

Financial Results Briefing Material

for the Fiscal Year ended March 2022

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

May 26, 2022

Consolidated Financial Results for the Fiscal Year ended March 2022

Director,
Managing Executive Officer
Eiji Kawamura

Summary

Results for FY2022/3

- **Net sales:** Driven by the core electronic components business, robust demand continued as production activities recovered in manufacturing industries both in Japan and overseas. **Net sales grew significantly, achieving a record high for the first time in two years.**
- **Operating income:** Increased significantly as a result of increased gross profit due to higher sales and an improved profit margin, as well as continued efforts toward workstyle reforms and cost reductions amid the COVID-19 pandemic, **achieving a record high for the third consecutive fiscal year.**
- **Net income:** Despite the absence of the 7.96 billion yen “gain on bargain purchase” posted as extraordinary income in the previous fiscal year, **net income increased significantly thanks to expanded revenue in core businesses, achieving a record high for the second consecutive fiscal year.**

FY2023/3 earnings forecasts

- **Economic situation:** The business outlook remains cloudy both in Japan and overseas due to factors such as the renewed spread of COVID-19 due to variant strains, the future situation in Ukraine, and rising prices of crude oil and other resources.
- **Industry trends:** Although the supply of semiconductors and electronic parts remains tight for the foreseeable future, **demand for automobiles, communication equipment, and home appliances is expected to continue to grow.**
- **Company’s outlook:** Maintain the momentum of growth in net sales and operating income by focusing on expanding revenue in key areas such as the automotive, industrial equipment, and medical fields.

Shareholder Return

- **FY2022/3:** The year-end dividend was revised upward to 75 yen per share due to the addition of a 10-yen “extraordinary dividend” to the previous forecast of 65 yen (40 yen in ordinary dividends + 25-yen extraordinary dividend).
*The full-year dividend is 120 yen per share, a 40-yen increase from the previous fiscal year.
- **FY2023/3:** Ordinary dividends were increased by 20 yen to 140 yen per share (70 yen for both the interim and year-end dividends). In addition, a 10-yen “55th anniversary commemorative dividend” will be paid as a year-end dividend. Accordingly, the full-year dividend is planned to be 150 yen per share, an increase of 30 yen.

Financial Highlights for FY2022/3

(million yen)

	FY2021/3 Results	FY2022/3 Results	YoY	FY2022/3 Previous Forecasts (announced on Feb. 3, 2022)	vs Forecasts
Net sales	422,365	495,827	17.4%	475,000	4.4%
Gross profit	47,936 11.3%	60,547 12.2%	26.3%	—	—
SG&A	36,469 8.6%	39,632 8.0%	8.7%	—	—
Operating income	11,467 2.7%	20,915 4.2%	82.4%	17,500 3.7%	19.5%
Ordinary income	11,241 2.7%	21,456 4.3%	90.9%	18,000 3.8%	19.2%
Profit attributable to owners of parent	11,399 2.7%	15,401 3.1%	35.1%	12,000 2.5%	28.4%
EPS (Yen)	415.07	576.46 —	—	449.13 —	—

Financial Results by Business Segment for FY2022/3

(million yen)

		FY2021/3 Results	FY2022/3 Results		YoY	FY2022/3 Previous Forecasts		vs Forecasts
		(announced on Feb. 3, 2022)						
Electronics Component	Net sales	353,454	433,852		22.7%	414,000		4.8%
	Segment income	8,151 2.3%	18,107 4.2%		122.1%	14,800 3.6%		22.4%
Information Equipment	Net sales	48,389	39,616		-18.1%	40,000		-1.0%
	Segment income	2,482 5.1%	2,085 5.3%		-16.0%	2,000 5.0%		4.3%
Software	Net sales	2,932	2,767		-5.6%	3,000		-7.8%
	Segment income	263 9.0%	-26 -1.0%		—	200 6.7%		—
Others	Net sales	17,589	19,590		11.4%	18,000		8.8%
	Segment income	474 2.7%	626 3.2%		32.0%	500 2.8%		25.2%
Total	Net sales	422,365	495,827		17.4%	475,000		4.4%
	Segment income	11,467 2.7%	20,915 4.2%		82.4%	17,500 3.7%		19.5%

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

Financial Results by Company for FY2022/3

(million yen)

