

For Institutional Investors/Analysts



**KAGA ELECTRONICS
CO., LTD.**

Financial Results Briefing Material

for the Fiscal Year ended March 2022

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

May 26, 2022

Hello, I'm Kado, the President of KAGA ELECTRONICS CO., LTD. Thank you for your continued support and cooperation in our IR activities.

Management Topics

Representative Director,
President & COO
Ryoichi Kado

I would now like to report on key management topics of our company for FY2021.

The main contents of the report are our latest response to the novel coronavirus infectious disease, a review of the previous medium-term management plan, and the new medium-term management plan and sustainability medium-term management plan.

Response to the Spread of Novel Coronavirus Infection : Sales bases in Japan

Office attendance rate and number of infections

| | FY2022/3 H1 | FY2022/3 H2 | FY2022/3 H1 plan | Number of COVID-19 cases (FY2022/3) |
|------------------|-------------|-------------|------------------------------|-------------------------------------|
| Kaga Electronics | 41.5% | 45.8% | 40% | 47 |
| Group companies | 47.3% | 51.6% | (Different for each company) | 104 |
| Group overall | 44.4% | 48.7% | — | 151 |

Infection prevention measures



First, I would like to report on our preventive measures against the novel coronavirus. For domestic sales offices, we continue to conduct sales activities with a remote working structure and staggered commuting, putting safety first. The table shows the office attendance rate, which was 41% for KAGA ELECTRONICS and 47% for the Group companies during the first half of the year. In the second half of the year, they were 46% and 52%, respectively.

The Company intends to continue supporting remote work throughout the first half of the current fiscal year. We set the maximum workplace occupancy rate at 40% for KAGA ELECTRONICS. Each Group company sets its own targets, taking into account its respective business categories.

The four photos at the bottom of this slide show some of our measures to prevent coronavirus infection. Thermal cameras were installed at the entrance to the office. All visitors and employees are required to take their temperatures and sanitize their hands upon entering the building. Partitions were placed in the office buildings. Antiviral and antibacterial coatings were applied. In addition, Caltech sterilization and deodorization machines were installed.

Despite these thorough measures to prevent infection, a total of 151 infection cases were reported across the domestic Group companies. In the previous term, the number was 14. It means that the infection case count increased more than tenfold. I have an impression that the overwhelming number of infections were caused by the employees' family members. Fortunately, none of the patients became seriously ill, and everyone is back at work in good health.

Response to the Spread of Novel Coronavirus Infection : Overseas Production Bases

Status of factory operation and number of infections

| : Operation suspension period | Status of factory operation and number of infections | | | Number of COVID-19 cases (FY2022/3) | |
|-------------------------------|--|-------------|------------------|-------------------------------------|-----|
| | FY2022/3 H1 | FY2022/3 H2 | FY2022/3 H1 | | |
| China | | | 3/14~20:Shenzhen | China | 0 |
| Thai | | | | Asia | 113 |
| Indonesia | | | | Europe | 2 |
| Malaysia | 7/15~26 | | | America | 18 |
| Vietnam | | 7/22~9/27 | | | |
| India | | | | | |
| Czech | | | | | |
| Turkey | | | | | |
| Mexico | | | | | |

Infection prevention measures

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



Partitions in the factory cafeteria



Next, I would like to report on the status of our overseas production sites. This section summarizes the operational status of each location.

In Vietnam, the Kyokuto Electric Plant was shut down for a fairly long period from July to September last year due to the lockdown in Ho Chi Minh City. During this period, production was transferred to Japan and continued but normalized, and production in Vietnam was resumed after October.

There was a lockdown in Malaysia in July and in Shenzhen in March of this year, and the line was shut down for about a week each. In the rest of the world, production activities were able to continue without interruption.

Even at our overseas EMS factories, we ensure all employees take their temperature when entering the factory, wear masks and goggles inside the factory, and keep social distance on the production line and on the employee buses that employees ride to work. In addition to hand washing, gargling, and alcohol disinfection measures, we also apply disinfecting spray inside the plant. Partitions in the cafeteria are used to protect employees from being exposed to contact or spreading infection.

A total of 133 cases of infection were reported in Asia, Europe, and the Americas. No one was seriously affected, and there was not a single case of mass infection at the plants.

