

Financial Results Briefing Material

for the First Half of the
Fiscal Year ending March 2024

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

November 24, 2023

KAGA ELECTRONICS CO., LTD.

Consolidated Financial Results

for the First Half of the
Fiscal Year ended March 2024

Senior Executive Officer
Head of Administration Headquarters
Yasuhiro Ishihara

Summary of Financial Results for FY2024/3 2Q

FY2024/3 2Q results

- Net sales decreased by 23.7 billion yen or 7.9% year on year to 275.0 billion yen. The decrease, despite sales growth in the information equipment business and the others business, **reflected disappearance of spot demand and emergence of some impact of inventory adjustments by customers in the electronic components business**, the Group's core business.
- Operating income decreased by 4.4 billion yen or 24.4% year on year to 13.8 billion yen. Lower income is attributable partly to provision of allowance for doubtful accounts recorded in 1Q associated with a business partner's filing for insolvency, in addition to decline in gross profit due to lower sales.
Excluding disappearance of spot demand and the one-off factor related to allowance for doubtful accounts, "earning power" in real terms maintained the previous year's level.
- Net income decreased by 2.0 billion yen or 15.0% year on year to 11.4 billion yen. **Gain on sales of investment securities and gain on bargain purchase associated with a corporate acquisition** were posted as **extraordinary income**.
- Upward momentum in 1Q was maintained in 2Q. **Net sales and operating income exceeded the internal plan, by 15.0 billion and 3.8 billion yen, respectively.**

FY2024/3 earnings forecast

- **While an upward revision is in mind as better-than-expected performance continues, supporting first-half earnings momentum, earnings forecast revision is held off at this time to carefully assess the future demand trend, in light of a management environment that poses growing uncertainty about the outlook.**

	Net Sales	Operating income	Net income
FY2024/3 Forecasts (Announced on May 11, 2023)	JPY 550.0 bn	JPY 25.0 bn	JPY 18.0 bn
2Q Progress rate	50.0%	55.5%	63.4%

Financial Highlights for FY2024/3 2Q

(million yen)

	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY	FY2024/3 Forecasts <small>(Announced on May 11, 2023)</small>	Progress rate
Net sales	298,760	275,044	-7.9%	550,000	50.0%
Gross Profit	40,001 <i>13.4%</i>	35,160 <i>12.8%</i>	-12.1%	—	—
SG&A	21,639 <i>7.2%</i>	21,284 <i>7.7%</i>	-1.6%	—	—
Operating income	18,361 <i>6.1%</i>	13,876 <i>5.0%</i>	-24.4%	25,000 <i>4.5%</i>	55.5%
Ordinary income	18,932 <i>6.3%</i>	13,945 <i>5.1%</i>	-26.3%	25,000 <i>4.5%</i>	55.8%
Profit attributable to owners of parent	13,412 <i>4.5%</i>	11,404 <i>4.1%</i>	-15.0%	18,000 <i>3.3%</i>	63.4%
EPS (yen)	510.88	434.23	—	685.42	—
Exchange Rate yen / USD	133.97	141.00	—	135.00	—

- Note: 1. The effect of exchange rates on the conversion into yen is approximately 6,072 million yen on net sales and 194 million yen on operating income.
 2. "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2024/3 2Q

(million yen)

		FY2023/3 2Q Results	FY2024/3 2Q Results	YoY	FY2024/3 Forecasts <small>(Announced on May 11, 2023)</small>	Progress rate
Electronic Component	Net sales	268,464	242,564	-9.6%	471,500	51.4%
	Segment income	16,617 <i>6.2%</i>	11,785 <i>4.9%</i>	-29.1%	20,700 <i>4.4%</i>	56.9%
Information Equipment	Net sales	19,597	20,715	5.7%	45,000	46.0%
	Segment income	965 <i>4.9%</i>	1,280 <i>6.2%</i>	32.7%	2,500 <i>5.6%</i>	51.2%
Software	Net sales	1,307	1,225	-6.3%	4,500	27.2%
	Segment income	95 <i>7.3%</i>	112 <i>9.2%</i>	18.2%	300 <i>6.7%</i>	37.7%
Others	Net sales	9,392	10,539	12.2%	29,000	36.3%
	Segment income	658 <i>7.0%</i>	623 <i>5.9%</i>	-5.3%	1,500 <i>5.2%</i>	41.5%
Total	Net sales	298,760	275,044	-7.9%	550,000	50.0%
	Segment income	18,361 <i>6.1%</i>	13,876 <i>5.0%</i>	-24.4%	25,000 <i>4.5%</i>	55.5%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

Results by Company for FY2024/3 2Q

(million yen)

		FY2022/3 2Q Results	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY
Kaga Electronics	Net sales	125,272	168,400	156,408	-7.1%
	Gross Profit	18,850 <i>15.1%</i>	26,734 <i>15.9%</i>	23,651 <i>15.1%</i>	-11.5%
	Operating income	6,402 <i>5.1%</i>	12,235 <i>7.3%</i>	10,568 <i>6.8%</i>	-13.6%
Kaga FEI	Net sales	68,240	98,757	98,766	0.0%
	Gross Profit	6,325 <i>9.3%</i>	11,301 <i>11.4%</i>	9,632 <i>9.8%</i>	-14.8%
	Operating income	1,067 <i>1.6%</i>	5,214 <i>5.3%</i>	2,422 <i>2.5%</i>	-53.5%
Excel	Net sales	29,495	31,602	19,869	-37.1%
	Gross Profit	2,103 <i>7.1%</i>	1,991 <i>6.3%</i>	1,925 <i>9.7%</i>	-3.3%
	Operating income	966 <i>3.3%</i>	866 <i>2.7%</i>	865 <i>4.4%</i>	-0.1%
Total	Net sales	223,009	298,760	275,044	-7.9%
	Gross Profit	27,133 <i>12.2%</i>	40,001 <i>13.4%</i>	35,160 <i>12.8%</i>	-12.1%
	Operating income	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	13,876 <i>5.0%</i>	-24.4%

Note: 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.
2. "x. x%" represents the profit margin.

Effect of M&A for FY2024/3 2Q

(million yen)

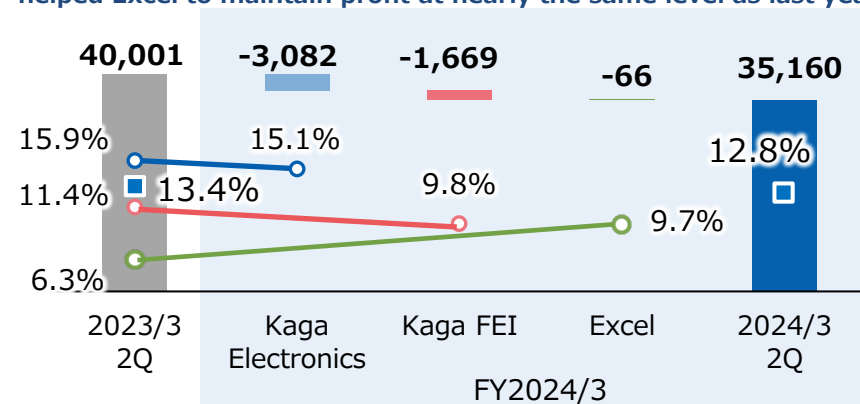
Net Sales

Kaga Electronics posted a sales decrease due partly to disappearance of spot demand. Excel saw a decrease in sales to a major customer.



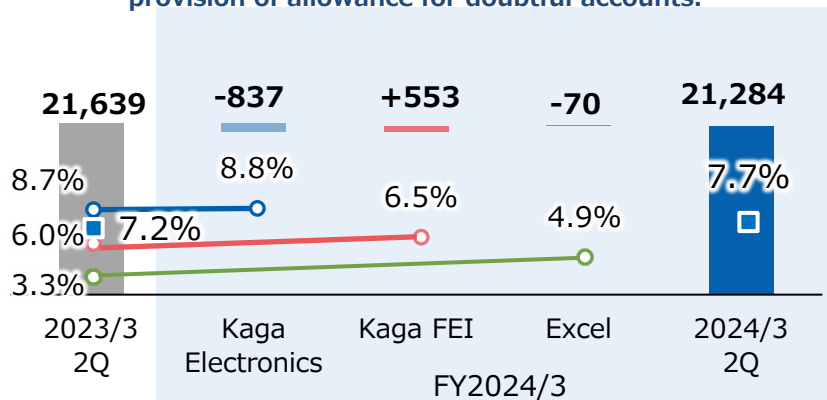
Gross profit / Gross profit margin

Kaga Electronics and Kaga FEI both recorded a gross profit decrease due partly to disappearance of spot demand. Improved sales mix helped Excel to maintain profit at nearly the same level as last year.



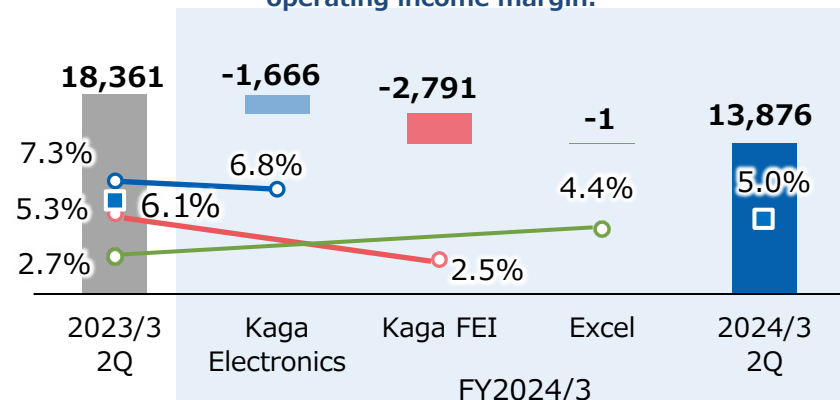
SG&A / SG&A ratio

SG&A expenses declined in both Kaga Electronics and Excel due to lower sales. Kaga FEI's expenses increased due partly to the provision of allowance for doubtful accounts.



