

For Institutional Investors/Analysts



**KAGA ELECTRONICS  
CO., LTD.**

## **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

**Consolidated Financial Results**  
**for the Fiscal Year ended March 2021**

Managing Director  
**Eiji Kawamura**

My name is Eiji Kawamura, and I'm Head of the Administration Headquarters.  
Thank you for your ongoing support.  
I also appreciate your attending today's briefing on our financial results.  
With that, I will begin our explanation of Kaga Electronics' financial results in the  
fiscal year ended  
in March 2021.

## Summary of Fiscal Year Ended March 2021

Results for FY2021/3	<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.</li> </ul> <p>※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)</p>	
Overview of the main segments	Electronic components	<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>
FY2022/3 earnings forecasts and Medium-Term Management Plan targets	Information equipment	<ul style="list-style-type: none"> <li>The PC sales business grew as it attracted demand spurred by teleworking and online learning.</li> <li>Anti-viral and sterilizing products for companies and commercial facilities were solid performers.</li> </ul>
<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>		

I will start with a summary of financial results in the fiscal year ended in March 2021. First, net sales fell short of the previous year's levels because of the lingering effect of the termination of sales agency contracts with major suppliers. However, when excluding this special factor, we overcame the effect of COVID-19, and results were solid overall. Operating income and ordinary income both exceeded our previous forecasts, and we set new records for the second fiscal year in a row. Although we priced in impairment losses and other, net income increased significantly thanks in part to the posting of a "gain on bargain purchase."

In the January–March quarter, sales increased as demand recovered rapidly, and we curtailed and reduced SG&A expenses. Results came in above forecasts, and we were able to reverse direction and bring in higher sales and income. Fiscal year-end dividends will be 50 yen per share, which includes our previous forecast of 40 yen (30 yen ordinary dividend plus a 10 yen extraordinary dividend) and an additional 10 yen extraordinary dividend. Including the 30 yen interim dividend, the full-year dividend will be 80 yen per share. Full-year dividends in the previous fiscal year were 70 yen per share.

Moving on to an overview of the main segments, in the electronic components business, the termination of the sales agency agreement with Cypress continued to have an impact on the components sales business, but the business took advantage of the recovery in demand from Q3 and results were solid.

In the EMS business, sales in the medical and automotive areas were firm throughout the year.

In the information equipment business, the PC sales business grew as it pulled in telework and online demand. The sale of anti-viral and sterilizing products for companies and commercial facilities were robust.

The fiscal year ending in March 2022 will be the final year of the Medium-Term Management Plan, and although net sales are still far from the plan's target, we have not lowered this target. We aim for record-high operating income for the third straight fiscal year. We expect dividends to be 80 yen per share, which is the same as in 2021.

## Financial Highlights for FY2021/3

\* announced on February 4, 2021

(million yen)

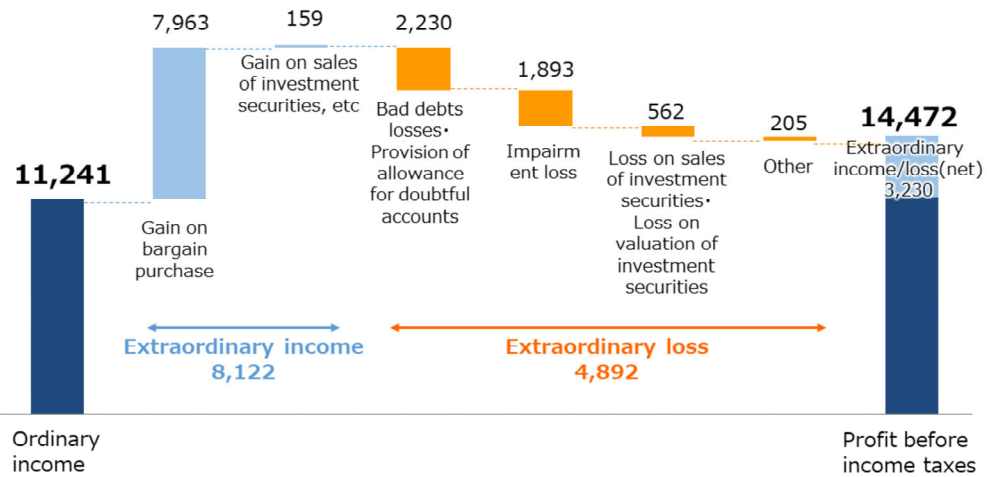
	FY2020/3 Results		FY2021/3 Previous Forecasts		FY2021/3 Results		YoY	vs Forecast
Net sales	443,615		415,000		<b>422,365</b>		-4.8%	1.8%
Gross profit	47,016	10.6%	-		<b>47,936</b>	11.3%	2.0%	-
SG&A	37,001	8.3%	-		<b>36,469</b>	8.6%	-1.4%	-
Operating income	10,014	2.3%	9,000	2.2%	<b>11,467</b>	2.7%	14.5%	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

Now I would like to explain the financial highlights for the fiscal year ended in March 2021.