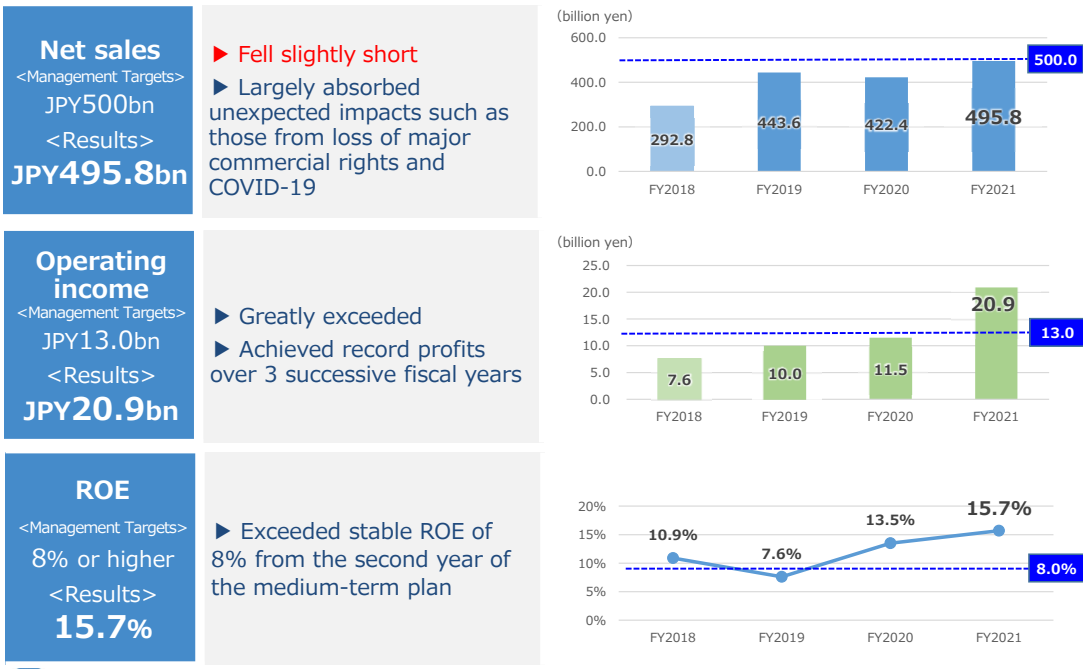
| Review of the Previous Medium-term Management Plan: Results of management policiess | | |
|--|---|---|
| Basic policy | Priority themes | Main results |
| Enhancement of Revenue Base | ▶ Focus on markets and areas in which high growth and profitability are expected | <ul style="list-style-type: none"> ○ Revenue increase effect through acquisition of companies : about ¥215 bn ○ Growth of EMS business : about ¥28 bn |
| Stabilization of Management Base | ▶ Swift recovery of the Group's management efficiency and financial soundness after weakness caused by acquisition of companies | <ul style="list-style-type: none"> ○ KAGA FEI: Gross profit margin 6.3% (FY18 results) → 9.8% (FY21 results) ○ Kaga Electronics: Consolidated SG&A ratio 9.5% (FY18 results) → 8.0% (FY21 results) ○ Kaga Electronics: Equity ratio 35.8% (end/Mar 2019 results) → 38.8% (end/Mar 2022 results) |
| Creation of New Businesses | ▶ Enhancement of resiliency to changes in the external environment, actively leveraging in-house resources, and M&A | <ul style="list-style-type: none"> ○ Venture investments : 19 projects executed (investments in 42 companies) △ Social issues solutions-oriented business : Entry into disaster-readiness helicopter and EV bus mobility business, preparation for entry into medical device business |

Next, I would like to review the completion of the medium-term management plan 2021. I have summarized the results in two slides regarding our business plans and the results. Regarding the first measure, strengthening our earnings base. We have been actively involved in corporate acquisitions over the past three years, including KAGA FEI and EXCEL. As a result, we gained approximately JPY215 billion in new net sales and customers. In terms of profitability, we were able to increase our high value-added EMS business by approximately JPY28 billion.

Regarding the second point, stabilization of the management base, KAGA FEI's gross profit margin, which was low at the time of acquisition, has improved by more than 3 percentage points over the past three years. In addition, SG&A to sales ratio for KAGA ELECTRONICS has dropped a little more than 1 percentage point over the past three years, and its equity ratio has returned to nearly 40%. As such, we assess that the efficiency and financial soundness of the Company are steadily improving.

Our third focus is the creation of new businesses. We are working on projects with the theme of solving social issues, such as disaster prevention helicopters and EV buses, and honestly, we evaluate what we have done and what we have not done here as both. Those that were completed are marked with a blue circle, and those that were inadequate are marked with a red triangle.

