms of support to personnel there as part of our business continuity plan (BCP). The Japanese government declared a state of emergency on April 7 that included a request to self-isolate, and in response we instituted a teleworking scheme and staggered commuting for all Group companies in Japan. Overseas, we took appropriate measures to suspend or resume operations in accordance with the guidance of the government or administrative body in each country.

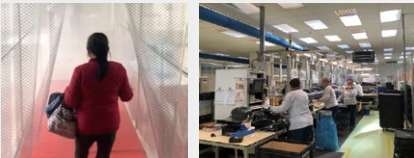
Going forward, we will continue striving to prevent the spread of COVID-19 both inside and outside the Company, giving top priority to the health and safety of our customers, suppliers, employees and their families.

Attendance at offices and key measures

At the Head Office and certain other sites in Japan, we started using non-contact thermometers to check the temperature of employees as well as visitors when they enter our doors. Anyone with a temperature over 37.5 degrees Celsius is refused entry.

Status of overseas production sites and key measures

Temperature checks are being carried out at the entrance to our factories to confirm normal body temperature. A sanitizing spray is used on people as they enter the building and while inside everyone practices social distancing and uses alcohol-based hand sanitizers that have been placed there. Partitions have also been put up on production lines and in employee cafeterias to minimize interpersonal contact.



Office attendance rate

	Apr.	May	June	July	Aug.	Sep.	No. of infected persons (date detected)
KAGA ELECTRONICS	29.4%	27.0%	42.4%	46.8%	37.3%	48.6%	1 (Sep. 1, 2020)
Domestic Group companies	35.4%	30.3%	51.4%	55.8%	46.9%	54.1%	1 (Aug. 24, 2020)

Note: The result for September is only for the first half of the month, up until the 15th.

Status of production sites overseas

Location	Status of operations due to COVID-19	No. of infected persons (date detected)
Hubei, China	Operations halted from February 1 to March 15, 2020 at the direction of the local government in Hubei Province	0
Suzhou, China	Operations halted from February 1 to February 9, 2020 at the direction of the local government in Guangdong Province	0
Shenzhen, China	Operations halted from February 1 to February 13, 2020 at the direction of the local government in Guangdong Province	0
Thailand	Operations uninterrupted	0
Malaysia	Operations halted from March 18 to April 20, 2020 at the direction of the Malaysian government	0
Indonesia	Operations halted on October 9 to conduct polymerase chain reaction (PCR) tests for all employees	0
Vietnam	Operations halted from April 1 to April 15, 2020 at the direction of the Vietnamese government	0
India	Operations halted from March 25 to May 31, 2020 at the direction of the Indian government	0
Czech Republic	Operations halted from April 7 to April 9, 2020 at the direction of the Czech government	1 (Apr. 5, 2020)
Turkey	Operations uninterrupted	0
Mexico	Operations halted from April 1 to May 30, 2020 at the direction of the Mexican government	2 (July 22, 2020)

and their families evacuate if needed. In addition, we sent a large volume of essential items such as face masks, sanitizer and food from the Head Office to factories in China and other places overseas that have been forced into lockdown, for use when they reopened.

For the two or so months between the issuing and lifting of the state of emergency by the Japanese government, we instructed Group companies in Japan that employees were to implement teleworking or come in to the office based on a staggered commuting system in order to limit the number of people leaving home. We continue to implement safety-first practices at our business offices, including a basic policy of teleworking in Japan and work-from-home overseas dependent on guidance from the government or administrative body in each country. Although operations were temporarily halted at certain production sites overseas due to COVID-19, all sites are now back up and running while practicing appropriate safety measures.

To date, there has been one person infected with COVID-19 from the KAGA ELECTRONICS Head Office and domestic Group companies, one from a production site in the Czech Republic and two from a production site in Mexico. As such, we feel that the measures we have put in place to curb the pandemic have been successful in keeping the number of infections within our ranks to a minimum (as of September 15, 2020).

Forecast for the fiscal year ending March 31, 2021

Medium- to long-term post-COVID measures with forecast of bottom line profit growth

Although it is still unclear when we will see the back of COVID-19, the Kaga Electronics Group's production sites and sales sites in both Japan and abroad are currently operating without any major issues. In terms of procurement, our supply chain has recovered on the whole even though we face some difficulties with certain parts and products. At the same time, conditions on the customer front remain uncertain, in particular with automotive-related customers worldwide planning to significantly reduce production on a year-on-year basis.

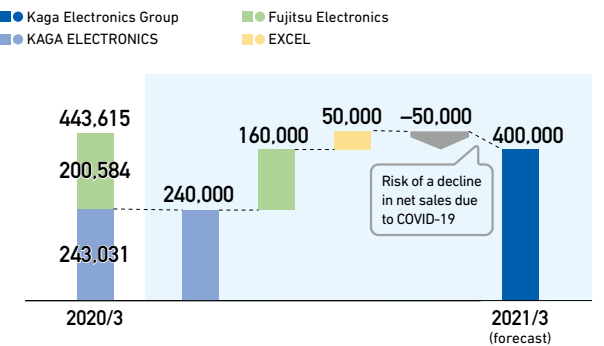
At the start of the fiscal year ending March 31, 2021, forecasts for the term still had not been formulated. However, the full-year forecast was released in August 2020, when we announced first-quarter financial results. Net sales and operating income are forecast to decrease year on year after factoring in the risks of cancellation of large-lot commercial rights held by Fujitsu Electronics and a decline in demand

due to COVID-19. Profit attributable to owners of the parent is forecast to increase due to the recording of ¥8.0 billion in a gain on negative goodwill associated with the acquisition of EXCEL CO., LTD.

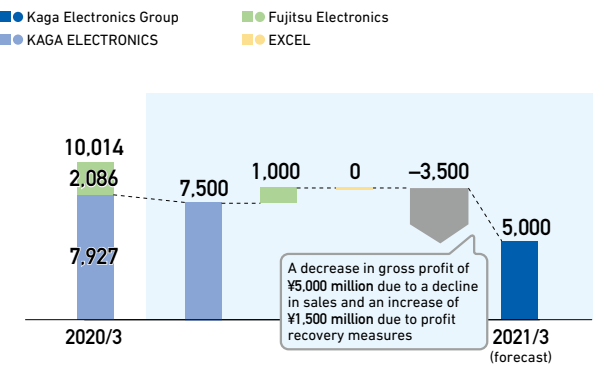
It is quite overwhelming being in charge of operations when it is going to be at least a year, and maybe up to three years, before we see an end to the pandemic. We are embarking on plans to make improvements to the Group's structure with a view to a post-COVID world and will first prioritize employee safety and employment.

We will run our businesses in the fiscal year ending March 31, 2021 with this foremost in mind. I ask for your continued support as we forge ahead.

2021/3 forecast / Net sales (millions of yen)



2021/3 forecast / Operating income (millions of yen)



2021/3 forecast / Profit attributable to owners of the parent (millions of yen)

Ordinary income	4,500
Extraordinary income (gain on negative goodwill)	8,000
Extraordinary loss (structural improvement, cost of risk, etc.)	-1,000
Income taxes	-1,500
Profit attributable to owners of the parent	10,000





## We will strive to further enhance profitability on the back of a stable financial base.

### Eiji Kawamura

Managing Director,  
Chief of Administration Headquarters

### Financial position and outlook under the Medium-Term Management Plan

In January 2019, the Kaga Electronics Group consolidated Fujitsu Electronics as the first step toward our goal of becoming a corporate group boasting sales of more than ¥1 trillion. In terms of our financial position at March 31, 2019 immediately following the acquisition, the net debt equity ratio (DER) was -0.03 times due to financing based on bank borrowing, inventory had climbed to ¥40.0 billion, and cash flows from operating activities were negative due to fluctuations in working capital such as trade notes and accounts receivable and payable.

Nevertheless, in the fiscal year ended March 31, 2020, we posted record highs in operating income and ordinary income due in part to the full-year contribution of Fujitsu Electronics as a newly consolidated subsidiary. We have made our financial position significantly stronger over the past year with solid progress in reducing inventory, returning to significant profitability in cash flows from operating activities, and improving the net DER to -0.19 times. On the other hand, in the fiscal year ending March 31, 2021, market demand is expected to shrink due to the COVID-19 pandemic and therefore cash flows from operating activities are expected to temporarily decline. Even against this backdrop, however, the Kaga Electronics Group remains very confident on a financial front. From the perspective of ensuring liquidity, we have cash and deposits of ¥43.4 billion, and we have secured a commitment line of ¥15.0 billion and continued the shift to long-term borrowings with short-term borrowing limits.

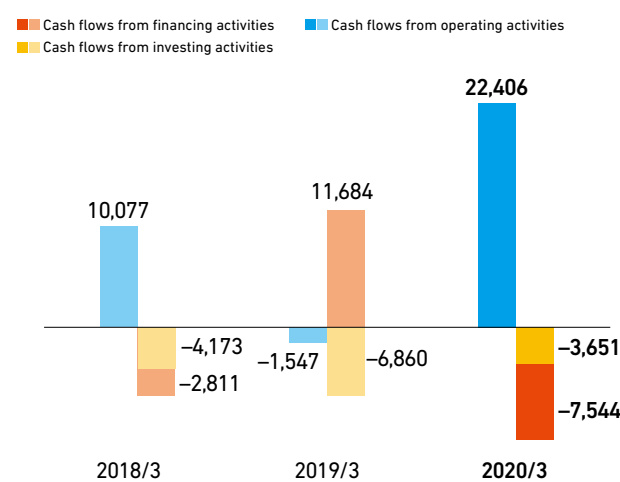
We will keep working to achieve the goals of our Medium-

Term Management Plan while seeking to maintain financial soundness at all times.

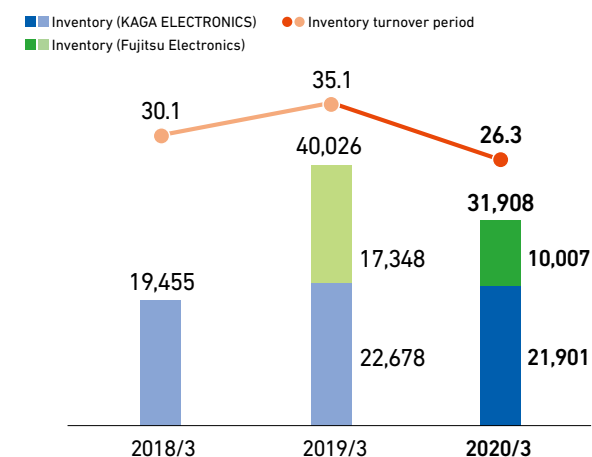
### Enhancing operating cash flows and reducing inventory

The Kaga Electronics Group stably generated operating cash flows of around ¥10.0 billion from the fiscal year ended March 31, 2015 to the fiscal year ended March 31, 2018. This was underpinned by the profit-oriented approach to corporate management that has permeated the Group and thorough management of working capital. In the fiscal year ended March 31, 2019, a year in which we brought Fujitsu Electronics into the Group, cash flows used in operating activities amounted to ¥1.5 billion, whereas in the fiscal year ended March 31, 2020 we turned this around to cash flows provided

#### Cash flows (millions of yen)



#### Inventory (millions of yen) / Inventory turnover period (days)



by operating activities totaling ¥22.4 billion. This can primarily be attributed to the accumulation of profit, which stands at a record high, and to significant improvement in working capital, which included a reduction in inventory of ¥8.0 billion.

We have believed since our foundation that "inventory is a liability," a concept which forms part of what we call KAGAism, or the essence of who we are. Based on this conviction, we have positioned the reduction in days held in inventory as a critical challenge in our sales organizations and Group companies. At the same time, we have formulated a principle for how KAGA ELECTRONICS receives and places orders; sales activities in our components business apply the rule that we must not place an order with a manufacturer unless we have first received an order from a customer. This forms part of our strict management approach to inventory. On the other hand, the EMS business is in the same category as the manufacturing industry, and so it needs to hold on to inventory for a longer period than our components business. For this reason, the Kaga Electronics Group has set a target for the inventory turnover period of 15 days for the components business and 45 days for the EMS business. We are implementing this approach to inventory and working capital at Fujitsu Electronics as a new subsidiary as well. As an example, although the distribution agreement with U.S.-based Cypress Semiconductor was terminated in October 2019, we were able to cash out inventory without delay during the period.

As a result, the average inventory turnover period for the entire Company was reduced by more than 8 days, from 35.1 days at the end of the previous fiscal year to 26.3 days. As chief financial officer (CFO), I think it is possible to decrease this even further. We will continue with investment for growth toward our goal of becoming a ¥1 trillion company in sales, and enhancing our ability to generate cash flows is therefore a critical issue for management. We will carry on striving to maintain a stable financial base without compromising efforts in the management of inventory and working capital.

### ROE and the cost of shareholders' equity

Return on equity (ROE) for the fiscal year ended March 31, 2020 was 7.6% due to the absence of a gain on negative goodwill, which was posted in the previous fiscal year in line with the consolidation of Fujitsu Electronics, and to a decline in net income following a loss on valuation of investment securities in the fiscal year under review. The cost of shareholders' equity is recognized at 7-8%\*, which is roughly on par with the previous fiscal year. Under our Medium-Term Management Plan, we set a target of 8.0% or higher for ROE, and our intention is to implement management with a focus on capital efficiency so that ROE exceeds the cost of shareholders' equity on an ongoing basis.

Financial leverage of around 2.5 times and total asset turnover of around two times would enable us to achieve double-digit ROE, depending on the net profit margin for the fiscal year. The key to achieve this lies in how skillfully we can realize post-merger integration with Fujitsu Electronics and EXCEL. It is important to improve the management efficiency and profit ratio of both companies. Alongside this, it is essential to reduce the risk premium, an equity cost, especially since we do not know when we will see the end of COVID-19.

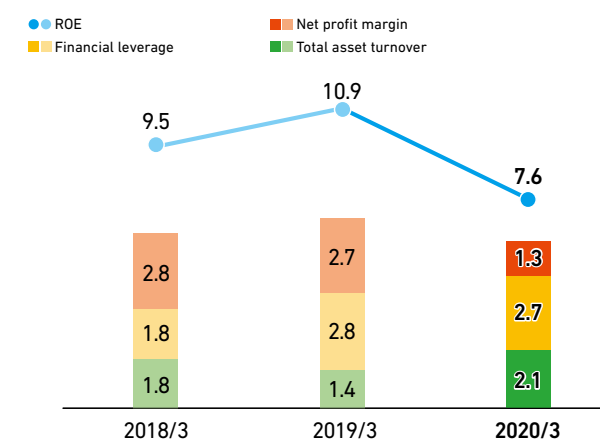
To this end, we will strive to reduce costs throughout Group companies, including implementing cost controls wherever possible, and conduct strict risk management based on a disciplined balance sheet and cash flow management to secure financial soundness.

We will further enhance information disclosure to investors and other stakeholders while engaging in constructive dialogue, as well as work to strengthen our resistance to volatility and drive revenue growth so that we can withstand drastic changes in the external environment.