Net sales totaled 422,365 million yen, down 4.8% over the previous year. This was 1.8% over the forecast. Gross profit was 47,936 million yen, up 2.0% over the previous year. The gross profit margin amounted to 11.3%, 0.7% higher than in the previous year. SG&A expenses were down 1.4% over the previous year, at 36,469 million yen. Operating income increased 14.5% over the previous year to 11,467 million yen, which was 27.4% higher than the forecast. Ordinary income was 11,241 million yen, up 10.9% over the previous year and 32.2% higher than forecast. Net income attributable to owners of parent came in at 11,399 million yen, which was 94.8% higher than the previous year and 8.6% above forecast. As a result, EPS (net income per share) was 415.07 yen. ROE was 13.5%.

## Breakdown of extraordinary gains/losses for FY2021/3

(million yen)



In the ended in March 2021, we posted large amount of extraordinary gains and extraordinary losses, so I will explain their breakdown.

Excel became a Group subsidiary, resulting in a gain on bargain purchase of 7,963 million yen. However, COVID-19 had an impact, and we also incurred losses on bad debts to major suppliers, as well as a 2,230 million yen loss due to the case of fraud at our US subsidiary announced in February. In addition, we posted a 1,893 million yen impairment loss on an overseas subsidiary's manufacturing facilities and a 562 million yen loss on sales of investment securities and loss on valuation of investment securities. These key losses added up to an extraordinary loss of 4,892 million yen. As a result, we posted 3,230 million yen in extraordinary gains.

## 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%

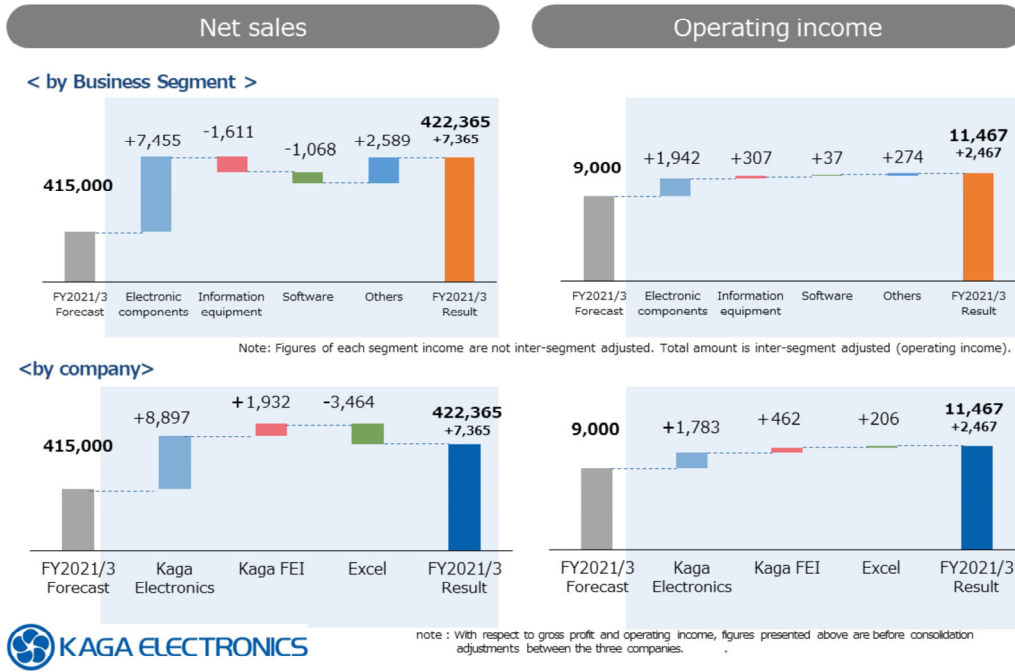
Note: Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).

Next, we will look at financial results by business segment.

The electronic components business posted net sales of 353,454 million yen, down 6.4% over the previous year. Income in this business totaled 8,151 million yen, up 8.6% over the previous year. In the information equipment business, net sales totaled 48,389 million yen, up 11.3% over the previous year. Segment income amounted to 2,482 million yen, up 45.3% over the previous year. In the software business, net sales were 2,932 million yen, up 5.5% over the previous year. Income totaled 263 million yen, up 11.4% over the previous year. In the Others business, net sales were down 11.1% to 17,589 million yen. Segment income was up 4.9% year-on-year to 474 million yen.