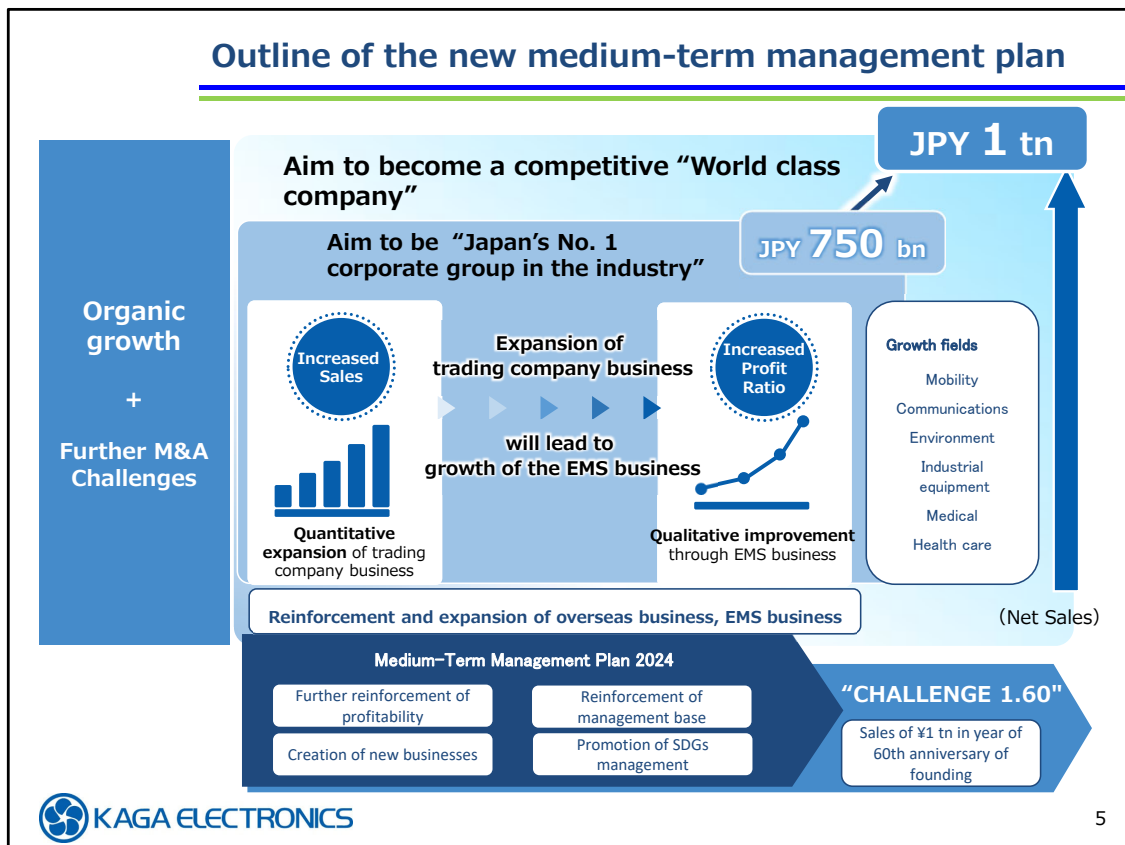
Review of the Previous Medium-term Management Plan: Results of management figures



Next, I would like to review the business performance.

The actual sales for FY2021 were JPY495.8 billion, compared to the management target of JPY500 billion in sales. I think the results were slightly less than satisfactory. However, during the period there were some unexpected events, such as the loss of major commercial rights at KAGA FEI, the novel coronavirus, and semiconductor shortages. In the end, however, we were able to absorb these adversary effects.

Operating profit was JPY20.9 billion versus a management target of JPY13 billion, so the tight supply-demand balance in the market also served as a tailwind to achieve satisfactory results. The Company posted its highest profits for the third consecutive year. Since profit margins have improved, ROE has remained in the 10% range for two consecutive years, exceeding the management target of 8%.



Next, I would like to refer our new medium-term management plan 2024, which was announced last November.

This will be duplicated for those who attended the last meeting, so we would like to focus on the main points and reconfirm them. This slide provides a summary of the new medium-term management plan. The basic design is inherited from the previous medium-term management plan.

The sources of our growth potential are organic growth plus new M&As, overseas business, and EMS business as growth opportunities, and focused growth areas are mobility, telecommunications, environment, and industrial equipment.

In these fields, we aim to become a top-class company in the industry in Japan, with JPY750 billion in net sales, by capturing the trading business of electronic components and the EMS business of board mounting as growth drivers. We aim to achieve annual sales of JPY1 trillion to grow ourselves into an enterprise that can survive global competition.