		FY2021/3 Results	FY2022/3 Results		YoY	FY2022/3 Previous Forecasts		vs Forecasts	
		(announced on Feb. 3, 2022)							
Kaga Electronics	Net sales	243,897	281,075		15.2%	265,000		6.1%	
	Gross Profit	35,273 14.5%	41,767 14.9%		18.4%	38,300 14.5%		9.1%	
	Operating income	11,083 4.5%	15,461 5.5%		39.5%	13,000 4.9%		18.9%	
Kaga FEI	Net sales	131,932	149,455		13.3%	145,000		3.1%	
	Gross Profit	10,307 7.8%	14,690 9.8%		42.5%	13,500 9.3%		8.8%	
	Operating income	362 0.3%	3,654 2.4%		907.2%	2,600 1.8%		40.5%	
Excel	Net sales	46,535	65,296		40.3%	65,000		0.5%	
	Gross Profit	2,365 5.1%	4,247 6.5%		79.5%	4,200 6.5%		1.1%	
	Operating income	6 0.0%	1,937 3.0%		—	1,900 2.9%		2.0%	
Total	Net sales	422,365	495,827		17.4%	475,000		4.4%	
	Gross Profit	47,936 11.3%	60,547 12.2%		26.3%	56,000 11.8%		8.1%	
	Operating income	11,467 2.7%	20,915 4.2%		82.4%	17,500 3.7%		19.5%	

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

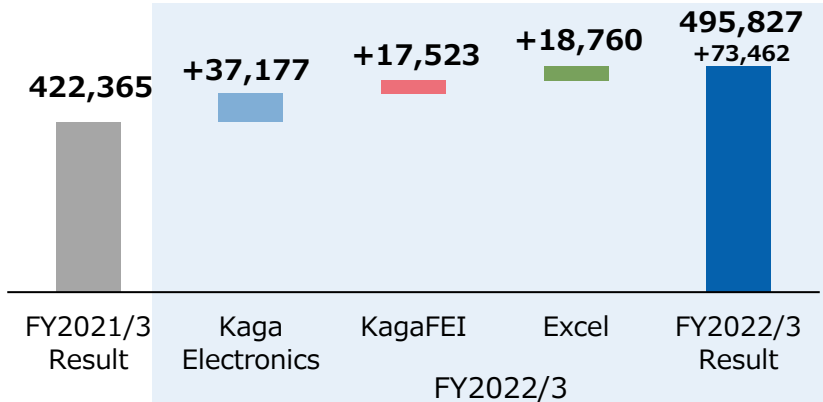
Effect of M&A for FY2022/3

* EXCEL's actual results for FY2021/3 do not include results of overseas subsidiaries' FY2021/Jan-Mar period.

(million yen)

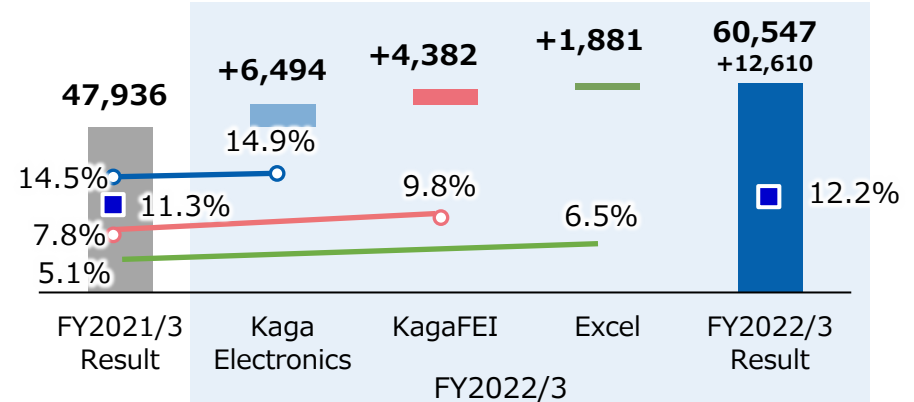
Net Sales

There was a significant increase in net sales in all three companies, driven by the electronic components business.



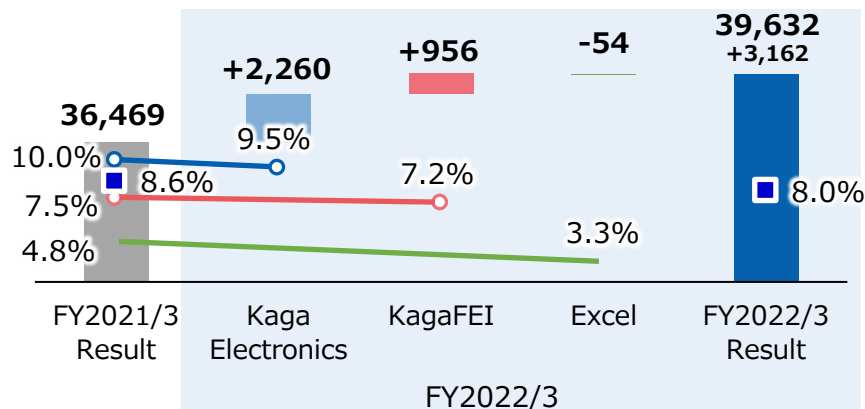
Gross profit / Gross profit margin

Profit grew for all three companies thanks to improved profit margins and increased gross profit in line with higher sales.