\* Cost of shareholders' equity 7.5%:

Risk-free interest rate	0.1%	10-year Japanese government bond, five-year average
Market risk premium	6.2%	TOPIX yield
β (beta)	1.2%	Five-year, weekly

#### Return on equity (ROE) (%)





We will continue to actively engage in M&As and increase our intangible capital to realize our medium-term management plan and vision.

## Medium-Term Management Plan 2021

Target

Net sales of **¥500.0 billion**  
Become "Japan's No. 1  
corporate group in the industry"

### Basic strategy

Expand trading company business to  
drive further growth in EMS business



Refer to Special  
Feature 1 on page 18.



**Quantitative  
expansion**  
of trading company  
business

**Qualitative  
improvement**  
through the EMS  
business

### Nonfinancial capital

Strengthen nonfinancial capital through M&As and others to  
help realize the basic strategy

#### Social capital

Customers

**7,500**

companies

#### Human capital

Group employees

**6,731**

#### Intellectual capital

Technical staff

**1,559**

Refer to Special  
Feature 2 on page 20.

### Core markets



Communications  
field



Environmental  
field



Automotive field



Medical and  
healthcare field



Factory automation  
(FA) field

Medium- to  
long-term strategy

Further M&As and  
investment in new  
businesses

Refer to Special  
Feature 3 on page 22.

Further expansion  
of the EMS  
business

Enhancement  
and expansion  
of overseas  
business



Conduct growth  
investment

Medium- to  
Long-Term Vision

Net sales

**¥1 trillion**

Aim to become  
a competitive  
world-class company

### Mega trends

- ▶ Advancement in AI and the IoT
- ▶ Shift to 5G communications
- ▶ Recreation of the global supply chain
- ▶ Climate change and resource depletion
- ▶ Declining birthrate and an aging population, and a decrease in workers



### Opportunities

### Risks

#### Opportunity

Generation of new demand and market for EMS business

#### Risk

Reduced significance of existence as a trading company and loss of commercial rights

#### Opportunity

Growing need for further automation and efficiency

#### Risk

Shortage of human resources and soaring labor costs

#### Opportunity

Growth of energy-saving and eco markets

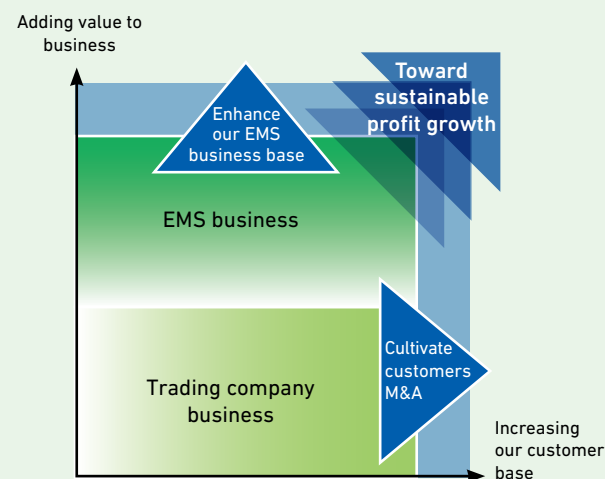
#### Risk

Increased environmental cost



## An increased customer base for trading company business will drive demand in EMS business, facilitating sustainable growth.

The Kaga Electronics Group welcomed Fujitsu Electronics, Inc. (FEI) into its fold in January 2019. As a result, semiconductors for microcomputers and application-specific integrated circuits (ASICs) for use in the automotive and communications fields have been added as new products. These products are areas of competitive advantage for FEI. In addition, through M&A we have acquired products for our trading company business and expanded our customer base, which will translate into increased demand for our EMS business and lead to sustainable growth.



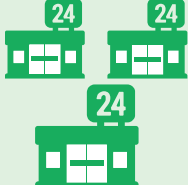
### Q1 What is the difference between EMS companies around the world and KAGA ELECTRONICS' EMS business?

#### A1 Using our advanced capabilities in production technology, we have developed a convenience store type of EMS that can handle high-mix, low-volume production in 19 locations worldwide.

Mega-EMS companies overseas, primarily in China, Taiwan and South Korea, deal with the assembly process for finished products, mainly mass-produced consumer products such as PCs and smartphones. Since it is difficult to differentiate on a technical front in the assembly process, they are competing by expanding production scale through large capital investment and enhancing cost-competitiveness as a result. On the other hand, Japanese EMS companies, including KAGA ELECTRONICS, are differentiated from the competition in terms of their high quality and reliability. This stems from exceptional capabilities in production technology that include the circuit board mounting of electronic components, which requires advanced precision. Further, most companies have relatively large production sites and employ a general merchandise store type model to supply customers. KAGA ELECTRONICS operates its own factories in 19 locations worldwide, at which we leverage the global

#### KAGA ELECTRONICS

- Small initial investment (land, building rental, layout standardization)
- High-mix, low-volume capability
- Local production for local consumption type model



VS

#### Major Japanese EMS competitors

- Large investment
- Mass production type
- Export-style model



procurement network we have built up through our trading company business, and we also have capabilities in production

technology that are unique to Japanese EMS companies. We promote a convenience store type strategy in which we can supply products from the site nearest the customer. This model leverages a flexible production system enabling the contracted high-mix, low-volume production of 3,000 different circuit board

models a month, sometimes in batches of 100 units, as well as the ability to meet the fine-tuned needs of our customers, for example by quickly changing equipment to meet a delivery date. This enables us to respond to the varied outsourcing needs of the manufacturing industry.

### Q2 What is your growth strategy for EMS business?

#### A2 We will build the industry's strongest competitive advantage by enhancing production capacity, engineering skills and manufacturing capabilities.

##### Revolution 1 | Increased production capacity

KAGA ELECTRONICS is boosting the production capacity of its manufacturing sites in Japan and overseas. The aim here is to respond flexibly to the trend of transferring production out of China as part of the China Plus One strategy to avoid investing solely in that country due to prolonged trade friction with the United States, and to respond to the trend of bringing production back home in the manufacturing industry to avoid exchange rate fluctuations and soaring labor costs. The new Fukushima Factory for KAGA MICRO SOLUTION CO., LTD. started production in October 2019, and our second factory in Thailand got underway in December 2019 to meet a wide variety of customer needs.

##### Revolution 2 | Reinforcement of engineering capabilities

KAGA ELECTRONICS is developing the optimum production facilities to build a model for the Group's convenience store type EMS business, which is perfect for high-mix, low-volume production. This is being realized through joint ventures with two local companies established in Suzhou, China in 2018. We aim to enhance cost-competitiveness and productivity by utilizing the engineering capabilities of the Group, as well as to acquire and utilize unmatched production know-how.

##### Revolution 3 | Strengthening of manufacturing capabilities

KAGA ELECTRONICS added Towada Pioneer Corporation, a manufacturing subsidiary of Pioneer Corporation, to the Group in October 2019. By doing so, we can share resources such as high-level production facilities that include outstanding production-related human resources coupled with automation, tool design technology and a quality assurance framework, as well as inherit manufacturing capabilities that Towada Pioneer has developed over many years as a dedicated electronics maker. This will help us to further raise the level of quality and strengthen cost-competitiveness in our EMS business. In addition, we have positioned this site as our global mother factory and will promote overall optimization through collaboration with our overseas bases, with the aim of further bolstering productivity and raising business efficiency.

#### Production equipment developed in-house (HATTEN)



#### Global EMS network

- Sales bases
- Production bases





## The key to strengthening human resources in order to drive sustainable growth and become a corporate group capable of generating ¥1 trillion in sales

KAGA ELECTRONICS is implementing its Medium-Term Management Plan with the aim of achieving ¥500 billion in sales over the next three years. In addition, as a medium- to long-term vision for the future, we seek to become a corporate group boasting sales of ¥1 trillion. The key to this lies in securing and developing human resources that can help to expand the revenue base of the trading company business,

our founding business, and by leveraging our customer base to generate growth in EMS business. In Special Feature 2, we present an interview with Ken Ishizaki, General Manager of the Personnel Department, concerning the universal approach to human resources that support two distinct business models and the human resource recruitment and development policies of the EMS business for driving growth.

### Theme 1

#### The primary goal of human resource development is to nurture exceptional talent that can add value for customers.

KAGA ELECTRONICS has set the expansion of EMS business as one of our growth strategies. Although the functions required in this business are distinct from those in the trading company business, where things are made in accordance with customer specifications, I believe

that the basic philosophy toward human resources remains the same. Put simply, we aim to realize personnel who can respond with sincerity to the needs of customers and propose ways to add

value to their operations by resolving issues, one by one. In trading company business, it is difficult to differentiate oneself by product alone, so we have sought other ways to add value by responding swiftly to customer needs such as delivery dates, cost and a stable supply system. For purchasing, in particular, we have left it to the discretion of the individual. Such a bold approach to sales is very appealing to customers and has been very well received. This stance is also embodied in our EMS business in terms of the convenience store type of EMS supporting high-mix, low-volume production in regions required by the customer. To pass on this DNA, we have made six-month on-the-job training (OJT) a pillar of our education program.



**Ken Ishizaki**

General Manager, Personnel Department

### Theme 2

#### The importance of fusing OJT to pass on our DNA and systematic, ongoing training

On the other hand, we do not want to run the risk of relying too heavily on OJT in our human resource development. There is a degree of variation in what can be learned from senior employees, while teaching risk management requires an organizational approach and there are limits to taking an individualistic approach. Also, given the rapid technological innovations of recent years, systematic and ongoing learning is critical to keep pace with the latest technology. In line

with this philosophy, I prompted a fundamental revision of the human resource development system around 10 years ago and moved to a two-pronged framework covering OJT and rank-based training. In addition, we will continue to conduct training and run programs befitting the times with an emphasis on compliance, resilience and logical thinking.

### Theme 3

#### We will focus on securing and developing engineers and managers for overseas posts in support of our EMS business.

On top of this, in recent years we have focused on securing and developing human resources that can support our EMS business, one of the pillars of our growth strategy. Broadly speaking, we need two kinds of human resources. One is the engineer who is well versed in manufacturing, and the other is the manager who is able to supervise a factory overseas as a way to further reinforce our global EMS business.

As for engineers, for many years we have been actively recruiting personnel experienced in quality control and production technology. Now, with the acquisition of Towada Pioneer Corporation (currently KAGA EMS TOWADA CO., LTD.) in 2019 and its exceptional production-oriented human resources, we decided to make this our domestic mother factory where we train engineers from Japan and China to disseminate the know-how to our factories abroad.

At present, we have around 50 managers among the personnel playing active roles overseas and utilizing their abundant experience, but this is still not sufficient, especially as we look to expand operations. Accordingly from 2020, we have been soliciting motivated, capable young employees from throughout the organization, including the EMS Business Division, to take a language course and head to a Chinese factory to take part in a new training program being trialed to build up practical skills. We plan to expand this training to the ASEAN region and beyond and increase the number of participants.

Despite the various measures we are implementing, there is still a shortage of personnel working overseas, and this is a Companywide issue. In light of this, we will continue to develop human resources who can take on active roles overseas.

### Theme 4

#### We are working continuously to reform our work style and empower female employees.

In addition to securing and developing human resources for our EMS business, we are tackling the challenge of reforming our work style and providing greater opportunities for our female workers to achieve their full potential in the future.

We are proud to have made significant progress in creating an environment that embraces work style reform. This includes introducing a teleworking system and shortened work hour system, and embarking on the KAGA Smart Project to entrench hourly paid leave, all of which were instituted prior to the outbreak of COVID-19. As for empowering women, we have started a system for transferring from general employment positions to career-track positions and a course for female employees aimed at raising awareness that features outside instructors. In all honesty, however, the

industry for electronics trading companies is lagging behind other industries on the whole in this regard. Having said that, KAGA ELECTRONICS aims to lead the industry in terms of diversity in human resources and empowerment of women, since we represent Japan as an electronics trading company doing business with global companies.

We will not see the impact or effect of our personnel-related measures manifest in performance overnight. Rather, this approach is an indispensable strategic investment to drive continuous growth over the medium and long term. While we will focus on maintaining our competitive advantage using a small group with exceptional talent and amazing productivity, we aim to establish a work environment that has the capability to secure and develop the industry's top people.



## Expanding our business to resolve social issues

The Kaga Electronics Group develops new businesses that start with the idea of resolving a social issue in areas such as childcare, welfare or nursing care, thereby contributing to the attainment of the United Nations Sustainable Development Goals (SDGs) while pursuing sustainable corporate growth.



### The IoT and urban development

Alongside innovation in artificial intelligence (AI), the Internet of Things (IoT) and other forms of digital technology, the world is becoming increasingly digitalized in an effort to further enrich people's lives. KAGA ELECTRONICS, through investment in Secual, inc., which develops and manufactures home security products, is promoting smarter homes and towns based on the introduction of home security and town security that utilizes IoT devices such as security sensors and AI cameras. We aim to contribute to more comfortable urban settings by producing sensors and gateways, and by encouraging the use of home security systems.

#### Toward securer and smarter homes and towns



### IT and education

The nurturing of outstanding IT/digital human resources has become a critical social issue the world over. In Japan, programming is now a mandatory part of the curriculum in elementary schools, and a key challenge in the corporate sector is the development of personnel that can lead the next generation. KAGA ELECTRONICS has invested in Life is Tech, Inc., which is engaged in education for next-generation IT/digital human resources capable of changing the world. We work together with Life is Tech on nurturing such human resources, in particular through IT and programming courses for junior and senior high school students. In addition, the Kaga Electronics Group handles IT-related products for schools and other educational institutions, supporting education for the children of tomorrow in collaboration with Life is Tech.



### Medical devices and QOL

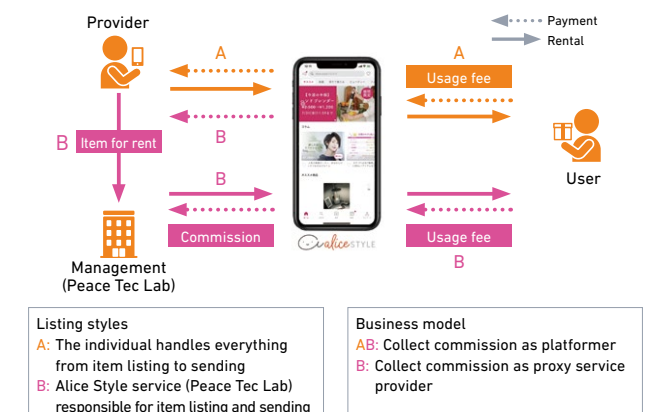
The medical care and welfare sectors are becoming increasingly overwhelmed as more and more people live to 100 within a super-aging society. In addition to treatment, even greater emphasis needs to be placed on prevention and care while medical and welfare systems strain to keep up. With this in mind, KAGA ELECTRONICS has invested in Neuroceuticals Inc., which develops medical devices, obtains regulatory approval for the products and handles their export and sale. This enables us to explore needs for equipment capable of efficient diagnosis and treatment as well as equipment that can enhance patients' quality of life (QOL). As an example, we are planning to release a mobile computed tomography (CT) scanner. Because it is mobile, it can be delivered anywhere in Japan, making it possible to provide medical services even in the event of a disaster. Going forward, both companies

will make mutual use of the extensive customer network of Neuroceuticals and the global components procurement network of KAGA ELECTRONICS, and further advance collaboration in such areas as device manufacture.