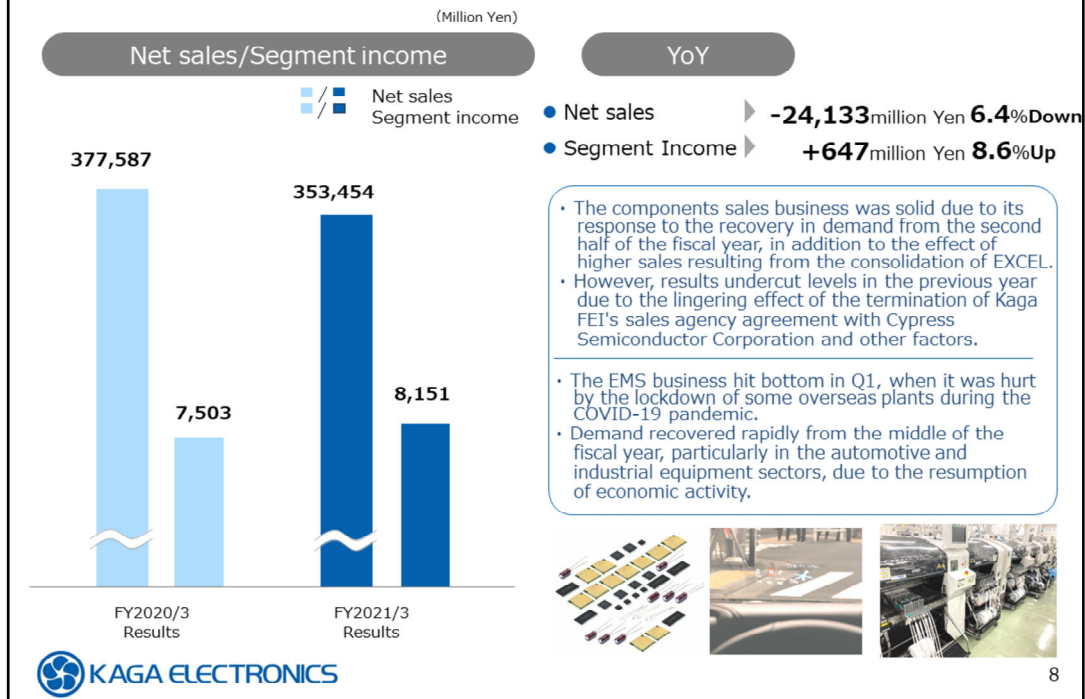
## Changes from Previous forecast (announced on February 4, 2021)

(million yen)



This slide shows changes in segment results from the forecasts previously announced in February. Net sales were 7,455 million yen higher than this forecast in the electronic components business, 1,611 million yen lower in the information equipment business, 1,068 million yen lower in the software business, and 2,589 million yen higher in the Others business. Operating income was 1,942 million yen higher than the forecast in the electronic components business, 307 million yen higher in the information equipment business, 37 million yen higher in the software business and 274 million yen higher in the Others business. Operating income exceeded forecasts for all businesses. By company, Kaga Electronics' net sales came in 8,897 million yen above forecast, Kaga FEI's sales were 1,932 million yen higher, and EXCEL's sales were 3,464 million yen lower than forecast. Kaga Electronics' operating income was 1,783 million yen higher than the forecast, Kaga FEI's was 462 million yen higher and Excel's operating income was 206 million yen higher.

## Financial Highlights: Electronic Component



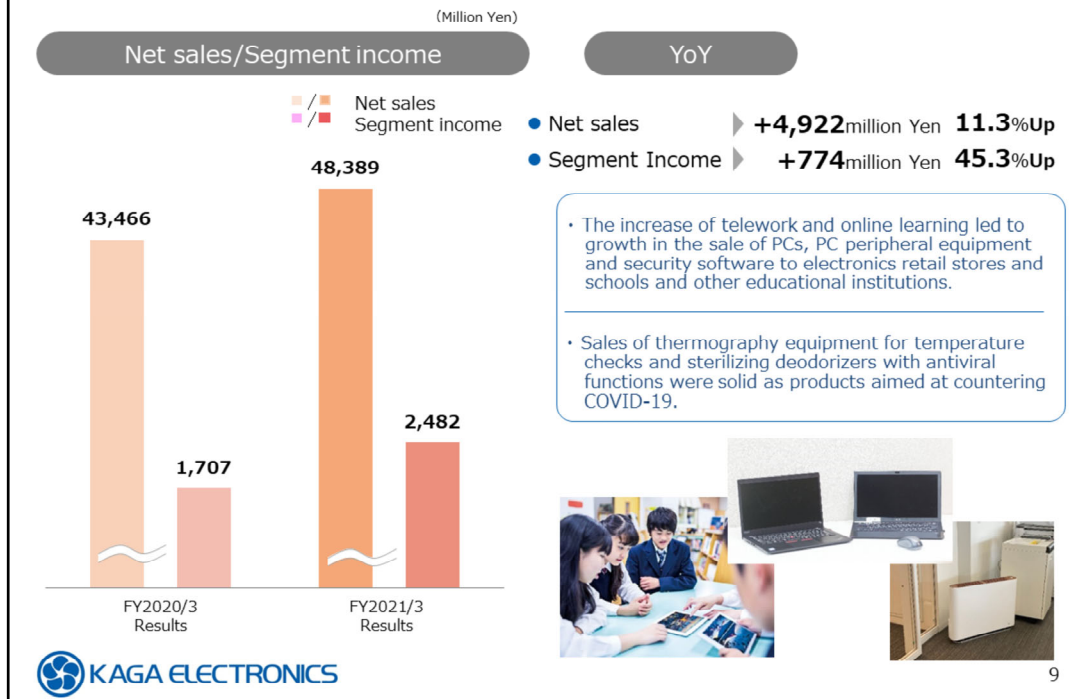
I will now explain the performance of the electronic components business by segment.