Management Policies of the new medium-term management plan

| Basic policy | Priority themes | Major initiatives |
|--|---|---|
| Further Reinforcement of Profitability | <ul style="list-style-type: none"> ▶ Focus on markets with potential for high growth and profitability | <ul style="list-style-type: none"> • Selection and concentration in growth fields: Mobility, Communications, Environment, Industrial equipment, Medical/Health care • Reinforcement and expansion of EMS business and overseas business |
| Reinforcement of Management Base | <ul style="list-style-type: none"> ▶ Transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry" | <ul style="list-style-type: none"> • Reinforcement of corporate governance • Efficient Group management • Investments in human capital |
| Creation of New Businesses | <ul style="list-style-type: none"> ▶ Active use of venture investments and M&As | <ul style="list-style-type: none"> • Initiatives in new fields • Promotion of open innovation through venture investments • M&A efforts aimed at discontinuous growth |
| Promotion of SDGs Management | <ul style="list-style-type: none"> ▶ achieve solutions to social issues and sustainable growth as a company | <ul style="list-style-type: none"> • Promotion of group-wide sustainability management (See "Medium- to long-Term Sustainability Management Plan" for details) |

In this slide, I will review the four basic policies as management measures of the new medium-term management plan.

To further strengthen profitability, it is important to focus on markets with high growth and profitability potential. The areas we are working on are as I mentioned earlier.

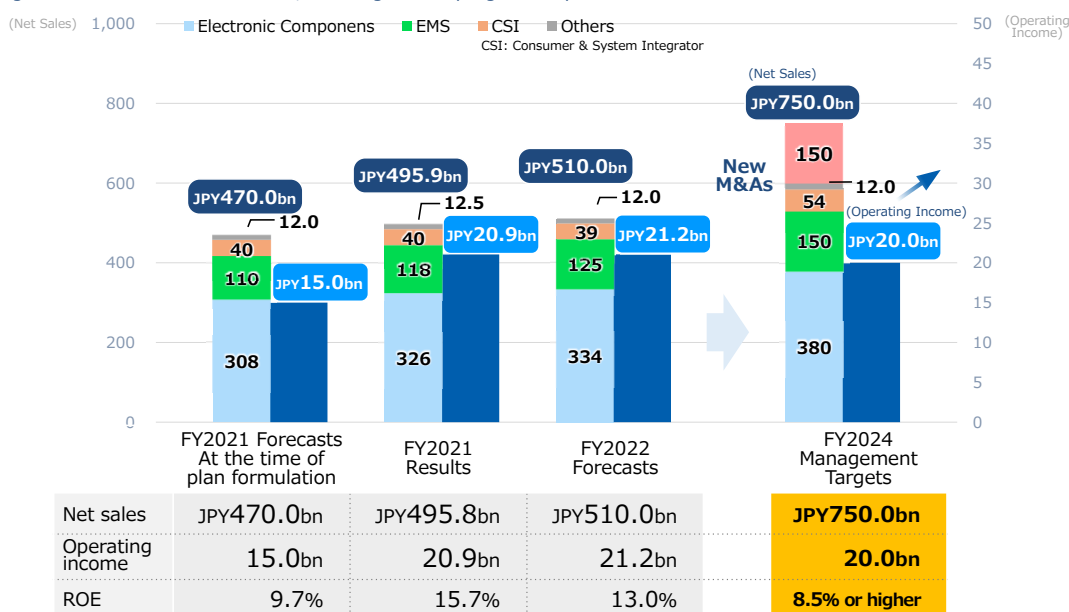
To strengthen our management foundation, we recognize that it is an important issue to transform our management structure to be appropriate for the number one company in the Japanese industry, and we will work on strengthening corporate governance, efficient group management, and investment in human capital.

As for the creation of new businesses, we will continue to promote open innovation through venture investment, and we will also aggressively pursue M&A opportunities to achieve discontinuous growth.

Regarding the promotion of SDGs management, we will promote sustainability management across the Group with the aim of both solving social issues and achieving sustainable growth as a company. I will review it again later in the sustainability medium-term management plan.

Management Targets of the new medium-term management plan

There was pressure from special factors that were not predicted when formulating the plan, leading to profit levels that exceeds the medium-term management target of 20 billion yen. We will conduct a revision as appropriate given the actual state of affairs, focusing on the progress of performance as of the 1H of FY2022.



