

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

Managing Director
KAGA ELECTRONICS CO., LTD.

Eiji Kawamura

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

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

FY2021/ 2Q Results	<ul style="list-style-type: none"> ● Although PC sales grew due to the growing utilization of remote work during the coronavirus outbreak, net sales fell as a result of a significant impact from changes in commercial rights and commercial distribution with major business partners. ● Both operating income and ordinary income declined, despite efforts to reduce SG&A expenses in line with lower sales. ● Net income increased due to a gain on bargain purchase following a M&A. 				
Overview of the main segments	<table border="0" style="width: 100%;"> <tr> <td style="background-color: #003366; color: white; text-align: center; vertical-align: middle;">Electronic Components</td> <td> <ul style="list-style-type: none"> · Net sales were down in the components sales business because, although Excel was consolidated in April 2020, the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor pushed sales down sharply. · The EMS business maintained a steady performance in the medical equipment area, but sales fell for automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lock downs. </td> </tr> <tr> <td style="background-color: #003366; color: white; text-align: center; vertical-align: middle;">Information Equipment</td> <td> <ul style="list-style-type: none"> · Sales rose in the PC sales business due to an increase in remote work and online classes. · The house-related home electric appliances business continued to post lower sales. </td> </tr> </table>	Electronic Components	<ul style="list-style-type: none"> · Net sales were down in the components sales business because, although Excel was consolidated in April 2020, the termination of Fujitsu Electronics' sales agency agreement with Cypress Semiconductor pushed sales down sharply. · The EMS business maintained a steady performance in the medical equipment area, but sales fell for automotive and air conditioning devices due to the impact of the partial suspension of operations at overseas plants during the lock downs. 	Information Equipment	<ul style="list-style-type: none"> · Sales rose in the PC sales business due to an increase in remote work and online classes. · The house-related home electric appliances business continued to post lower sales.
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Information Equipment	<ul style="list-style-type: none"> · Sales rose in the PC sales business due to an increase in remote work and online classes. · The house-related home electric appliances business continued to post lower sales. 				
Revised Forecast for FY2021/3	<ul style="list-style-type: none"> ● There are signs of a gradual recovery from the pandemic in some manufacturing industries, moreover, 2Q earnings results surpassed internal plans. Given these factors, we have raised our forecasts for net sales, operating income and ordinary income upward from the previous forecasts (released on August 6). No change in final profit due to uncertainty in the second half. 				
Shareholder Return	<ul style="list-style-type: none"> ● Interim dividend was decided to be 30 yen per share as initially announced. ● Year-end dividend will remain unchanged at the initial forecast of 30 yen per share. 				

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

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

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

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

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

Financial Highlights

(million yen)

	FY2020/3 2Q Results		FY2021/3 2Q Results		YoY	FY2021/3 Forecast		Progress rate
Net Sales	230,630		188,859		-18.1%	40,000		47.2%
Gross Profit	23,771	10.3%	21,641	11.5%	-9.0%	—	—	—
SG&A	18,531	8.0%	17,206	9.1%	-7.1%	—	—	—
Operating income	5,239	2.3%	4,434	2.3%	-15.4%	5,000	1.3%	88.7%
Ordinary income	5,546	2.4%	4,338	2.3%	-21.8%	4,500	1.1%	96.4%
Profit attributable to owners of parent	3,502	1.5%	10,772	5.7%	207.3%	10,000	2.5%	107.7%
EPS (yen)	127.62	—	392.30	—	—	364.18	—	—
Exchange Rate	USD	108.63	—	106.92	—	—	—	—

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

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

Financial Results by Business Segment for FY2021/3 2Q

(million yen)