Operating income / Operating income margin

Kaga Electronics and Kaga FEI recorded a decrease in operating income. Excel secured last year's income level with improved operating income margin.

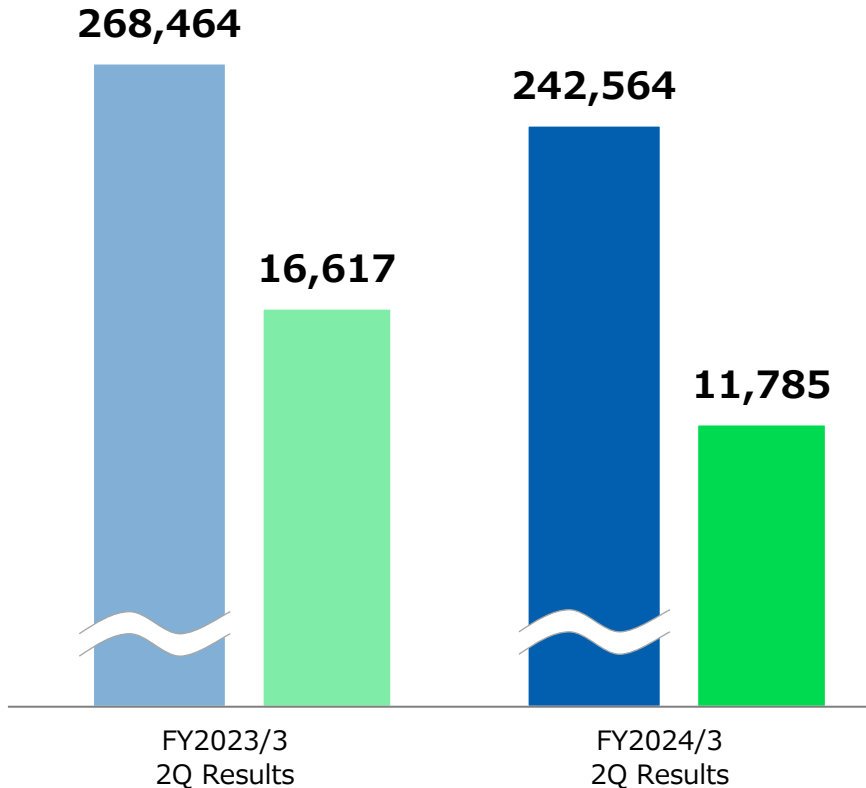


Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income

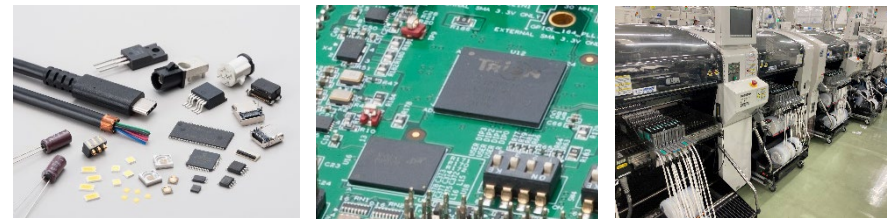


YoY

- Net Sales ▶ **-25,899**million yen **9.6%Down**
- Segment income ▶ **-4,831**million yen **29.1%Down**

• Both net sales and income decreased in the component sales business due to partial emergence of the impact of customers' inventory adjustments, in addition to disappearance of spot demand that had contributed to earnings until the previous fiscal year, given easing of supply shortages of semiconductors and electronic components.

• In the EMS business, net sales and income declined due partly to the impact of inventory adjustments at key customers in applications related to medical and industrial equipment, despite sales growth in the automotive sector resulting from improved supply and demand balance of semiconductors and electronic components.

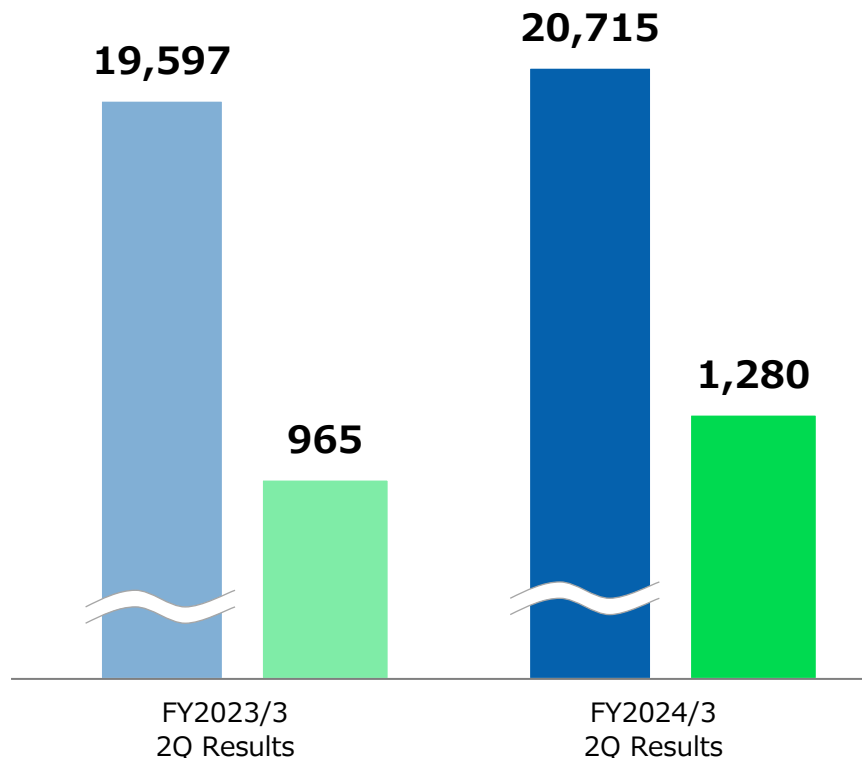


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income



YoY

- Net Sales ▶ **+1,118**million yen **5.7%Up**
- Segment income ▶ **+315**million yen **32.7%Up**

- Sales of PCs to educational institutions remained firm, with an increase in the number of accounts.
- Sales of security software and PC peripheral products were also solid.
- The LED installation business enjoyed contribution from sales of large-scale projects that the Group has been pushing forward on a full scale since the previous fiscal year.



Financial Highlights for FY2024/3 2Q (3 months)

Reference

(million yen)

	FY2023/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Net sales	149,458	137,694	137,350	-8.1%	-0.3%
Gross Profit	20,163 <i>13.5%</i>	17,553 <i>12.7%</i>	17,607 <i>12.8%</i>	-12.7%	0.3%
SG&A	11,621 <i>7.8%</i>	10,559 <i>7.7%</i>	10,725 <i>7.8%</i>	-7.7%	1.6%
Operating income	8,541 <i>5.7%</i>	6,994 <i>5.1%</i>	6,882 <i>5.0%</i>	-19.4%	-1.6%
Ordinary income	9,073 <i>6.1%</i>	6,909 <i>5.0%</i>	7,035 <i>5.1%</i>	-22.5%	1.8%
Profit attributable to owners of parent	6,427 <i>4.3%</i>	5,767 <i>4.2%</i>	5,636 <i>4.1%</i>	-12.3%	-2.3%
EPS (yen)	244.79 –	219.63 –	214.60 –	–	–

Note: "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2024/3 2Q (3 months)

Reference

(million yen)

		FY2023/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	134,986	120,015	122,549	-9.2%	2.1%
	Segment income	7,599 <i>5.6%</i>	5,922 <i>4.9%</i>	5,862 <i>4.8%</i>	-22.9%	-1.0%
Information Equipment	Net sales	8,449	12,050	8,664	2.5%	-28.1%
	Segment income	400 <i>4.7%</i>	746 <i>6.2%</i>	533 <i>6.2%</i>	33.4%	-28.5%
Software	Net sales	808	577	647	-19.9%	12.3%
	Segment income	129 <i>16.0%</i>	-4 <i>-0.8%</i>	117 <i>18.1%</i>	-9.0%	-
Others	Net sales	5,213	5,050	5,488	5.3%	8.7%
	Segment income	408 <i>7.8%</i>	291 <i>5.8%</i>	331 <i>6.0%</i>	-18.9%	13.8%
Total	Net sales	149,458	137,694	137,350	-8.1%	-0.3%
	Segment income	8,541 <i>5.7%</i>	6,994 <i>5.1%</i>	6,882 <i>5.0%</i>	-19.4%	-1.6%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

Results by Company for FY2024/3 2Q (3 months)

Reference

(million yen)

		FY2023/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Kaga Electronics	Net sales	84,061	78,615	77,792	-7.5%	-1.0%
	Gross Profit	13,693 <i>16.3%</i>	12,146 <i>15.5%</i>	11,504 <i>14.8%</i>	-16.0%	-5.3%
	Operating income	5,983 <i>7.1%</i>	5,663 <i>7.2%</i>	4,905 <i>6.3%</i>	-18.0%	-13.4%
Kaga FEI	Net sales	51,005	48,135	50,631	-0.7%	5.2%
	Gross Profit	5,516 <i>10.8%</i>	4,379 <i>9.1%</i>	5,252 <i>10.4%</i>	-4.8%	19.9%
	Operating income	2,173 <i>4.3%</i>	797 <i>1.7%</i>	1,625 <i>3.2%</i>	-25.2%	103.9%
Excel	Net sales	14,392	10,943	8,925	-38.0%	-18.4%
	Gross Profit	1,004 <i>7.0%</i>	1,014 <i>9.3%</i>	910 <i>10.2%</i>	-9.3%	-10.2%
	Operating income	403 <i>2.8%</i>	485 <i>4.4%</i>	379 <i>4.3%</i>	-6.0%	-21.8%
Total	Net sales	149,458	137,694	137,350	-8.1%	-0.3%
	Gross Profit	20,163 <i>13.5%</i>	17,553 <i>12.7%</i>	17,607 <i>12.8%</i>	-12.7%	0.3%
	Operating income	8,541 <i>5.7%</i>	6,994 <i>5.1%</i>	6,882 <i>5.0%</i>	-19.4%	-1.6%

Note: 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.