I just explained the factors pushing up net sales and segment income, but not only did the consolidation of Excel raise income for the components sales business; this segment also adapted to the recovery in demand from the second half of the fiscal year and performed well. However, Kaga FEI continued to be affected by the termination of its sales agency agreement with Cypress, and results fell short of the previous year's levels.

The EMS business hit its lowest point in Q1, when it was affected 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, as economic activity picked up again.



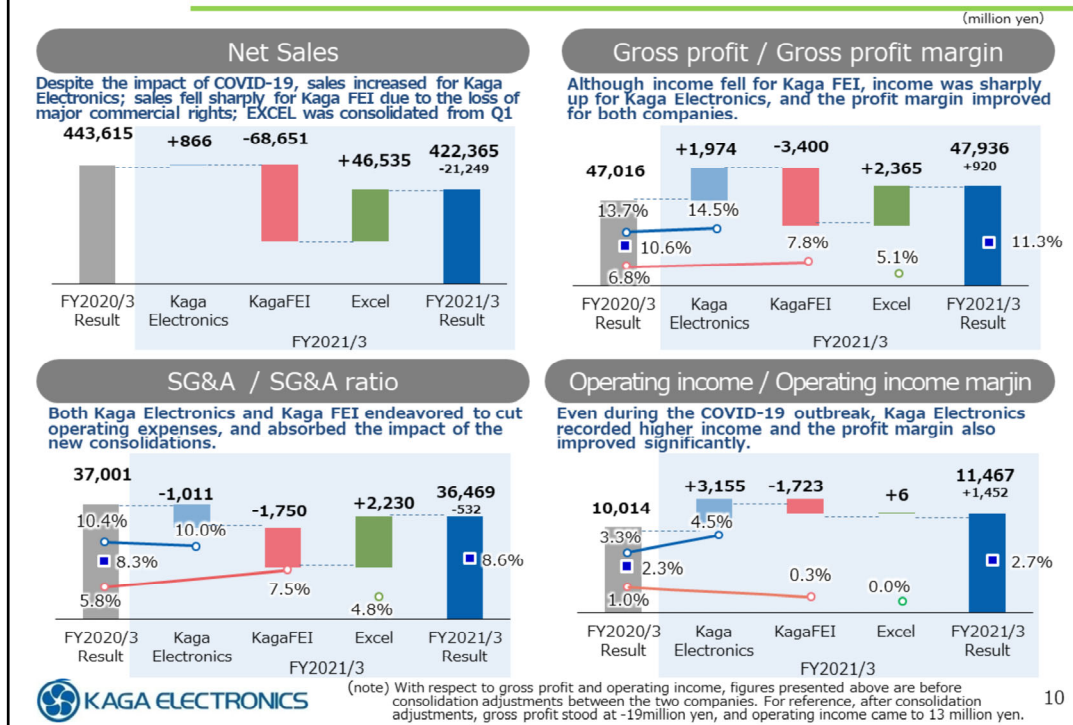
## Financial Highlights: Information Equipment



In the information equipment business, net sales and segment income all rose, primarily because the increase of telework and online learning led to higher sales of PCs, PC peripherals and security software to electronics retail stores and schools and other educational institutions.

Sales were strong for thermography equipment for temperature checks and sterilizing deodorizers with antiviral functions, which were sold as products aimed at countering COVID-19.

## Effect of M&A



Moving on to the status of M&As, Kaga Electronics was affected by COVID-19, but sales increased by 866 million yen. Sales were down 68,651 million yen for Kaga FEI due to the loss of major commercial rights. The addition of 46,535 million in sales from Excel was unable to fully compensate for the decline at Kaga FEI, and the Group's sales overall fell 21,249 million yen.

Gross profit increased 1,974 million yen for Kaga Electronics, and fell 3,400 million yen for Kaga FEI. Excel, the new subsidiary, contributed 2,365 million yen, so that gross profit rose 920 million yen for the Group overall.

The gross profit margin increased from 13.7% to 14.5% for Kaga Electronics and from 6.8% to 7.8% for Kaga FEI. With the addition of a 5.1% gross profit margin from Excel, the Group's overall gross profit margin increased from 10.6% in the previous year to 11.3%.



KAGA ELECTRONICS

## 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.

Next, we have SG&A expenses. Both Kaga Electronics and Kaga FEI endeavored to cut costs and absorbed the impact of the new consolidation. Kaga Electronics reduced SG&A expenses by 1,011 million yen and Kaga FEI cut them by 1,750 million yen. SG&A expenses increased by 2,230 million yen for Excel, the newly consolidated company. In the Kaga Electronics Group, Towada Pioneer (currently Kaga EMS Towada), which joined the Group in the previous fiscal year, and Kyokuto Electric, which joined the Group last autumn, pushed up SG&A expenses, so when discounting for these new additions, the Kaga Electronics Group actually reduced SG&A expenses by more than 1,011 million yen.

