

# Financial Results Briefing Material

for the Fiscal Year ended March 2021

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**KAGA ELECTRONICS CO., LTD.**

TSE 1st section 8154

May 27, 2021

# INDEX

## ● **FY2021/3 Financial Results** P-3~

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Summary/Financial Highlights

Financial Highlights by Business Segment/  
Balance Sheet/Cash Flows/Forecasts

## ● **Management Topics** P-29~

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Overview of FY2021/3/ Targets of the

Medium-Term Management Plan/

Progress of PMI at KAGA FEI・EXCEL/

Response to the Spread of Novel

Coronavirus Infection/

Strengthening the Governance System/

SDGs Committee

## ● **Reference** P-39~

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# Consolidated Financial Results for the Fiscal Year ended March 2021

Managing Director

**Eiji Kawamura**

# Summary of Fiscal Year Ended March 2021

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

# Financial Highlights for FY2021/3

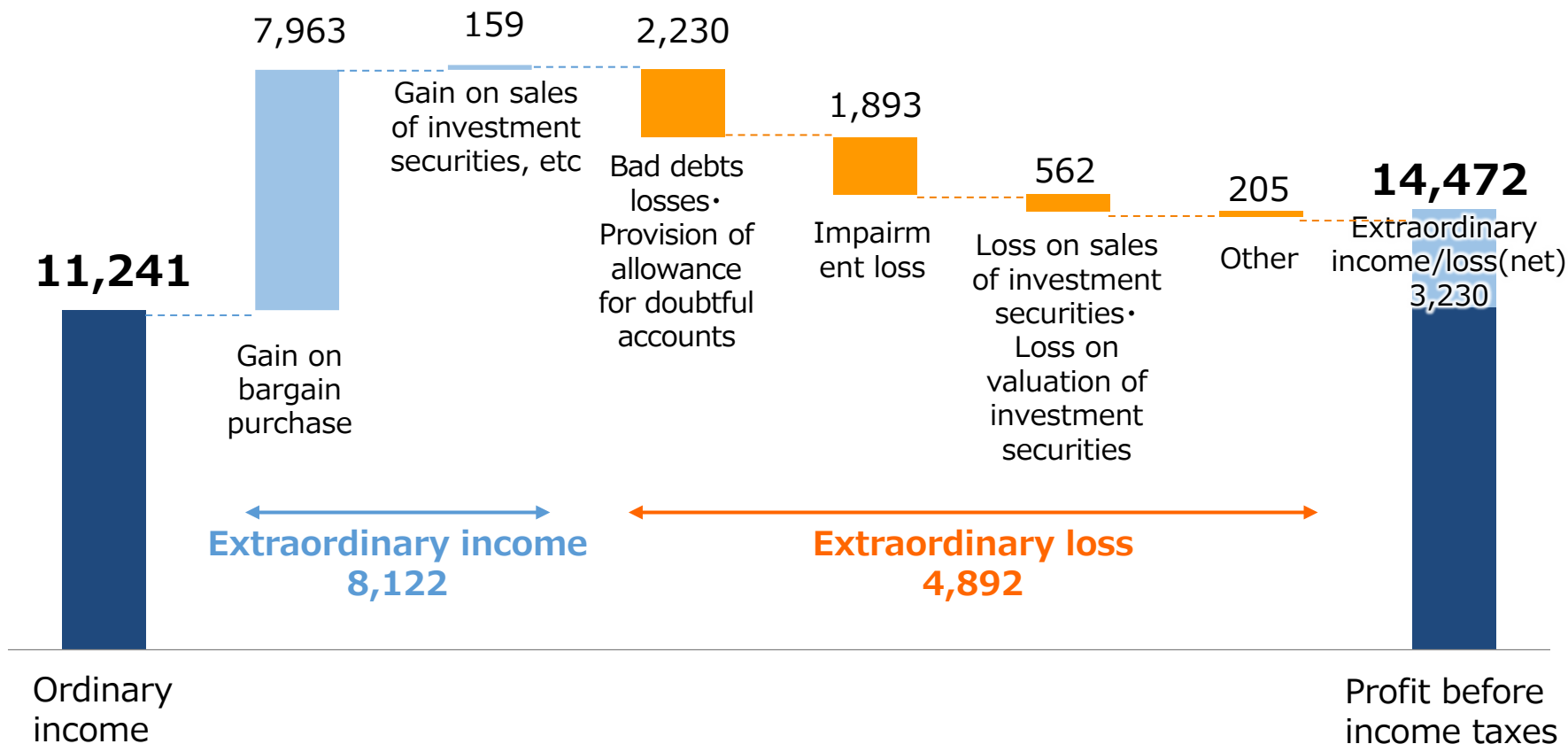
\* announced on February 4, 2021

(million yen)

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

# Breakdown of extraordinary gains/losses for FY2021/3

(million yen)



# Financial Results by Business Segment for FY2021/3

(million yen)

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

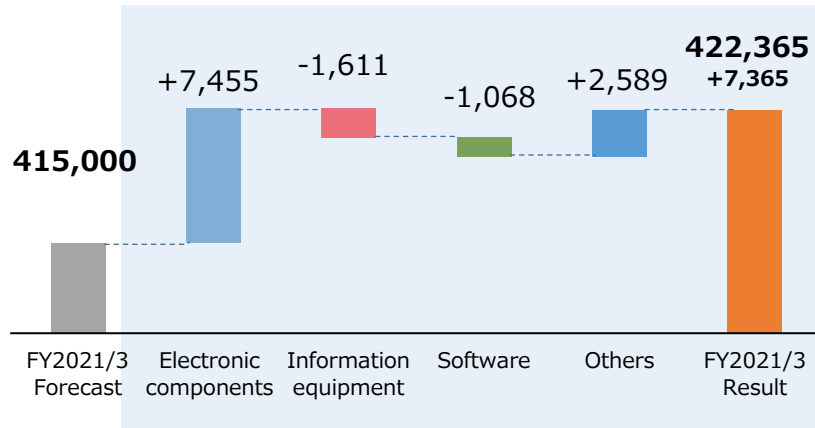
Note: Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).

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

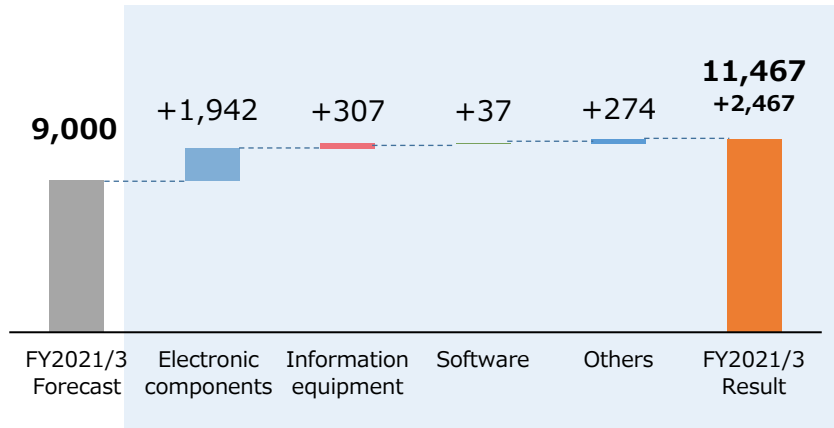
(million yen)

## Net sales

### < by Business Segment >

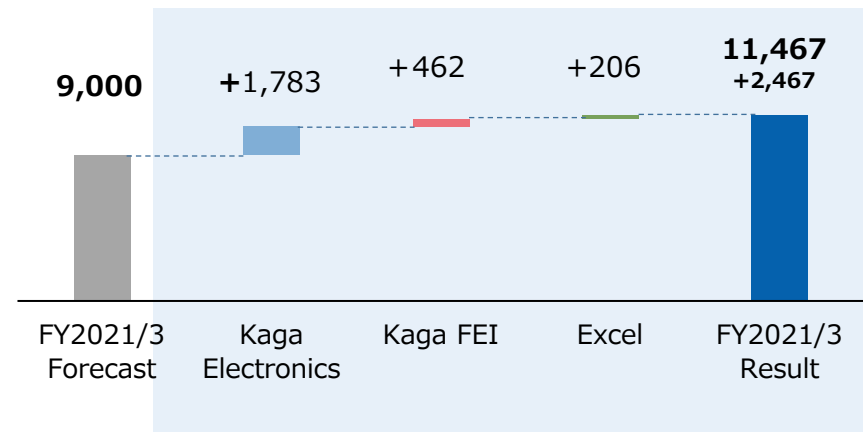
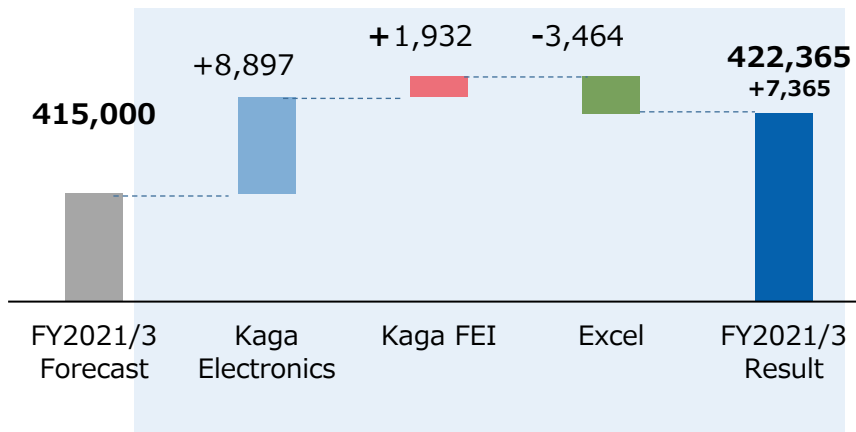


## Operating income



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

### <by company>



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




# Financial Highlights: Electronic Component

(Million Yen)

Net sales/Segment income

YoY


 Net sales  
 Segment income

- Net sales ▶ **-24,133**million Yen **6.4%Down**
- Segment Income ▶ **+647**million Yen **8.6%Up**

377,587

353,454

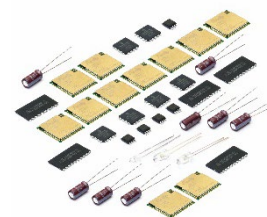
7,503

8,151

FY2020/3  
Results

FY2021/3  
Results

- The components sales business was solid due to its response to the recovery in demand from the second half of the fiscal year, in addition to the effect of higher sales resulting from the consolidation of EXCEL.
- However, results undercut levels in the previous year due to the lingering effect of the termination of Kaga FEI's sales agency agreement with Cypress Semiconductor Corporation and other factors.
- The EMS business hit bottom in Q1, when it was hurt by the lockdown of some overseas plants during the COVID-19 pandemic.
- Demand recovered rapidly from the middle of the fiscal year, particularly in the automotive and industrial equipment sectors, due to the resumption of economic activity.