2. "x. x%" represents the profit margin.

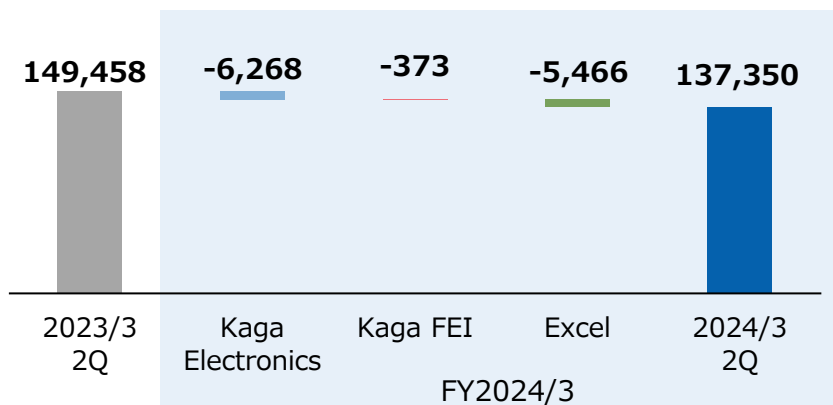
Effect of M&A for FY2024/3 2Q (3 months)

Reference

(million yen)

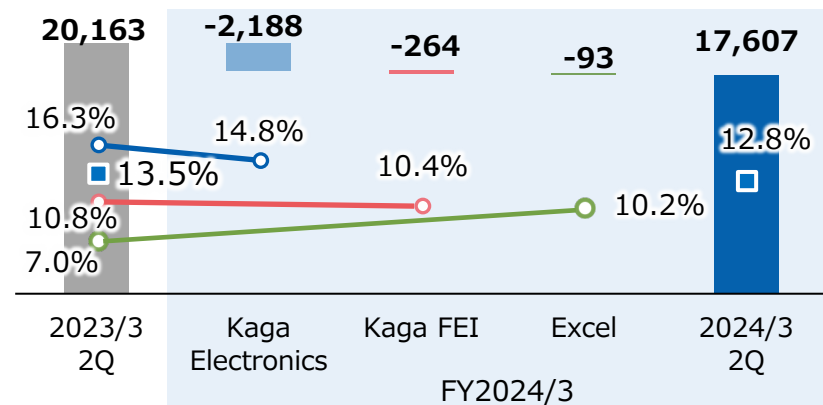
Net Sales

All three companies recorded a decrease in net sales due to a sales decrease in the electronic components business.



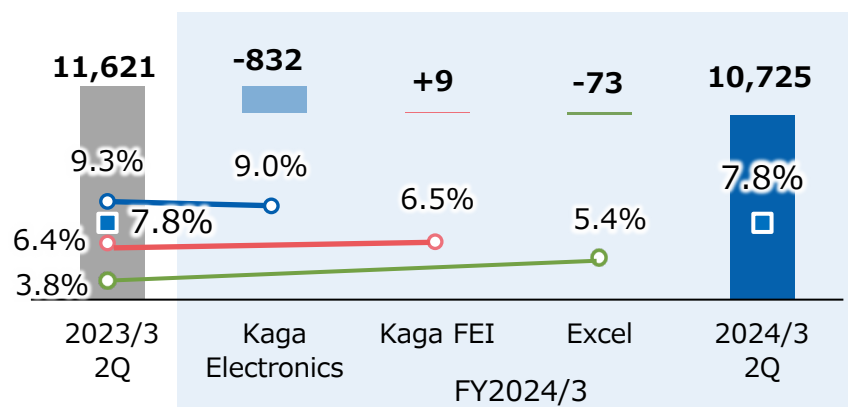
Gross profit / Gross profit margin

Gross profit decreased in all three companies due to a sales decrease.



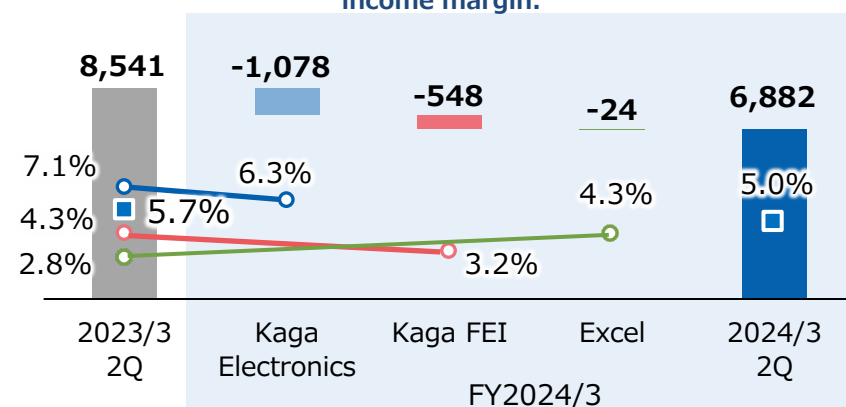
SG&A / SG&A ratio

SG&A expenses decreased in Kaga Electronics and Excel due to a sales decrease.



Operating income / Operating income margin

Operating income decreased in both Kaga Electronics and Kaga FEI. Excel secured last year's income level with improved operating income margin.



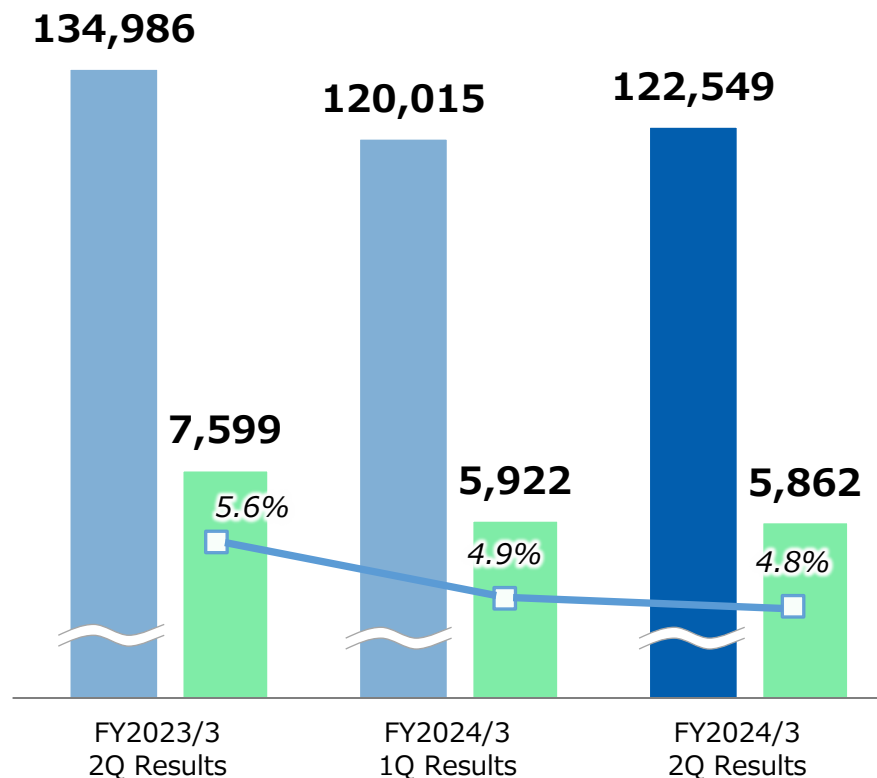
Financial Highlights: Electronic Component Segment (3 months)

Reference

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **-12,437**million yen **9.2%Down**
- Segment income ▶ **-1,736**million yen **22.9%Down**

QoQ

- Net Sales ▶ **+2,533**million yen **2.1%Up**
- Segment income ▶ **-60**million yen **1.0%Down**

Note: "x. x%" represents the profit margin.

