

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.

Management Topics

Representative Director,
President & COO

Ryoichi Kado

FY2024/3 2Q Financial Results: Review of the First Half and Outlook for the Second Half

Initial forecast assumptions and progress up to 2Q

Assumptions

Incorporated “impact of inventory adjustments” and “disappearance of spot demand” in the electronic components business

Progress in 2Q

- (1) Disappearance of spot demand: as anticipated
- (2) Impact of inventory adjustments: impact emerged partially but not as much as anticipated

→ **Net sales and operating income decreased year on year, but both exceeded the internal plan, by 15.0 billion yen and 3.8 billion yen, respectively**

Increase/decrease factors in 2Q in electronic components business

- Main factors behind 2Q net sales decrease in electronic components business

FY2023/3

FY2024/3

268.4 billion yen



242.5 billion yen : (25.9) billion yen

(15.5) billion yen: Spot sales

(13.0) billion yen: Excel's sales to a major customer

+ 2.5 billion yen

- Sales status with the top 20 customers by sales

Group in adjustment process: industrial equipment, medical, air-conditioning, etc. ... (13.0) billion yen

Group with solid sales: in-vehicle, amusement, consumer-related, etc. ... +17.0 billion yen

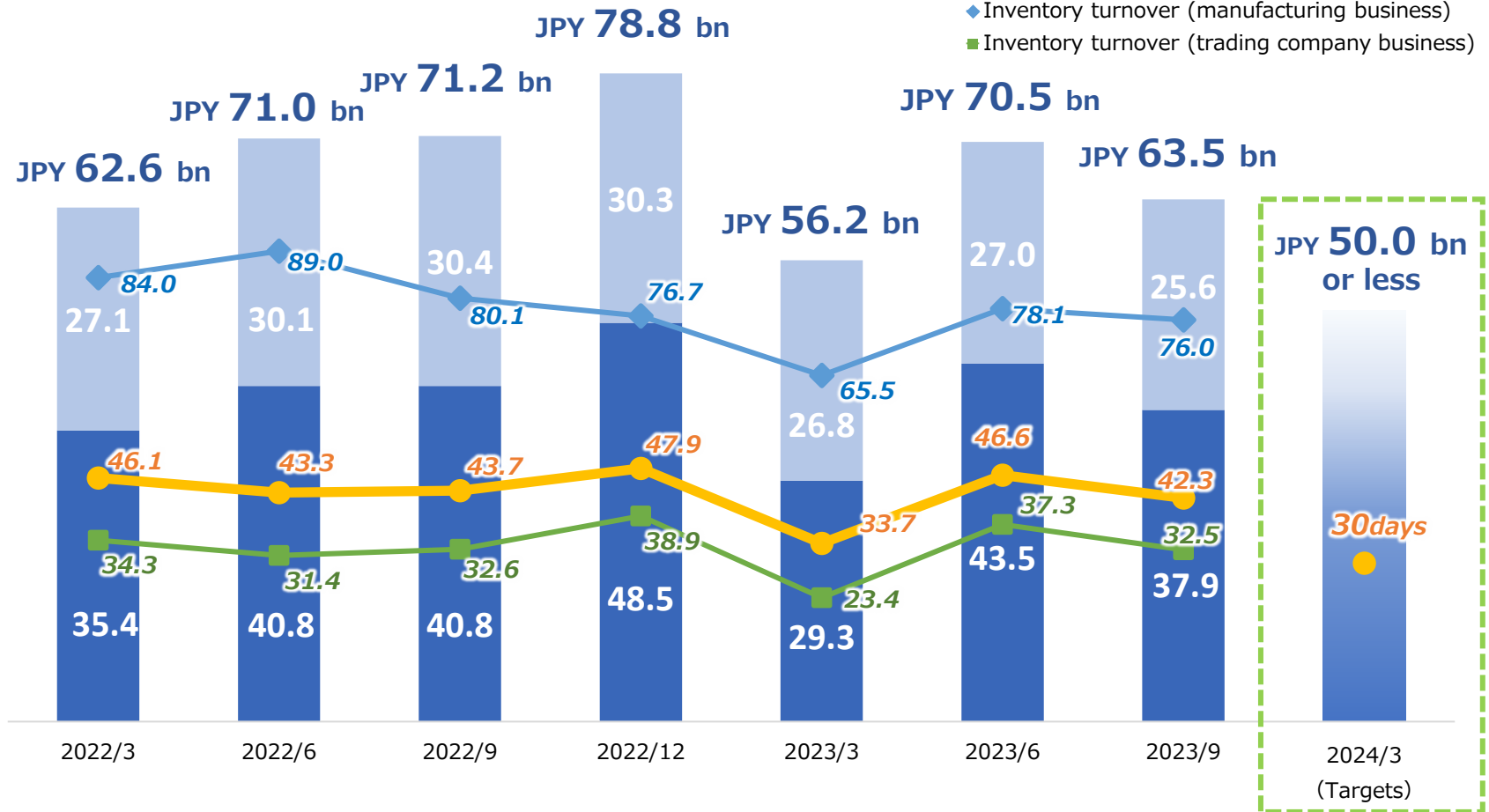
FY 2024/3
2H outlook

- Upside: better-than-expected performance to be maintained as alternative sales and new transactions originating from spot sales continue
- Downside: possibility that impact of inventory adjustment would linger to the second half
- In addition, uncertainty is rising amid heightening geopolitical risks and other situations. In light of such management environment, upward revision to earnings forecast is held off at this time.

FY2024/3 2Q Financial Results: Inventory Reduction

Aim for 50 billion yen or less in inventory amount and inventory turnover period of 30 days towards the end of FY2024/3

- Inventory amount (manufacturing business)
- Inventory amount (trading company business)