# Financial Highlights: Information Equipment

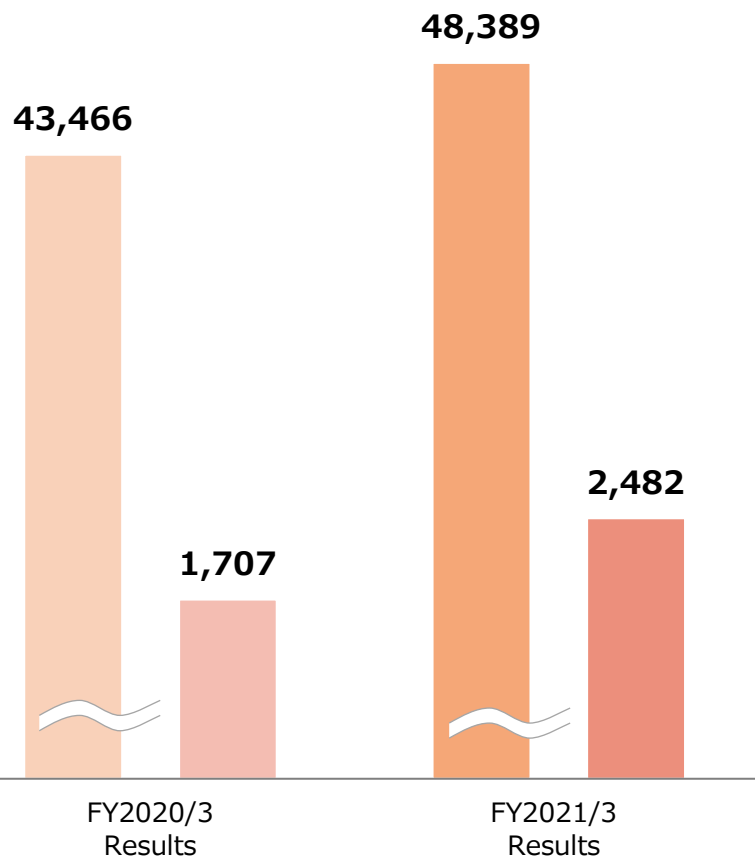
(Million Yen)

Net sales/Segment income

YoY

Net sales  
Segment income

- Net sales ▶ **+4,922**million Yen **11.3%Up**
- Segment Income ▶ **+774**million Yen **45.3%Up**



- The increase of telework and online learning led to growth in the sale of PCs, PC peripheral equipment and security software to electronics retail stores and schools and other educational institutions.
- Sales of thermography equipment for temperature checks and sterilizing deodorizers with antiviral functions were solid as products aimed at countering COVID-19.

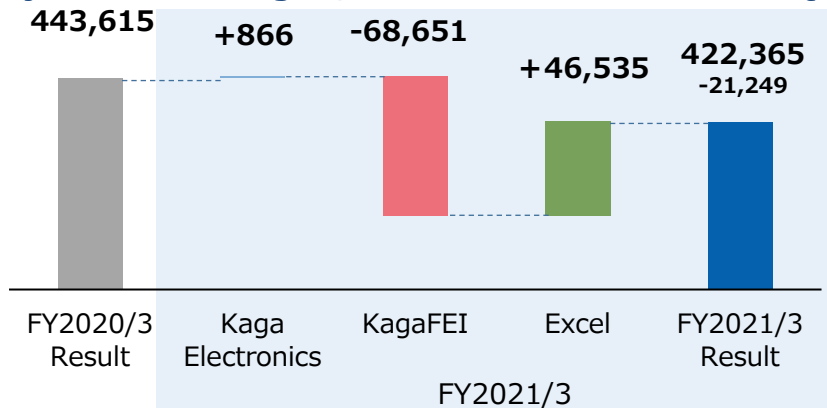


# Effect of M&A

(million yen)

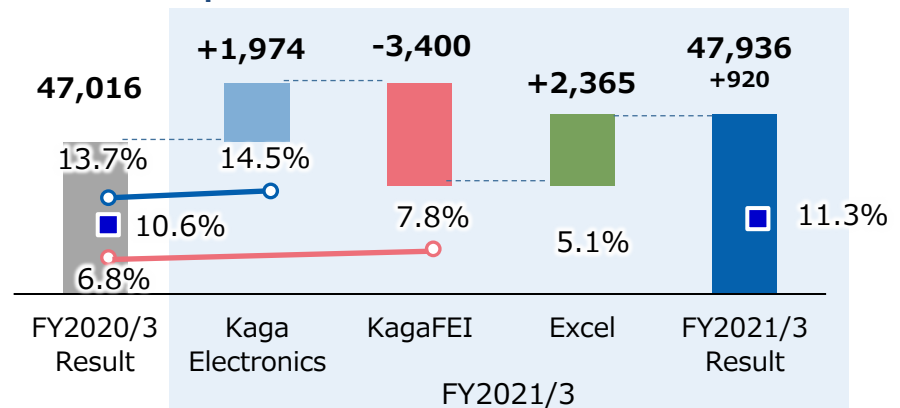
## Net Sales

Despite the impact of COVID-19, sales increased for Kaga Electronics; sales fell sharply for Kaga FEI due to the loss of major commercial rights; EXCEL was consolidated from Q1



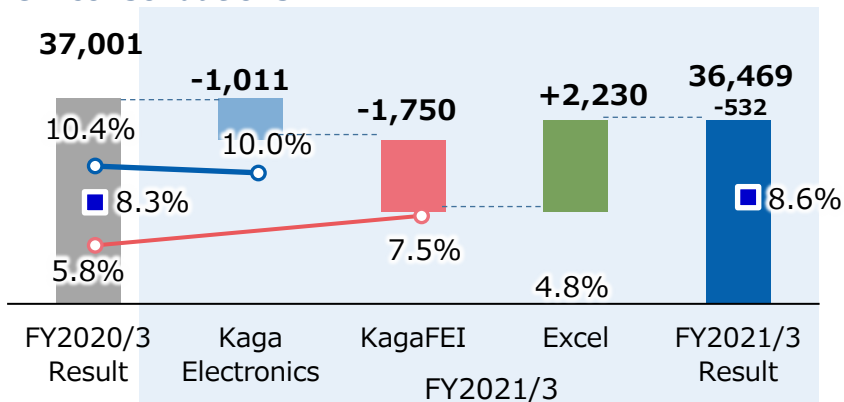
## Gross profit / Gross profit margin

Although income fell for Kaga FEI, income was sharply up for Kaga Electronics, and the profit margin improved for both companies.



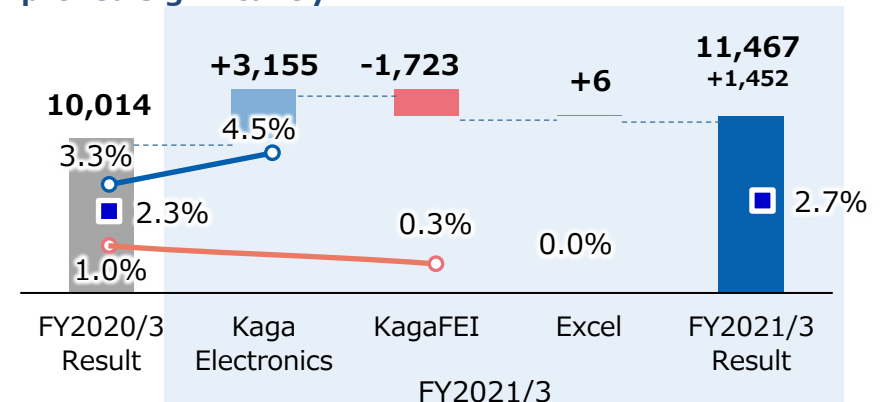
## SG&A / SG&A ratio

Both Kaga Electronics and Kaga FEI endeavored to cut operating expenses, and absorbed the impact of the new consolidations.



## Operating income / Operating income margin

Even during the COVID-19 outbreak, Kaga Electronics recorded higher income and the profit margin also improved significantly.



# FY2021/3 results by company

(million yen)

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

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

(million yen)

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

## financial Results by Business Segment (3 months)

(million yen)

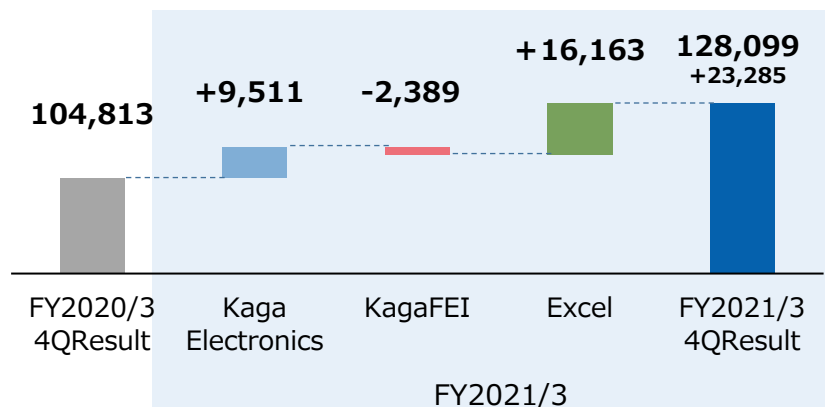
		FY2020/3 4Q Results		FY2021/3 3Q Results		FY2021/3 4Q Results		YoY	QoQ
Electronic Components	Net sales	84,060		89,816		<b>106,750</b>		27.0%	18.9%
	Segment income	1,084	1.3%	2,335	2.6%	<b>2,732</b>	2.6%	151.9%	17.0%
Information Equipment	Net sales	13,677		10,745		<b>14,451</b>		5.7%	34.5%
	Segment income	853	6.2%	592	5.5%	<b>728</b>	5.0%	-14.6%	23.1%
Software	Net sales	990		730		<b>927</b>		-6.3%	27.1%
	Segment income	226	22.9%	20	2.8%	<b>156</b>	16.9%	-31.0%	662.0%
Others	Net sales	6,085		4,114		<b>5,969</b>		-1.9%	45.1%
	Segment income	87	1.4%	112	2.7%	<b>325</b>	5.5%	270.3%	188.1%
Total	Net sales	104,813		105,406		<b>128,099</b>		22.2%	21.5%
	Segment income	2,282	2.2%	3,082	2.9%	<b>3,950</b>	3.1%	73.0%	28.2%

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

(million yen)