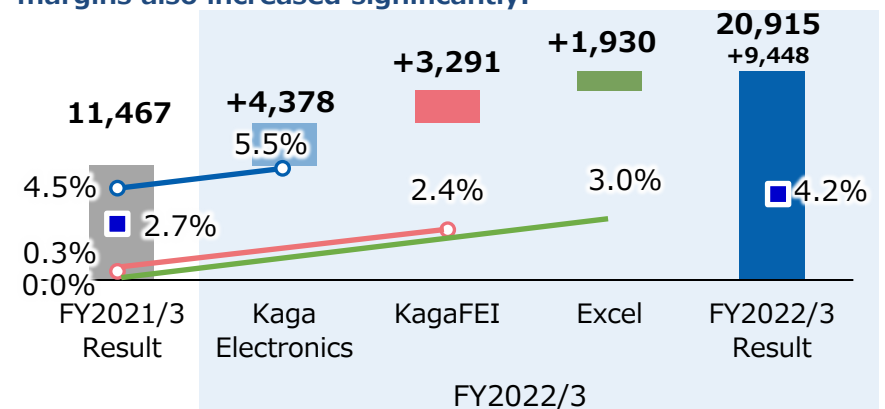
SG&A / SG&A ratio

Although expenses increased with growth in sales, SG&A ratios fell.



Operating income / Operating income margin

Higher expenses were absorbed by the increase in gross profit, maintaining increased income. Operating income margins also increased significantly.



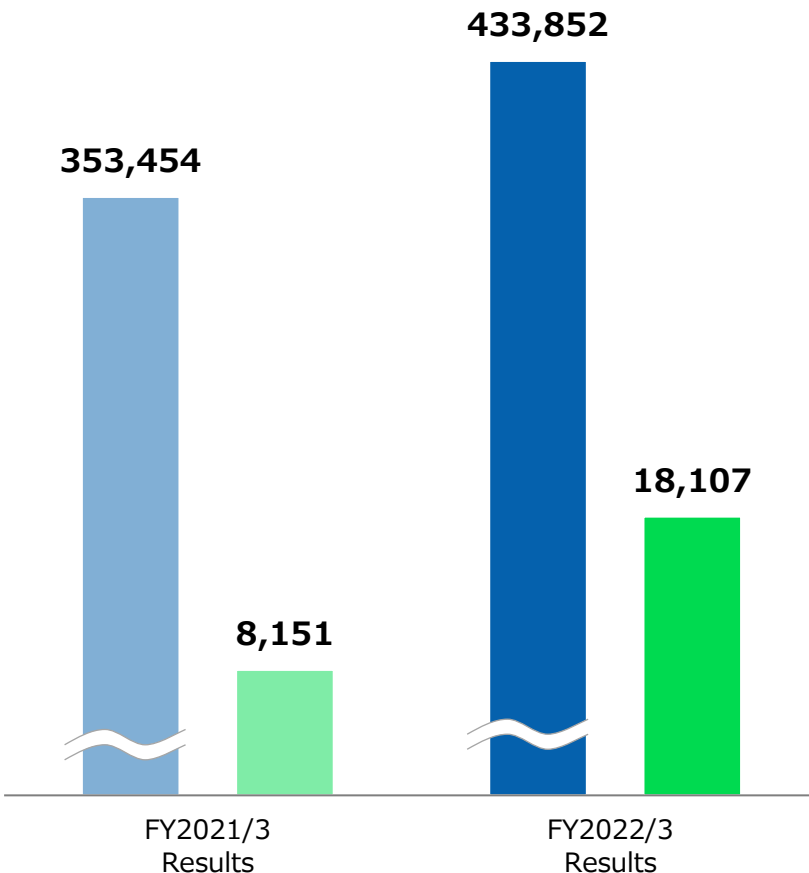
Financial Highlights: Electronic Component

(Million Yen)

Net sales/Segment income

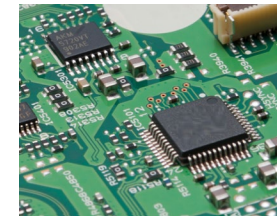
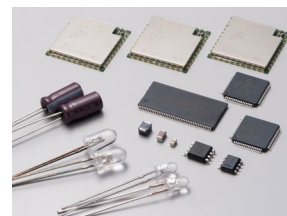
YoY

■ / ■ Net sales
■ / ■ Segment income



- Net sales ▶ **+80,398**million Yen **22.7%Up**
- Segment Income ▶ **+9,956**million Yen **122.1%Up**

- Strong sales continued in the components sales business throughout the period as a result of previously capturing demand from customers in a wide range of industries.
 - Despite supply shortages of some parts, the Company utilized the strengths of its procurement network as an independent trading company to maintain widespread sales quantities, which also boosted performance.
 - Steady progress in PMI at acquired companies including Kaga FEI and EXCEL contributed to profit growth.
-
- Sales in the EMS business were solid, especially of automotive/medical products and industrial equipment.
 - Despite prolonged lockdowns to combat the renewed spread of COVID-19 and part shortages, efforts were made to minimize their impact by implementing thorough process control under close cooperation with customers.