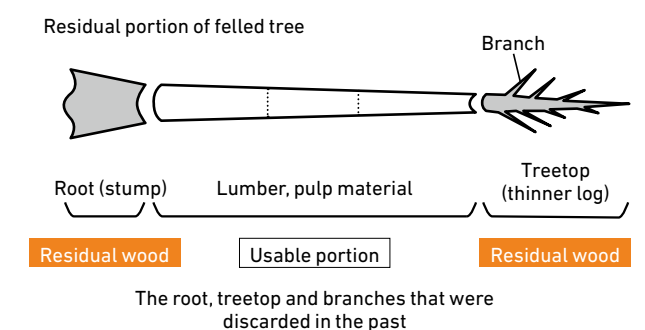
### Effective utilization of "things"

People's lives are overflowing with a plethora of different "things," and a pervasive topic today is how to efficiently and effectively use the resources the world has to offer. We have invested in Peace Tec Lab, Inc., which mainly provides services based in the sharing economy. The company's unique model includes a luggage-free travel service in which people rent the most popular consumer electronics and travel items locally for the duration of their stay and a subscription-type service for rent in apartment complexes. By supporting this company, we aim to realize a less wasteful, more sustainable society.



### Biomass power generation and regional contribution

A biomass power plant project is being planned for Fukuoka Prefecture that uses the ORC turbine system\*, and KAGA DEVICES CO., LTD., a Group company, is supporting the procurement of construction materials for this project. Since the project uses forest wood residue such as thinned wood, branches, leaves and bark as fuel, it not only helps to regenerate mountain areas that have been devastated but also prevents problems caused by driftwood. In addition, any waste heat generated in the process is used to heat water for nearby farmers and for environmentally controlled hydroponics. These and other measures raise expectations of more harmonious coexistence and mutual prosperity with the local community. The Kaga Electronics Group is dedicated to using its global procurement capabilities and contributing to technological advancement, the environment and the community in order to revitalize rural and mountain village areas.

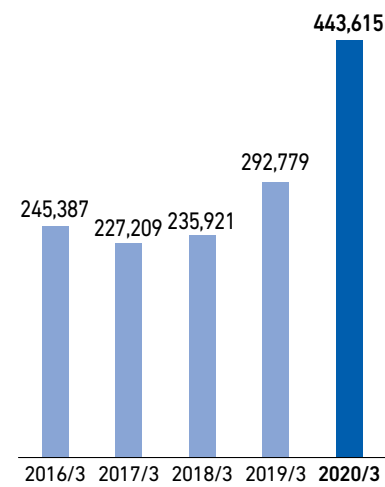


\* ORC (Organic Rankine Cycle) turbine system: Unlike conventional steam turbines that use water, this technology employs organic media such as silicon oil to generate power. As a result, steam can be generated at a lower temperature than when using water (approximately 50 degrees Celsius), making power generation more efficient.

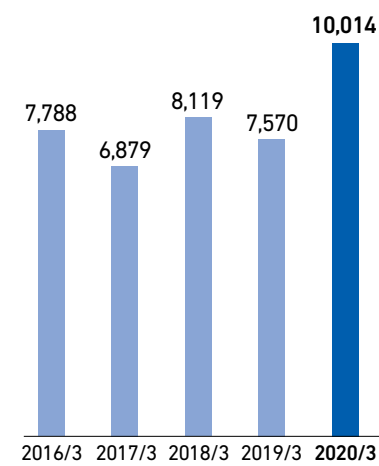


# Financial Highlights

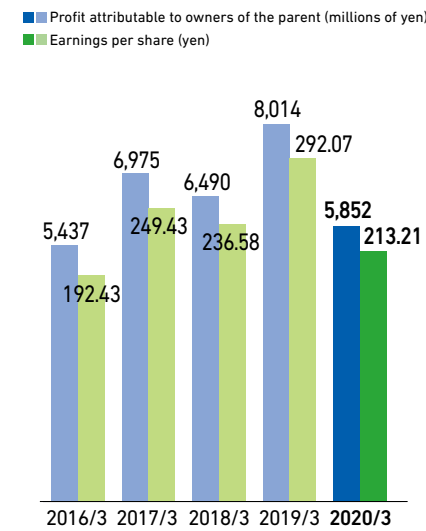
Net sales (millions of yen)



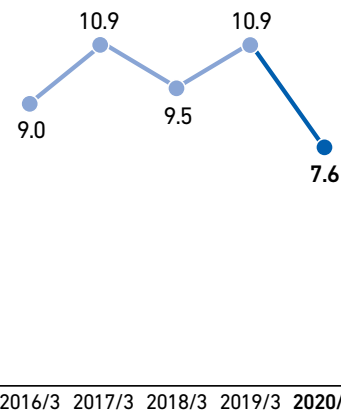
Operating income (millions of yen)



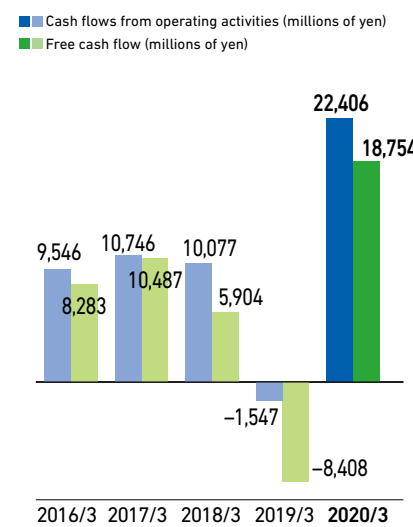
Profit attributable to owners of the parent / Earnings per share



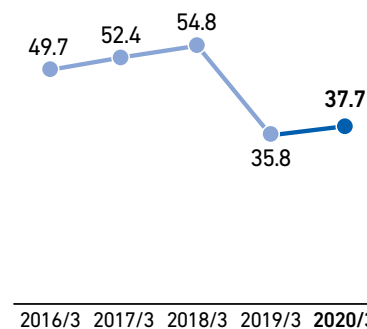
Return on equity (ROE) (%)



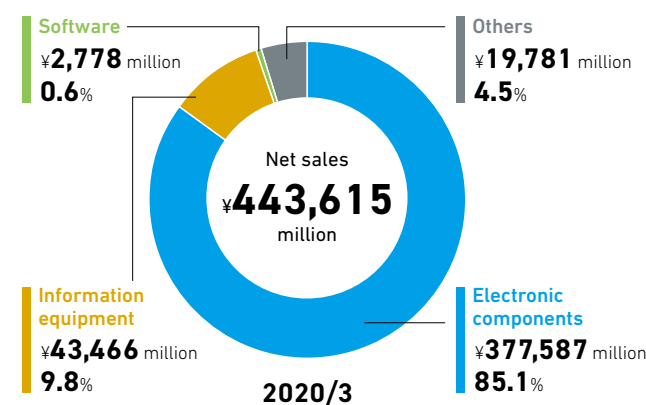
Cash flows from operating activities / Free cash flow



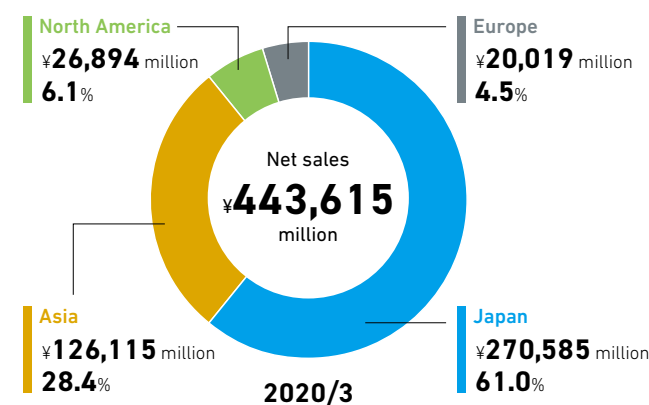
Equity ratio (%)



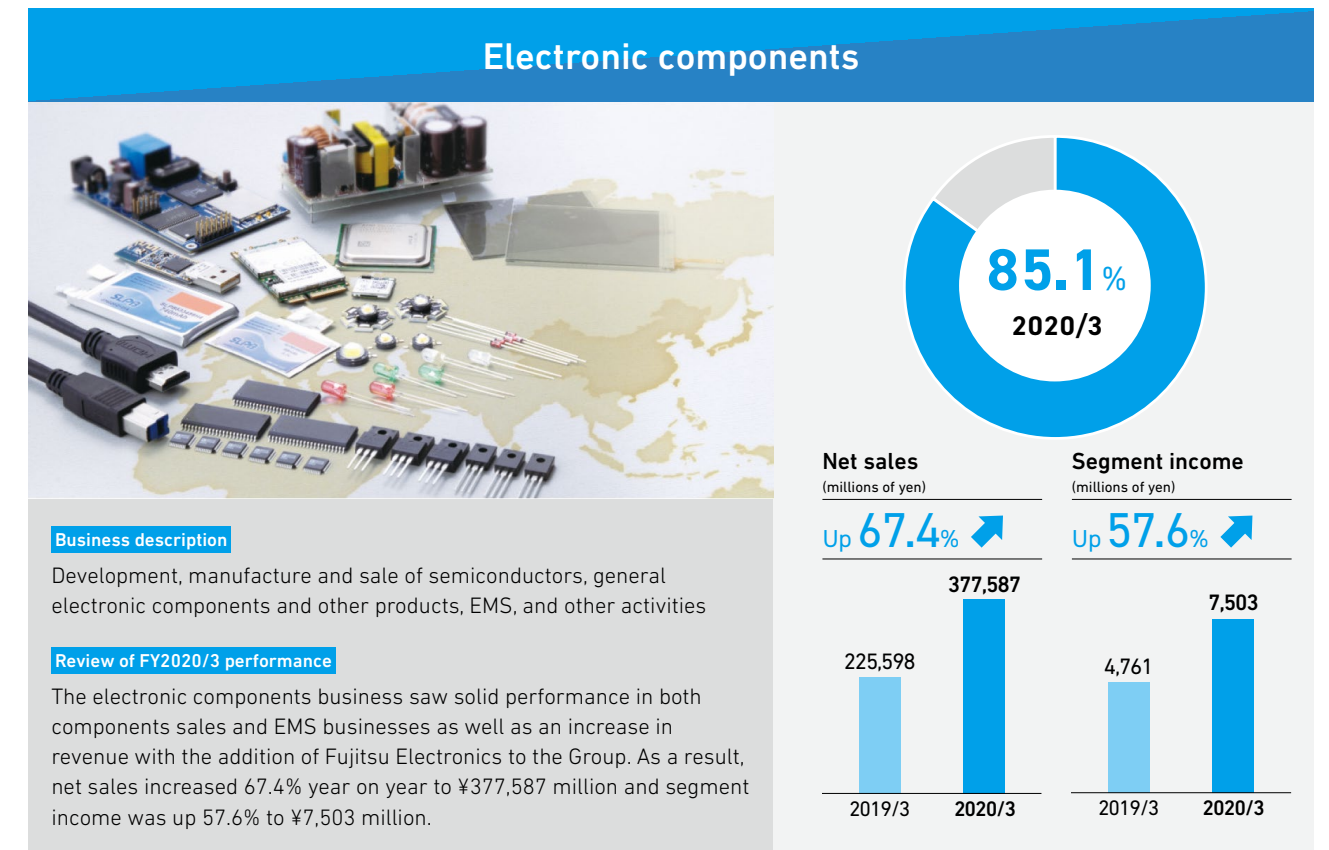
Net sales by segment and composition



Net sales by region and composition



# Outline of Business Segments



## Business overview and opportunities/risks

### Electronic parts and semiconductor business

#### Business overview

In the electronic parts and semiconductor business, sales of LED products for automotive devices and consumer electronics were strong while the acquisition of Fujitsu Electronics led to the addition of a new revenue base, primarily from the automotive sector. Furthermore, the termination of a sales contract with U.S.-based Cypress Semiconductor (announced on October 10, 2019), a major supplier for Fujitsu Electronics, resulted in one-off revenue.

#### Opportunities

- Increasingly high performance of smartphones with the full introduction of 5G and the expansion of the data center market
- Growth of new business combining the IoT with AI
- Progress in the application of electronic components and AI in cars, as with CASE (Connected, Autonomous, Shared & Services, Electric)

#### Risks

- Decline in demand and greater restrictions on economic activity due to the COVID-19 pandemic
- Diluted significance of trading company business under a global economy
- Loss of commercial rights due to changes in commercial distribution by customers and suppliers

### EMS business

#### Business overview

The EMS business maintained solid performance throughout the year, particularly in the medical devices and automotive sectors. Operations were suspended in China and Malaysia from February to March 2020 due to those governments' measures to halt the spread of COVID-19, but the impact was limited.