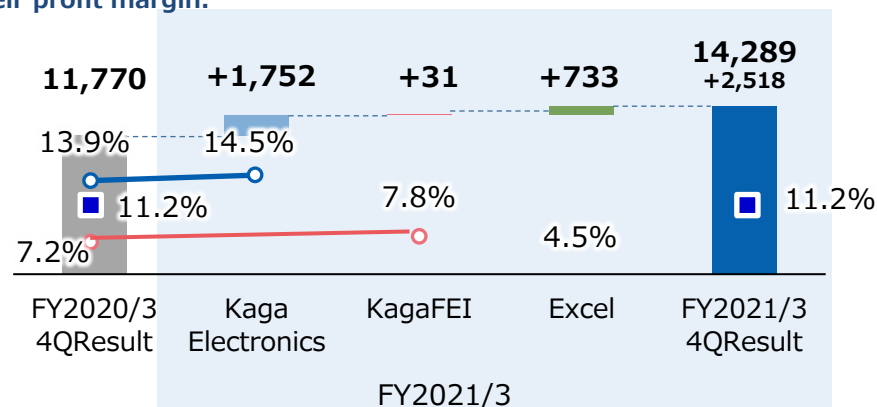
## Net Sales

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



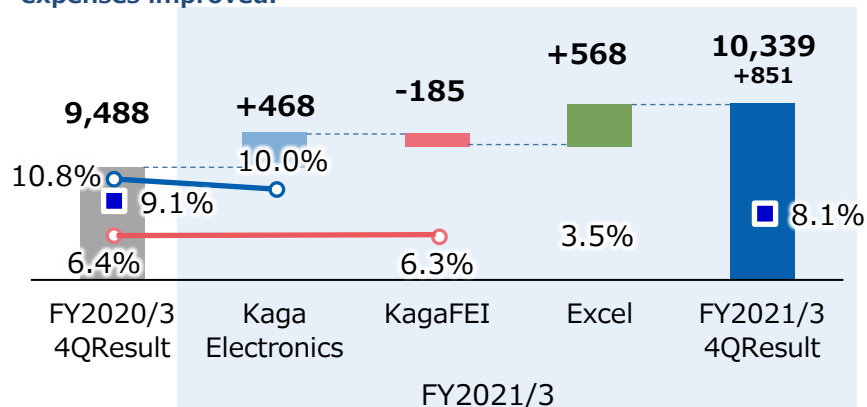
## Gross profit / Gross profit margin

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



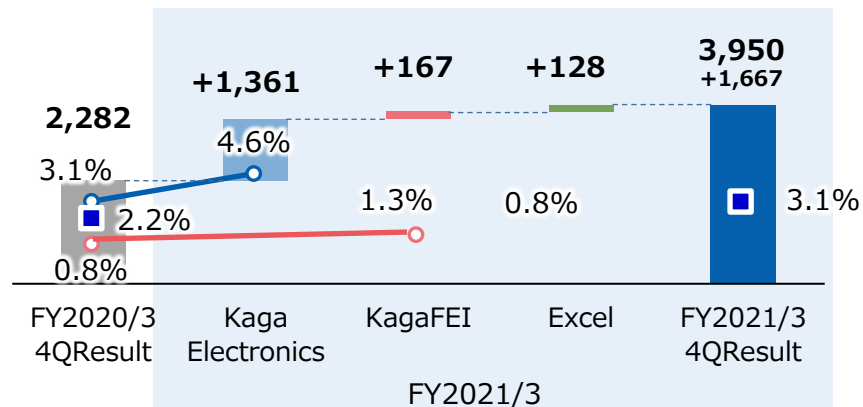
## SG&amp;A / SG&amp;A ratio

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



## Operating income / Operating income margin

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



## FY2021/3 results by company (3 months)

(million yen)

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

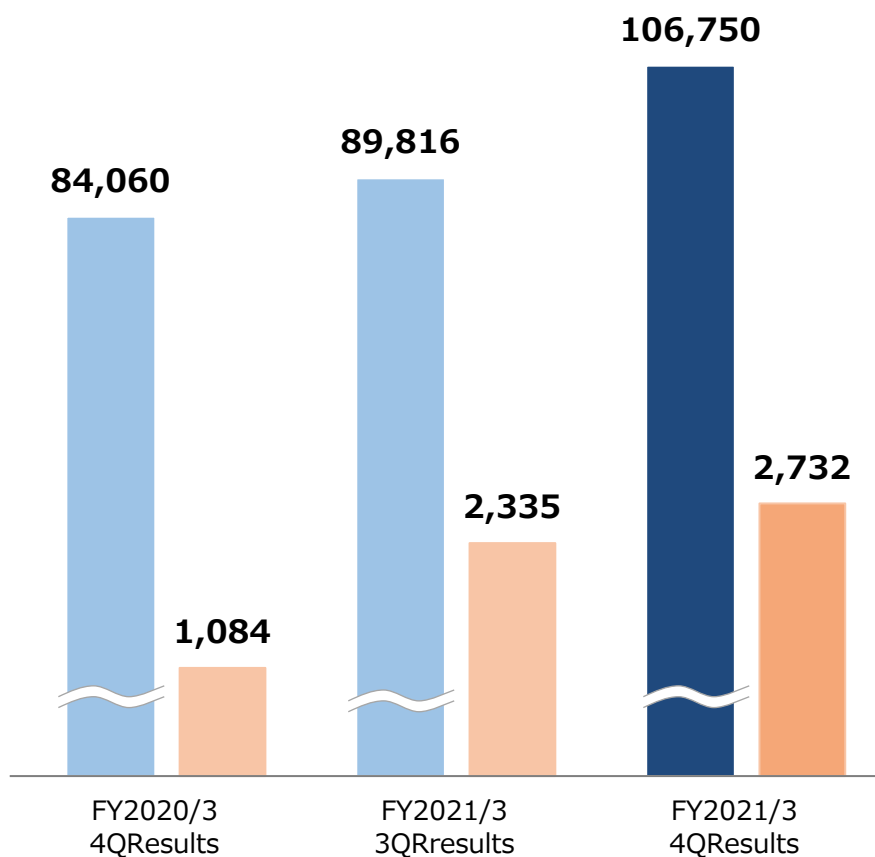
(note) With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.



(Million Yen)

## Net sales/Segment income

■ / ■ Net Sales  
■ / ■ Segment Income



## YoY

- Net sales ▶ **+22,689**million Yen **27.0%Up**
- Segment Income ▶ **+1,648**million Yen **151.9%Up**

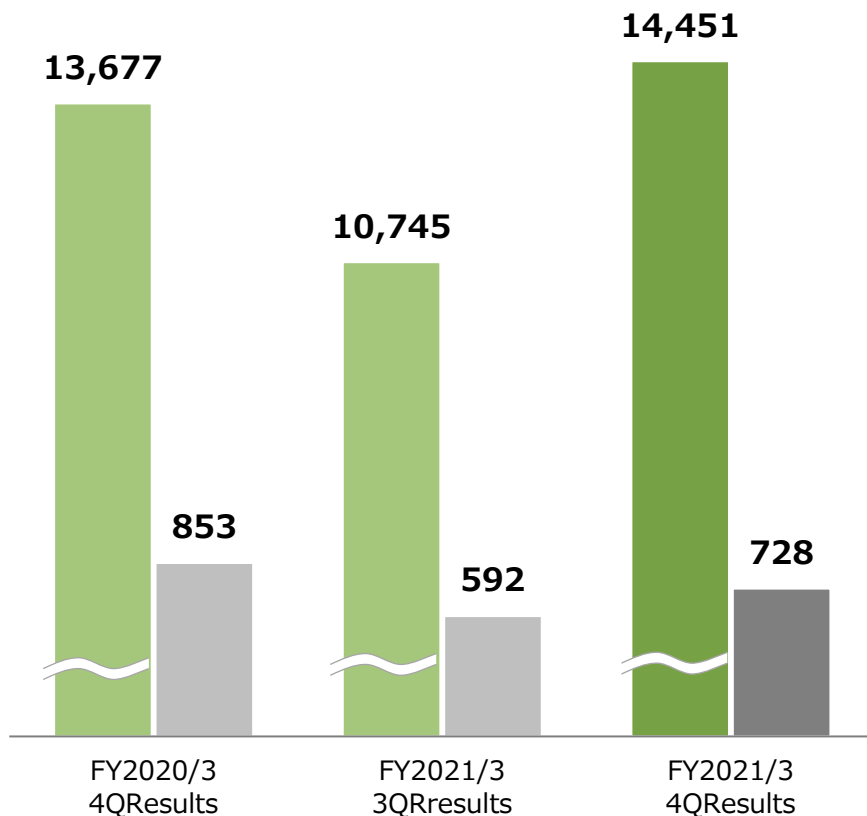
## QoQ

- Net sales ▶ **+16,933**million Yen **18.9%Up**
- Segment Income ▶ **+397**million Yen **17.0%Up**

(Million Yen)