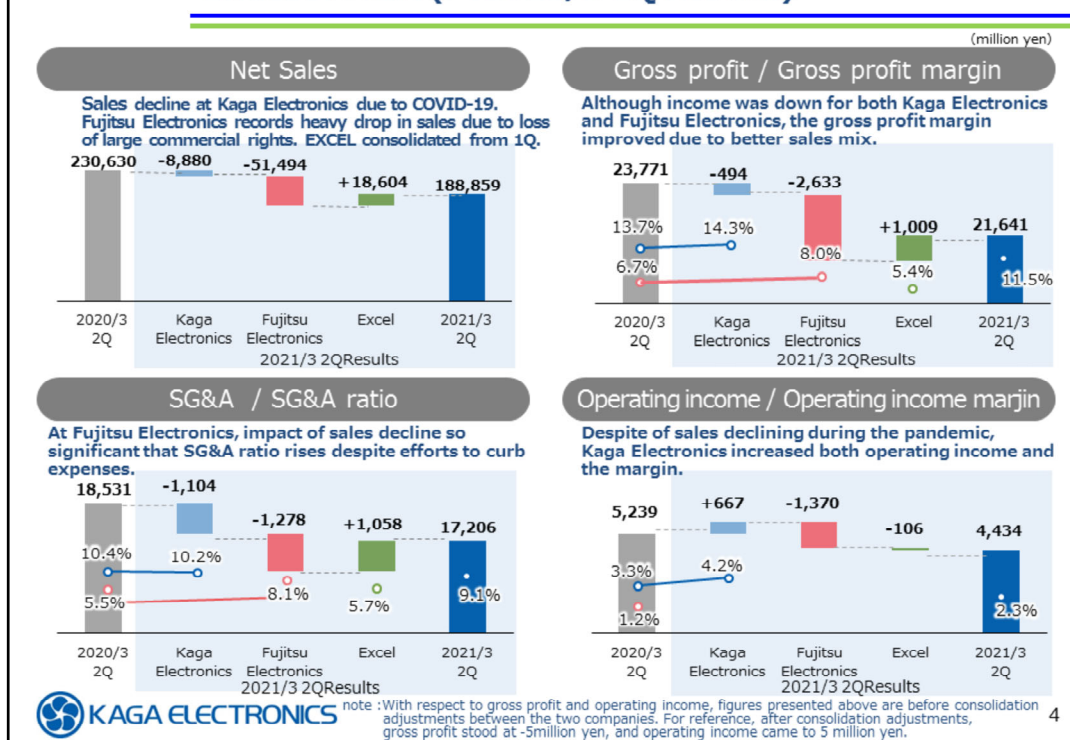
		FY2020/3 2Q Results		FY2021/3 2Q Results		YoY
Electronic Component	Net sales	199,818		156,887		-21.5%
	Segment income	4,238	2.1%	3,083	2.0%	-27.3%
Information Equipment	Net sales	19,968		23,192		16.1%
	Segment income	618	3.1%	1,160	5.0%	87.8%
Software	Net sales	1,332		1,274		-4.3%
	Segment income	46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

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

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

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

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



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

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

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

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

FY2021/3 2Q results by company

(million yen)

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

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

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

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

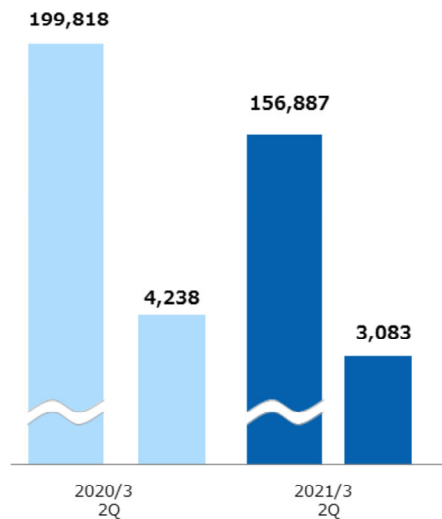
Excel posted sales of JPY18,604 million. Gross profit was JPY1,009 million. It incurred operating loss of JPY106 million.

Financial Highlights: Electronic Component Segment

(Million Yen)

Net sales/Segment income

YoY



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

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

• The EMS business continued to perform well in the medical equipment area, but was sluggish in the areas of automotive and air conditioning devices.

• The company was affected by partial suspension of operations and production adjustments at overseas plants due to the pandemic.