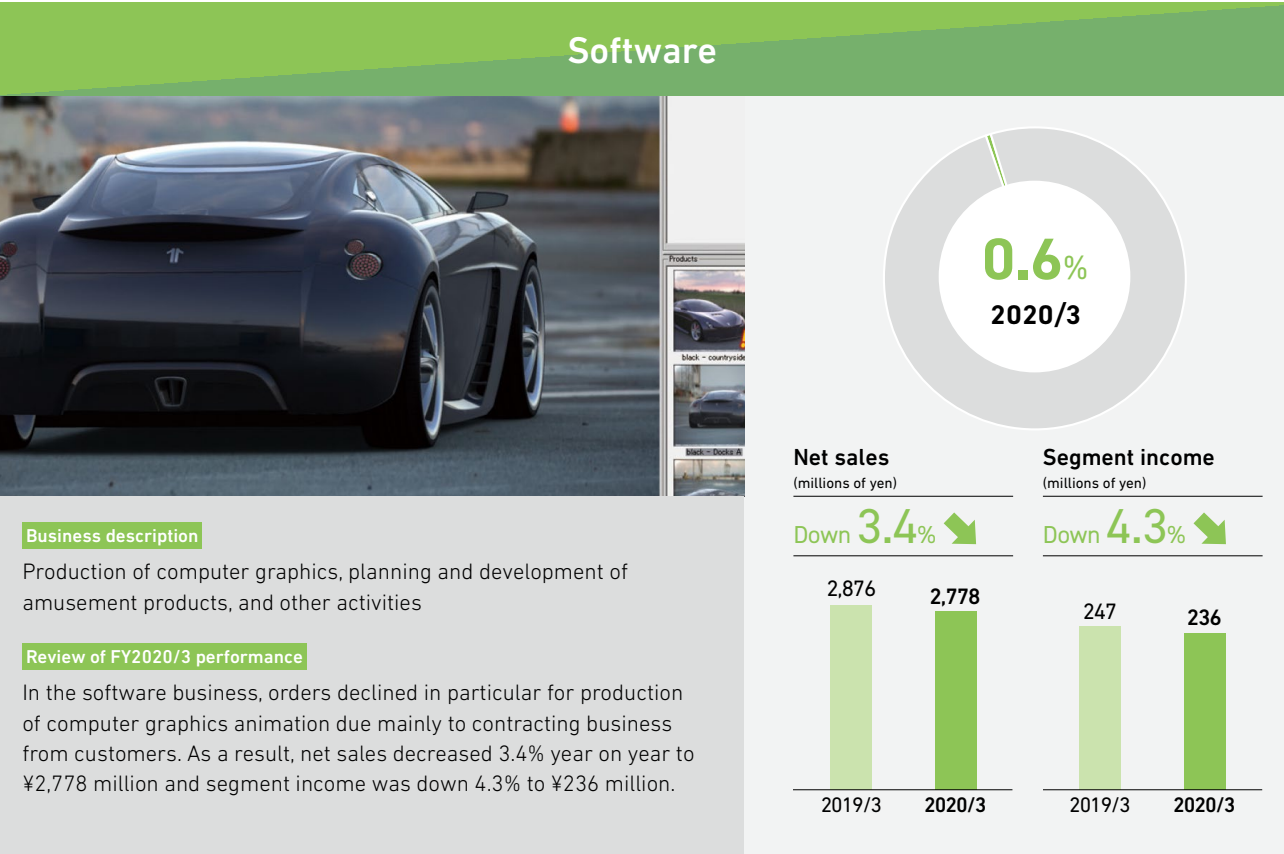
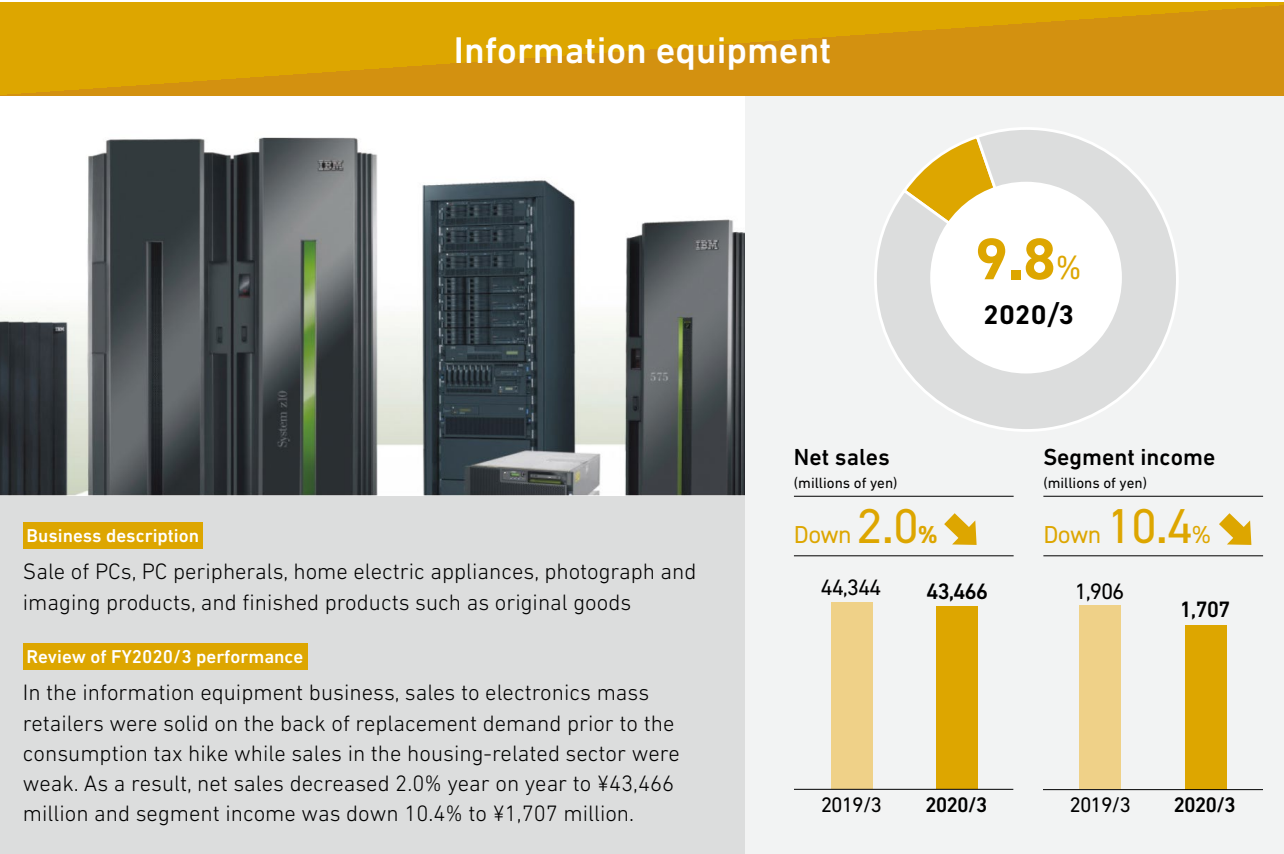
#### Opportunities

- Increase in the number of fabless companies and rising demand for outsourcing
- Growing needs for further automation and efficiency

#### Risks

- Shortage of management human resources both in Japan and overseas
- Suspension of factory operations due to earthquake or other disaster, the spread of infectious diseases, and external political and economic factors

# Outline of Business Segments



## Business overview and opportunities/risks

### PCs and PC peripherals sales

- Business overview

The PC and PC peripherals sales business captured replacement demand prior to the consumption tax hike and demand associated with the upgrade to Windows 10, and sales to electronics mass retailers, schools and educational institutions were also strong.
- Opportunities

- Increased demand for PCs and PC peripherals as the number of people teleworking grows
  - Heightened demand in the field of education due to progress in the Global and Innovation Gateway for All (GIGA) school concept
- Risks

- Loss of commercial rights and product procurement routes due to changes in the distribution policy of buyers and suppliers
  - Intensifying competition due to lower price and more new entrants

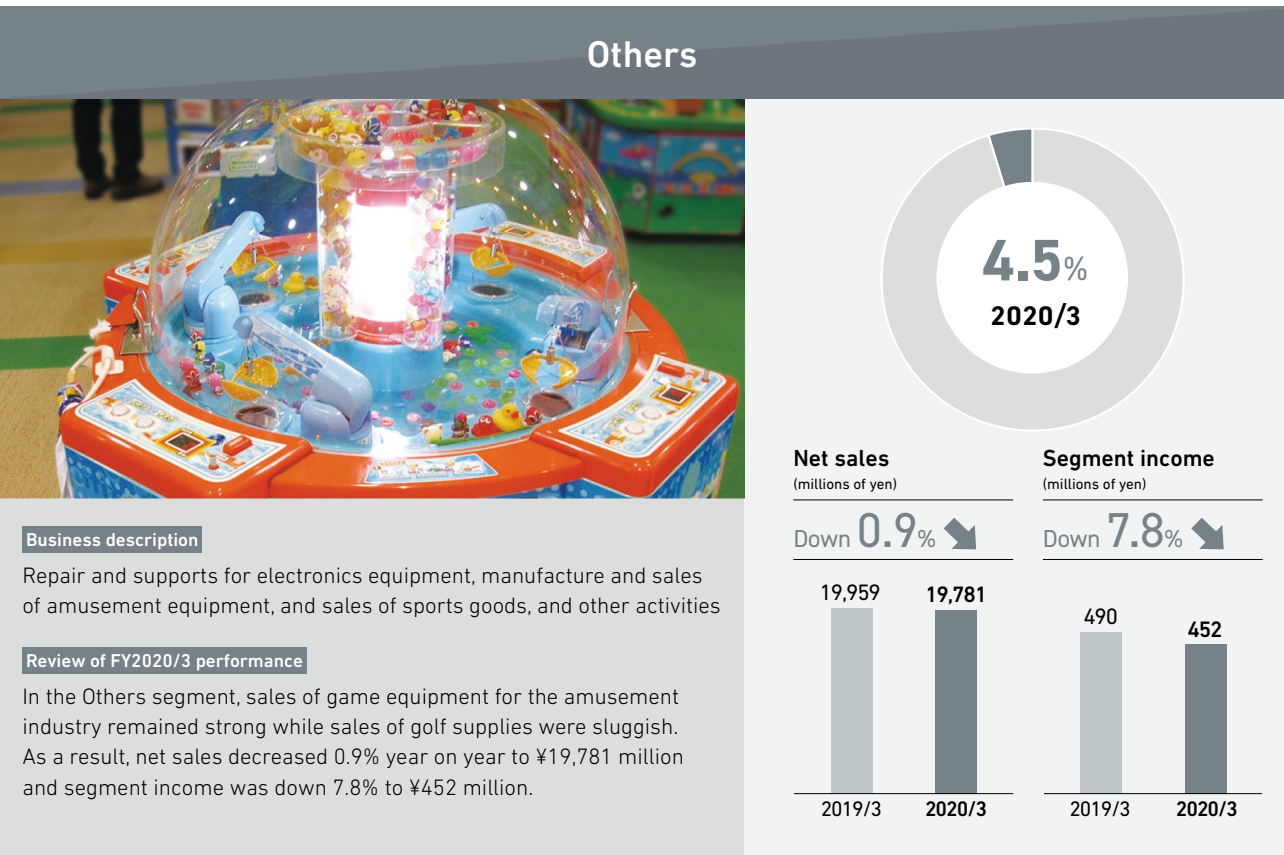
### Home electric appliances sales

- Business overview

The housing-related home electric appliances sales business remained weak due to adjustments made to delivery dates by customers. The commercial facilities-related LED installment business was impacted by a pause in replacement demand by major customers.
- Opportunities

- Growth of energy-saving and eco markets
  - Increased speed of proliferation of IoT-enabled devices
- Risks

- Contraction of domestic home appliances and housing equipment markets





Directors and Auditors As of July 1, 2020

Directors



Founder & CEO  
**Isao Tsukamoto**  
1968 Founded Kaga Electronics (private management)  
1968 Established Kaga Electronics Co., Ltd. President  
2007 Founder & CEO



President & COO  
**Ryoichi Kado**  
1980 Joined Kaga Electronics Co., Ltd.  
1991 General Manager of Sales Department, Sales Headquarters  
1995 Director, General Manager of East Japan Sales Department, High Tech Business Division  
2002 Managing Director  
2005 Senior Managing Director, Chief of Specific Industry Sales Headquarters  
2012 Vice President  
2014 President & COO



Director  
**Mitsuhiro Nohara**  
1982 Joined Kaga Electronics Co., Ltd.  
1997 General Manager of Domestic Sales Department No. 1, Sales Headquarters  
2003 President of Kaga (Shanghai) Electronics Co., Ltd.  
2004 President of Kaga Electronics (USA) Inc.  
2011 Division Director of Electronics Sales Division, Components Business Unit  
2012 Executive Officer, Division Director of Electronics Sales Division, and Division Director of Special Sales Department  
2015 Director, Division Director of Electronics Sales Division



Outside Director  
**Susumu Miyoshi**  
1963 Joined Toyota Motor Co., Ltd. (currently Toyota Motor Corporation)  
2001 Executive Vice President and Representative Director  
2002 President of Osaka Toyopet Co., Ltd. (currently Osaka Toyota Motor Co., Ltd.)  
2005 Advisor to Toyota Motor Corporation Chairman of Osaka Toyopet Co., Ltd.  
2009 Executive Advisor to Maxell Holdings, Ltd.  
2015 Director of the Company



Outside Director  
**Akira Tamura**  
1970 Joined the Bank of Japan  
1978 Deputy Director of the International Finance Bureau, Ministry of Finance  
1998 Director of Information Systems Department, the Bank of Japan  
2008 Representative Director and Senior Executive Officer, Sohgo Security Services Co., Ltd. (ALSOK)  
2011 Advisor to Okigin Economic Research Institute (present position)  
2012 Advisor to Niigata Sohgo Security Services Co., Ltd. (ALSOK) (present position)  
2015 Director of the Company  
2019 Outside Board Director, Solekia Limited (present position)



Outside Director  
**Noritomo Hashimoto**  
1977 Joined Mitsubishi Electric Corporation  
2009 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer, and in charge of General Affairs, Human Resources and Public Relations  
2012 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Senior Vice President, and in charge of Corporate Strategic Planning and Operations of Associated Companies  
2012 Director, Member of the Nomination Committee, Senior Vice President, and in charge of Corporate Strategic Planning and Operations of Associated Companies  
2016 Director  
2016 Advisor  
2019 Director of the Company

Auditors



Senior Managing Director  
**Shinsuke Takahashi**  
1980 Joined Kaga Electronics Co., Ltd.  
1991 General Manager of Specific Industry Sales Department  
1995 Director  
2002 Managing Director  
2005 Senior Managing Director



Senior Managing Director  
**Shintaro Kakei**  
1980 Joined ITOMAN Co., Ltd.  
1993 Joined Kaga Electronics Co., Ltd.  
2000 Division Director of Overseas Business Division, Electronics Sales Headquarters  
2000 Director  
2005 Managing Director  
2014 Senior Managing Director



Auditor (Full-time)  
**Kazunori Kameda**  
1985 Joined The Tokai Bank, Ltd. (currently MUFG Bank, Ltd.)  
2005 Temporarily transferred to Mitsubishi UFJ Securities Co., Ltd. (currently Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.), Division Manager of Corporate Sales Support Division  
2010 Manager of Tsu Branch Office, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (currently MUFG Bank, Ltd.)  
2012 Manager of Tsu Branch  
2015 Joined Kaga Electronics Co., Ltd. as Advisor  
2015 Auditor (Full-time)



Auditor (Full-time)  
**Takahiro Ishii**  
1978 Joined The Fuji Bank, Limited (currently Mizuho Bank, Ltd.)  
1994 Deputy Manager of Singapore Branch  
2002 Manager of Senzokucho-Higashi Branch  
2015 Joined Kaga Electronics Co., Ltd. as Advisor  
2015 Auditor (Full-time)



Managing Director  
**Eiji Kawamura**  
1979 Joined Kaga Electronics Co., Ltd.  
1985 President of Taxan (U.K.) Ltd.  
1993 General Manager of Overseas Sales Department, Sales Headquarters No. 2  
2005 Executive Officer, General Manager of Accounting Division and General Manager of Information Systems Department  
2012 Executive Officer, Chief of Administration Headquarters and General Manager of Accounting Division  
2012 Director, Chief of Administration Headquarters and General Manager of Accounting Division  
2015 Managing Director, Chief of Administration Headquarters



Director  
**Motonori Toshinari**  
1982 Joined Kaga Electronics Co., Ltd.  
1992 President of Kaga (H.K.) Electronics Limited  
1998 President of Taxan USA Corp.  
2004 General Manager of Overseas Sales Division, Overseas Business Division, Electronics Sales Headquarters  
2010 President of Kaga (H.K.) Electronics Limited  
2012 Executive Officer, Division Director of EMS Business and President of Kaga (H.K.) Electronics Limited  
2015 Director, Division Director of EMS Business Division



Outside Auditor  
**Susumu Kitsunai**  
1997 Joined Tokyo Office of Tohmatsu & Co. (currently Deloitte Touche Tohmatsu LLC)  
2001 Registered as Certified Public Accountant  
2002 Opened Kitsunai Certified Public Accountant Office as Representative (present position)  
2004 Established Asia Alliance Partner Co., Ltd. Representative Director (present position)  
2018 Auditor of Kaga Electronics Co., Ltd.