- Inventory turnover (consolidated)
- Inventory turnover (manufacturing business)
- Inventory turnover (trading company business)



EMS Business: Construction of a New Factory in Mexico

<Purposes>

- To meet the growing production demand that is expected for North and Latin American markets
- To promote highly efficient and environmentally friendly manufacturing operation by introducing the latest energy-saving equipment
- In future, set up an integrated production base that includes component molding, sheet metal processing, and finished product assembly, in addition to unit assembly and circuit board assembly

TAXAN MEXICO S.A. DE C.V.



Outline of the New Factory

Location	: Parque Industrial Millenium, Arroyos, San Luis Potosí
Number of Employees	: 700 (at start)
Land area	: 80,000m ²
Floor area	: 20,000m ²
Expected Investment Amount	: total around 5 billion yen over the next five years. (includes the land purchase and buildings)

Items produced

Assembly of automotive lighting units and circuit boards for air-conditioning equipment, etc.

Start of operation

Scheduled for April 2024

EMS Business: Strengthen Competitive Strength & Increase Production Capacity

- In addition to construction of new factories overseas (Malaysia and Turkey), enhance production facilities in domestic factories
- Enhance production capacity globally and in Japan to strengthen ability to respond to diversifying customer needs

Malaysia Factory (Relocation)



Business Content

Various power supply products and PCBA for sanitary equipment, industrial equipment, and Consumer product

Enhancement details

Addition of SMT and DIP lines, expansion of floor area

Turkey Factory (Relocation)



Business Content

Electrical units for air conditioners and PCBA for electric tools, Automotive equipment substrates

Enhancement details

Addition of assembly line
2024: Installation of new SMT line

KAGA EMS TOWADA (Facility enhancement)



Business Content

Automotive, Medical device, Consumer product and industrial equipment, food processing equipment related, etc.