Next, I will review the management targets of the new medium-term management plan. For fiscal 2024, the final year of the new medium-term management plan, we have set a target of JPY600 billion in net sales through organic growth and JPY750 billion including new M&As. In aiming to become a JPY1 trillion company in the future, our scenario is to create JPY750 billion in the next three years, even if we have to buy from outside sources what we lack in organic growth.

We have set a target of JPY20 billion for operating income. The idea is to create this through organic growth without relying on M&As. When the plan was announced last November and at the time of the second quarter financial results, the operating profit forecast for FY2021, the launch pad, was JPY15 billion, but due in part to the boost from special factors that were not factored in when the plan was formulated, actual results for FY2021 were JPY20.9 billion.

The forecast for FY2022 is also JPY21.2 billion, which means that the current profit level exceeds the target of the medium-term management plan. The Company intends to revise the forecast in a manner consistent with the actual results after determining the degree of progress of business performance in the first half of FY2022.

ROE is set at a stable 8.5%, or higher, to consistently exceed the cost of shareholders' equity, which we consider to be around 7% to 8%.

Sustainability Policy

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

1 We will tackle environmental issues through our business activities

Through our business activities, we will take action to cut CO₂ emissions, reduce waste, and promote reuse. At the same time, by providing environmentally considerate products and services, we will contribute to bringing about a society that values the global environment.

2 We will respect human rights and develop human resources

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

3 We will work to build mutual trust with society

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



The first few slides from here show the sustainability medium- to long-term management plan that we announced last November together with the new medium-term plan. This is also repetitive, so let me pick up just the main points.

We have established a Sustainability Policy that illustrates the KAGA ELECTRONICS approach to SDGs. As stated in this preamble, our corporate slogan is "Everything we do is for our customers." Accordingly, we set two targets: fulfillment of a sustainable society and sustainable group growth.

The following three items are outlined in our Sustainability Policy.











The first is to address environmental issues through our business activities. We contribute to the realization of a society that cares for the global environment by reducing CO₂ and waste and providing environmentally friendly products and services.

The second is to respect human rights and develop human resources. We respect the human rights of all stakeholders regardless of gender, age, or nationality. We will also work to develop human resources by creating a workplace environment in which employees can work safely and healthily, both mentally and physically, and by developing personnel and training systems that enable employees to maximize their individual abilities.

Third, we aim to establish mutual trust with society. It is to conduct corporate activities with integrity, including compliance with laws and regulations, fair competition, provision of high-quality products and services, and timely and appropriate information disclosure, as well as to strengthen our governance system. We aim to be a company trusted by society.

Materiality

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

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

This slide is a key issue that we have discussed and identified.

We have identified key issues that will have a significant impact on our management from the four perspectives of the environment, society, governance, and our business. Through efforts to address these important issues, we will implement corporate activities that contribute to the realization of a sustainable society and promote further enhancement of corporate value.

Specifically, our key tasks are to create a clean global environment in terms of environment, to create a company that is easy to work for and prosperous society in terms of society, to create a sustainable management foundation in terms of governance, and to achieve sustainable business growth in terms of business.

Medium- to long-term sustainability targets and major KPIs

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



*Numbers in parentheses represent current values

For each of these details, we have compiled a list of themes, goals, and KPIs to be addressed.

In terms of the environment, we are working to achieve 100% renewable energy consumption in our business activities. Currently, only 1% of our sales offices in Japan use renewable energy, but we aim to increase this to 40% by 2024, and 100% by 2030. Meanwhile, we have set long-term targets for the energy used by our EMS business at our factories in Japan and overseas, ranging from 30% to 50% by 2030, and 100% by 2050. To implement this policy, we will collect and analyze information over the next three years and decide on the choice between in-house power generation and external procurement, as well as on the methods to be used in the case of in-house power generation. Through these efforts, we would also like to consider declaring RE100. In society, we are committed to diversity and human resources management, as well as work-life management and productivity improvement. In particular, to ensure diversity in core human resources, we will increase the ratio of women in management positions, currently around 13%, to 15% by 2024.

Lastly, corporate governance. We will work to rebuild our governance structure in response to the CG Code revision and TSE reorganization and to further strengthen management oversight and execution functions. In April last year, we established the SDGs Committee, under which working groups on the environment, society, and corporate governance were formed to discuss ESG issues and compile the sustainability medium-term management plan.