Reference		Financial Highlights (3 months)						
		(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>		-	-

 12

Next, we have operating income. During the COVID-19 outbreak, operating income increased for Kaga Electronics, and the operating income margin improved significantly. Kaga Electronics' operating income increased by 3,155 million yen, Kaga FEI's operating income fell by 1,723 million yen, and Excel's operating income increased by 6 million yen. This boosted the Group's overall operating income by 1,452 million yen.

The operating income margin increased from 3.3% in the previous year to 4.5% for Kaga Electronics. Kaga FEI's operating income was 1% in the previous year, so unfortunately it decreased to 0.3%. In the Group overall, the operating income margin increased from 2.3% in the previous year to 2.7%.

## Reference

## 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%

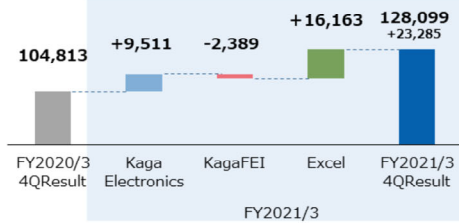
Note: Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).

This table shows the results for each company that I just explained. Pages 10 to 15 explain earnings in each quarter, so please take a look.

(million yen)

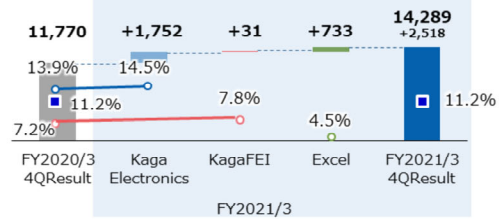
## Net Sales

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



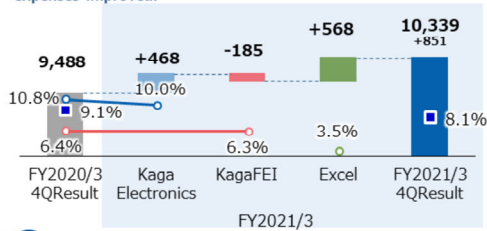
## Gross profit / Gross profit margin

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.



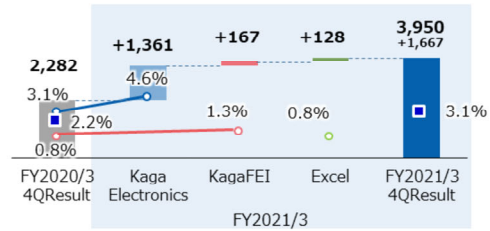
## SG&amp;A / SG&amp;A ratio

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.



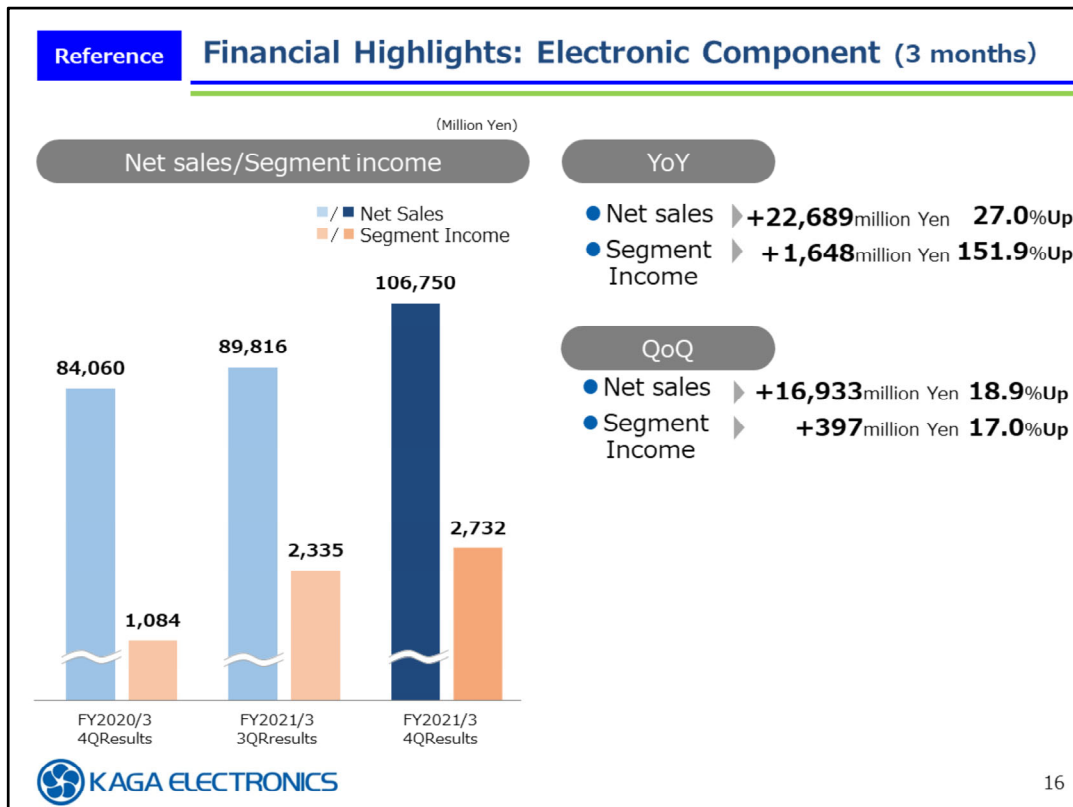
(note) With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at 3 million yen, and operating income came to 10 million yen.