Outside Auditor  
**Yoichi Sato**  
1977 Assistant Judge at Tokyo District Court  
1989 Judge at Tokyo District Court  
1996 Judge at Tokyo High Court  
2016 Admitted to the bar, Joined Alpha Partners Law Offices (present position)  
2018 Auditor of Kaga Electronics Co., Ltd.

Corporate Governance

Corporate Governance

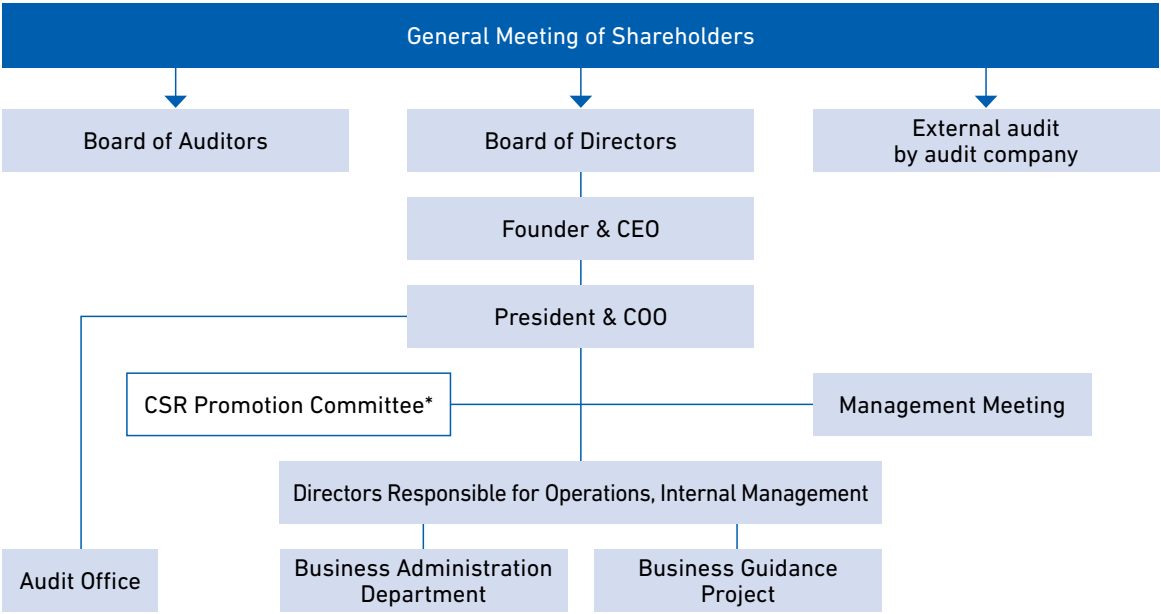
Basic approach and structure of corporate governance

KAGA ELECTRONICS recognizes that enhancing corporate governance is a key management issue. The Company is creating a corporate governance system with the fundamental policies and aims of ensuring total compliance with corporate ethics and laws and regulations, reinforcing internal control systems, and ensuring the soundness, efficiency and transparency of business operations.

KAGA ELECTRONICS is a company with a board of auditors and a corporate governance system based on collaborations between the Board of Directors, auditors and Board of Auditors, and the accounting auditor. The Board of Directors comprises 10 directors and four auditors. In principle, the

Board meets once a month and holds extraordinary meetings periodically on a flexible basis. The Board makes decisions on important matters related to items stipulated by laws and regulations and to management, and supervises the execution of duties by directors.

Auditors regularly attend Board of Directors meetings and participate in other important internal meetings as part of efforts to monitor and audit the business conditions of the Company. KAGA ELECTRONICS has appointed three outside directors and four auditors (including two outside auditors) to ensure the effectiveness of the corporate governance system.



\* The Company has established the following committees under the CSR Promotion Committee.  
1. Compliance Committee 2. Risk Management Committee 3. Information Disclosure Committee 4. Personal Information Management Committee

CSR Promotion Committee

The Company has established a CSR Promotion Committee chaired by the President & COO, which promotes corporate social responsibility (CSR) alongside efforts to enhance corporate value. The Compliance Committee, Risk Management Committee, Information Disclosure Committee and Personal Information Management Committee have been established under the CSR Promotion Committee. Each of these committees actively implements activities in their respective domains.

Audit Office

The Company has established an Audit Office to handle internal audits in conjunction with the auditors. The Audit Office discusses audit plans with the auditors in advance and regularly reports audit findings to the auditors. The Office also cooperates with the auditors as required, such as when requested for reports.

Outside officers

The Company has appointed three outside directors and two outside auditors. Based on the Tokyo Stock Exchange standards on independence, we appoint outside officers who do not have any special interests with the Company and that they have extensive experience and broad powers of judgment in corporate management. The auditors are also required to have highly specialized knowledge and maintain independence from management executives.

The Company has established a staff office of the Board of Directors, which distributes materials related to matters of deliberation by the Board to all officers including outside officers, ahead of the meeting day. The staff office provides supplementary explanations to the outside officers when needed to ensure that adequate

information is imparted in advance. This helps support lively debate at Board of Directors meetings. By the end of each fiscal year, the staff office sets the schedule for the regular Board of Directors meetings for the following fiscal year and notifies all officers including outside officers, as a means to improve attendance.

Attendance at Board of Directors and Board of Auditors meetings

		Board of Directors meetings (held 16 times)		Board of Auditors meetings (held 17 times)	
		Attendance (times)	Attendance rate (%)	Attendance (times)	Attendance rate (%)
Outside Director	Susumu Miyoshi	16	100.0	—	—
Outside Director	Akira Tamura	16	100.0	—	—
Outside Director	Noritomo Hashimoto	12	100.0	—	—
Outside Auditor	Susumu Kitsunai	16	100.0	17	100.0
Outside Auditor	Yoichi Sato	16	100.0	17	100.0

Note: The attendance rate of Outside Director Noritomo Hashimoto is calculated based on Board of Directors meetings following his appointment as a director.

Remuneration system for officers

The Company's basic policy is to structure its remuneration system so as to promote its sustainable growth and enhance medium- to long-term corporate value. In terms of structure, directors' remuneration comprises fixed remuneration, which is paid at a fixed amount, and performance-linked remuneration (bonus and long-term incentive in the form of restricted stock compensation), which is paid based on the business results of the relevant fiscal year. Performance-linked remuneration reflects annual performance evaluations based on evaluations according to the directors' respective

roles. Remuneration of non-executive directors, including outside directors, and auditors consists solely of fixed remuneration, which is paid at a fixed amount.

Remuneration of officers for the year ended March 31, 2020

	Allowance (millions of yen)	Number of recipients
Directors (of which, outside directors)	558 (28)	11 (3)
Auditors (of which, outside auditors)	46 (10)	4 (2)

Note: The figures above include those for one director who retired at the closing of the 51st General Meeting of Shareholders held on June 27, 2019.

Corporate Governance

Internal Control / Compliance

Basic approach to internal control systems

The Kaga Electronics Group has established a fundamental policy for the creation of internal control systems in order to ensure compliance with corporate ethics and laws and regulations as well as the soundness, efficiency and transparency of management. Based on this policy, the Company is working to establish internal control systems and make sure that they are continually improved.

The Company has established Rules on Officers and Board

of Directors Rules to ensure the proper execution of duties by directors and the Board of Directors. The directors monitor the execution of duties of one another at regular and extraordinary meetings of the Board of Directors. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority and Rules on Internal Approval to clarify the scope of authority of each director. As a company adopting a system of corporate auditors, each auditor, including



each outside auditor, conducts detailed audits on the execution of duties by directors.

In addition, the Company has formulated the Basic Compliance Rules, which serve as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation as a means to enable proper execution of duties by employees of the Company and Group companies.

Risk management system

Potential risks that the Group faces include a wide range of factors relating to economic conditions, exchange rates, country risks, price competition, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, M&A, the spread of infectious diseases, accidents, the environment, and information management.

Divisions have been set up and risk control officers and managers appointed to each to deal with each risk in the Group as part of efforts to create the necessary, appropriate

The Company has also established the CSR Promotion Committee chaired by the President & COO and set up the Compliance Committee, Risk Management Committee, Information Disclosure Committee and Personal Information Management Committee under its umbrella. Through these initiatives, the Company strives to ensure appropriate execution of business throughout the Group.

systems to manage risk. In the event that risk materializes, the division responsible for dealing with said risk will immediately adopt the necessary, appropriate response to minimize damage under the direction of the risk control officers and managers.

In addition, with the establishment of the Risk Management Committee under the CSR Promotion Committee, the Company has established a system to respond promptly and appropriately to risks foreseen by the Group.

Ensuring appropriate operations of Group companies

The Company has established the Rules on Management of Affiliated Companies to ensure appropriate business operations at Group companies and executes controls based on these rules. In addition, it is an obligation that any coordination between Group companies as well as important matters are first discussed by the Company’s Management Meeting and Board of Directors before decisions are made.

The Company’s Audit Office works in collaboration with the Business Administration Department, which is the Company’s legal affairs division, to conduct audits primarily

regarding the appropriateness of overall business activities throughout the Group as well as ensure compliance with laws and regulations and the Articles of Incorporation. The Office also provides guidance to make improvements in business activities.

Further, Group companies submit the minutes from all Board of Directors meetings to the Company and make monthly reports on business activities, status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

Efforts toward the elimination of antisocial forces

The basic approach of the Kaga Electronics Group is not to maintain any relationships whatsoever with antisocial forces that threaten social order and safety and to maintain a resolute attitude regarding the refusal of all improper demands from antisocial forces as set forth in its Fundamental Compliance Rules and Employment Rules.

In cases where the Company receives improper demands from antisocial forces, the General Affairs Department and

CSR Promotion Committee collaborate and cooperate with crisis management advisors and company attorneys to make the required organizational response. The Company also holds regular discussions with the company attorneys, meets with police departments and other external specialized organizations, and participates in training and other activities in an effort to gather information.

Message from Outside Director



More than 50 years have passed since KAGA ELECTRONICS was founded in 1968, and over the years the Company has grown into a corporate group with consolidated net sales of more than ¥440.0 billion. From this base, KAGA ELECTRONICS is now embarking on a major challenge in EMS business. EMS, or electronics manufacturing service, refers primarily to the business of providing production or repair services (as after-sales service) under contract from fabless companies that tend to concentrate management resources into the design, development, promotion and sale of products. Sales from the entire EMS business, which consists of the EMS Business Division and EMS-related overseas affiliates, have grown to more than ¥90.0 billion. This exemplifies the Company’s corporate philosophy of “Everything we do is for our customers,” and this particular business has the potential to be a central pillar of KAGA ELECTRONICS’ growth going forward.

Having said that, EMS is effectively “manufacturing.” This means being in possession of factory functions that do not generally exist at trading companies. So continuing to expand in the field requires a management perspective that departs from convention.

I worked at Mitsubishi Electric Corporation after graduating from university, and therefore have extensive experience in business management, primarily in business planning as well as personnel and labor affairs, from the manufacturer side, which includes providing support for affiliates under the company’s umbrella. I recognize that in addition to my core role as outside director, I am expected to utilize my experience working for a manufacturer to enhance the management of EMS business and make sure that it is running soundly.

Part of my role will be to ensure that maintenance of and compliance with the standards for agenda items brought to Board of Directors are achieved. Besides enabling an atmosphere conducive to frank and open debate during meetings, I will make sure that no restrictions are placed on our actions in our capacity as outside directors in order to augment the soundness of operation.

There is one point I would like to touch on, however. A commonly held belief inside and outside the Company is that on the whole KAGA ELECTRONICS has got to where it is today on the back of the exceptional business sense and ability to build personal connections of Founder and CEO Isao Tsukamoto, rather than any individual business. As such, it is of vital importance that the Company holds discussions on its ideal organizational structure, including the governance system, when contemplating an effective succession plan. This is in some ways more critical than talks concerning who is to take over. I am conscious of the fact that this is the most important issue we as outside directors need to address.

Career Summary

- 1977 Joined Mitsubishi Electric Corporation
- 2009 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Executive Officer, and in charge of General Affairs, Human Resources and Public Relations
- 2012 Director, Chairman of the Nomination Committee, Chairman of the Compensation Committee, Senior Vice President, and in charge of Corporate Strategic Planning and Operations of Associated Companies
- 2012 Director, Member of the Nomination Committee, Senior Vice President, and in charge of Corporate Strategic Planning and Operations of Associated Companies
- 2016 Director
- 2016 Advisor
- 2019 Director of the Company (present position)

Social Report

Together with Our Customers

The Kaga Electronics Group proposes and provides value-added products and services that swiftly meet changes in the times based on its corporate philosophy of “Everything we do is for our customers.” By doing so, we support the technological innovation and production streamlining of our customers worldwide.

To deliver high-quality products and services

Quality control system

The Kaga Electronics Group established the Production Center in its EMS Business Division, thus enabling a system of quality control that centers on KAGA (SHENZHEN) ELECTRONICS CO., LTD., its flagship base for production activities. At the Center, we manage the entire Group’s resources as cross-functional capabilities in such areas as production technology and quality control, and promote the optimal distribution of resources and the strengthening of technological competencies on a global basis.

The Center also liaises with production sites in China as well as countries in the ASEAN region, Europe and North America to advance the standardization of production facilities and operations, and the sharing of information, for example to prevent the recurrence of issues. Through standardization, the aim is to ensure identical standards,

quality and customer service. In addition, regular exchange meetings are held to reinforce quality on a Groupwide basis.



An information exchange session on quality at a production site

Pursuing our philosophy of “Everything we do is for our customers”

Efforts to enhance quality

The Company’s Engineering Department controls the technological resources of the entire Group, from planning and development to design, manufacturing and quality assurance, and works to optimize these resources, strengthen technological capabilities and expand business across the organization. The Quality Assurance Department, one of the bodies of the Engineering Department, seeks to enhance development quality and manages safety standards throughout the Group. This department works with other departments responsible for quality within the Group depending on the circumstances in order to resolve issues.