## Net sales/Segment income

■ / ■ Net Sales  
■ / ■ Segment Income



## YoY

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

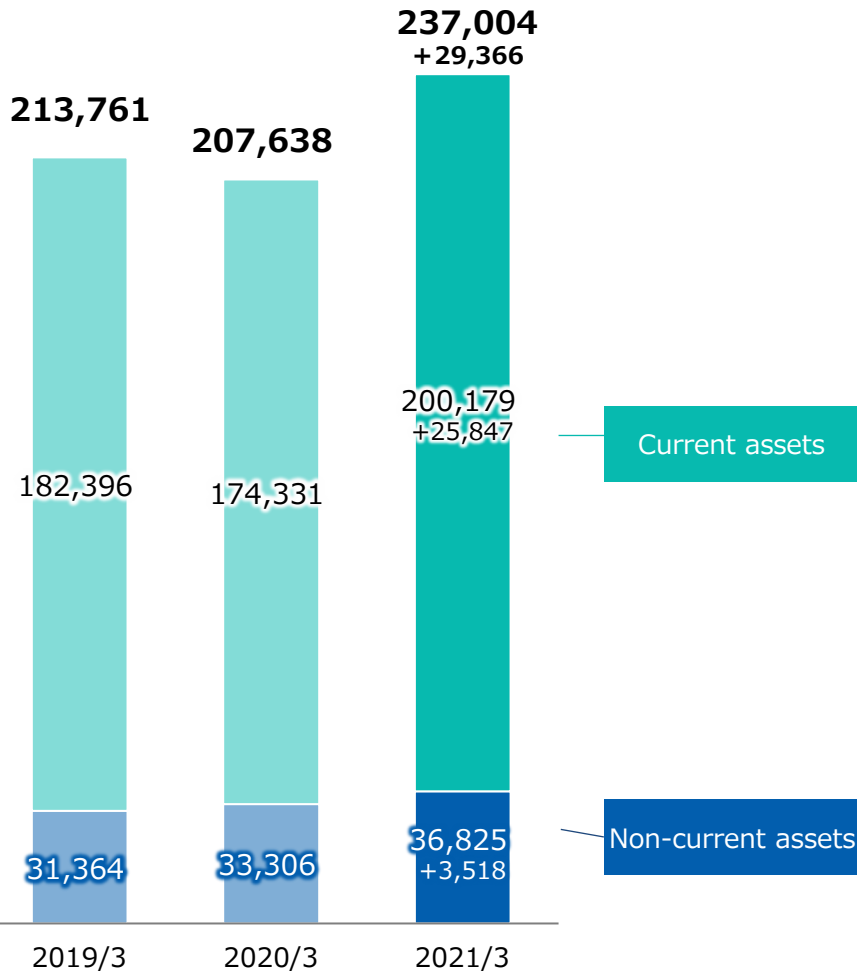
## QoQ

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

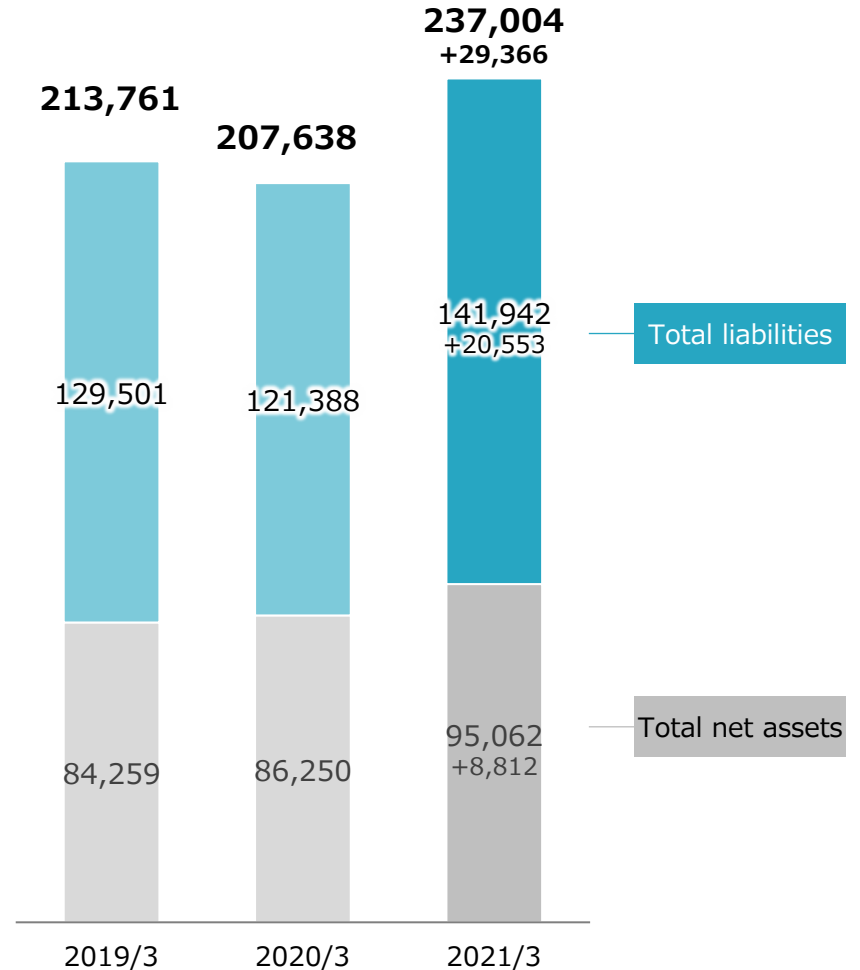
# Balance Sheet Main Items

(million yen)

## Total assets



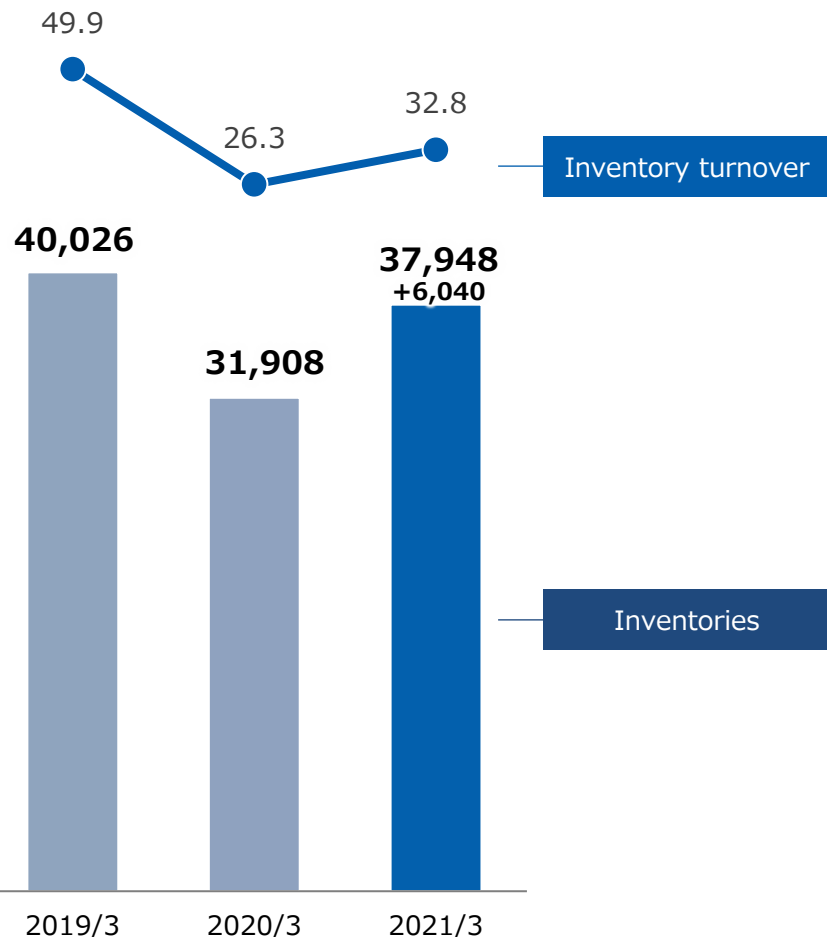
## Total liabilities and net assets



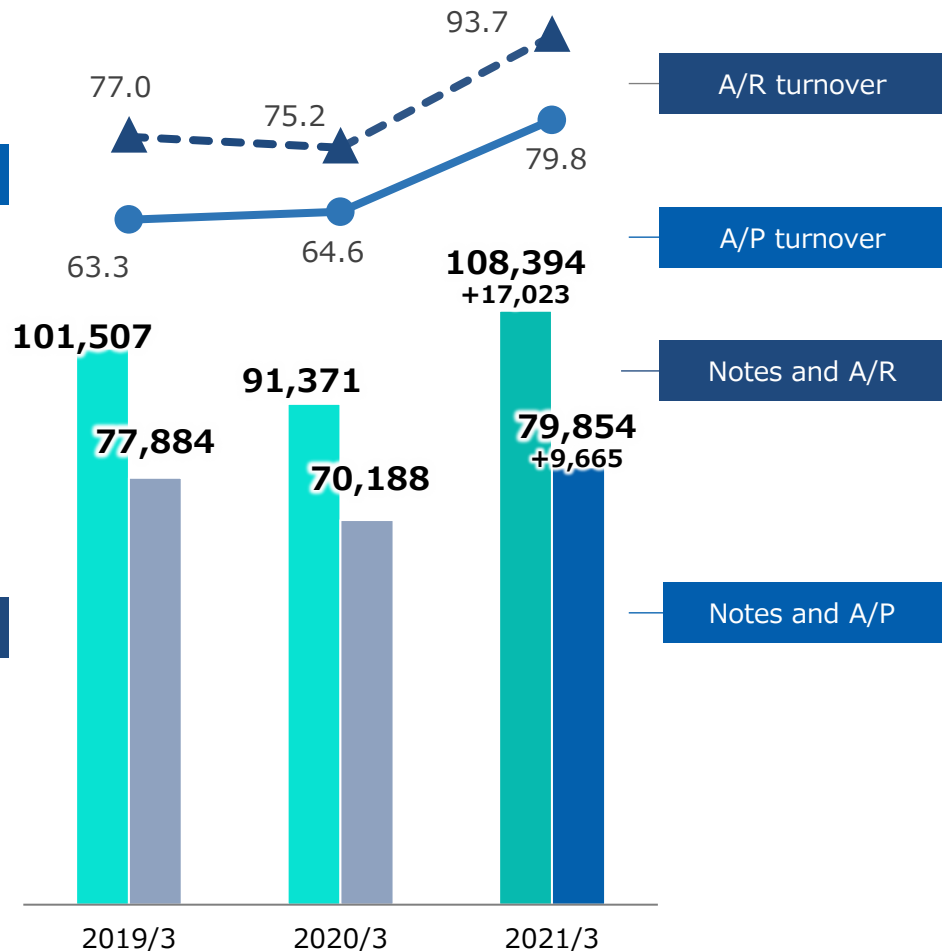
# Balance Sheet Main Items

(million yen, day)

## Inventories



## Accounts receivable/Accounts payable



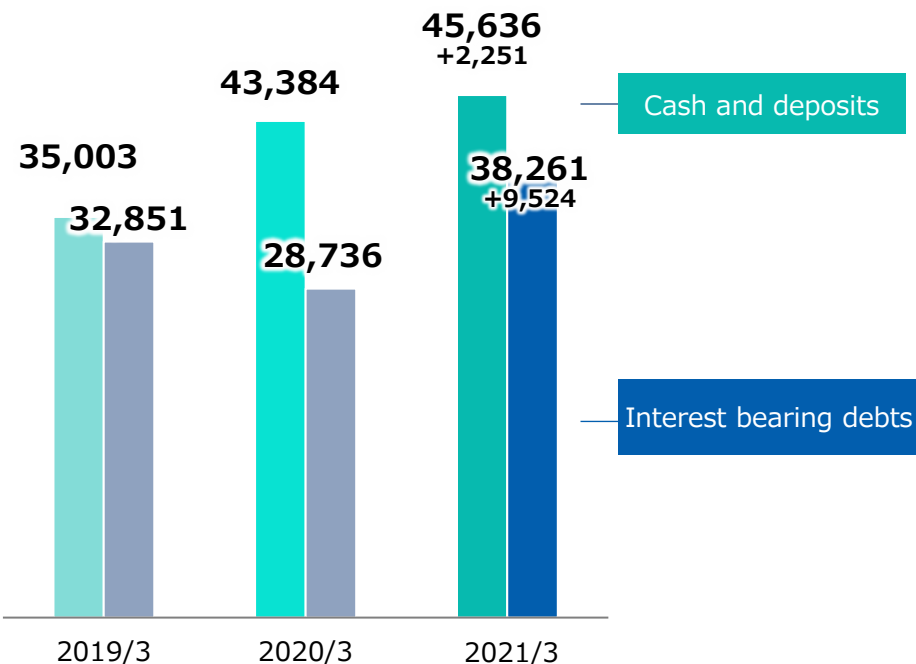
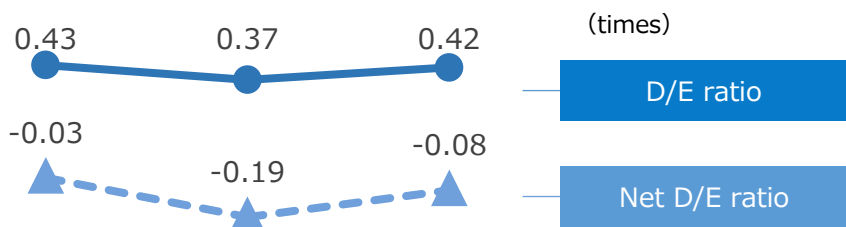
notes : Inventory turnover = Inventories ÷ Net Sales × 365 (day)