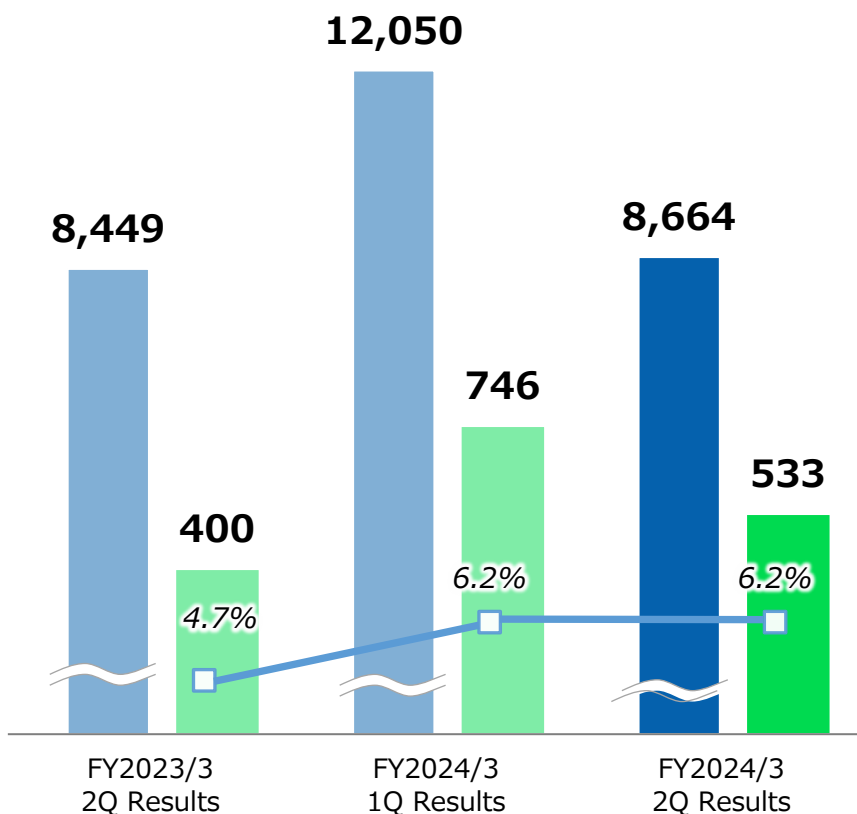
Financial Highlights: Information Equipment Segment (3 months)

Reference

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **+215**million yen **2.5%Up**
- Segment income ▶ **+133**million yen **33.4%Up**

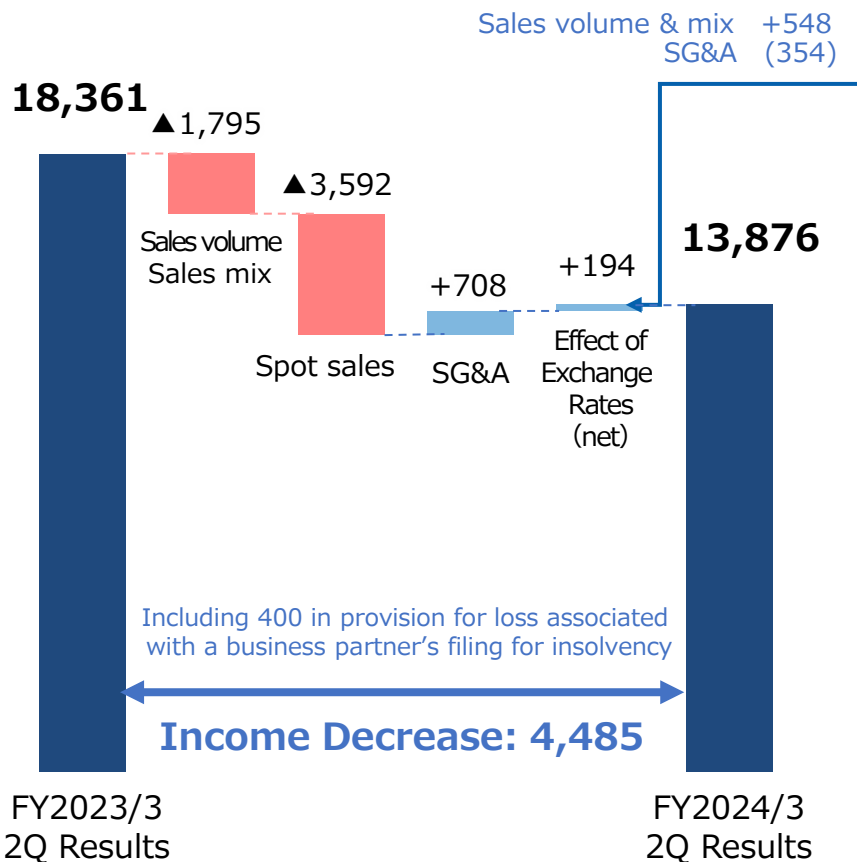
QoQ

- Net Sales ▶ **-3,385**million yen **28.1%Down**
- Segment income ▶ **-212**million yen **28.5%Down**

Factors of Increase / Decrease in Operating Income

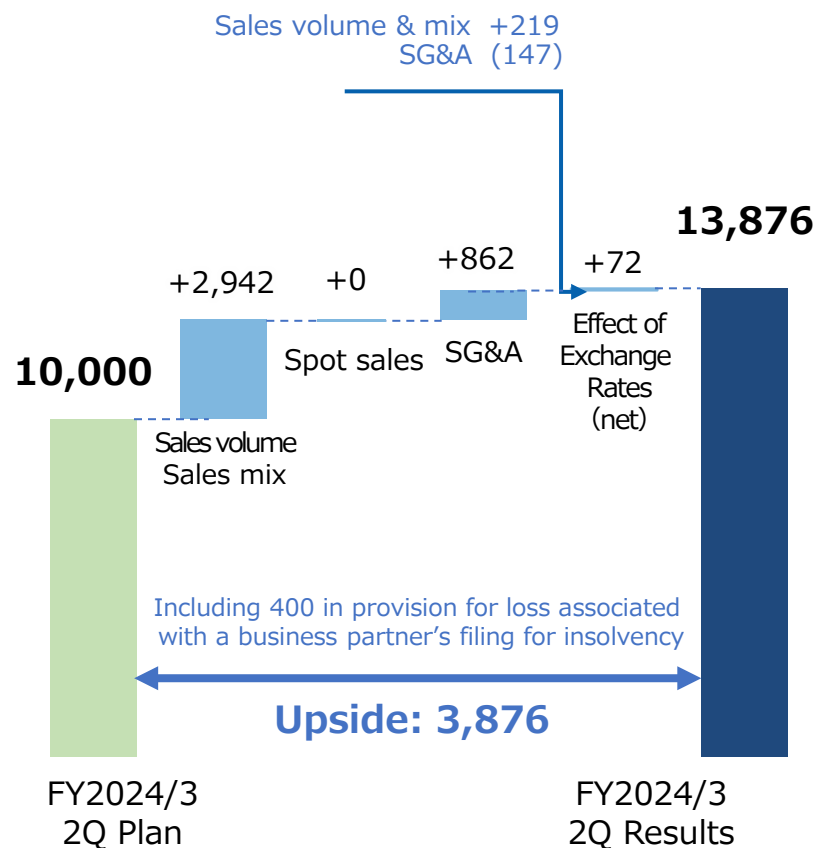
YoY

(million yen)



vs Internal Plan

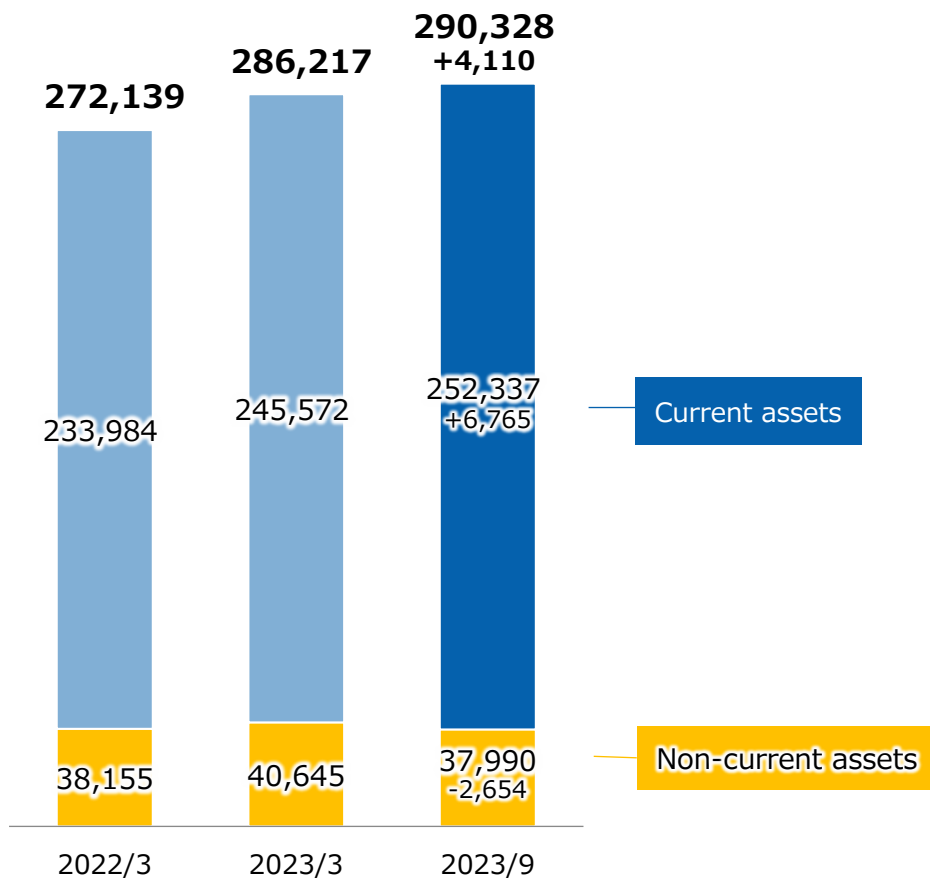
(million yen)