Enhancement details

Addition of SMT line and automatic assembly line

Kyokuto Electric (Facility enhancement)



Business Content

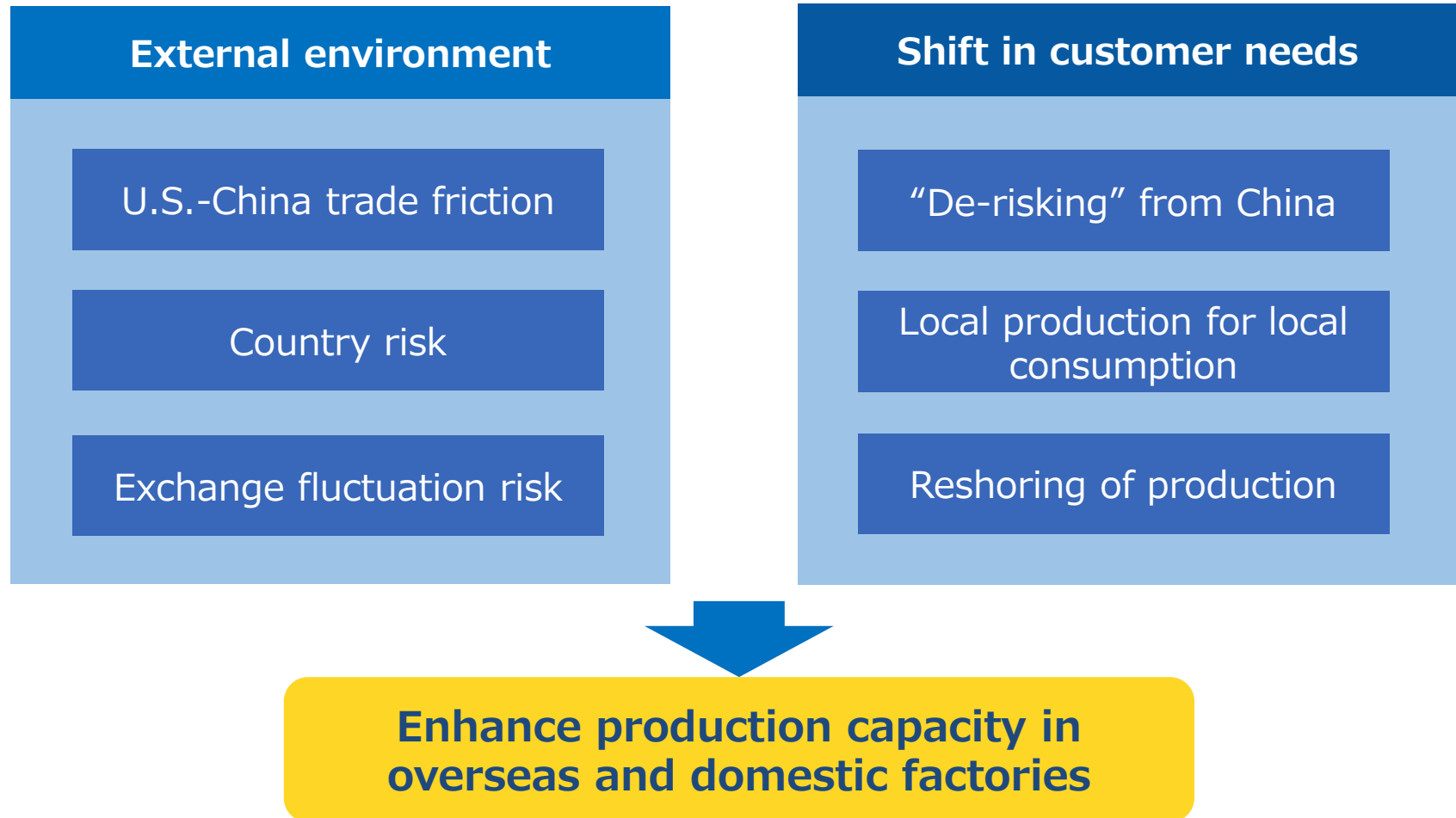
Automotive related, PCBA for Consumer product and industrial equipment related

Enhancement details

Addition of 2 SMT lines

EMS Business: Background of Production Capacity Enhancement, Changes in Business Environment

Capture the tailwinds provided by increasingly complex business environment and ensuing changes in customer needs, and flexibly enhance production capacity in overseas and domestic factories



EMS Business: Vision of Growth

Aim for net sales of 300 billion yen or more in 5 years by focusing on “mobility,” “industrial equipment,” “medical,” and other growth fields as identified in Medium-Term Management Plan 2024