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

# Cash and Deposits/Interest Bearing Debt/Cash Flows

(million yen)

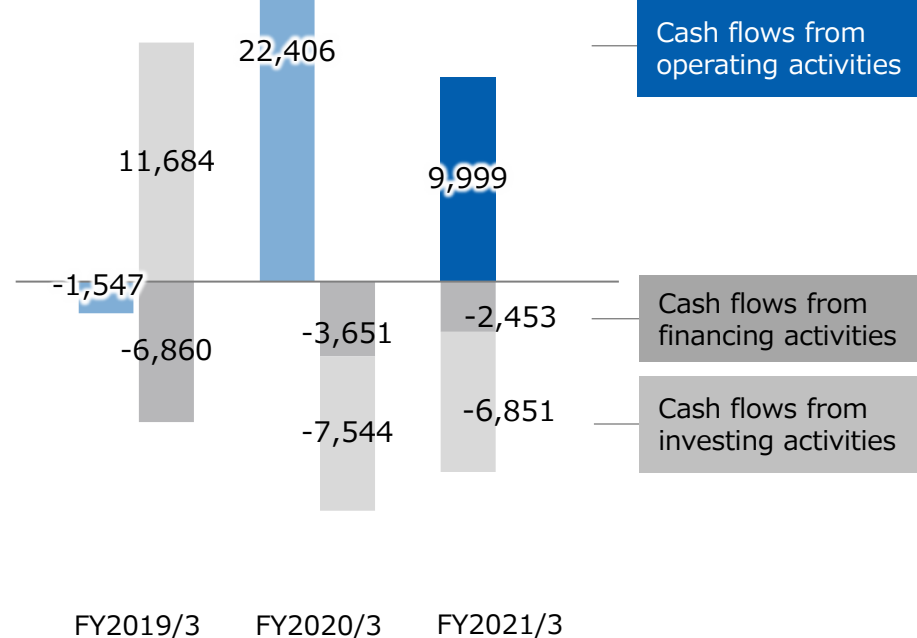
## Cash and deposits



note : D/E ratio = Interest bearing debts ÷ Shareholder's equity

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

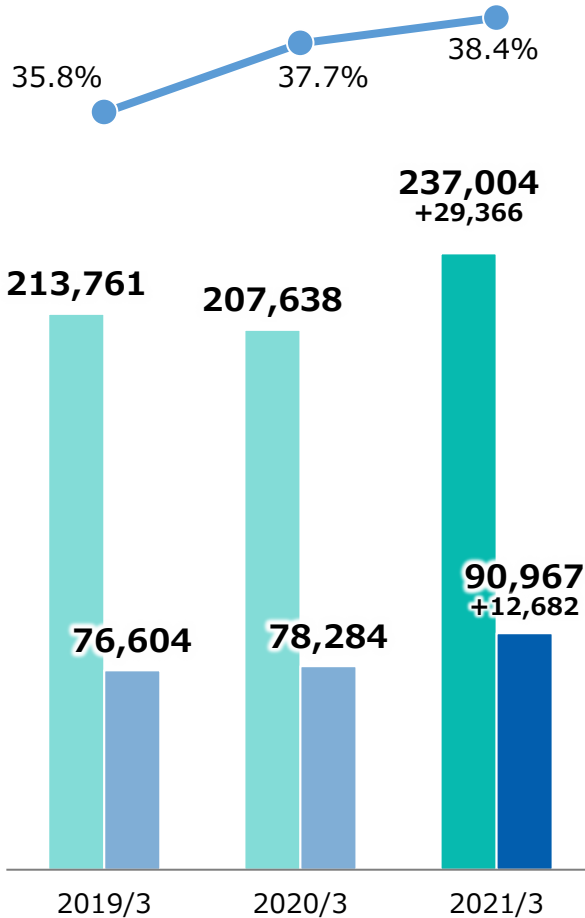
## Cash flows



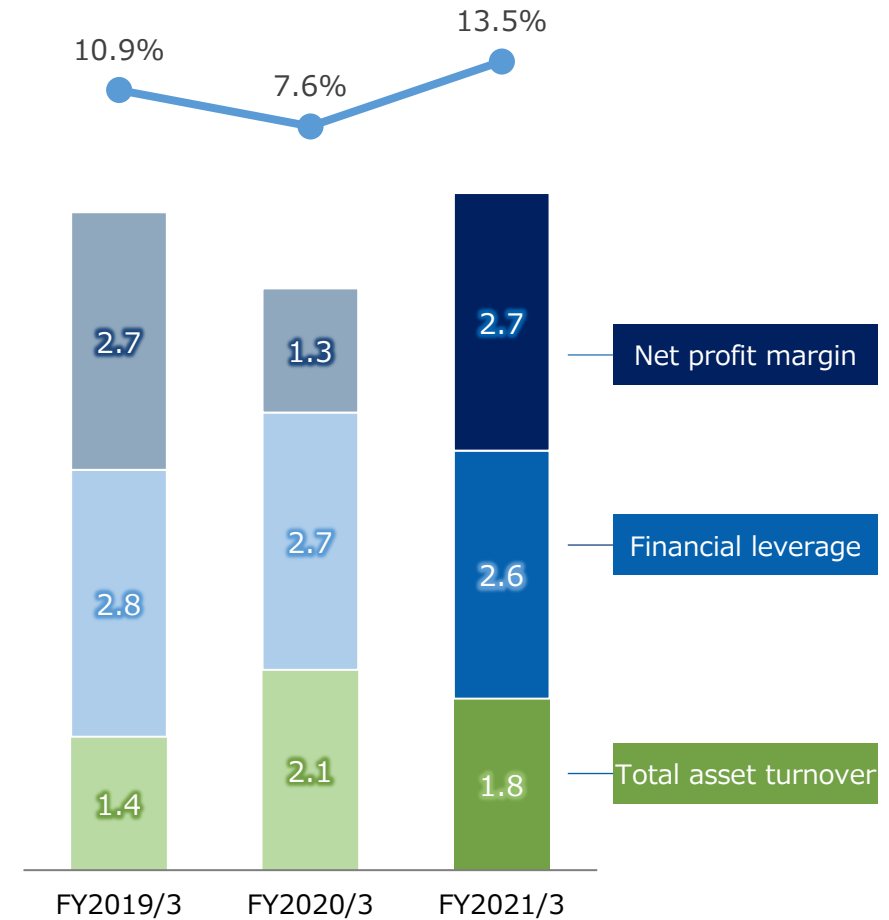
# Major Business Indicators

(million yen)

## Equity ratio



## ROE



# Forecasts for FY2022/3

(million yen)

	FY2021/3 Results		FY2022/3 Forecasts		YoY	*Management Targets FY2022/3
Net sales	422,365		<b>470,000</b>		11.3%	500,000
Operating income	11,467	2.7%	<b>13,000</b>	2.8%	13.4%	13,000
Ordinary income	11,241	2.7%	<b>12,000</b>	2.6%	6.7%	—
Profit attributable to owners of parent	11,399	2.7%	<b>8,000</b>	1.7%	-29.8%	—
EPS (Yen)	415.07		<b>291.20</b>		—	—
ROE	13.5%		<b>8.5%</b>		-5.0pt	8.0% or higher

\*Medium-term Management Plan 2021  
Management Targets

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

# Forecasts for FY2022/3 by Segment

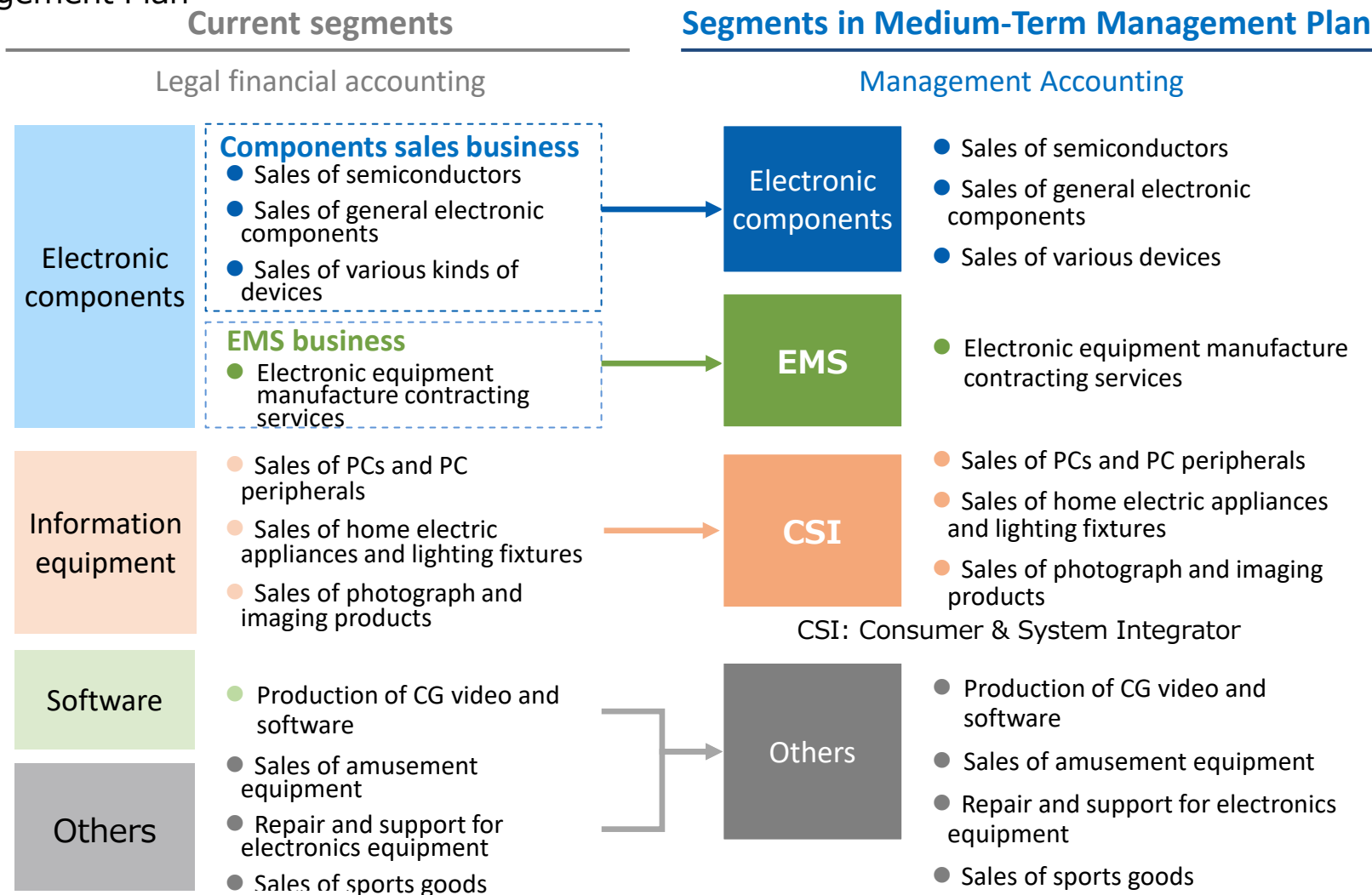
(million yen)