Balance Sheet Main Items

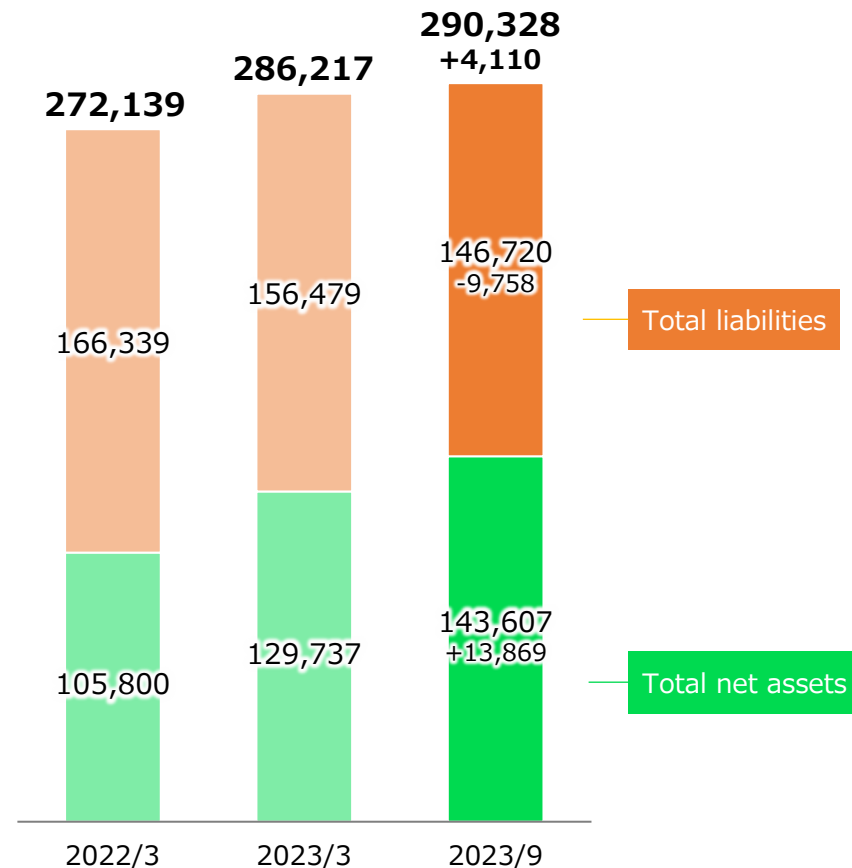
Total assets

(million yen)



Total liabilities and net assets

(million yen)



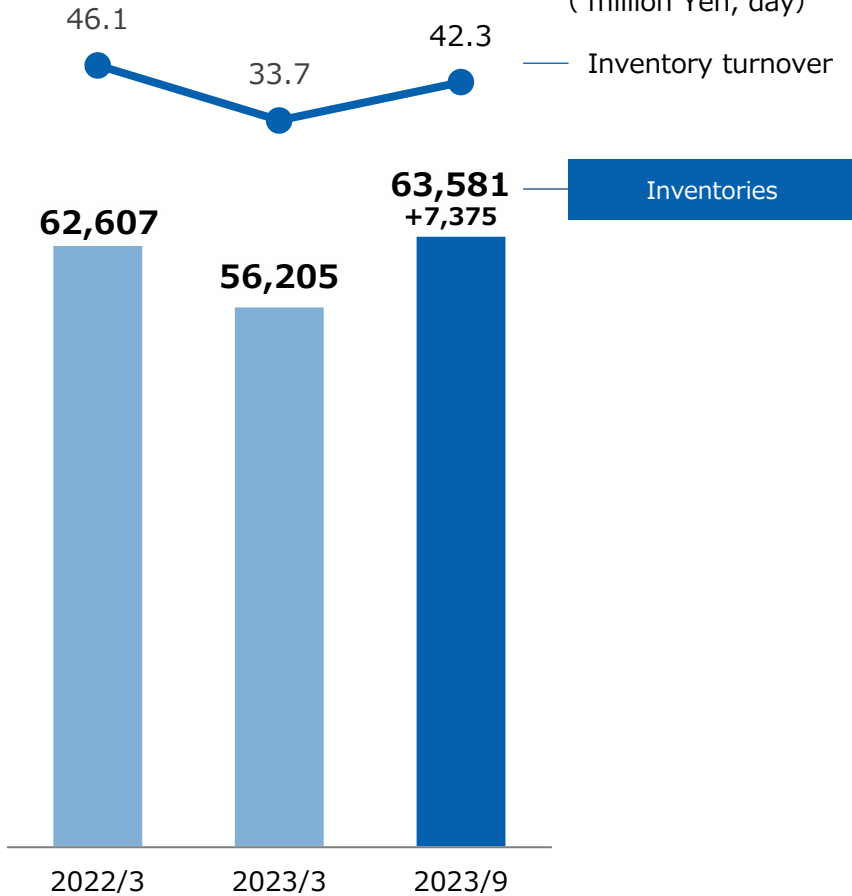
Balance Sheet Main Items

Inventories

(million Yen, day)

— Inventory turnover

Inventories



Note : Inventory turnover = Inventories ÷ Net Sales × 183 (day)

Accounts receivable/Accounts payable

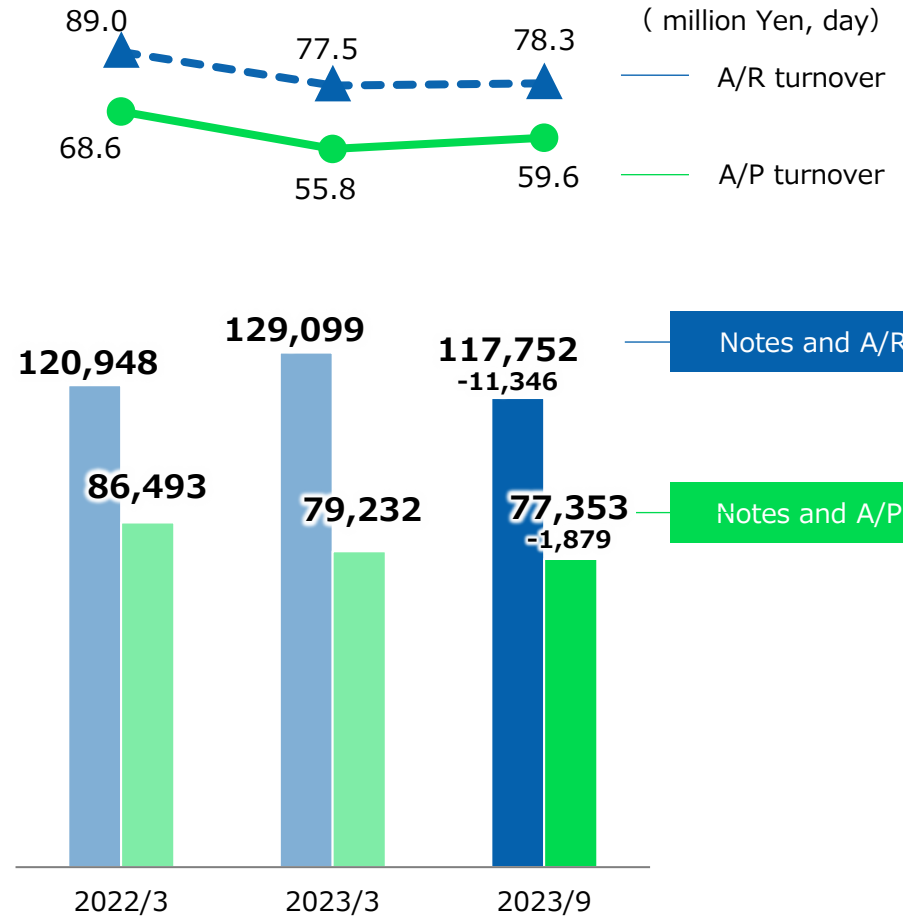
(million Yen, day)

— A/R turnover

— A/P turnover

Notes and A/R

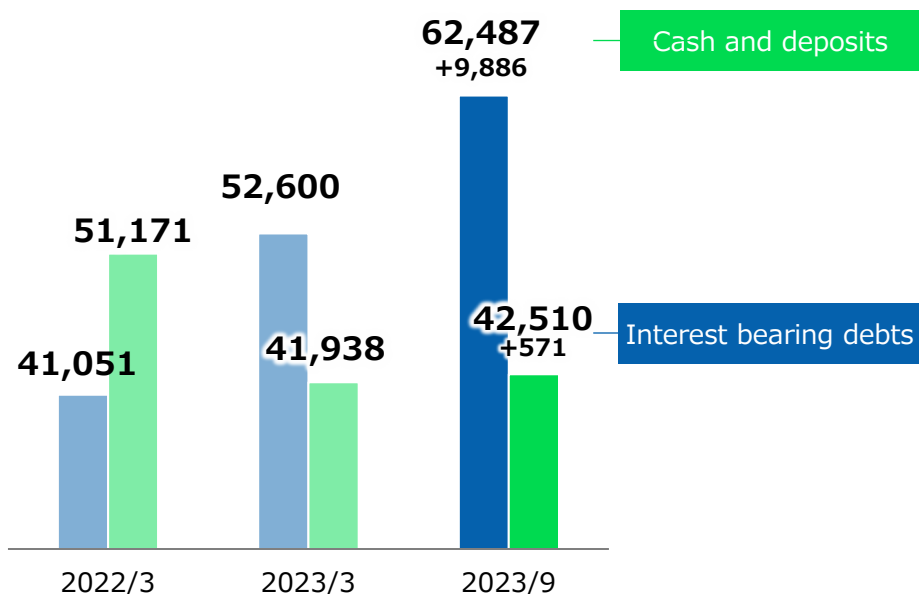
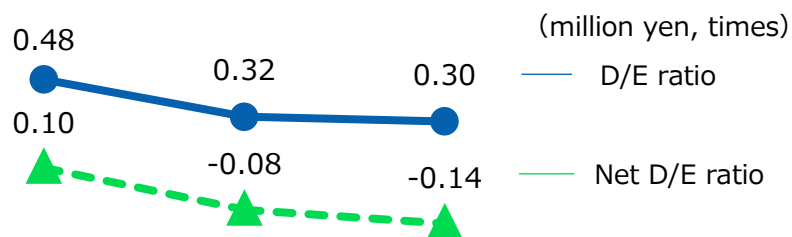
Notes and A/P