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

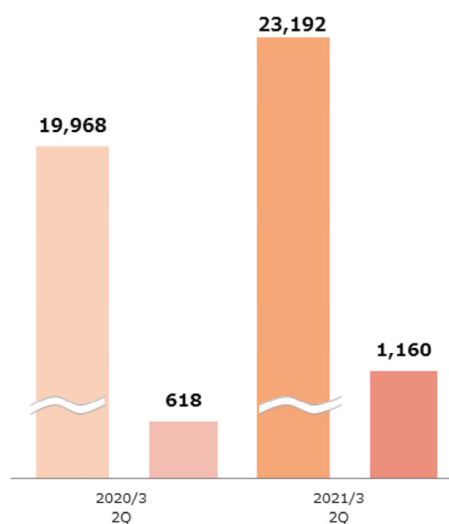
The EMS Business continued to perform well in the medical equipment area, but was sluggish in the areas of automotive and air conditioning devices. The Company was affected by partial suspension of operations and production adjustments at overseas plants due to the pandemic.

Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income

YoY



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

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

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



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

Financial Highlights (3months)

(million yen)

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

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


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

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

(million yen)

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

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


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

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

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

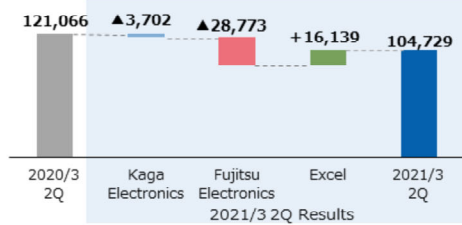
Sales in the Others Segment were JPY4,600 million, down 9.8% YoY and up 58.4% QoQ. Segment income was JPY137 million, down 26.2% YoY. The segment turned into the black from loss of JPY101 million in the previous quarter.

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

(million yen)

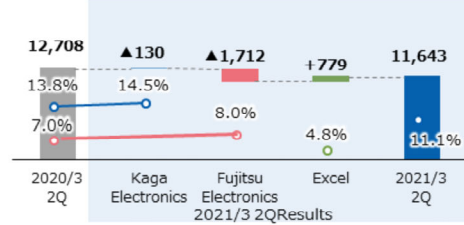
Net Sales

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



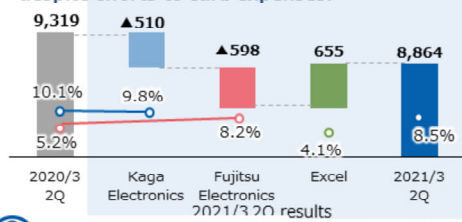
Gross profit / Gross profit margin

Kaga Electronics improved sales mix and gross profit declined limitedly.



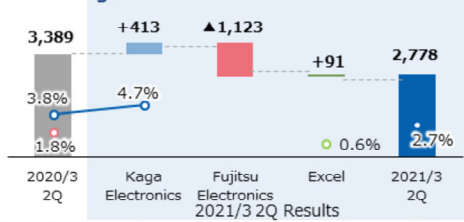
SG&A / SG&A ratio

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



Operating income / Operating income margin

Despite of sales declining during the pandemic, Kaga Electronics increased both operating income and the margin.



note :With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at -2million yen, and operating income came to 3million yen.

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

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

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

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

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

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

Financial Highlights: Electronic Component Segment(3months)

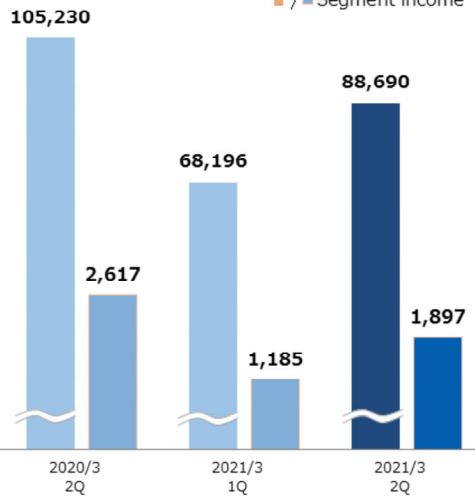
(million Yen)

Net sales/Segment income

YoY

■ / ■ Net Sales
■ / ■ Segment income

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



QoQ

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

Financial Highlights: Information Equipment Segment (3months)

(million yen)