		FY2021/3 Results	FY2022/3 Forecasts		YoY
Electronic components	Net sales	353,454	<b>404,000</b>		14.3%
	Segment income	8,151	2.3%	<b>9,900</b>	2.5%
Information equipment	Net sales	48,389	<b>45,000</b>		-7.0%
	Segment income	2,482	5.1%	<b>2,300</b>	5.1%
Software	Net sales	2,932	<b>3,000</b>		2.3%
	Segment income	263	9.0%	<b>300</b>	10.0%
Others	Net sales	17,589	<b>18,000</b>		2.3%
	Segment income	474	2.7%	<b>500</b>	2.8%
Total	Net sales	422,365	<b>470,000</b>		11.3%
	Segment income	11,467	2.7%	<b>13,000</b>	2.8%

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



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

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

\* announced on February 4, 2021

(million yen)

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

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

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

(million yen)

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

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

# Management Topics

President & Representative Director

**Ryoichi Kado**

# Today's Key Message

## Overview of FY2021/3

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

## Progress with Medium-Term Management Plan

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

## PMI of acquired companies

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

## Coronavirus countermeasures

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

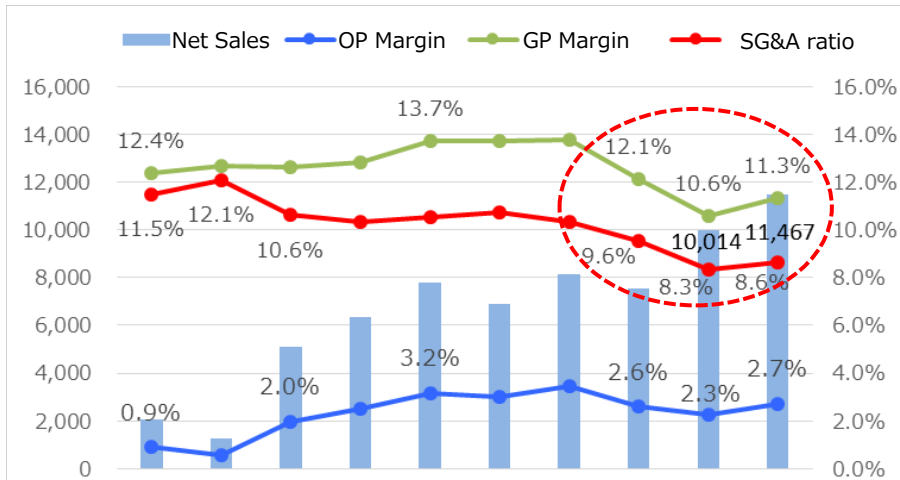
## Strengthening governance and SDGs

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

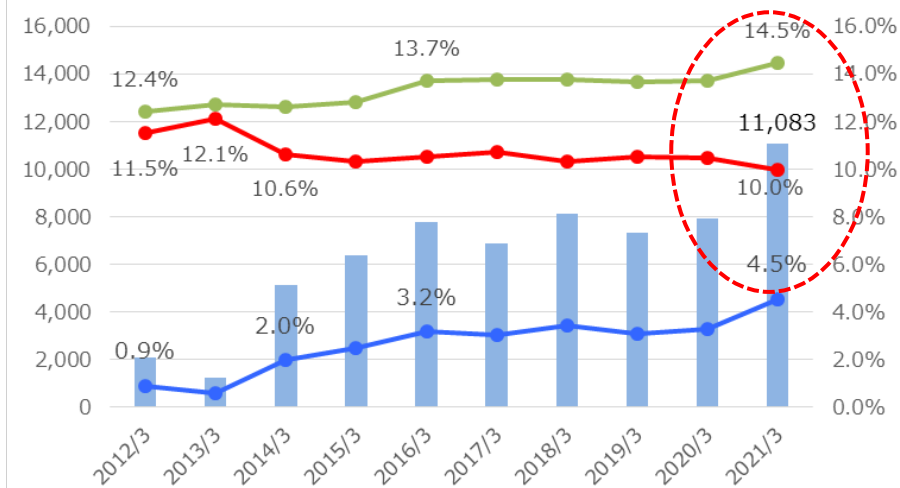
# Overview of FY2021/3: Progress in Profit-Generating Capability

(million yen)

## Kaga Electronics consolidated



## Kaga Electronics alone



- Operating income reached a record high for a second straight year, following FY2020/3.
- The gross profit margin, which had been in a decline since the acquisition of FEI, has begun to improve after bottoming in FY2020/3.
- We have made progress in creating a profit structure that can consistently generate over 10 billion yen in operating income.



- Operating income exceeded 10 billion yen, which was a first for Kaga Electronics alone, the core of the Group. The operating income margin was 4.5%.
- The gross profit margin, which is the source of income, continues to rise, inching up from the 12% range to the 13% range and then the 14% range.
- The SG&A ratio was kept down to levels below 10%.

# Targets of the Medium-Term Management Plan: Changes from the Time of Planning

(million yen)

Net sales

Segment income

**500,000**

**13,000**

Makeup when plan  
was established  
(2018/Autumn)



Kaga  
Electronics

255,000

11,250

KagaFEI

145,000 95,000

1,000 2,000

loss of major  
commercial rights

Excel

70,000

750

Challenge goals

FY2022/3  
Forecasts

**470,000**

**30,000**

**13,000**



# Progress of PMI at KAGA FEI (formerly Fujitsu Electronics)

<p>EMS initiatives</p>	<ul style="list-style-type: none"> <li>● Obtained orders for development, experimental production and mass production from five companies, including automotive equipment manufacturers and electronics manufacturers 124 companies/new visits → 74 companies/currently in sales talks</li> </ul> <p>&lt;Focus point&gt; The EMS/E2MS Business Division was established, and the number of new orders exceeded levels in the previous year despite COVID-19. Affiliations were formed with EMS factories within the Group for mass-production orders.</p>	
<p>Cross-selling initiatives</p>	<ul style="list-style-type: none"> <li>● Continue to expand sales of Kaga Electronics' influential products to large and important clients</li> </ul> <p>&lt;Focus point&gt; Large-scale sales talks are underway in several fields, including auto solutions, network solutions, system equipment, infrastructure equipment, home appliances and other.</p>	
<p>New product initiatives</p>	<ul style="list-style-type: none"> <li>● Expanded products and services in a wide range of fields, such as semiconductors, electronic parts and unit modules</li> </ul> <p>&lt;Focus point&gt; New products handled: 90 companies, sales are expected to total about 20 billion yen in FY2022/3 (Sales were 12.6 billion yen in the previous fiscal year.)</p>	
<p>Consolidation of sales bases</p>	<p>Japan</p>	<ul style="list-style-type: none"> <li>• Relocation of FEI Osaka Office to KG Kansai Sales Office [December/2020]</li> <li>* Nagoya, Hiroshima and Niigata have already completed integration</li> </ul>
	<p>Overseas</p>	<ul style="list-style-type: none"> <li>• KG US sales company to integrate with FEI US sales company [January 2021]</li> <li>• Kaga Electronics' sales company in South Korea and KFEI's sales company in South Korea are under consideration (target date of H1 FY2021)</li> </ul>

# Progress of PMI at EXCEL

<p>New business Initiatives</p>	<ul style="list-style-type: none"> <li>● Expanded sales of photocatalytic sanitizer/deodorizer* manufactured by Kaltech Co., Ltd.</li> <li>● Expanded sales of EV buses manufactured by China's Alfabus Co., Ltd.</li> </ul> <p>&lt;Focus point&gt; Utilization and full-scale deployment of networks owned by Kaga Electronics and EXL is currently underway ※ EV bus sales: 2 buses introduced in FY2021, finalized orders for 2 buses for FY2022</p>				
<p>Cross-selling initiatives</p>	<ul style="list-style-type: none"> <li>● Strengthen sale of products held by Kaga Electronics to major customers</li> </ul> <p>&lt;Focus point&gt; The Group Synergy Promotion Office was set up to strengthen ties with Kaga Electronics. In addition, the Special Sales Marketing Division was set up, and the range of products other than electronic components that are handled is being expanded.</p>				
<p>Consolidation of sales bases</p>	<table border="1"> <tr> <td data-bbox="394 758 658 1025"> <p>Japan</p> </td> <td data-bbox="658 758 1889 1025"> <ul style="list-style-type: none"> <li>• EXL merged with ADS (on October 1, 2020)</li> <li>• EXL's headquarters will be moved to Kaga Electronics' headquarters (Akihabara) [March 2021]</li> <li>• EXL's Nagoya branch will be moved to KG's Nagoya sales office [April 2021]</li> <li>• Changes for other sites in Japan are currently being considered</li> </ul> </td> </tr> <tr> <td data-bbox="394 1025 658 1229"> <p>Overseas</p> </td> <td data-bbox="658 1025 1889 1229"> <ul style="list-style-type: none"> <li>• EXL Singapore will be liquidated and business moved to Kaga Singapore [December 2020]</li> <li>• ADS Hong Kong's business was transferred to EXL Hong Kong [20年12月]</li> <li>• Changes for other overseas sites are being considered</li> </ul> </td> </tr> </table>	<p>Japan</p>	<ul style="list-style-type: none"> <li>• EXL merged with ADS (on October 1, 2020)</li> <li>• EXL's headquarters will be moved to Kaga Electronics' headquarters (Akihabara) [March 2021]</li> <li>• EXL's Nagoya branch will be moved to KG's Nagoya sales office [April 2021]</li> <li>• Changes for other sites in Japan are currently being considered</li> </ul>	<p>Overseas</p>	<ul style="list-style-type: none"> <li>• EXL Singapore will be liquidated and business moved to Kaga Singapore [December 2020]</li> <li>• ADS Hong Kong's business was transferred to EXL Hong Kong [20年12月]</li> <li>• Changes for other overseas sites are being considered</li> </ul>
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\*Abbreviations: EXCEL→EXL    Advanced Display Solutions ( EXL's subsidiary ) →ADS

# Response to the Spread of Novel Coronavirus Infection

## Sales bases

- We continued operating with an emphasis on safety measures, such as telework and staggered commuting times, in line with directions from the national and local governments. We curbed the flow of people with a target of 20% of employees coming into work when the government declared a state of emergency.