A production factory overseas

Status of ISO 9001 certification	
KAGA ELECTRONICS and the following Group companies have attained ISO 9000 series certification, an international standard for quality management. The Company is striving to further enhance customer satisfaction through continuous improvement of its quality management system.	
Japan	KAGA ELECTRONICS CO., LTD., KAGA DEVICES CO., LTD., KAGA MICRO SOLUTION CO., LTD., KAGA TECHNOSERVICE CO., LTD.
Overseas	KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD., KAGA (SHENZHEN) ELECTRONICS CO., LTD., KAGA ELECTRONICS (THAILAND) COMPANY LIMITED

Social Report

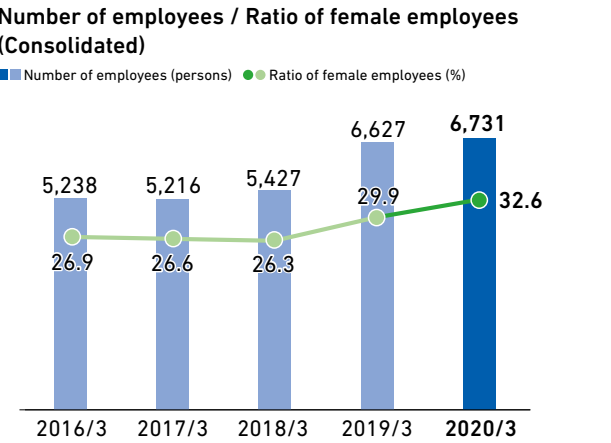
Together with Our Employees

The most important management resource for a trading company is undoubtedly its human resources. To drive sustainable growth, we promote the development of human resources and the creation of an environment that enables the execution of our action guideline FYT (pronounced “fight”). This guideline expresses our commitment to always be Flexible and to think and act Young when Trying to take on challenges.

Implementing the idea that “everyone is a corporate manager”

Human resource strategy/Diversity management

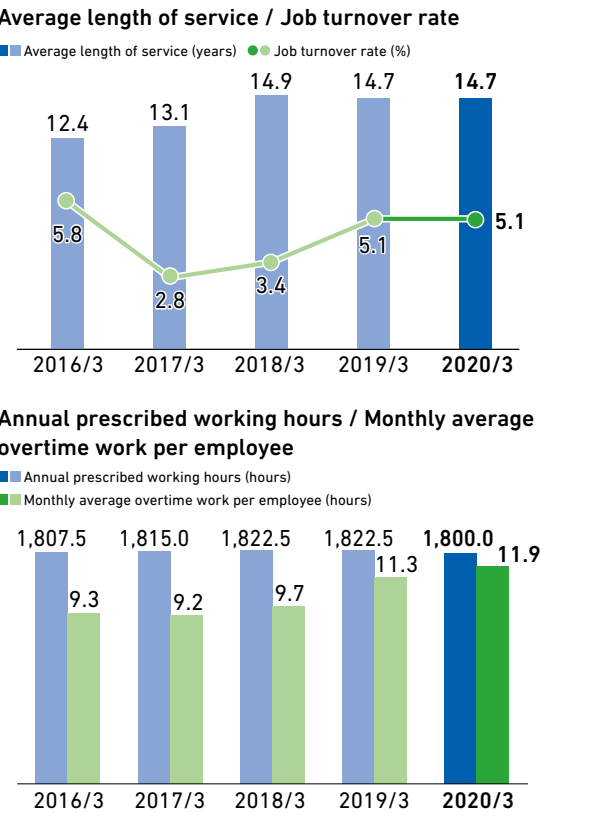
As our business activities become more global and the market environment undergoes abrupt change, diversity and taking on challenges are keys to driving sustainable growth. This is because diversity enables us to look at risk as an opportunity, and when we take on challenges we can take full advantage of these opportunities. To make this a reality, the Kaga Electronics Group promotes diversity management in terms of making effective use of diversity in human resources and in work style. At the same time, we respect our human resources who continue to take on challenges and see each person as a corporate manager. With this in mind, we will keep protecting our corporate culture of tolerating failure as a consequence of tackling challenges.



To create a safe work environment

Education and welfare program

At the Kaga Electronics Group, we support the career development of employees through training to new recruits, annual training, rank-based training and other forms of education, as well as by providing assistance with correspondence courses. In addition, we grant refreshment leave every year to all employees, which is separate from normal paid leave. We have also established an accumulated leave system for the three major diseases (cancer, cerebral stroke and myocardial infarction) as compensation for hospitalization after contracting a serious disease and for missing work when recuperating, as well as an hourly paid leave system. Further, we have established welfare facilities that include resorts in Japan and abroad, a contract golf course, a company getaway house and a cruisers boat, with utilization rates at a high level. Through such initiatives as these, we aim to strike a good work-life balance for a safer work environment for employees.





Social Report

Together with the Community

Cognizant of the importance of the social responsibility that ought to be addressed as a company, the Kaga Electronics Group contributes to sports promotion and to the local community through our business sites worldwide, and actively undertakes activities that help drive the advancement of education, art and culture.

Sports promotion

Sponsorship of golf tournaments

The Kaga Electronics Group contributes to the promotion of golf, primarily through the sponsorship of golf tournaments. This includes special sponsorship of The Ladies Professional Golfers' Association of Japan (JLPGA)'s "JLPGA ROOKIES CHAMPIONSHIP KAGA ELECTRONICS CUP" since 1996. Many of this tournament's winners have gone on to do well on the JLPGA tour, proving that it is a great gateway to success for young female professional golfers.



JLPGA ROOKIES CHAMPIONSHIP KAGA ELECTRONICS CUP 2018

Contributing to the development of golf

Four professional golfers, both male and female, are on the books at KAGA ELECTRONICS. Contracted athletes take part in tournaments around the world wearing clothing and caps adorned with the Kaga Electronics logo, which plays a part in our PR strategy.

The Group company KAGA SPORTS CO., LTD. takes a multifaceted approach to business that includes the direct sale of golf supplies at its own stores and selling wholesale to retailers, the running of golf driving ranges and golf schools, and the introduction of body conditioning services such as yoga, which contributes to the development of the sports industry through golf.



Professional golfers sponsored by KAGA ELECTRONICS



One of the Company's golf schools



One of our golf driving ranges



Akiba Golf Studio

Contributing to the local community

Social contribution activities in Kanazawa, where it all began

Kanazawa City in Ishikawa Prefecture is the place that the Founder and CEO of KAGA ELECTRONICS Isao Tsukamoto was born and raised. With this as the background, the Company signed an agreement with Kanazawa City related to the promotion of regional revitalization and has been donating to a project aimed at driving revitalization of the local area through the Tokyo 2020 Olympic and Paralympic Games.

We are also taking steps to contribute to the community through such means as supporting the Kanazawa Marathon, which is open to the public, ever since its first event, and employee participation in volunteer activities at a water station.



Supporting the Kanazawa Marathon  
Note: The 2020 marathon was canceled due to COVID-19.

Social contribution activities at sites in Japan and overseas

The Kaga Electronics Group, which conducts business activities around the world, takes on a variety of social contribution activities at its sites in Japan and overseas as well.

To give some examples, at our production subsidiary in Mexico, employees donate daily necessities they have gathered and proceeds from in-house sales to a local nursing home for the elderly. Also, a production subsidiary in Japan undertakes community-based programs in each region that include regular cleanups around tourist areas and its factories.



Cleaning up around Oirase Stream (KAGA EMS TOWADA)

Education and welfare support activities

At KAGA ELECTRONICS, the Founder & CEO Isao Tsukamoto gives lectures to students as a specially appointed professor for Faculty of Service Innovation, Chiba University of Commerce (conducted remotely in 2020). In addition, our Head Office accepts students for on-the-job training as part of a Japanese training program run by an overseas university affiliated with Chiba University of Commerce. We also contribute to society in a wide range of fields related to education and welfare support that includes cooperating with Japan Cancer Society and offering assistance to cancer patients and their families.



A lecture for foreign students at KAGA ELECTRONICS Head Office



Environmental Report

# Together with the Earth

The Kaga Electronics Group views the 21st century as the century for protection of the global environment and with this in mind conducts business activities based on an awareness of energy and resource conservation that include reducing CO<sub>2</sub> and other greenhouse gases and verifying the environmental load of the products and services it handles.

## Environmental policy

The Kaga Electronics Group looks to the future of electronics at all times, striving to meet customer needs as well as preserve and enhance the natural environment in order to protect our irreplaceable earth.

- (1) The Kaga Electronics Group shall establish an environmental management system that involves all employees and promote ongoing improvement of this system to preserve the global environment and prevent pollution in all of our business activities to provide products and services.

(2) In executing our business activities, we shall strictly adhere to environmental laws, regulations and related requirements as well as comply with all other requirements agreed upon by the Kaga Electronics Group.

(3) We shall strive to prevent pollution and enhance the environment through non-wasteful office and business activities based on a philosophy of conserving energy and resources.
- (4) We shall set targets for the following requirements to the extent possible for the products and services that the Kaga Electronics Group handles and regularly review the progress of our activities.

  - Must be comprised of environmentally friendly substances
  - Must be able to cut waste through reuse and recycling
  - Must be designed with energy and resource conservation in mind using the latest electronics technology

(5) We shall provide education to all employees to increase their awareness of the need for environmental protection and to ensure their understanding of our Environmental Policy.

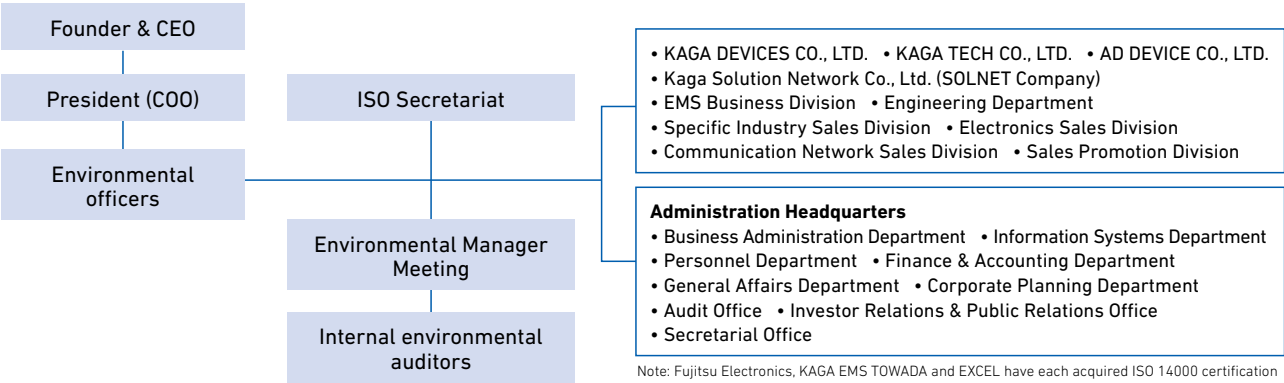
(6) Our Environmental Policy shall be disseminated widely throughout society through such means as the Kaga Electronics Group website and corporate profile.

## Environmental management system

The Kaga Electronics Group established an environmental management system based on its Environmental Policy. With the system, environmental officers, ISO Secretariat, Environmental Manager Meeting and internal environmental auditors team up under the guidance of the president to conduct environmental management at KAGA ELECTRONICS

and its Group companies. In addition, we have attained ISO 14001 certification, an international standard for environmental management systems, at the Company and 20 sites at four Group companies in Japan. We are strengthening our system through a PDCA cycle.

### Environmental management system



## Initiatives to reduce environmental burden

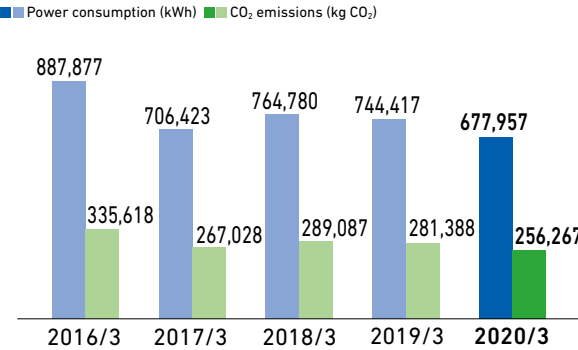
### Reduction of CO<sub>2</sub> emissions

The KAGA ELECTRONICS Head Office building employs an air supply type double-skin\* curtain wall on the exterior, allowing air to flow into the office, thus reducing heat load and providing natural ventilation. The energy efficient design also enhances sound insulation.

In addition, the building features a variety of environmental technologies, with the use of solar panels on the roof enabling eco energy and the installation of LED lighting throughout. These technologies serve to save energy and reduce CO<sub>2</sub> emissions.

\* Double-skin technology refers to a method of construction in which part or all of a building exterior is covered in glass.

### Power consumption and CO<sub>2</sub> emissions at Head Office building



### PC product reuse and recycling business

The Kaga Electronics Group company KAGA MICRO SOLUTION CO., LTD. has flexibly changed and expanded business domain to meet a wide range of customer demands, from the development, production and sale of electronic products to their repair, maintenance, reuse and recycling.

The company leverages know-how in the production of electronic equipment and an extensive procurement route for electronic parts and materials — both of which were accumulated in EMS business, a strength of the Group — to focus on a reuse and recycling business for PC products in recent years.

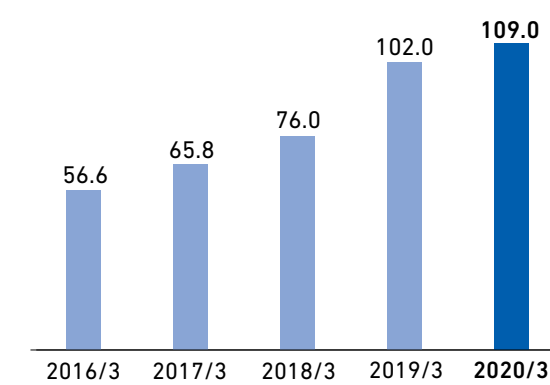
The number of reused units has been steadily increasing, and in the fiscal year ended March 31, 2020 the level remained high due in part to replacement demand for PCs equipped with Windows 10.

In addition to “reduce programs” that look especially at cutting CO<sub>2</sub> and rubbish, the Group will contribute to a reduction in environmental burden from a reuse and recycling perspective and to the realization of a recycling-oriented society.