## Reference

## 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.



Page 16 explains the financial status.

Starting with assets, total assets amount to 237,004 million yen, which is up 29,366 million yen compared with the previous fiscal year. Of this, current assets total 200,179 million yen, up 25,847 million yen. Non-current assets are 36,825 million yen, up 3,518 million yen.

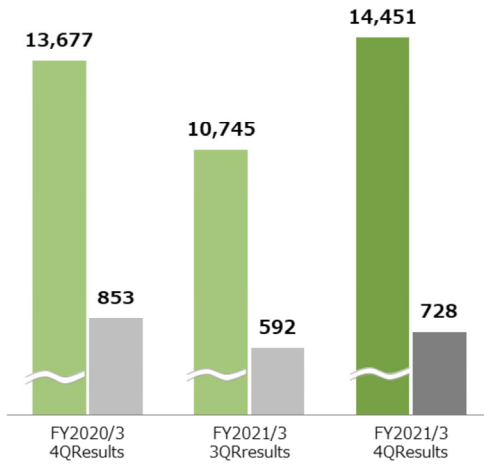
Moving on to liabilities and net assets, liabilities total 141,942 million yen, up 20,553 million yen. Net assets amount to 95,062 million yen, up 8,812 million yen.



(Million Yen)

## Net sales/Segment income

■ Net Sales  
■ Segment Income



## YoY

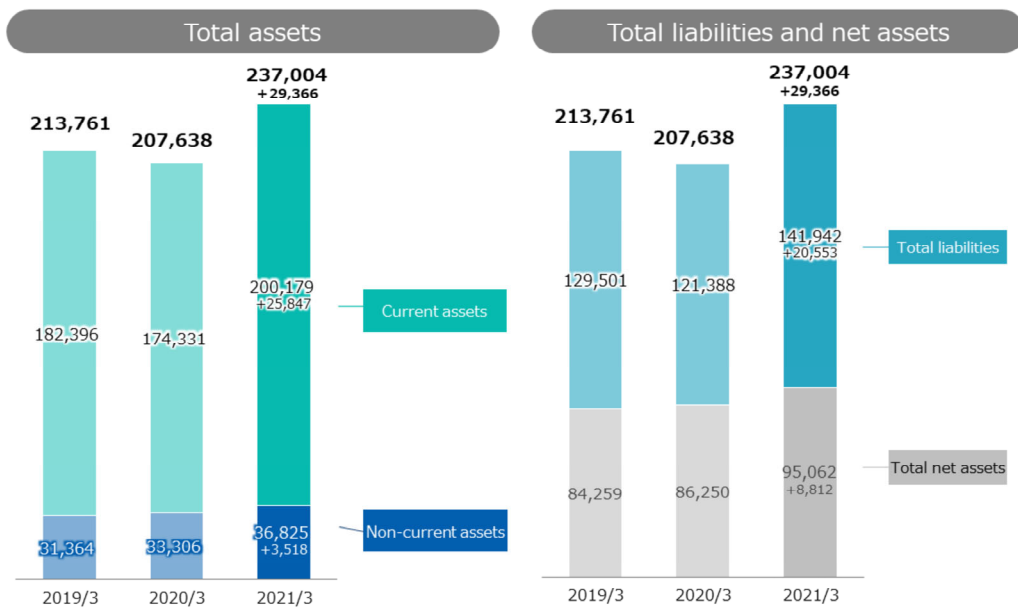
- Net sales ▶ +774million Yen 5.7%Up
- Segment Income ▶ -124million Yen 14.6%Down

## QoQ

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

## Balance Sheet Main Items

(million yen)