		H1	H2	Number of COVID-19 cases
Office attendance rate	Kaga Electronics	39.1%	46.5%	2
	Group companies	46.2%	52.7%	14

## Production bases

- In Japan, we continued operations with an emphasis on safety measures, in line with guidance from the national and local governments. Overseas, some bases suspended operations due to lockdowns in H1 of FY2021/3. Operations have continued since then.

### Status of suspended operations following increase in COVID-19 cases

	H1	H2	Number of COVID-19 cases
Thai・Indonesia・Turkey	No suspension of operations		(region)
Hubei, China	Feb.1~Mar.15 *		(China)
Suzhou, China	Feb.1~9 *		0
Shenzhen, China	Feb.1~13 *		(Asia)
Malaysia	Mar.18~Apr.20		0名
Vietnam	Apr.1~15		(Europe)
India	Mar.25~May31		30
Czech	Apr.7~9		(American)
Mexico	Apr.1~May30		25

# Response to the Spread of Novel Coronavirus Infection

## Sales bases in Japan

Do not bring the virus to work or spread it

Thermometers were set up



Partitions within offices



Thorough antiviral and antibacterial measures were taken

Antiviral coating was applied



Photocatalytic sterilizing deodorizers were set up



## Overseas production bases

Do not bring the virus to work or spread it

Temperature taken when arriving at work



Goggles and masks worn



Social distancing was strictly enforced

Production lines



Commuting to work on company-owned bus





# SDGs Committee

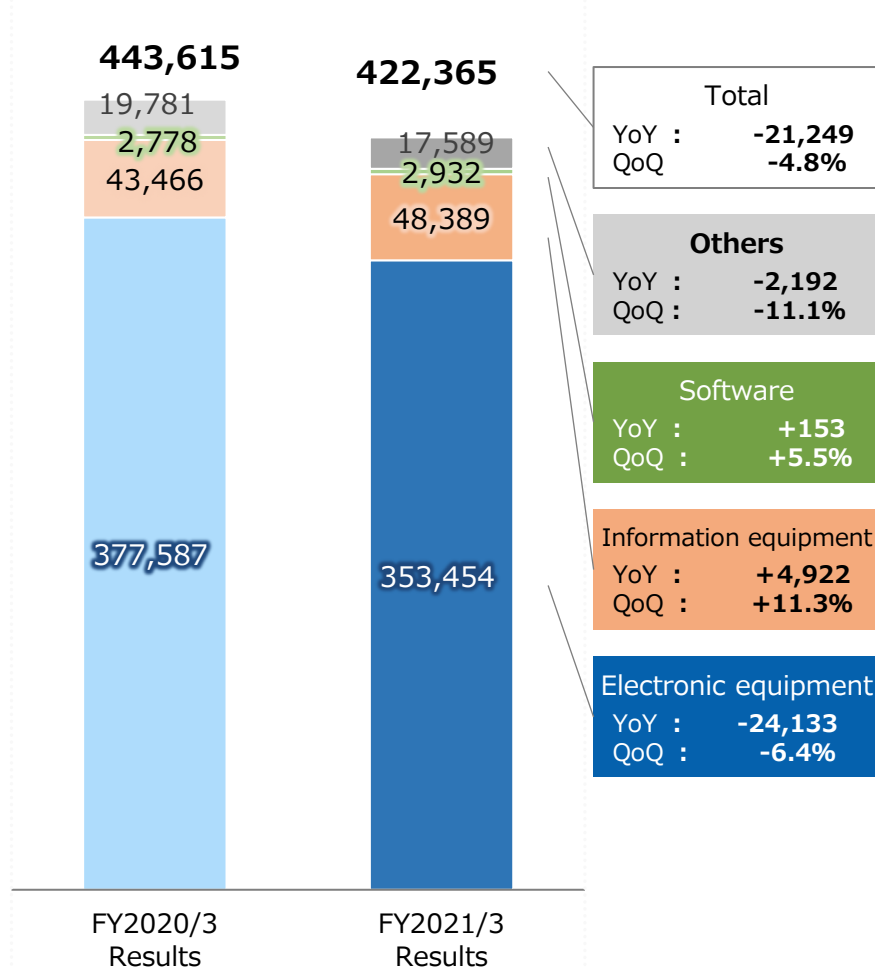
<p>Basic stance on SDGs</p>	<ul style="list-style-type: none"> <li>We established the SDGs Committee with the aim of <b>deepening our response to CSR and ESGs</b>, which we have been working on, and <b>pursuing sustainability management across the Group</b>.</li> <li>We will contribute to the creation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

## Reference

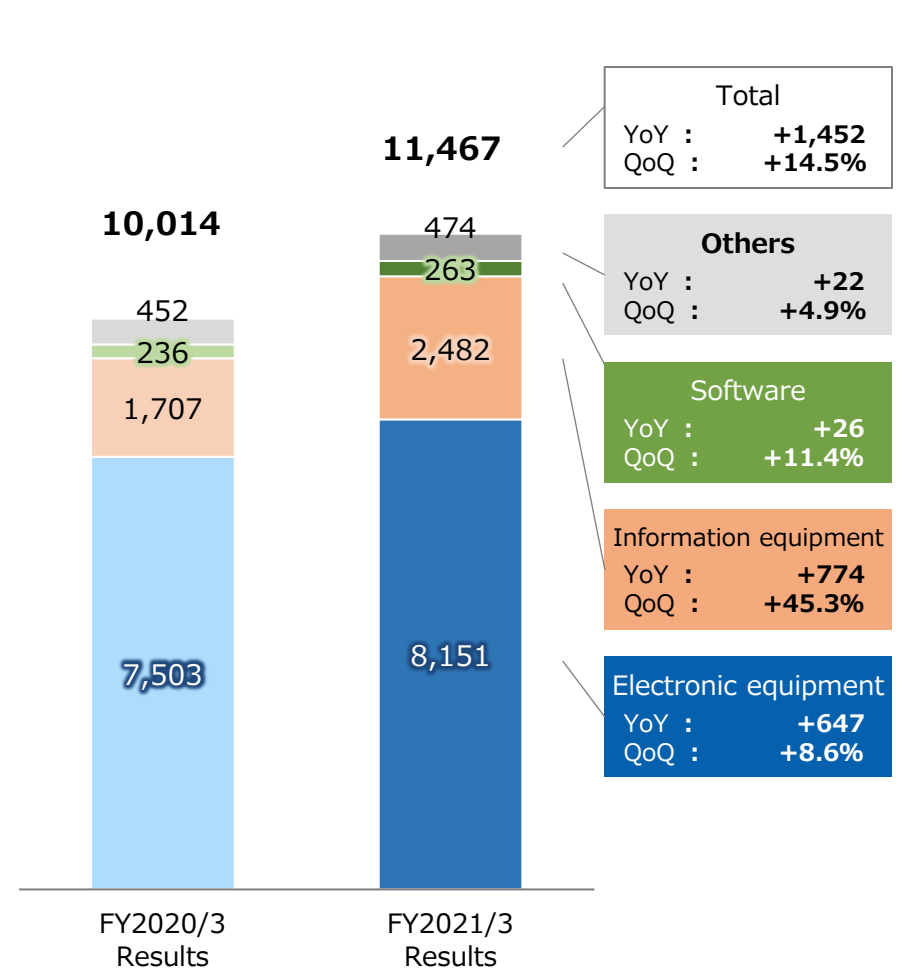
# Financial Highlights by Business Segment

(million yen)

## Net Sales



## Segment Income



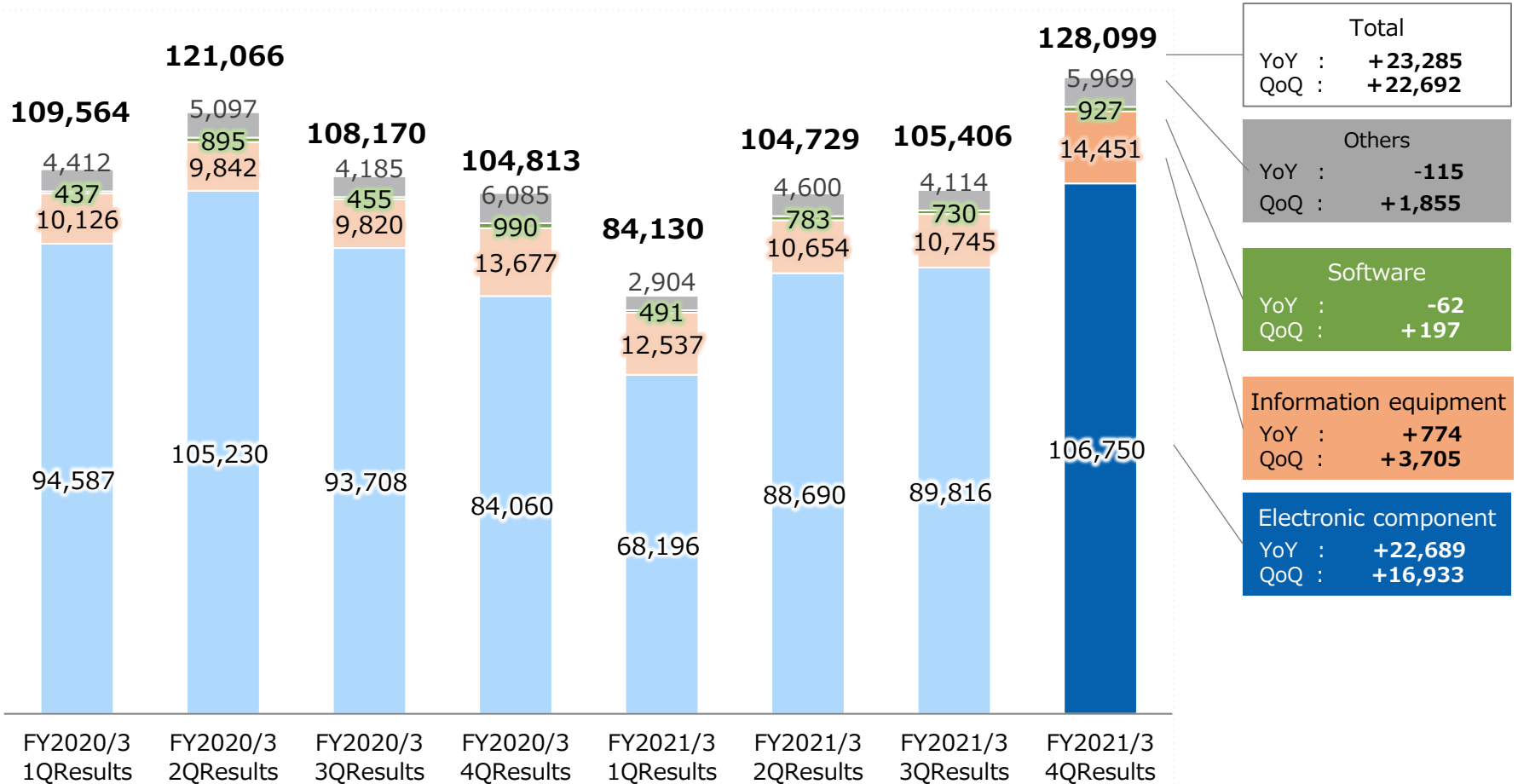
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Total amount is inter-segment adjusted (operating income).