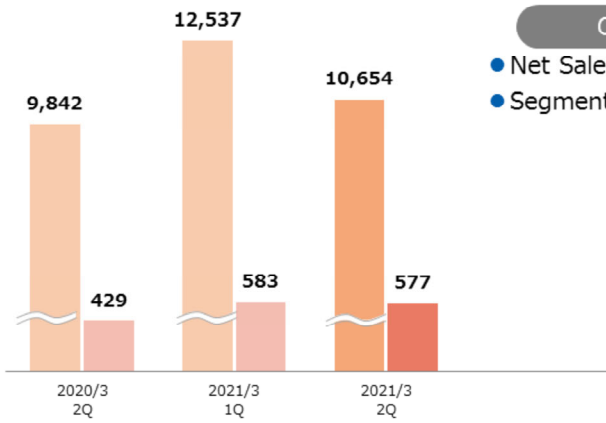
Net sales/Segment income

YoY

- / ■ Net Sales ● Net Sales **+811**million yen **8.2%Up**
- / ■ Segment Income ● Segment income **+148**million yen **34.6%Up**

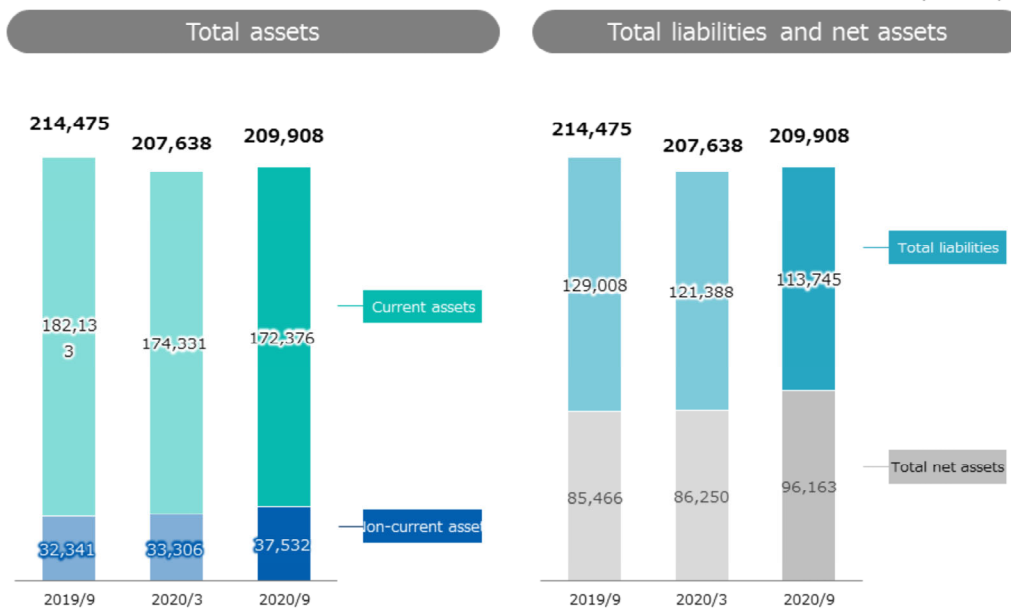
QoQ

- Net Sales **-1,882**million yen **15.0%Down**
- Segment income **-5**million yen **0.9%Down**



Balance Sheet Main Items

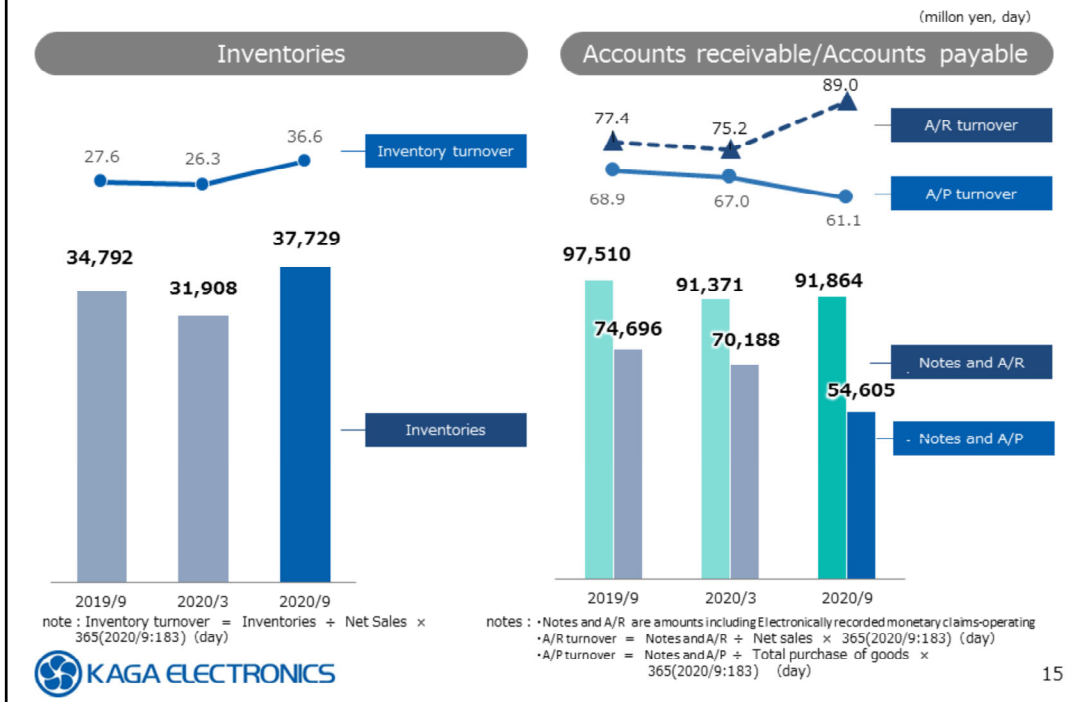
(million Yen)