Medium- to long-term sustainability targets: Main activities and progress

| Key themes | Issues to address and issues to examine | Main activities and progress in FY2021 |
|------------|---|--|
| E | Achievement of shift to 100% renewable energy | <ul style="list-style-type: none"> ■ Measured the electricity usage (approx. 4.42 million KWh). Started study of when to purchase renewable energy. ■ Measured the electricity usage (approx. 6.72 million KWh). Solar panels, onsite/offsite PPA, etc., are under consideration. |
| | Shift to electricity for company-owned vehicles | <ul style="list-style-type: none"> ■ 80.8% complete (as of March 31, 2022). |
| S | Diversity and human resource management | <ul style="list-style-type: none"> ■ Formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace. Started hiring activities in accordance with the plan. ■ Informed group companies to improve percentage of women in management positions. Started setting targets for number of women in management positions at each group company. ■ Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2022). |
| | Work-life management and enhancement of productivity | <ul style="list-style-type: none"> ■ Regulations and rules are being revised to make telework a permanent system. ■ Prepared information to be disclosed on the website with an eye to acquisition of certification. |
| G | Restructuring the governance structure in response to the revision of the CG Code and the reorganization of TSE | <ul style="list-style-type: none"> ■ Implemented from June 2021. |
| | Further strengthening the supervisory and oversight functions of top management over business execution | <ul style="list-style-type: none"> ■ Activities underway to elect female directors in June 2023. ■ TCFD-compliant information to be disclosed from June 2022. ■ Implemented from April 2022. ■ Policy to be determined in FY2022. |

In the first year of the sustainability medium- to long-term management plan, less than six months from last November to this March, we have summarized our progress during that period and would like to report on it.

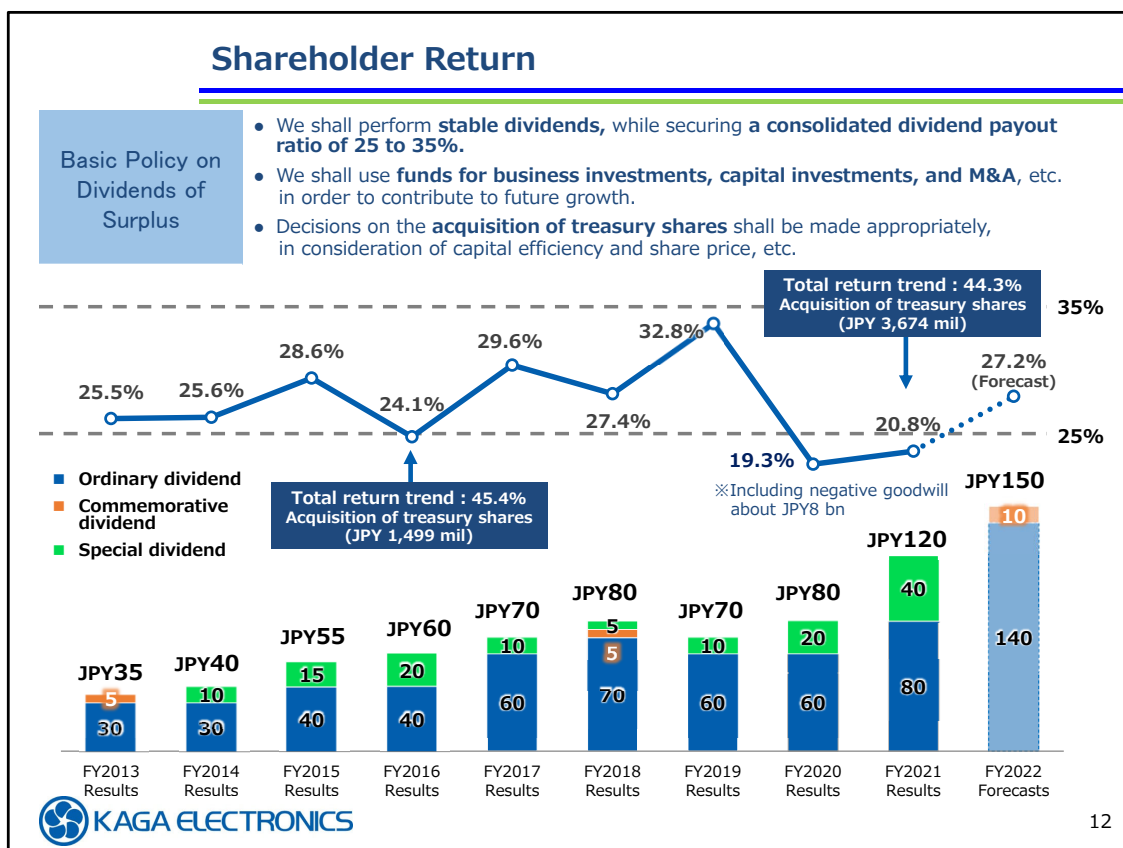
First, with regard to the shift to 100% renewable energy for the environment, we have conducted a survey of electricity consumption at our sales and manufacturing sites in Japan and have begun considering when to purchase renewable energy for our sales offices. In addition, we have begun to consider the installation of solar panels and on-site and off-site PPAs at our manufacturing facilities.