# Financial Highlights by Business Segment <Net Sales>

(million yen)

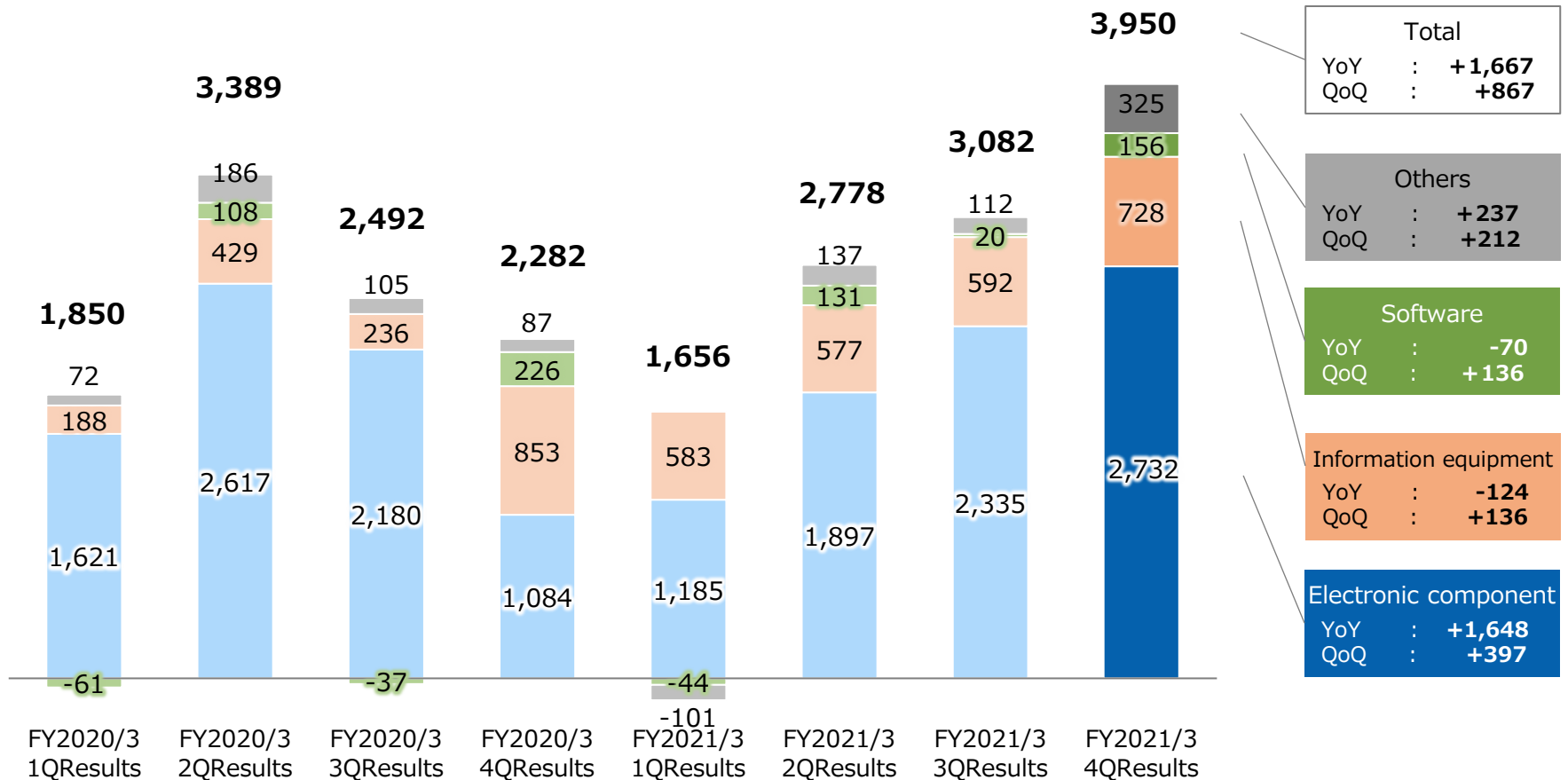
## Net Sales



# Financial Highlights by Business Segment < Segment Income >

(million yen)

## Segment Income



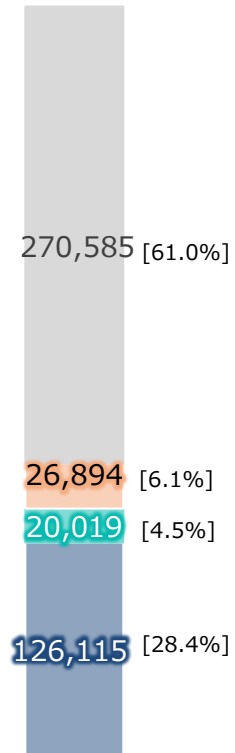
# Net Sales by Region

(million yen)

Net sales

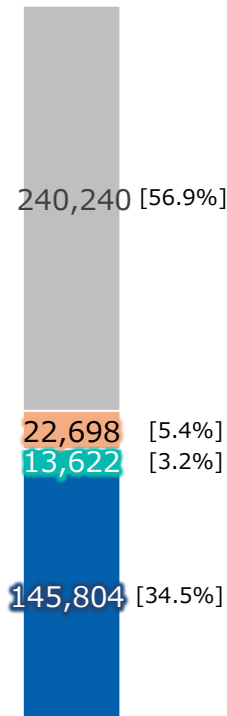
YoY

443,615



FY2020/3  
Results

422,365



FY2021/3  
Results

Japan

North America

Europe

Asia

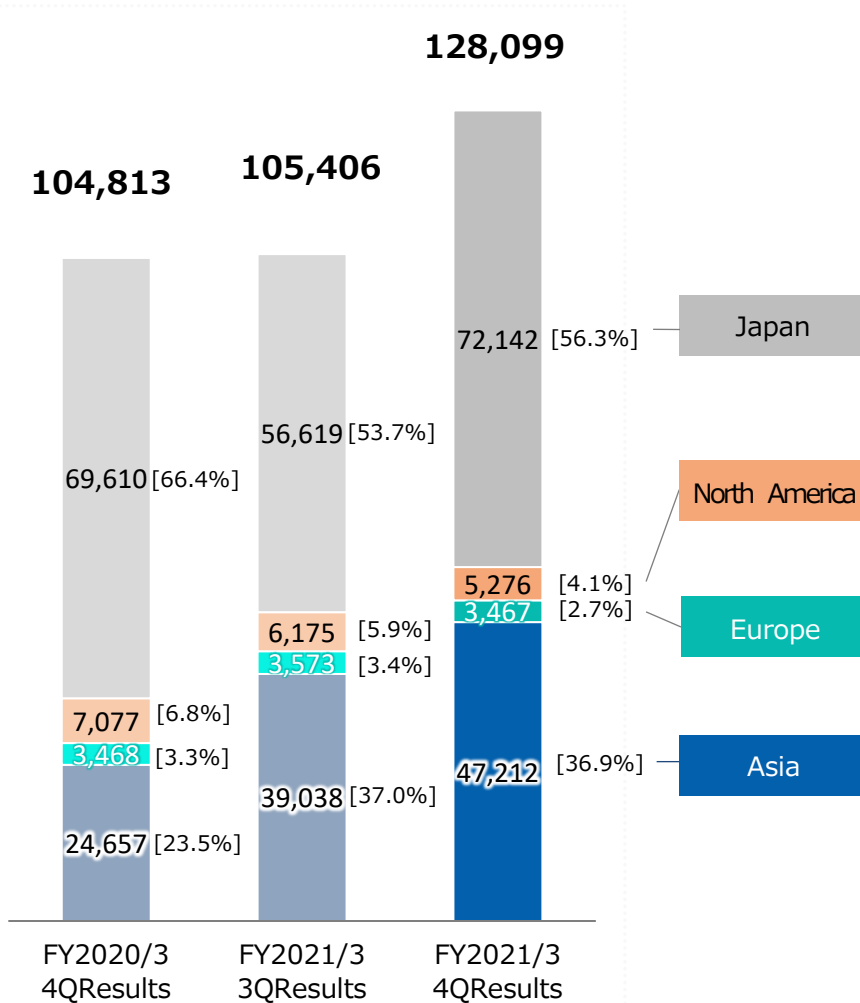
- Japan ▶ **-30,345**million yen **11.2%Down**
- North America ▶ **-4,195**million yen **15.6%Down**
- Europe ▶ **-6,396**million yen **32.0%Down**
- Asia ▶ **+19,688**million yen **15.6%UP**



# Net Sales by Region (3 months)

(million yen)

## Net sales



## YoY

- Japan ▶ **+2,532**million Yen **3.6%UP**
- North America ▶ **- 1,800**million Yen **25.4%Down**
- Europe ▶ **- 0**million Yen **0.0%Down**
- Asia ▶ **+22,554**million Yen **91.5%UP**

## QoQ

- Japan ▶ **+ 15,522**million Yen **27.4%UP**
- North America ▶ **- 898**million Yen **14.5%Down**
- Europe ▶ **- 106**million Yen **3.0%Down**
- Asia ▶ **+8,174**million Yen **20.9%UP**

## Exchange Rate/FOREX Sensitivity

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

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for our customers**



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- Display method in this material
  - Number : Truncated less than the display unit.
  - Ratio : After calculation in yen units, Round down one digit of Display unit.