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

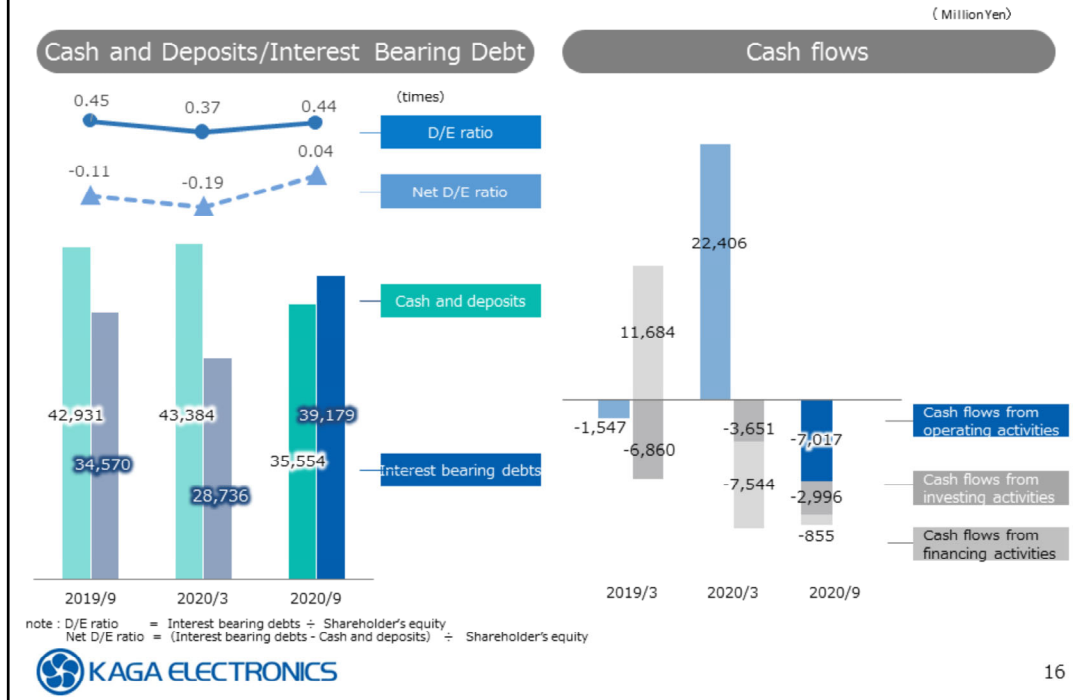
Total liabilities were JPY113,745 million, a decrease of JPY7,643 million from the end of March. Net assets were JPY96,163 million, an increase of JPY9,913 million.