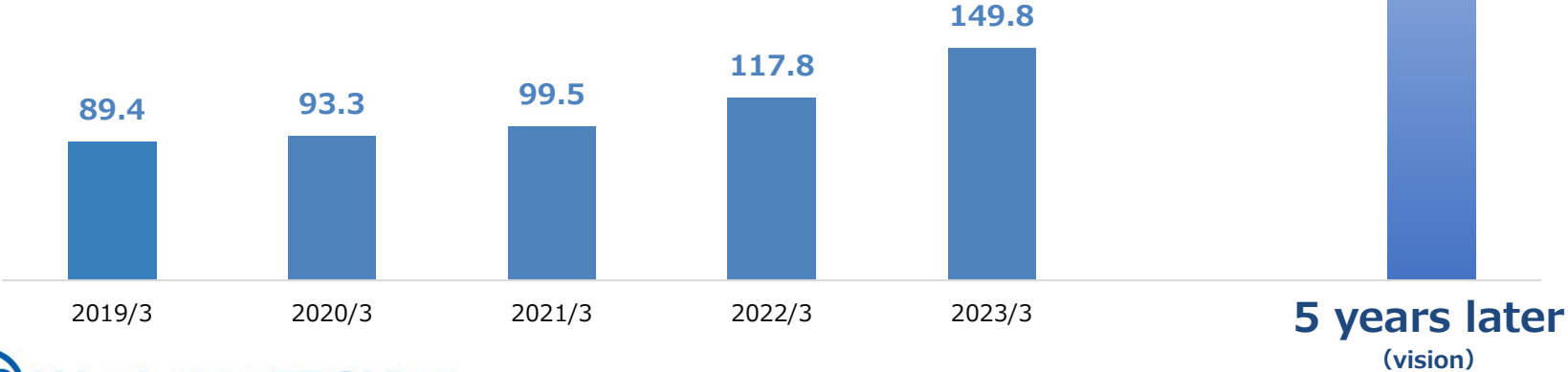
Net Sales of EMS Business

(billion yen)

Growth fields

- Automotive
- Factory automation
- Medical and healthcare

Aim for
JPN 300 bn or more
in net sales

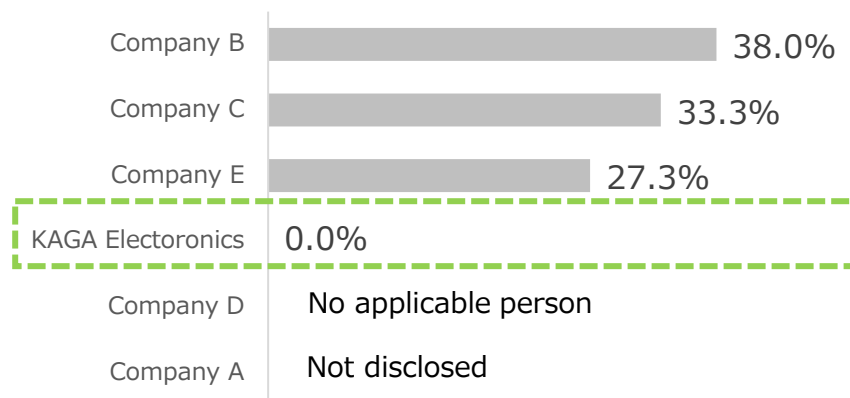
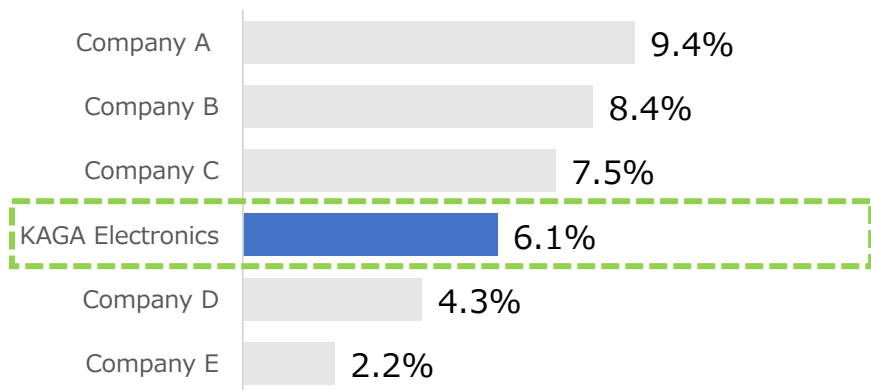