Notes : 1. •Notes and A/R are amounts including Electronically recorded monetary claims-operating
 2. •Notes and A/P are amounts including Electronically recorded obligations - operating
 3. •A/R turnover = Notes and A/R ÷ Net sales × 183 (day)
 4. •A/P turnover = Notes and A/P ÷ Total purchase of goods × 183 (day)

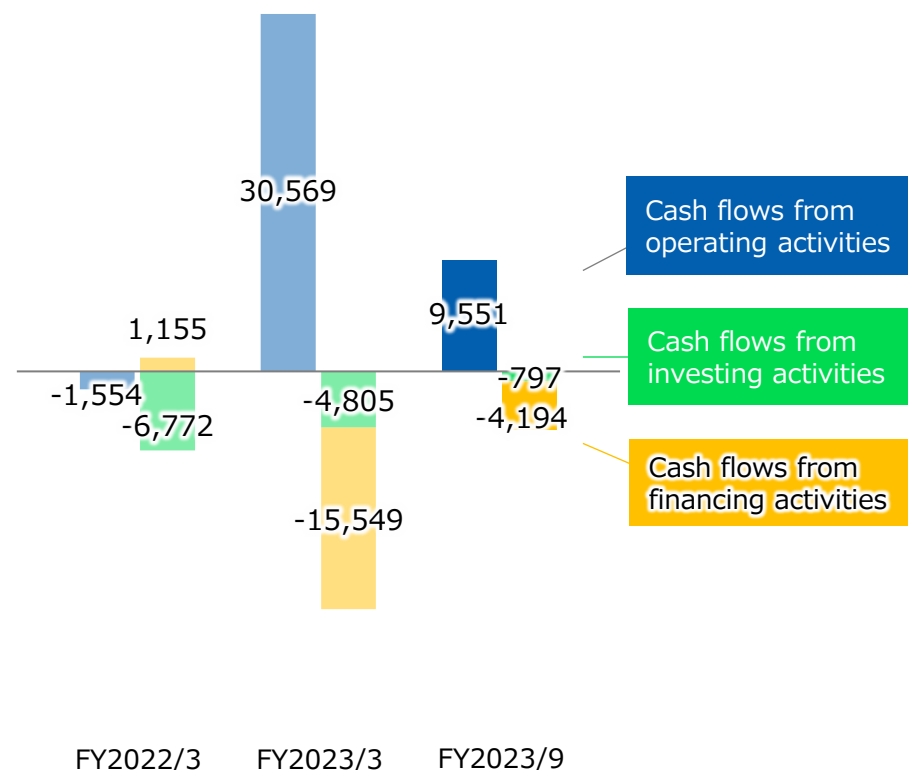
Balance Sheet Main Items

Cash and Deposits/Interest Bearing Debt



Note : 1. D/E ratio = Interest bearing debts ÷ Shareholder's equity
 2. Net D/E ratio = (Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

Cash flows



Forecasts for FY2024/3

Forecasts for FY2024/3

(million yen)

	FY2023/3 Results		FY2024/3 Forecasts <small>(Announced on May11, 2023)</small>		YoY
Net sales	608,064		550,000		-9.5%
Operating income	32,249	5.3%	25,000	4.5%	-22.5%
Ordinary income	32,739	5.4%	25,000	4.5%	-23.6%
Profit attributable to owners of parent	23,070	3.8%	18,000	3.3%	-22.0%
EPS (yen)	878.65		685.42		—
ROE	19.6%		13.3%		-6.3pt
Annual dividend (yen)	220.00 Ordinary dividend 140.00 Commemorative dividend 10.00 Extraordinary dividend 70.00		220.00 Ordinary dividend 220.00		—

Note: "x. x%" represents the profit margin.

Forecasts by Business Segment for FY2024/3

(million yen)

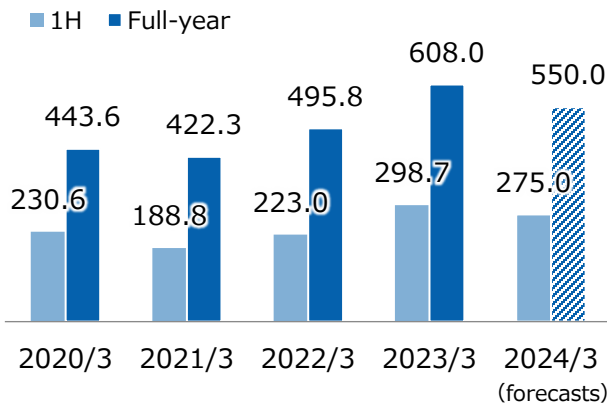
		FY2023/3 Results	FY2024/3 Forecasts <small>(Announced on May11, 2023)</small>	YoY
Electronic Component	Net sales	539,342	471,500	-12.6%
	Segment income	28,314 <i>5.2%</i>	20,700 <i>4.4%</i>	-26.9%
Information Equipment	Net sales	43,680	45,000	3.0%
	Segment income	2,449 <i>5.6%</i>	2,500 <i>5.6%</i>	2.1%
Software	Net sales	2,998	4,500	50.1%
	Segment income	286 <i>9.6%</i>	300 <i>6.7%</i>	4.6%
Others	Net sales	22,044	29,000	31.6%
	Segment income	1,101 <i>5.0%</i>	1,500 <i>5.2%</i>	36.1%
Total	Net sales	608,064	550,000	-9.5%
	Segment income	32,249 <i>5.3%</i>	25,000 <i>4.5%</i>	-22.5%

Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).
2. "x. x%" represents the profit margin.

Latest 5 years Financial Trends

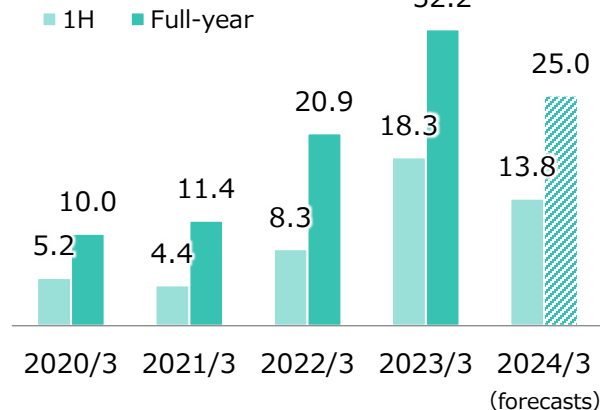
Net Sales

(billion yen)



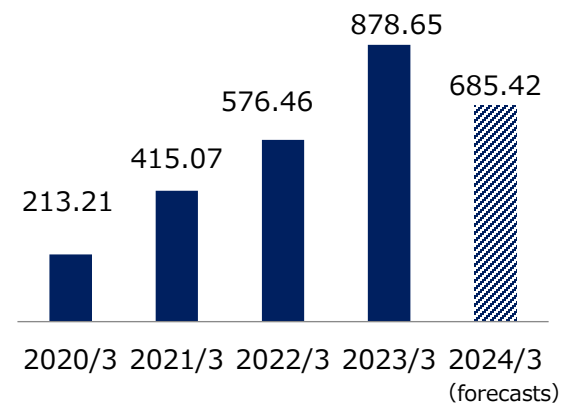
Operating Income

(billion yen)



EPS

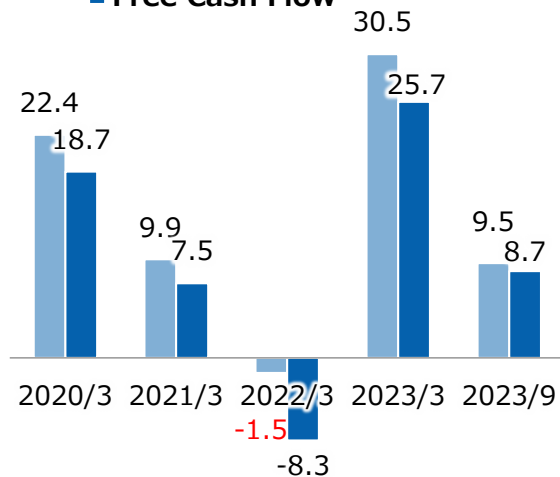
(yen)



CF from Operating activities

(billion yen)

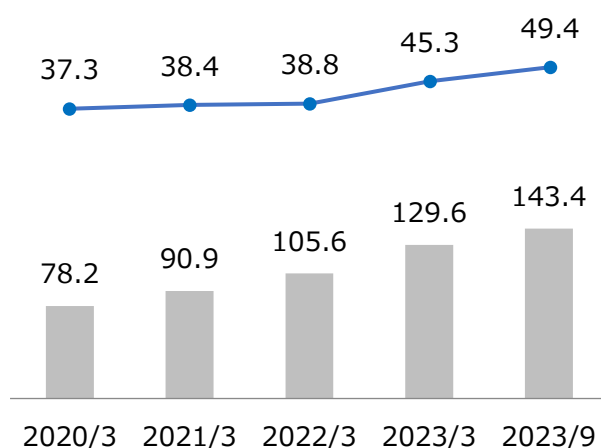
Free Cash Flow



Equity

Equity ratio

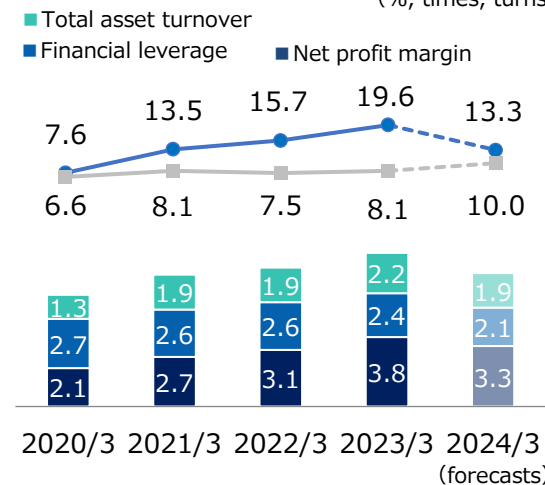
(billion yen, %)