In the area of social diversity and human resources management, we have formulated an action plan based on the Act on Promotion of Women's Participation and Advancement in the Workplace in order to raise the ratio of female new graduates in career-track positions. Recruitment activities in line with this plan have begun this fiscal year. As of the end of March this year, KAGA ELECTRONICS has achieved 100% of the legally mandated employment rate for persons with disabilities.

With regard to work-life management and productivity improvement, we are currently reviewing our regulations to make remote working a permanent system. In addition, we have completed the necessary disclosure information on our website in preparation for obtaining certification in Health and Productivity Management.

Lastly, about governance, as part of the restructuring of the governance system in response to the revision of the CG Code and the reorganization of the TSE, we implemented the establishment of at least one third of independent outside directors and the Nomination and Compensation Committee last June. In terms of diversifying the Board of Directors, we are working toward the appointment of a female board member by June 2023.

To further strengthen the supervisory and executive functions of management, we introduced a delegated executive officer system in April of this year. We would like to finalize our policy on companies with committees by March 2023.

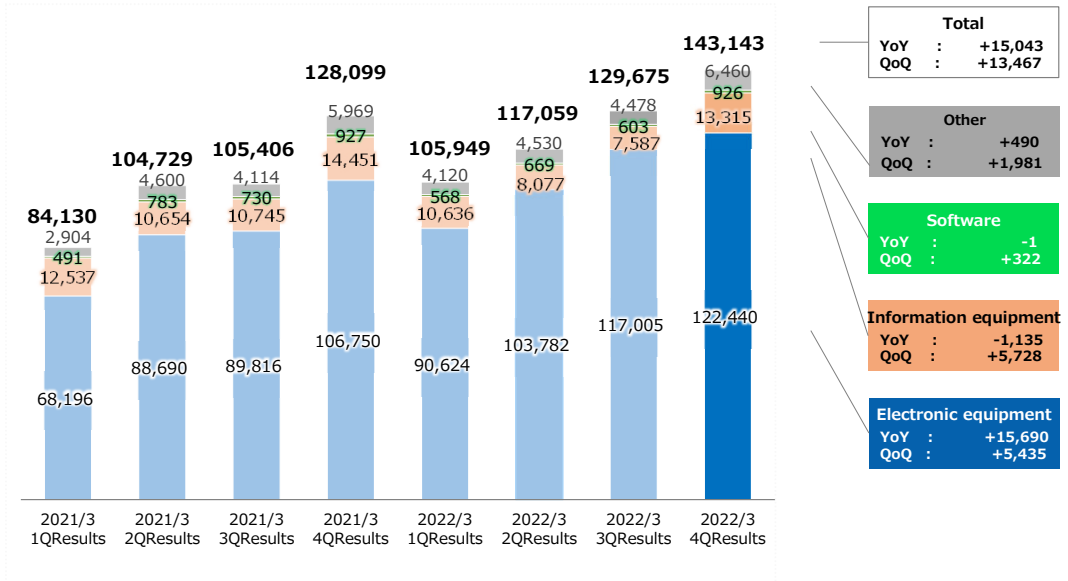


Reference

Financial Highlights by Business Segment <Net Sales>

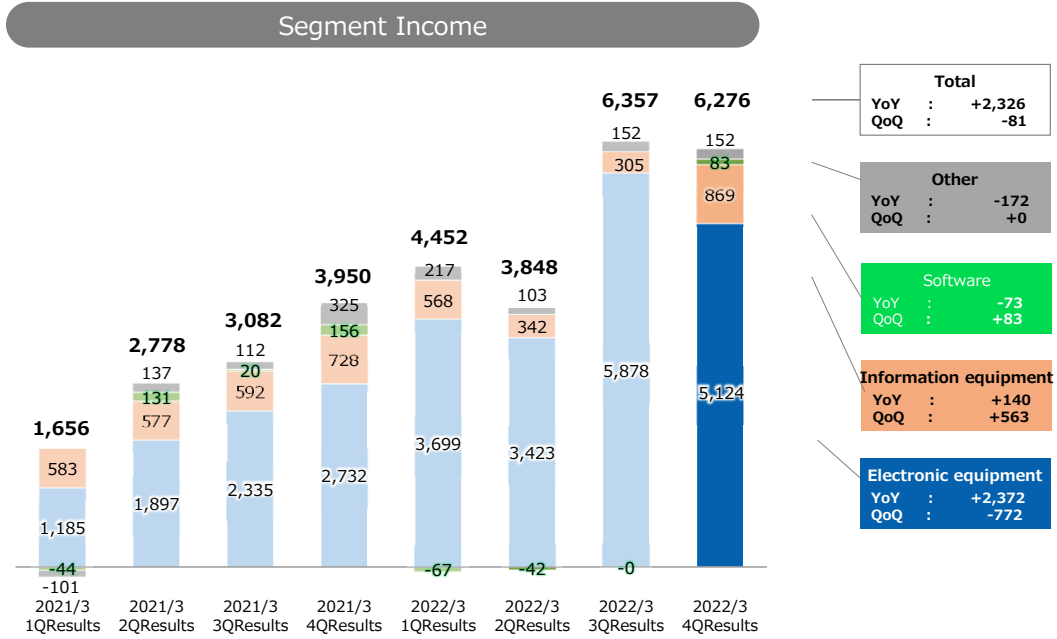
(million yen)

Net Sales



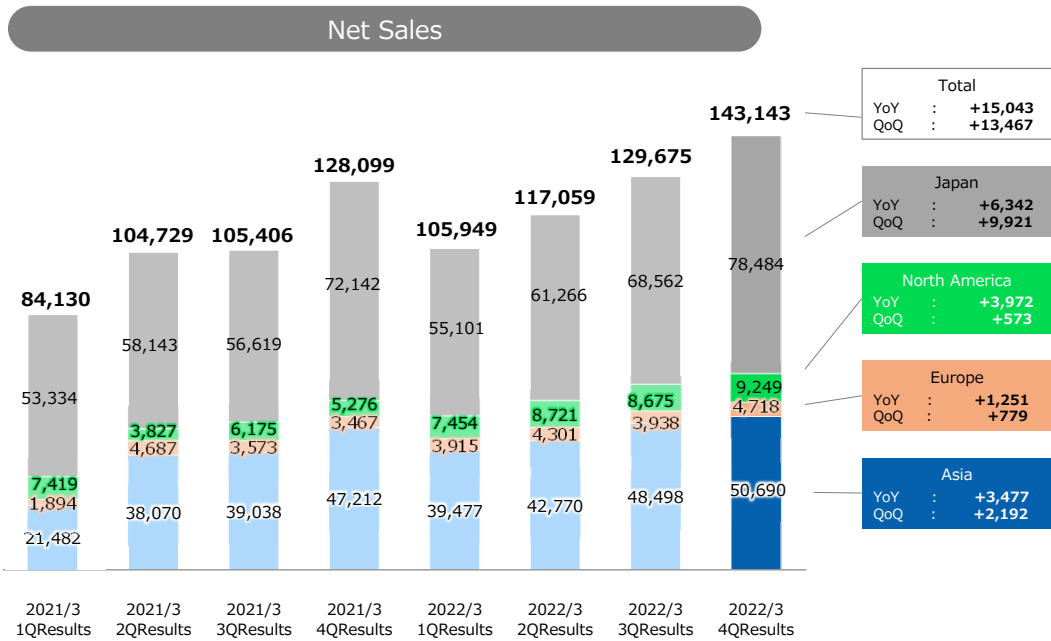
Financial Highlights by Business Segment < Segment Income >

(million yen)



Net Sales by Region

(million yen)



Exchange Rate/FOREX Sensitivity

| | FY2021/3 Results (Yen) | FY2022/3 Results (Yen) | (Reference) Effect of 1% change (Million Yen) | | Forex Assumption for 2023/3(yen) |
|-----|------------------------------|------------------------------|---|---------------------|---|
| | | | Net sales | Operating income | |
| USD | 106.06 | 112.38 | 1,573 | 46 | 116.00 |
| RMB | 15.48 | 17.03 | 242 | 9 | 18.00 |
| THB | 3.42 | 3.44 | 251 | 14 | 3.50 |
| HKD | 13.68 | 14.44 | 208 | 6 | 14.50 |
| EUR | 123.70 | 130.50 | 10 | 0 | 130.00 |

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



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL:+81-3-5657-0106

FAX:+81-3-3254-7133

E-mail : webmaster@taxan.co.jp

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

This concludes today's presentation. Thank you.

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.
- Display method in this material
 - Number : Truncated less than the display unit.
 - Ratio : After calculation in yen units, Round down one digit of Display unit.