Repair work at KAGA MICRO SOLUTION

### Number of PC products reused (thousands)





# 10-Year Financial Summary

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries  
For the years ended March 31

	2011/3	2012/3	2013/3	2014/3	2015/3	2016/3	2017/3	2018/3	2019/3	2020/3
<b>Fiscal year</b>										
Net sales (millions of yen)	237,811	229,856	216,405	257,852	255,143	245,387	227,209	235,921	292,779	443,615
Gross profit (millions of yen)	30,512	28,506	27,462	32,522	32,738	33,648	31,225	32,498	35,546	47,016
Operating income (millions of yen)	3,423	2,067	1,260	5,106	6,362	7,788	6,879	8,119	7,570	10,014
Ordinary income (millions of yen)	3,598	2,569	1,931	5,847	7,664	7,908	7,343	8,740	7,859	10,137
Profit attributable to owners of the parent (millions of yen)	1,768	914	444	3,877	4,416	5,437	6,975	6,490	8,014	5,852
Cash flows from operating activities (millions of yen)	6,321	958	7,041	3,334	9,127	9,546	10,746	10,077	-1,547	22,406
Cash flows from investing activities (millions of yen)	-6,369	-2,645	-4,910	-3,339	-1,465	-1,263	-258	-4,173	-6,860	-3,651
Free cash flow (millions of yen)	-47	-1,686	2,131	-5	7,661	8,283	10,487	5,904	-8,408	18,754
Cash flows from financing activities (millions of yen)	478	-242	-403	1,024	-4,431	-3,067	-6,118	-2,811	11,684	-7,544
Depreciation (millions of yen)	2,242	2,181	2,303	2,418	1,907	1,604	1,452	1,481	1,740	2,754
Capital expenditures/Investment and loans (millions of yen)	6,536	2,999	3,398	4,087	2,649	2,166	1,464	4,520	6,426	5,811
<b>Fiscal year end</b>										
Total assets (millions of yen)	114,599	114,714	111,888	126,028	127,948	124,281	125,751	128,755	213,761	207,638
Net assets (millions of yen)	48,512	47,936	48,806	52,825	59,603	61,808	65,932	70,631	84,259	86,250
Equity (millions of yen)	46,848	46,410	48,656	52,786	59,564	61,764	65,872	70,556	76,604	78,284
Interest bearing debts (millions of yen)	13,450	14,349	15,089	17,244	14,573	12,739	9,805	8,900	32,851	28,736
Cash and deposits (millions of yen)	11,926	9,775	12,258	14,192	18,130	22,516	26,423	30,803	35,003	43,384
Inventories (millions of yen)	19,519	21,554	18,779	21,219	22,703	19,175	19,325	19,455	40,026	31,908
<b>Per share data</b>										
EPS (yen)	64.07	33.13	16.09	137.22	156.28	192.43	249.43	236.58	292.07	213.21
Annual dividend (yen)	30.00	30.00	30.00	35.00	40.00	55.00	60.00	70.00	80.00	70.00
Payout ratio (%)	46.8	90.5	186.5	25.5	25.6	28.6	24.1	29.6	27.4	32.8
BPS (yen)	1,697.55	1,681.73	1,721.86	1,868.07	2,108.04	2,185.94	2,401.00	2,571.79	2,790.97	2,850.99
<b>Major indicators</b>										
Gross profit margin (%) *1	12.8	12.4	12.7	12.6	12.8	13.7	13.7	13.8	12.1	10.6
Operating income margin (%) *2	1.4	0.9	0.6	2.0	2.5	3.2	3.0	3.4	2.6	2.3
Ordinary income margin (%) *3	1.5	1.1	0.9	2.3	3.0	3.2	3.2	3.7	2.7	2.3
Profit attributable to owners of the parent margin (%)	0.7	0.4	0.2	1.5	1.7	2.2	3.1	2.8	2.7	1.3
ROE (%) *4	3.8	2.0	0.9	7.6	7.8	9.0	10.9	9.5	10.9	7.6
ROIC (%)	3.1	1.1	0.2	5.0	5.2	7.5	8.1	7.2	5.8	6.3
ROA (%) *5	1.5	0.8	0.4	3.3	3.5	4.3	5.6	5.1	4.7	2.8
Equity ratio (%)	40.9	40.5	43.5	41.9	46.6	49.7	52.4	54.8	35.8	37.7
Debt equity ratio (times) *6	0.29	0.31	0.31	0.33	0.24	0.21	0.15	0.13	0.43	0.37
CCC (days) *7	46.4	52.6	51.4	49.7	49.8	45.9	44.7	40.0	47.1	34.4
Receivables turnover period (days) *8	82.9	88.9	92.1	85.9	83.2	81.5	83.6	77.1	77.0	75.2
Inventory turnover period (days) *9	30.0	34.2	31.7	30.0	32.5	28.5	31.0	30.1	35.1	26.3
Payables turnover period (days) *10	66.4	70.5	72.4	66.2	65.9	64.2	69.9	67.3	65.0	67.0

\*1. Gross profit margin=Gross profit/Net sales × 100 (%)

\*2. Operating income margin=Operating income/Net sales × 100 (%)

\*3. Ordinary income margin=Ordinary income/Net sales × 100 (%)

\*4. ROE=Profit attributable to owners of the parent/Average equity × 100 (%)

\*5. ROA=Profit attributable to owners of the parent/Average total assets × 100 (%)

\*6. Debt equity ratio=Interest bearing debts/Equity (times)

\*7. Cash conversion cycle (CCC)=Receivables turnover period (days) + Inventory turnover period (days) – Payables turnover period (days)

\*8. Receivables turnover period (days)=Notes and accounts receivable-trade/Net sales × 365 (days)

\*9. Inventory turnover period (days)=Inventories/Net Sales × 365 (days)

\*10. Payables turnover period (days)=Notes and accounts payable-trade/Total purchase of goods × 365 (days)

# Analysis of Financial Condition and Results of Operations

Fiscal year ended March 31, 2020

## Analysis of financial condition

Total assets as of March 31, 2020 decreased by ¥6,122 million from the previous fiscal year-end to ¥207,638 million. Main items are as follows.

### Current assets

Current assets decreased by ¥8,064 million to ¥174,331 million. This is primarily due to a decrease of ¥10,649 million in notes and accounts receivable – trade, and a decrease of ¥8,457 million in merchandise and finished goods, although cash and deposits increased by ¥8,381 million.

### Non-current assets

Non-current assets increased by ¥1,942 million to ¥33,306 million. This was primarily because the adoption of IFRS 16 and the construction of a new factory in Fukushima and a second factory in Thailand, among other factors, increased property, plant and equipment by ¥2,963 million and investment securities decreased by ¥1,583 million.

### Total liabilities

Liabilities decreased by ¥8,113 million from March 31, 2019, to ¥121,388 million. This is primarily attributed to a ¥5,165 million reduction in borrowings as a result of factors including the repayment of borrowings.

### Total net assets

Net assets increased by ¥1,990 million from March 31, 2019, to ¥86,250 million. This was primarily due to a ¥3,793 million increase in retained earnings due to ¥5,852 million in profit attributable to owners of parent, as well as a ¥1,234 million decrease in the currency translation adjustment account resulting from currency fluctuations.

## Analysis of business performance

During the fiscal year ended March 31, 2020, in line with our corporate philosophy of “everything we do is for our customers,” the Group moved aggressively to reinforce its production capacity in Japan and overseas in response to customer requests. We set this, together with “strengthening manufacturing skills” and “improving engineering skills,” as Group’s three priority issues in order to strengthen the competitiveness of the EMS business.

Specifically, in October 2019, a manufacturing subsidiary of Pioneer Corporation became a subsidiary of the Group and KAGA EMS TOWADA CO., LTD. was established. In the same month, the new factory was completed in Sukagawa City in Fukushima Prefecture, and in December operations began at a second factory in Amata Nakorn, Thailand. A marketing division dedicated to EMS was set up from April in Fujitsu Electronics Inc. , which became a Group company in January 2019, and the entire Group worked together to expand the EMS business.

As a result, Net sales increased by 51.5% year on year to ¥443,615 million. Net sales in Japan increased by 50.1% year on year to ¥270,585 million, and overseas net sales increased by 53.8% to ¥173,029 million.

Operating income increased by 32.3% year on year to

¥10,014 million and ordinary income increased by 29.0% year on year to ¥10,137 million. Operating income reached its highest level in 15 fiscal years, exceeding the previous high of ¥8,474 million in the fiscal year ended March 31, 2005, while ordinary income recorded a new high for the first time in two fiscal years, surpassing the previous high of ¥8,740 million recorded in the fiscal year ended March 31, 2018.

### Cost of sales, selling, general and administrative expenses

Cost of sales increased by ¥139,365 million year on year to ¥396,598 million. Ratio of cost of sales to net sales was 89.4%. Selling, general and administrative expenses increased by ¥9,025 million year on year to ¥37,001 million. The main reason for the increase in cost of sales and in selling, general and administrative expenses was the full-year contribution of Fujitsu Electronics following its consolidation.

### Non-operating income and expenses

Non-operating income of ¥122 million (net) was recorded, a decrease of ¥167 million from the previous fiscal year. The decrease was mainly due to increase in loss from equity method investments.

### Extraordinary income and loss

Extraordinary income of ¥709 million was recorded reflecting notably ¥135 million in Gain on sales of investment securities. Extraordinary loss of ¥1,560 million was recorded, including ¥880 million in loss on valuation of investment securities.

### Profit attributable to owners of the parent

As a result, profit before income taxes decreased by ¥362 million from the previous fiscal year to ¥9,286 million. After deducting income taxes — current, income taxes — deferred and profit attributable to non-controlling interests, profit attributable to owners of the parent decreased by ¥2,161 million from the previous fiscal year to ¥5,852 million.

Earnings per share decreased by ¥78.86 from the previous fiscal year to ¥213.21.

## Analysis of capital resources and cash liquidity

### Cash flows

Cash and cash equivalents as of March 31, 2020 increased 10,461 million yen from March 31, 2019 to 42,693 million yen. The status and factors thereof for each cash flow category in the fiscal year ended March 31, 2020 are as follows.

#### Cash flow from operating activities

Net cash and cash equivalents provided by operating activities totaled ¥22,406 million. This was due mainly to the recording of ¥9,286 million in profit before income taxes and a decrease of ¥16,745 million in trade notes and accounts receivable and inventories.

#### Cash flow from investing activities

Net cash and cash equivalents used in investing activities totaled ¥3,651 million. The decrease was mainly due to cash outflow of ¥3,276 million for purchases of property, plant and equipment.

#### Cash flow from financing activities

Net cash and cash equivalents used in financing activities totaled ¥7,544 million. This was due mainly to the recording of ¥5,085 million in repayment of loans and ¥2,056 million in cash dividends paid.

### Funding requirements

The main elements of working capital requirements are operating expenses such as purchases of raw materials and components, manufacturing costs, and selling, general and administrative expenses. Funding requirements for investment purposes are largely in connection with capital expenditures and costs of M&As for acquisitions of new businesses and commercial rights.

### Financial policy

With respect to procurement of short-term working capital, the basic stance is to work on achieving optimal capital efficiency within the Group before resorting to borrowings from financial institutions. With respect to procurement of funds for M&As, capital expenditures and long-term working capital, the basic stance is to conduct optimal procurement from among the various methods available extending from direct to indirect financing, with due consideration given to financial condition at the time of procurement as well as to term and purpose of funding requirement.



# Consolidated Balance Sheet

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

At March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note)
<u>ASSETS</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>
CURRENT ASSETS:			
Cash and bank deposits	¥ 35,003	¥ 43,384	\$ 398,649
Notes and accounts receivable-trade	96,145	85,495	785,587
Electronically recorded monetary claims	5,361	5,876	53,994
Short-term investment securities	261	254	2,334
Merchandise and finished goods	33,734	25,276	232,261
Work in process	489	567	5,217
Raw materials and supplies	5,802	6,063	55,713
Others	5,894	7,601	69,845
Allowance for doubtful accounts	(296)	(188)	(1,730)
Total CURRENT ASSETS	<u>182,396</u>	<u>174,331</u>	<u>1,601,873</u>
NONCURRENT ASSETS:			
PROPERTY, PLANT AND EQUIPMENT			
Buildings and structures	9,436	13,899	127,716
Accumulated depreciation	(4,526)	(6,533)	(60,033)
Buildings and structures, net	<u>4,910</u>	<u>7,365</u>	<u>67,682</u>
Machinery, equipment and vehicles	8,266	10,163	93,392
Accumulated depreciation	(4,760)	(5,685)	(52,245)
Machinery, equipment and vehicles, net	<u>3,506</u>	<u>4,477</u>	<u>41,146</u>
Tools, furniture and fixtures	5,119	5,092	46,797
Accumulated depreciation	(4,015)	(4,032)	(37,049)
Tools, furniture and fixtures, net	<u>1,104</u>	<u>1,060</u>	<u>9,747</u>
Land	4,861	4,924	45,246
Construction in progress	628	145	1,334
Total PROPERTY, PLANT AND EQUIPMENT	<u>15,011</u>	<u>17,974</u>	<u>165,158</u>
INTANGIBLE ASSETS			
Goodwill	259	322	2,965
Software	1,819	1,743	16,023
Others	126	190	1,746
Total INTANGIBLE ASSETS	<u>2,206</u>	<u>2,256</u>	<u>20,734</u>
INVESTMENTS AND OTHER ASSETS:			
Investment securities	10,085	8,502	78,122
Deferred tax assets	1,292	1,584	14,557
Guarantee deposits	870	857	7,875
Insurance funds	951	894	8,216
Others	1,462	1,791	16,457
Allowance for doubtful accounts	(515)	(552)	(5,078)
Total INVESTMENTS AND OTHER ASSETS	<u>14,147</u>	<u>13,075</u>	<u>120,150</u>
Total NONCURRENT ASSETS	<u>31,364</u>	<u>33,306</u>	<u>306,043</u>
Total ASSETS	<u>¥ 213,761</u>	<u>¥ 207,638</u>	<u>\$ 1,907,917</u>

	Millions of Yen		Thousands of U.S. Dollars (Note)
<u>LIABILITIES</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>
CURRENT LIABILITIES:			
Notes and accounts payable-trade	¥ 77,884	¥ 70,188	\$ 644,936
Short-term loans payable	30,656	6,540	60,094
Accrued expenses	5,307	5,739	52,741
Income taxes payable	1,147	1,884	17,314
Provision for directors' bonuses	105	101	930
Others	6,239	9,201	84,550
Total CURRENT LIABILITIES	<u>121,340</u>	<u>93,655</u>	<u>860,569</u>
NONCURRENT LIABILITIES:			
Long-term loans payable	1,882	20,833	191,431
Deferred tax liabilities	1,300	1,378	12,665
Provision for directors' retirement benefits	94	95	873
Net defined benefit liabilities	1,997	1,969	18,093
Asset retirement obligations	280	329	3,029
Others	2,606	3,127	28,733
Total NONCURRENT LIABILITIES	<u>8,161</u>	<u>27,732</u>	<u>254,827</u>
Total LIABILITIES	<u>129,501</u>	<u>121,388</u>	<u>1,115,396</u>
NET ASSETS:			
SHAREHOLDERS' EQUITY			
Capital stock	12,133	12,133	111,490
Capital surplus	13,865	13,878	127,522
Retained earnings	51,297	55,091	506,212
Treasury stock	(2,024)	(2,005)	(18,427)
Total SHAREHOLDERS' EQUITY	<u>75,272</u>	<u>79,097</u>	<u>726,797</u>
ACCUMULATED OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	1,018	0	2
Deferred gains or losses on hedges	2	28	262
Foreign currency translation adjustment	527	(707)	(6,501)
Remeasurements of defined benefit obligations	(215)	(133)	(1,228)
Total ACCUMULATED OTHER COMPREHENSIVE INCOME	<u>1,332</u>	<u>(812)</u>	<u>(7,464)</u>
Non-controlling interests	<u>7,654</u>	<u>7,965</u>	<u>73,188</u>
Total NET ASSETS	<u>84,259</u>	<u>86,250</u>	<u>792,520</u>
Total LIABILITIES AND NET ASSETS	<u>¥ 213,761</u>	<u>¥ 207,638</u>	<u>\$ 1,907,917</u>

Note : The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the rate of exchange at March 31, 2020.