ROE

Cost of Equity

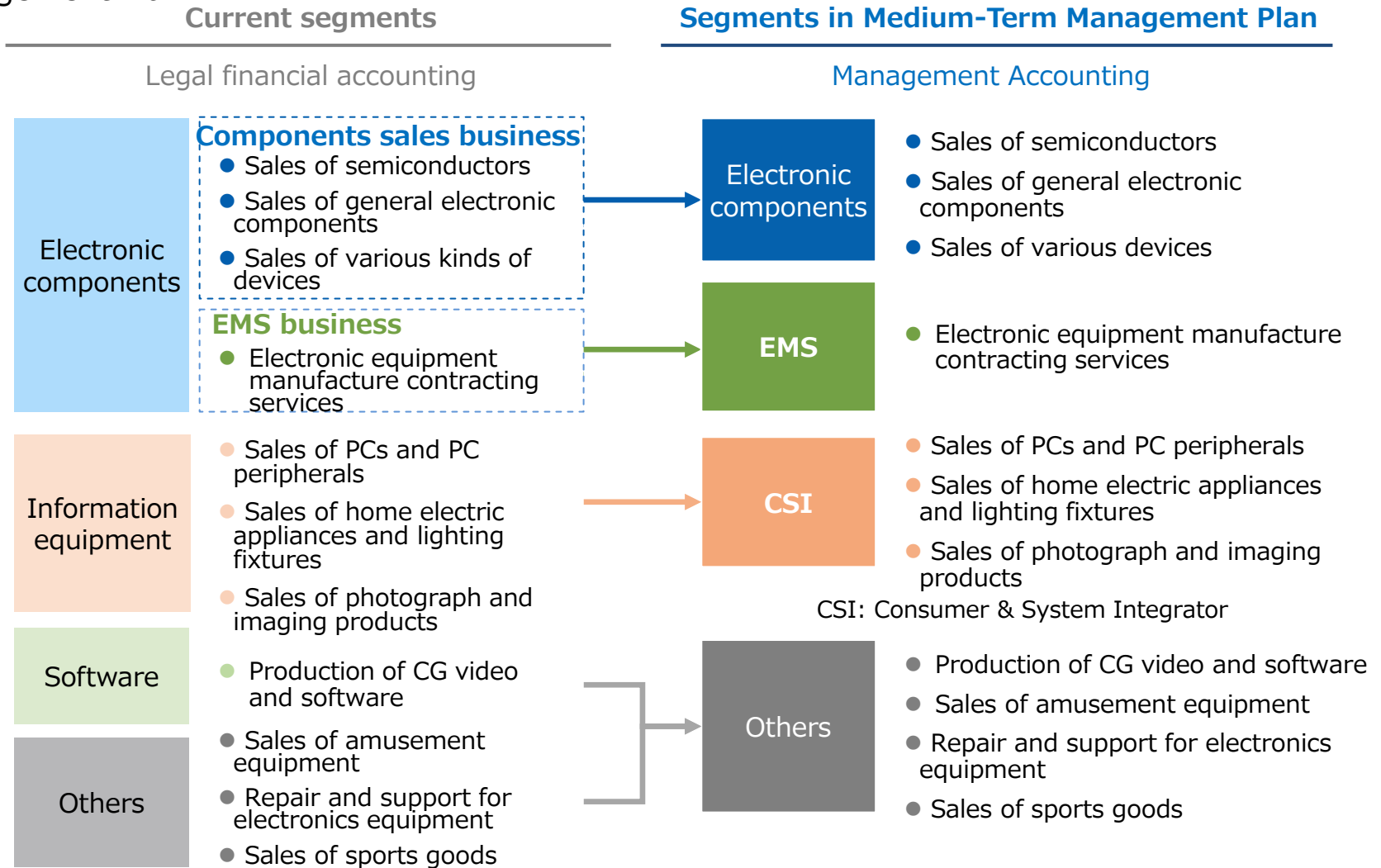
(%, times, turns)



Reference

Segment disclosure associated with the Medium-Term Management Plan

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



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

Reference

(million yen)

		FY2022/3 2Q Results	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY
Electronic Component	Net sales	144,790	202,867	184,368	-9.1%
	Segment income	3,948 <i>2.7%</i>	11,689 <i>5.8%</i>	8,002 <i>4.3%</i>	-31.5%
EMS	Net sales	53,453	69,486	62,122	-10.6%
	Segment income	3,322 <i>6.2%</i>	5,311 <i>7.6%</i>	4,143 <i>6.7%</i>	-22.0%
CSI	Net sales	18,713	19,597	20,715	5.7%
	Segment income	910 <i>4.9%</i>	965 <i>4.9%</i>	1,280 <i>6.2%</i>	32.7%
Others	Net sales	6,052	6,809	7,837	15.1%
	Segment income	64 <i>1.1%</i>	369 <i>5.4%</i>	375 <i>4.8%</i>	1.6%
Total	Net sales	223,009	298,760	275,044	-7.9%
	Segment income	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	13,876 <i>5.0%</i>	-24.4%

Note: 1. Figures of each segment income are not inter-segment adjusted. Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

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

Reference

(million yen)

		FY2022/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	101,422	90,115	94,253	-7.1%	4.6%
	Segment income	5,148 <i>5.1%</i>	3,695 <i>4.1%</i>	4,307 <i>4.6%</i>	-16.3%	16.6%
EMS	Net sales	35,619	31,773	30,348	-14.8%	-4.5%
	Segment income	2,698 <i>7.6%</i>	2,433 <i>7.7%</i>	1,709 <i>5.6%</i>	-36.7%	-29.8%
CSI	Net sales	8,449	12,050	8,664	2.5%	-28.1%
	Segment income	400 <i>4.7%</i>	746 <i>6.2%</i>	533 <i>6.2%</i>	33.4%	-28.5%
Others	Net sales	3,967	3,754	4,083	2.9%	8.8%
	Segment income	289 <i>7.3%</i>	81 <i>2.2%</i>	294 <i>7.2%</i>	1.6%	262.7%
Total	Net sales	149,458	137,694	137,350	-8.1%	-0.3%
	Segment income	8,541 <i>5.7%</i>	6,994 <i>5.1%</i>	6,882 <i>5.0%</i>	-19.4%	-1.6%

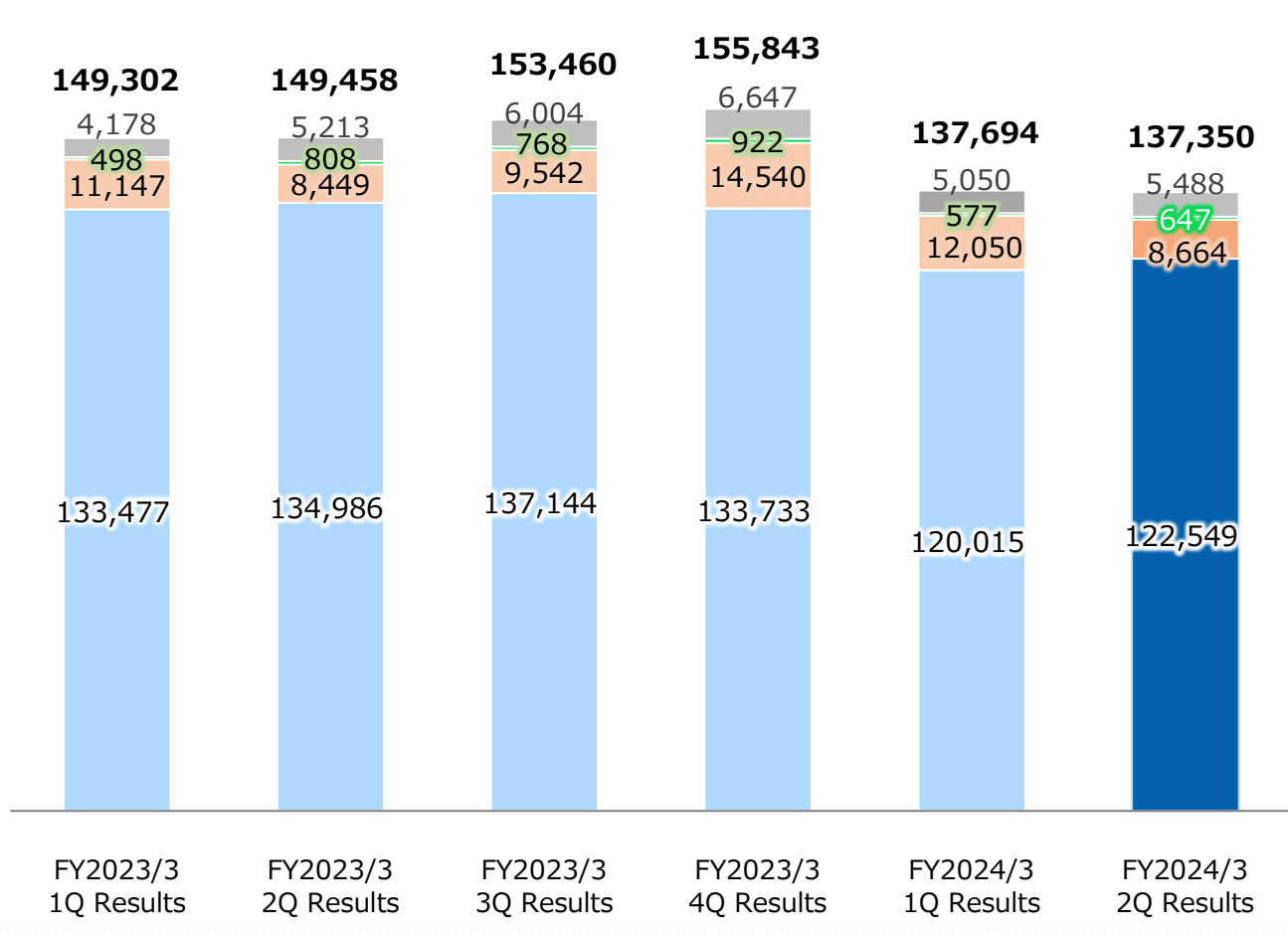
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

2. "x. x%" represents the profit margin.