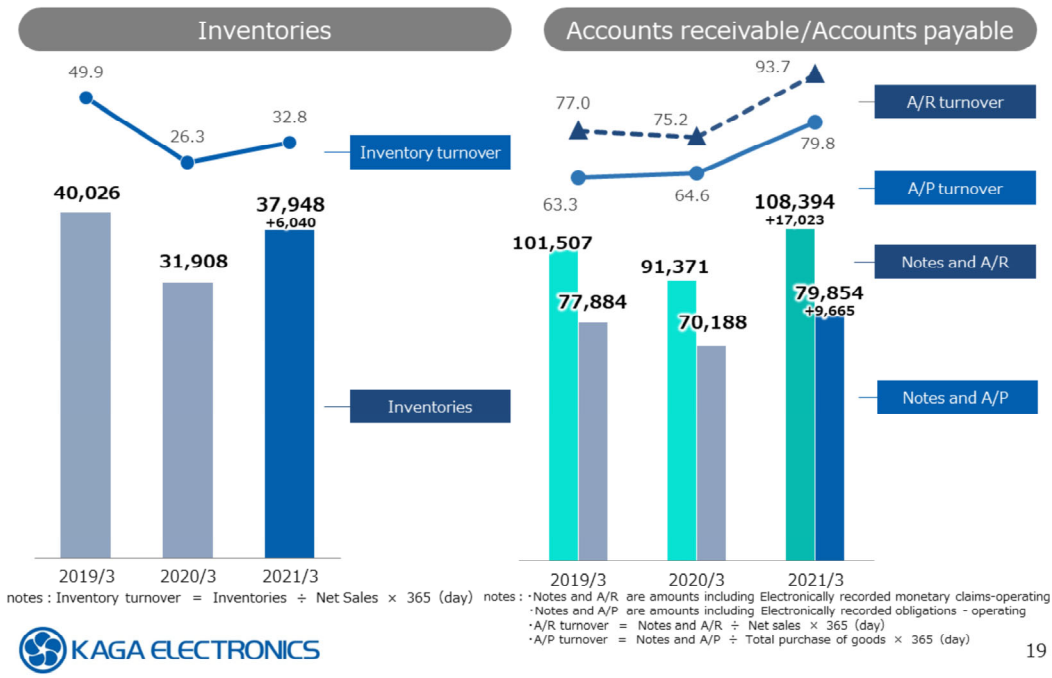


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Moving on to liabilities and net assets, liabilities total 141,942 million yen, up 20,553 million yen. Net assets amount to 95,062 million yen, up 8,812 million yen.

## Balance Sheet Main Items

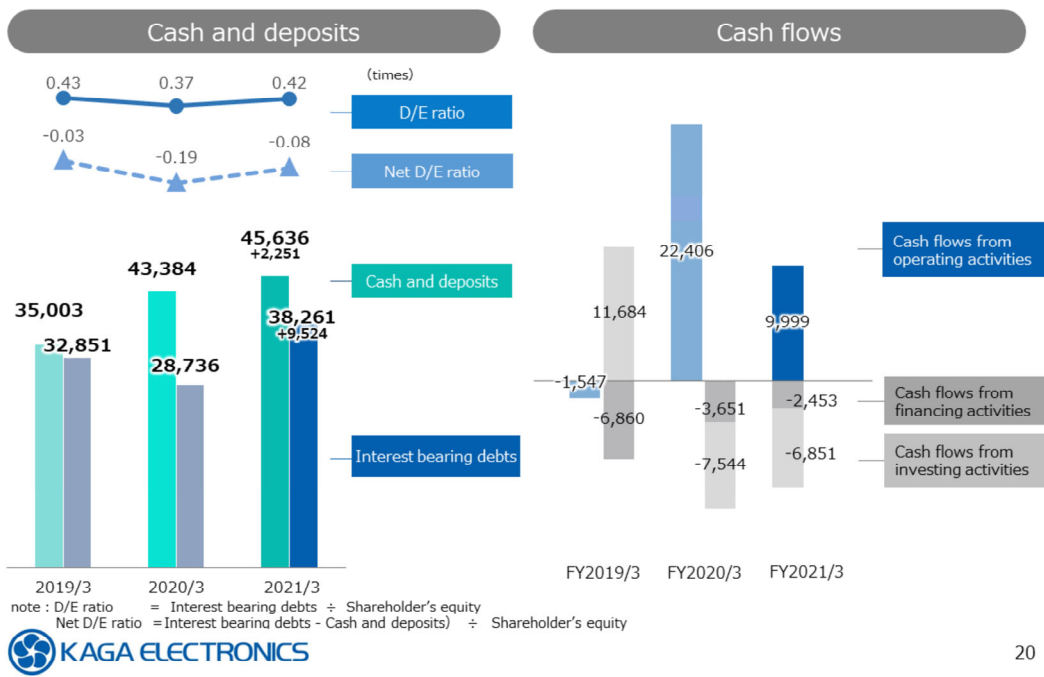
(million yen, day)