Balance Sheet Main Items



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

Cash and Deposits/Interest Bearing Debt/Cash Flows Balance



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

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

Supplementary information on cash flow

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

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

Main factors

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

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

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

Forecast for the Fiscal Year ending March, 2021

(Million Yen)

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

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

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

Breakdown of revised forecasts for FY2021/3

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



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

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

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

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

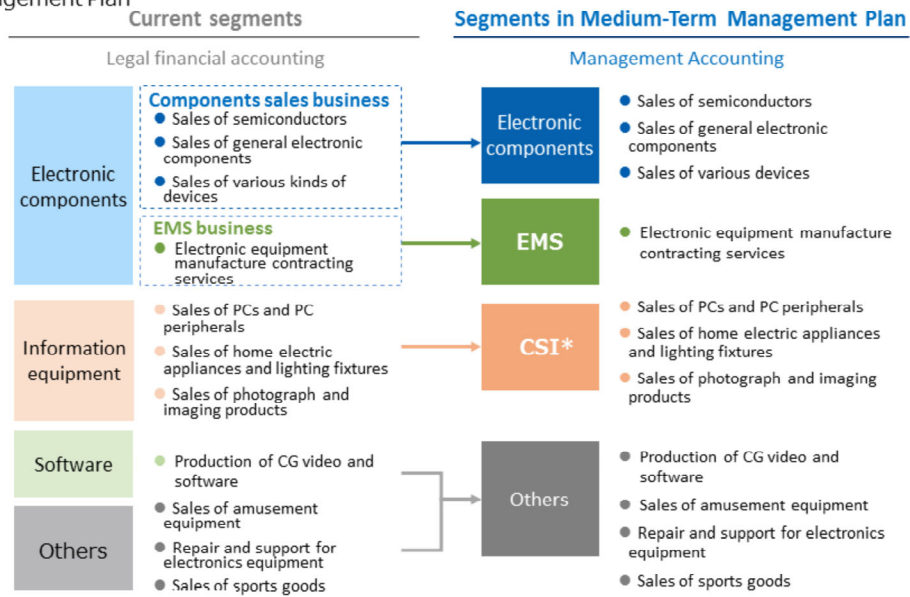
As described above, we are pursuing our businesses in an extremely challenging environment, and our full-year results are expected to incur YoY falls in both sales and profits. However, we would like to do our utmost to improve our business performance of the whole Group, and we appreciate your support.

Thank you for your listening.

Reference

Segment disclosure associated of the Medium-Term Management Plan

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



Business segments of Parent company and Group companies

	Electronic Components	EMS	CSI	Others
KAGA ELECTRONICS CO., LTD.				
Electronics Business Division	●	●	(●)	●
EMS Business Division		●		
Communication Network Sales Division	●	●	●	(●)
Specific Industry Business Division	●	●	(●)	●
Sales Promotion Division	●			
Major Affiliates in Japan				
KAGA TECH CO., LTD.	●	(●)	(●)	(●)
KAGA DEVICES CO., LTD.	●	●	●	●
KAGA SOLUTION NETWORK CO., LTD.			●	
AD DEVICE CO., LTD.	●			
KAGA MICRO SOLUTIONCO., LTD.		●	(●)	●
DIGITAL MEDIA LAB., INC.				●
KAGA SPORTS CO., LTD.				●
KAGA AMUSEMENT CO., LTD.				●
KAGA TECHNOSERVICE CO., LTD.			●	
FUJITSU ELECTRONICS INC.	●			
KAGA EMS TOWADA CO., LTD.		●		
EXCEL CO., LTD.	●			
Major Affiliates Overseas				
KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.		●		
KAGA (SHANGHAI) ELECTRONICS CO., LTD.	(●)	●		
KAGA (SHENZHEN) ELECTRONICS CO., LTD.		●		
KAGA (H.K.) ELECTRONICS LIMITED		●		
KAGA DEVICES (H.K.) LIMITED	●			
KAGA (TAIWAN) ELECTRONICS CO., LTD	●	(●)		
KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	(●)	●		
KAGA COMPONENTS (MALAYSIA) SDN.BHD.		●		
KAGA ELECTRONICS INDONESIA, PT	●	●		
KAGA ELECTRONICS (VIETNAM) CO., LTD.		●		
KAGA (SINGAPORE) ELECTRONICS PTE LTD	●	(●)		(●)
KAGA ELECTRONICS (USA) INC.	●	●		
TAXAN MEXICO S.A. de C.V.		●		
KD TEC s.r.o.	●	●		

Reference

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

(Million Yen)

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

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

Reference

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

(Million Yen)

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

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

Forecasts by Business Segment of the Medium-Term Management Plan

(million yen)

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

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

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



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