Quarterly Net Sales Trends (3months)

Net Sales

(million yen)



Total	
YoY	: -12,108
QoQ	: -343

Other	
YoY	: +274
QoQ	: +437

Software	
YoY	: -160
QoQ	: +70

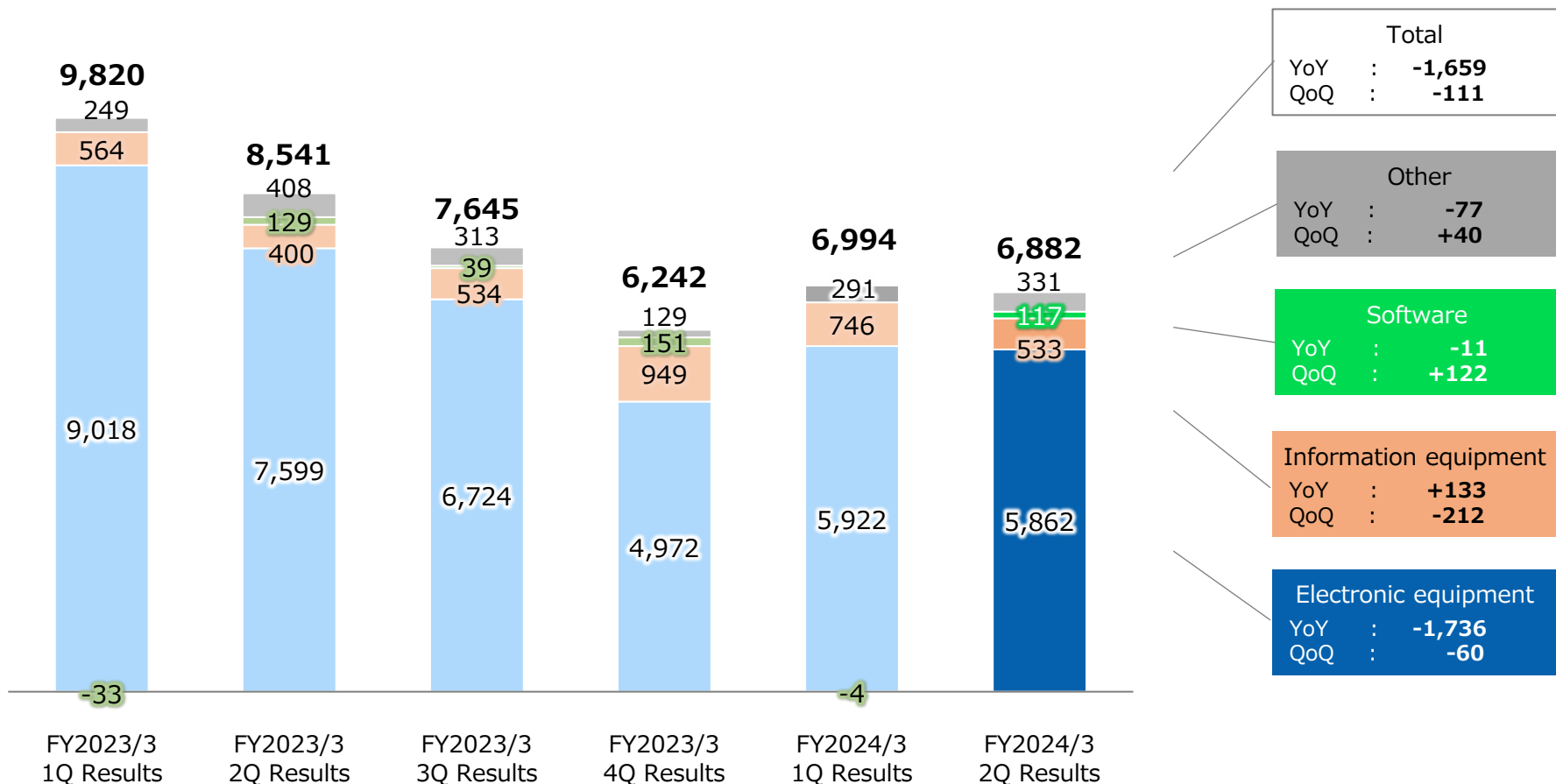
Information equipment	
YoY	: +215
QoQ	: -3,385

Electronic equipment	
YoY	: -12,437
QoQ	: +2,533

Quarterly Segment Income Trends (3months)

Segment Income

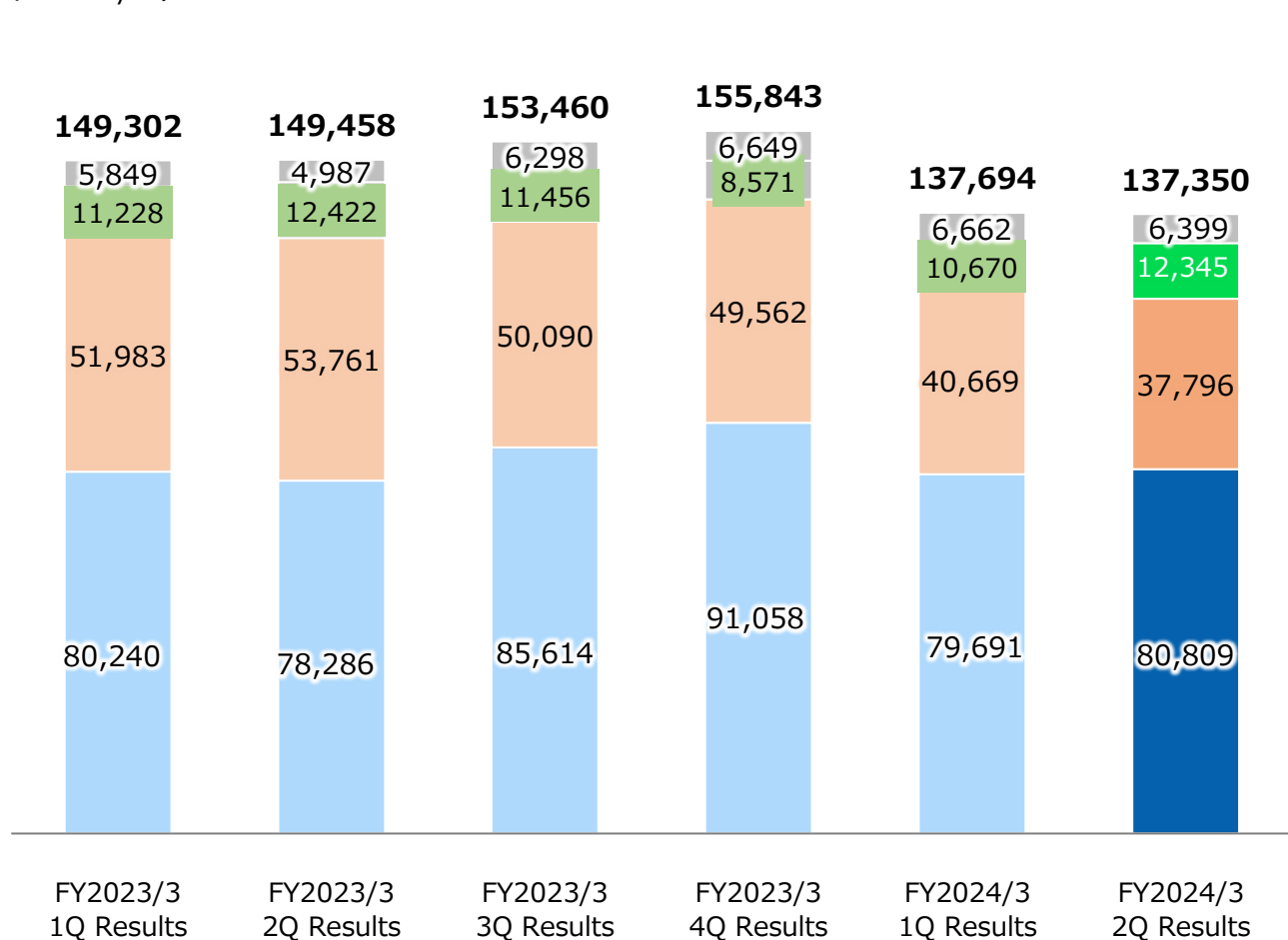
(million yen)



Net Sales by Region (3months)

Net Sales

(million yen)



Total	YoY : -12,108
	QoQ : -343
Europe	YoY : +1,411
	QoQ : -263
North America	YoY : -77
	QoQ : +1,674
Asia	YoY : -15,965
	QoQ : -2,873
Japan	YoY : +2,523
	QoQ : +1,117

Exchange Rate/FOREX Sensitivity

	FY2023/3 2Q Results (Yen)	FY2024/3 2Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2024/3(yen)
			Net sales	Operating income	
USD	133.97	141.00	1,088	17	135.00
RMB	18.94	19.45	151	12	19.50
THB	3.79	4.05	140	9	3.80
HKD	17.07	18.00	92	2	17.00
EUR	138.73	153.39	4	0.1	140.00

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for our customers**



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- 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.