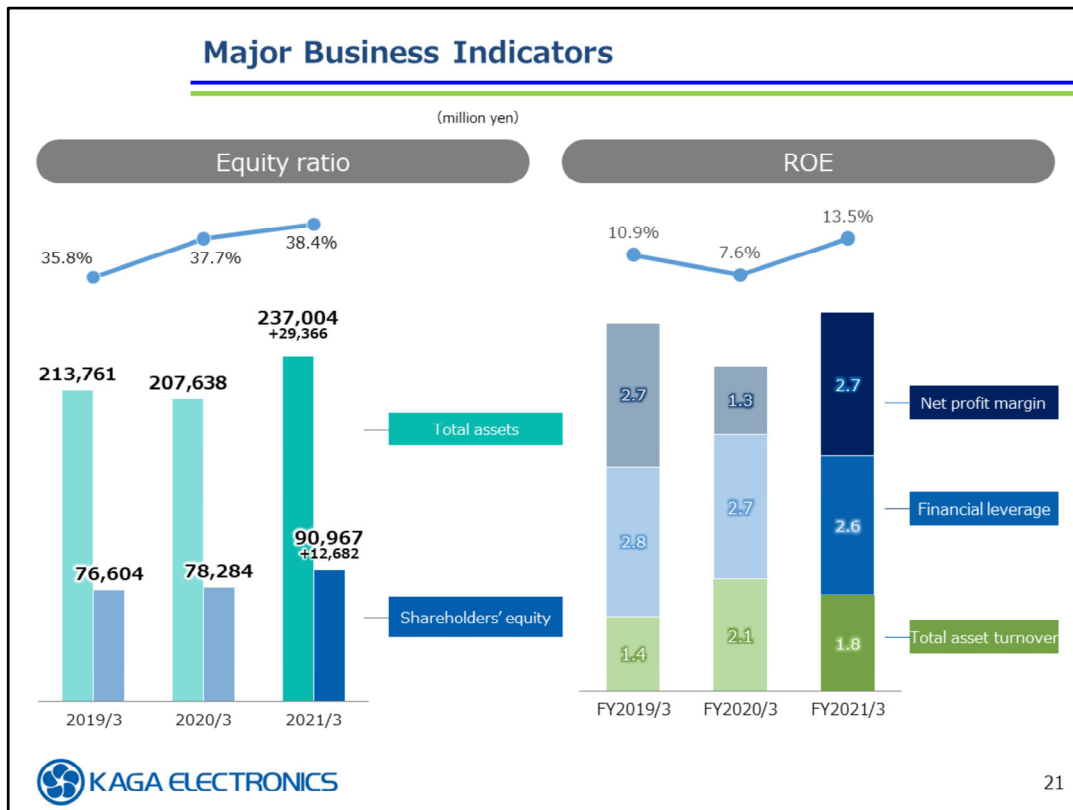
Next, we have inventories. Inventories total 37,948 million yen, up 6,040 million yen. Inventory turnover was 32.8 days. Notes and accounts receivable were 108,394 million yen, up 17,023 million yen. Notes and accounts payable were 79,854 million yen, which is a 9,665 million yen increase. The A/R turnover was 93.7 days and the A/P turnover was 79.8 days.

## Cash and Deposits/Interest Bearing Debt/Cash Flows

(million yen)



Next, I would like to explain cash and deposits, interest-bearing debt and cash flows. Cash and deposits totaled 45,636 million yen, up 2,251 million yen. Interest-bearing debt was 38,261 million yen, up 9,524 million yen. Cash flow from operating activities provided 9,999 million yen, cash flow from investing activities used 2,453 million yen, and cash flow from financing activities used 6,851 million yen.



Continuing on to the equity ratio, total assets were 237,004 million yen, up 29,366 million yen, and shareholders' equity was 90,967 million yen, up 12,682 million yen. As a result, the equity ratio was 38.4%. The ROE increased significantly to 13.5%. The net profit margin was 2.7%, double compared with the previous year. Financial leverage was almost unchanged at 2.6, and the total asset turnover decreased to 1.8.

## 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.

Finally, I would like to explain our full-year earnings forecasts for the fiscal year ending in March 2022.

We expect net sales to increase 11.3% over the previous year to 470,000 million yen. We forecast 13,000 million yen in operating income, up 13.4% over the previous year. Ordinary income is expected to increase 6.7% over the previous year to 12,000 million yen. We expect profit attributable to owners of parent to decrease 29.8% over the previous year to 8,000 million yen. As a result, EPS would be 291.20 yen and ROE would be 8.5%.

## 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%	21.5%
Information equipment	Net sales	48,389		<b>45,000</b>		-7.0%
	Segment income	2,482	5.1%	<b>2,300</b>	5.1%	-7.3%
Software	Net sales	2,932		<b>3,000</b>		2.3%
	Segment income	263	9.0%	<b>300</b>	10.0%	13.9%
Others	Net sales	17,589		<b>18,000</b>		2.3%
	Segment income	474	2.7%	<b>500</b>	2.8%	5.4%
Total	Net sales	422,365		<b>470,000</b>		11.3%
	Segment income	11,467	2.7%	<b>13,000</b>	2.8%	13.4%

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

If we look at forecasts by segment, we expect net sales in the electronic components business to be 404,000 million yen and segment income to total 9,900 million yen. This amounts to a 14.3% increase in net sales over the previous year and a 21.5% increase in segment income.

In the information equipment business, we expect a 7% decrease in net sales to 45,000 million yen, and a 7.3% decrease in segment income, to 2,300 million yen. In the software business, we forecast 3,000 million yen in net sales, up 2.3%, and 300 million yen in segment income, up 13.9%. In the Others business, we forecast 18,000 million yen in net sales, up 2.3%, and 500 million yen in segment income, up 5.4%.

As the final year of the Medium-Term Management Plan 2021, the entire Group will work together to achieve its initial operating income target of 13,000 million yen. We ask for your ongoing support.

Thank you for your attention.

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



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