

September 1, 2021

Name of Company KAGA ELECTRONICS CO., LTD.
Representative Ryoichi Kado, President & COO
(Stock Code: 8154 Tokyo Stock Exchange, First Section)
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Notice Regarding the Possibility of Claims against EuroTec Japan, Inc., Becoming Uncollectible

KAGA ELECTRONICS CO., LTD. (“the Company”), hereby announces the possibility that collection of its claims against its business partner, EuroTec Japan, Inc. (“EuroTec”), may become impossible or delayed accompanying EuroTec’s filing for the initiation of civil rehabilitation proceedings with the Osaka District Court on August 31, 2021, as described below.

1. Overview of Other Party

(1)	Name	EuroTec Japan, Inc.	
(2)	Location	2926 Shirahamacho, Nishimuro-gun, Wakayama	
(3)	Name and Job Title of Representative	Tsunemasa Koie, President	
(4)	Business Description	Export/import, sale, and lease of aircraft and related parts	
(5)	Capital	60 million yen	
(6)	Date of establishment	July 29, 2010	
(7)	Relationships with Kaga Electronics Co., Ltd.	Capital relationships	None
		Personal relationships	Two employees of KAGA ELECTRONICS CO., LTD., have been dispatched as executives.
		Business relationships	Sales transactions in aircraft and related parts
		Related party status	None

2. Types and Amounts of Claims against EuroTec Japan, Inc. (as of August 30, 2021)

Loans, etc.: approx. 1.9 billion yen

Inventory: approx. 3.9 billion yen*

*Future sale of inventory to EuroTec is expected to generate approximately 4.2 billion yen in receivables.

3. Background and Future Outlook

The Company recently received a request for aid from EuroTec after conducting business with EuroTec while exploring the prospect of entering the rotary-wing aircraft business in which it is involved. EuroTec's business is in line with the direction of business that the Company would like to grow in the future, and the Company expects collaboration between EuroTec's manufacturing and technical capabilities and the Company's planning and sales capabilities to enable business that more closely meets customers' needs. Furthermore, there is a substantial societal need for the reconstruction of EuroTec and the continuity of its business in light of the public aspects of its business such as transactions with local governments. According, the Company has decided to discuss and deliberate supporting EuroTec.

Going forward, the Company will proceed with negotiations with EuroTec regarding support conditions and schemes and swiftly carry out deliberation of business support to EuroTec via the appropriate mechanisms on the condition of completion of the prescribed procedures, including approval by an oversight committee. In addition, while deliberating business support to EuroTec, the Company will sign a loan contract with EuroTec and provide EuroTec with the cash-flow support it requires.

4. Impact on Earnings

The impact of this matter on the Company's full-year consolidated earnings is still under evaluation.

Among the claims described above, the loans, etc. have already been declared as allowances for the fiscal year ended on March 31, 2021, as well as the first quarter of the fiscal year ending on March 31, 2022. Furthermore, collection related to the inventory for EuroTec is anticipated based upon the Company's fulfillment of its responsibility as a supplier and completion of delivery to customers through the civil rehabilitation support.

(Reference) Forecast for the fiscal year ending March 2022 (announced on May 13, 2021) and Result for the fiscal year ending March 2021

(million yen)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
FY2022/3 Forecasts	470,000	13,000	12,000	8,000
FY2021/3 Results	422,365	11,467	11,241	11,399