Human Capital-Related Initiatives

- Ratio of women in management positions, although on par with the industry average, remains at 6.1%
- No record of male employees who took childcare leave

Ratio of women in management positions

Ratio of male employees taking childcare leave

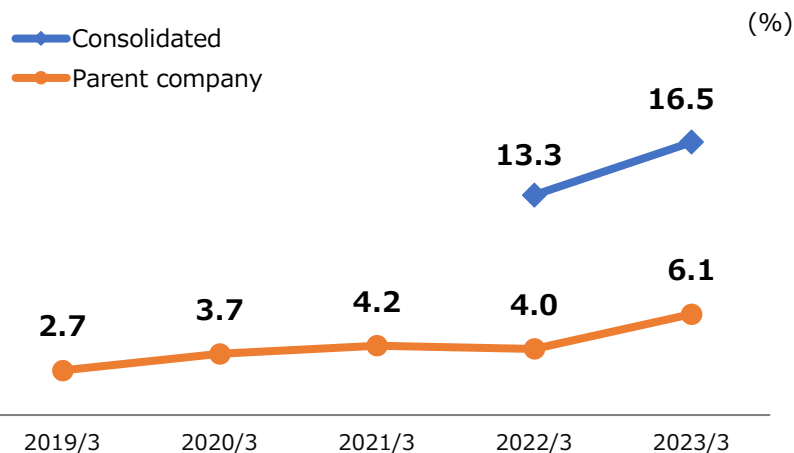


Aim for improving positioning within the industry

(Notes) - FY2023/3
 - Kaga Electronics figures are non-consolidated
 (Source) According to research by Kaga Electronics based on the respective companies' annual securities reports

Human Capital-Related Initiatives

Ratio of women among managers



<Major initiatives>

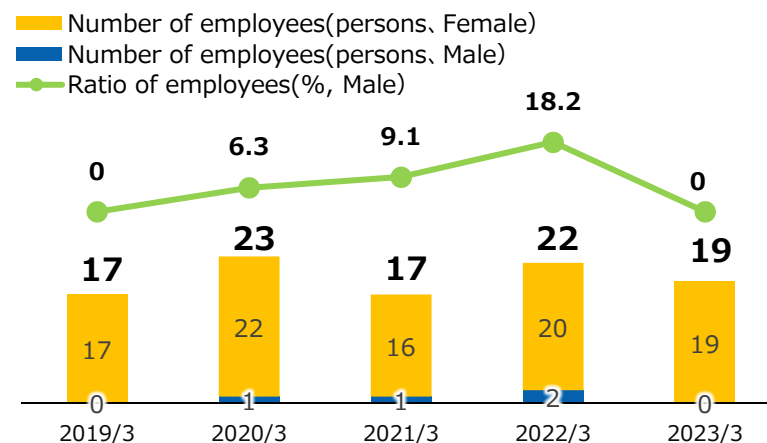
- Enrich training programs for managers
- Switch from general office employee positions to career-track positions
- Focus on strengthening recruitment of female new graduates for career-track positions

(Reference)

Ratio of Women among new graduates hired as career-track employees

Category	Target/Result	Year	Value
Medium-term targets	2023: 30%	2021	5.8%
		2022	6.2%
Long-term targets	2028: 40%	2023	18.0%
		2024	21.7% (Plan)

Number of male employees taking childcare leave



<Major initiative>

- Revised "Special childcare leave" system as of April 1, 2023, from the point of view of encouraging male employees to take childcare leave

Key contents of the revision

When leave can be taken	At the time spouse gives birth → At the time spouse gives birth or for care of a child under the age of 2
Number of days that can be taken	2 days → 7 days (may be taken in installments)

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for our customers**



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Department

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : webmaster@taxan.co.jp

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

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