# Consolidated Statement of Income and Comprehensive Income

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2020

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2019	2020	2020
Net sales	¥ 292,779	¥ 443,615	\$ 4,076,221
Cost of sales	257,233	396,598	3,644,202
Gross profit	35,546	47,016	432,019
Selling, general and administrative expenses	27,976	37,001	339,995
Operating income	7,570	10,014	92,023
NON-OPERATING INCOME			
Interest income	174	269	2,477
Dividend income	175	199	1,835
Commission fee	209	228	2,095
Foreign exchange gains	-	275	2,530
House rent income	106	126	1,165
Others	349	385	3,541
Total NON-OPERATING INCOME	1,015	1,485	13,645
NON-OPERATING EXPENSES			
Interest expenses	200	308	2,830
Share of loss of entities accounted for using equity method	194	905	8,318
Foreign exchange losses	177	-	-
Others	153	149	1,374
Total NON-OPERATING EXPENSES	726	1,362	12,523
Ordinary income	7,859	10,137	93,146
EXTRAORDINARY INCOME			
Gain on sales of property, plant and equipment	17	61	564
Gain on sales of investment securities	215	135	1,246
Gain on negative goodwill	2,164	-	-
Gain on transfer of business	7	12	115
Settlement received	-	498	4,580
Others	-	1	13
Total EXTRAORDINARY INCOME	2,403	709	6,520
EXTRAORDINARY LOSS			
Loss on disposal of property, plant and equipment	16	12	117
Loss on sales of investment securities	2	57	525
Loss on valuation of investment securities	550	880	8,086
Loss on valuation of golf club membership	6	-	-
Special retirement expenses	-	199	1,833
Impairment loss	31	380	3,495
Others	8	30	278
Total EXTRAORDINARY LOSS	¥ 614	¥ 1,560	\$ 14,337

	Millions of Yen		Thousands of U.S. Dollars (Note)
	2019	2020	2020
Income before income taxes	¥ 9,649	¥ 9,286	\$ 85,329
Income taxes-current	1,477	3,054	28,062
Income taxes-deferred	120	(61)	(562)
Total income taxes	1,597	2,992	27,499
Net income	8,051	6,293	57,829
Profit attributable to owners of the parent	8,014	5,852	53,776
Profit attributable to non-controlling interests	37	441	4,053
OTHER COMPREHENSIVE INCOME			
Changes in the fair value of available-for-sale securities	(489)	(1,018)	(9,354)
Deferred gains or losses on hedges	18	26	239
Foreign currency translation adjustment	307	(1,260)	(11,578)
Remeasurements of defined benefit obligations, net of tax	9	68	624
Share of other comprehensive income of entities accounted for using equity method	(49)	(104)	(955)
Total OTHER COMPREHENSIVE INCOME	(203)	(2,288)	(21,024)
Comprehensive income	¥ 7,848	¥ 4,005	\$ 36,805
Comprehensive income attributable to:			
Owners of the parent	¥ 7,801	¥ 3,708	\$ 34,071
Non-controlling interests	47	297	2,733

Note : The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the rate of exchange at March 31, 2020.



# Consolidated Statement of Cash Flows

Kaga Electronics Co., Ltd. and Consolidated Subsidiaries

For the year ended March 31, 2020

	Thousands of U.S. Dollars (Note)			Thousands of U.S. Dollars (Note)	
	Millions of Yen			Millions of Yen	
	2019	2020	2020	2019	2020
NET CASH PROVIDED BY OPERATING ACTIVITIES					
Income before income taxes	¥ 9,649	¥ 9,286	\$ 85,329	¥ (2,661)	¥ (893)
Depreciation and amortization	1,740	2,754	25,305	\$ (8,207)	\$ (2,661)
Impairment loss	31	380	3,495	1,944	2,924
Amortization of goodwill	85	98	909	(3,027)	(3,276)
(Decrease) Increase in net defined benefit liability	(58)	8	74	(30,104)	(30,104)
Decrease in provision for directors' retirement benefits	(4)	(1)	(16)	111	271
(Decrease) Increase in provision for directors' bonuses	(160)	30	278	(420)	(355)
Increase in allowance for doubtful accounts	53	0	6	(2,977)	(2,180)
Interest and dividend income	(351)	(469)	(4,312)	575	651
Interest expenses	200	308	2,830	(286)	(321)
Share of profit of entities accounted for using equity method	194	905	8,318	(2)	(551)
Gain on sales of property, plant and equipment	(10)	(43)	(397)	3	1
Loss on retirement of property, plant and equipment	16	12	117	(13)	(2)
Gain on sales of investment securities	(212)	(78)	(721)	10	59
Loss on valuation of investment securities	550	880	8,086	29	(34)
Gain on negative goodwill	(2,164)	-	-	25	41
Settlement received	-	(498)	(4,580)	(125)	(96)
(Increase) Decrease in notes and accounts receivable-trade	(1,152)	9,086	83,494	12	108
(Increase) Decrease in inventories	(2,145)	7,658	70,373	(6,860)	(3,651)
Decrease in notes and accounts payable-trade	(6,746)	(6,667)	(61,260)	(33,556)	(33,556)
Increase in accounts receivable-other	(207)	(1,149)	(10,560)		
Increase in accrued expenses	552	384	3,528		
Decrease (Increase) in advance payments	292	(1,431)	(13,157)		
(Increase) Decrease in consumption taxes refund receivable	(2)	266	2,452		
(Increase) Decrease in other current assets	(191)	93	859		
Increase in other current liabilities	276	2,106	19,358		
Others, net	135	(350)	(3,219)		
Subtotal	371	23,571	216,593		
Interest and dividend income received	349	481	4,427		
Interest expenses paid	(189)	(316)	(2,904)		
Income taxes paid	(2,078)	(1,829)	(16,811)		
Settlement package received	-	498	4,580		
Others, net	0	0	1		
Net cash provided by (used in) operating activities	¥ (1,547)	¥ 22,406	\$ 205,886		
NET CASH USED IN INVESTING ACTIVITIES					
Payments for time deposits	¥ (2,661)	¥ (893)	\$ (8,207)		
Proceeds from withdrawal of time deposits	1,944	2,924	26,874		
Purchase of property, plant and equipment	(3,027)	(3,276)	(30,104)		
Proceeds from sales of property, plant and equipment	111	271	2,497		
Purchase of intangible assets	(420)	(355)	(3,262)		
Purchase of investment securities	(2,977)	(2,180)	(20,035)		
Proceeds from sales of investment securities	575	651	5,983		
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(286)	(321)	(2,953)		
Payments of short-term loans receivable	(2)	(551)	(5,063)		
Collection of short-term loans receivable	3	1	18		
Purchase of insurance funds	(13)	(2)	(24)		
Proceeds from cancellation of insurance funds	10	59	545		
Payments for guarantee deposits	(29)	(34)	(321)		
Proceeds from collection of guarantee deposits	25	41	382		
Other payments	(125)	(96)	(885)		
Other proceeds	12	108	1,000		
Net cash used in investing activities	(6,860)	(3,651)	(33,556)		
NET CASH USED IN FINANCING ACTIVITIES					
Increase in short-term loans payable	15,137	(24,038)	(220,884)		
Proceeds from long-term loans payable	-	20,266	186,223		
Repayment of long-term loans payable	(1,269)	(1,312)	(12,063)		
Purchase of treasury stock	(1)	(0)	(7)		
Cash dividends paid	(2,054)	(2,056)	(18,892)		
Others, net	(127)	(402)	(3,697)		
Net cash (used in) provided by financing activities	11,684	(7,544)	(69,321)		
Effect of exchange rate change on cash and cash equivalents	75	(748)	(6,878)		
Net increase in cash and cash equivalents	3,352	10,461	96,129		
Cash and cash equivalents-beginning balance	28,879	32,231	296,165		
Cash and cash equivalents-ending balance	¥ 32,231	¥ 42,693	\$ 392,295		

Note : The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥108.83 to \$1, the rate of exchange at March 31, 2020.

# Corporate Information

As of April 1, 2020

## Company overview

Name	KAGA ELECTRONICS CO., LTD.
Address	20 Kanda Metsunagacho, Chiyoda-ku, Tokyo 101-8629, Japan
TEL	+81-3-5657-0111
FAX	+81-3-3254-7131
Business description	Sale of electronic parts and semiconductors, EMS*, and sale of finished products such as PCs and PC peripherals, etc. * Electronics manufacturing services: Provision of product development and manufacturing services on a contract basis
Founded	September 12, 1968
Capital	¥12,133 million
Number of Group companies	66 (20 in Japan, 43 overseas and three accounted for by the equity method)



## Board members

Founder & CEO	Isao Tsukamoto
President & COO	Ryoichi Kado
Senior Managing Director	Shinsuke Takahashi
Senior Managing Director	Shintaro Kakei
Managing Director	Eiji Kawamura Chief of Administration Headquarters
Director	Motonori Toshinari Division Director of EMS Business Division
Director	Mitsuhiro Nohara Division Director of Electronics Sales Division
Outside Director	Susumu Miyoshi
Outside Director	Akira Tamura
Outside Director	Noritomo Hashimoto
Auditor (Full-time)	Kazunori Kameda
Auditor (Full-time)	Takahiro Ishii
Outside Auditor	Susumu Kitsunai
Outside Auditor	Yoichi Sato

## Executive Officers

Senior Executive Officer	Mitsuhiro Ikeda	President of KAGA SOLUTION NETWORK CO., LTD.
Executive Officer	Shoji Seki	President of KAGA SPORTS CO., LTD.
Executive Officer	Hiroki Suzuki	Division Director of Specific Industry Sales Division
Executive Officer	Takeshi Tsukamoto	Director and Senior Executive Officer of Fujitsu Electronics Inc.
Executive Officer	Takao Okabe	Supervisor of China Headquarters
Executive Officer	Hiroaki Maruyama	Deputy Division Director of Administration Headquarters and General Manager of Finance & Accounting Department
Executive Officer	Kazuhira Watanabe	Division Director of Communication Network Sales Division
Executive Officer	Takahiro Urazawa	President of DIGITAL MEDIA LAB., INC.
Executive Officer	Hironaga Nagasaka	Supervisor of ASEAN Headquarters
Executive Officer	Yasuhiro Ishihara	Director and Managing Executive Officer of Fujitsu Electronics Inc.
Executive Officer	Katsutoshi Suzuki	Division Director of Sales Promotion Division and President of KAGA (KOREA) ELECTRONICS CO., LTD.
Executive Officer	Satoshi Eguchi	President of KAGA MICRO SOLUTION CO., LTD.
Executive Officer	Mitsuhiro Kumabe	Chairman & Representative Director of KAGA SOLUTION NETWORK CO., LTD.
Executive Officer	Hitoshi Koujitani	General Manager of Corporate Strategy Office

## Major affiliates in Japan

### KAGA TECH CO., LTD.

Sale of electronic parts and electronic equipment, etc.

### KAGA DEVICES CO., LTD.

Sale of electronic parts and electronic equipment, etc.

### KAGA SOLUTION NETWORK CO., LTD.

Development, design, construction and maintenance of computer network systems, etc.

### AD DEVICE CO., LTD.

Sale of electronic parts and electronic equipment, etc.

### KAGA MICRO SOLUTION CO., LTD.

Development, manufacture and sale of PCs and PC peripherals, etc.

### Digital Media Lab., Inc.

Planning, development and sale of computer graphics

### KAGA SPORTS CO., LTD.

Manufacture, wholesale and sale of sporting goods, etc.

### KAGA AMUSEMENT CO., LTD.

Sale of electronic parts and electronic equipment, etc.

### KAGA TECHNO SERVICE CO., LTD.

Electrical and communication facilities installation, interior work, etc.

### Fujitsu Electronics Inc.

Sale of electronic parts and electronic equipment, etc.

### KAGA EMS TOWADA CO., LTD.

Manufacture and sale of electronic parts and electronic equipment, etc.

### EXCEL CO., LTD.

Sale of electronic parts and electronic equipment, etc.

## Major affiliates overseas

China	Asia	North America	Europe
 KAGA (SHENZHEN) ELECTRONICS CO., LTD.	 KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.	 KAGA COMPONENTS (MALAYSIA) SDN.BHD.	 KAGA ELECTRONICS (USA) INC.
 KAGA (SHANGHAI) ELECTRONICS CO., LTD.	 KAGA (H.K.) ELECTRONICS LIMITED	 KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	 TAXAN MEXICO, S.A. DE C.V.
			 Fujitsu Electronics Europe GmbH

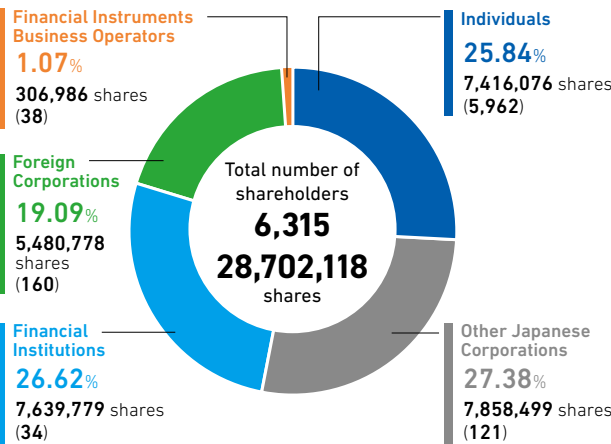
## Stock information

As of March 31, 2020

Total number of shares authorized	80,000,000 shares
Total number of shares outstanding	28,702,118 shares
Number of shares constituting one unit	100 shares
Number of shareholders	6,315

## Breakdown by type of shareholder

As of March 31, 2020



## Principal shareholders

As of March 31, 2020

Name	Number of shares held (thousand shares)	Percentage of total shares issued
SANKYO CO., LTD.	3,824	13.93
OKOZE CO., LTD.	1,840	6.70
Japan Trustee Services Bank, Ltd. (Trust Account)	1,385	5.04
MUFG Bank, Ltd.	1,212	4.42
Kaga Electronics Employee Shareowners Association	1,160	4.23
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,096	3.99
Mizuho Bank, Ltd.	950	3.46
Isao Tsukamoto	732	2.67
Mitsubishi Electric Corporation	500	1.82
Nippon Life Insurance Company	459	1.67

Notes: 1. The number of shares held have been rounded down to the nearest thousand shares.  
2. In addition to the above, there are 1,241 thousand shares of treasury stock.  
3. Percentage of total shares issued is calculated after excluding treasury stock.  
4. The number of shares held by Japan Trustee Services Bank, Ltd. and The Master Trust Bank of Japan, Ltd. are the sums of the number of shares held by the trust business of each bank.  
5. The trade name of Japan Trustee Services Bank, Ltd. was changed to Custody Bank of Japan, Ltd. following the merger on July 27, 2020.