Financial Highlights: Information Equipment

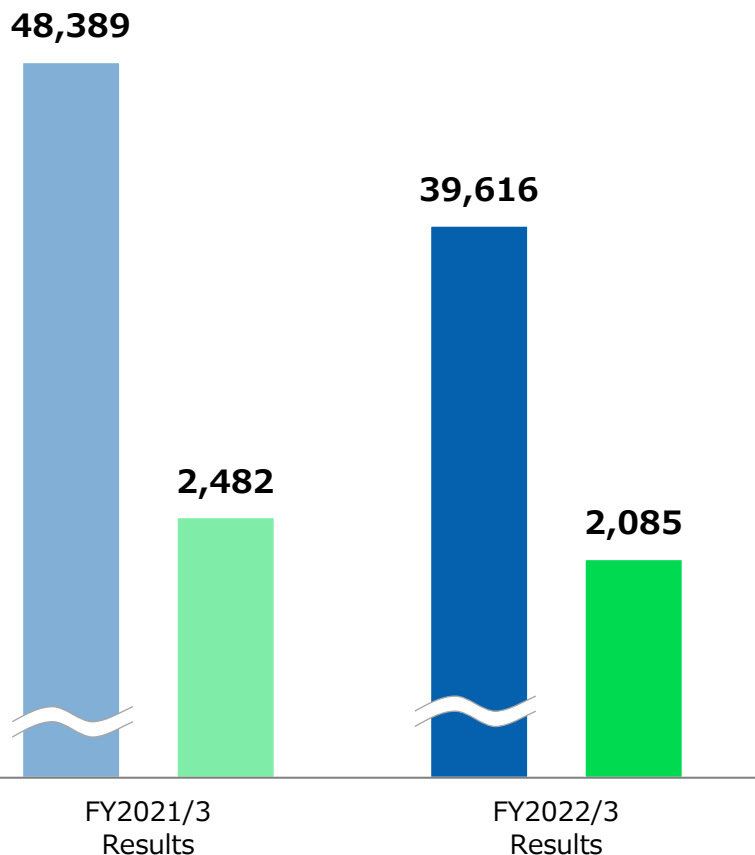
(Million Yen)

Net sales/Segment income

YoY

■ / ■ Net sales
■ / ■ Segment income

- Net sales ▶ **-8,772**million Yen **18.1%Down**
- Segment Income ▶ **-396**million Yen **16.0%Down**



• Although sales of PCs to educational institutions and PC peripherals such as security software were robust, sales of PCs to corporations were subdued as a result of the abatement of remote working and product supply difficulties.

• The LED installation business struggled due to extensions of construction periods caused by difficulty procuring materials/equipment and delivery delays.



(million yen)

	FY2021/3 4Q Results		FY2022/3 3Q Results		FY2022/3 4Q Results		YoY	QoQ
Net sales	128,099		129,675		143,143		11.7%	10.4%
Gross profit	14,289	11.2%	15,628	12.1%	17,786	12.4%	24.5%	13.8%
SG&A	10,339	8.1%	9,270	7.1%	11,529	8.1%	11.5%	24.4%
Operating income	3,950	3.1%	6,357	4.9%	6,257	4.4%	58.4%	-1.6%
Ordinary income	4,010	3.1%	6,434	5.0%	6,569	4.6%	63.8%	2.1%
Profit attributable to owners of parent	-1,329	-1.0%	4,790	3.7%	4,986	3.5%	—	4.1%
EPS	-48.38		182.57		189.99		—	—

Financial Results by Business Segment (3 months)

(million yen)

		FY2021/3 4Q Results		FY2022/3 3Q Results		FY2022/3 4Q Results		YoY	QoQ
Electronic Components	Net sales	106,750		117,005		122,440		14.7%	4.6%
	Segment income	2,732	2.6%	5,878	5.0%	5,105	4.2%	86.8%	-13.1%
Information Equipment	Net sales	14,451		7,587		13,315		-7.9%	75.5%
	Segment income	728	5.0%	305	4.0%	869	6.5%	19.2%	184.2%
Software	Net sales	927		603		926		-0.1%	53.5%
	Segment income	156	16.9%	-0	-0.1%	83	9.0%	-46.9%	—
Others	Net sales	5,969		4,478		6,460		8.2%	44.2%
	Segment income	325	5.5%	152	3.4%	152	2.4%	-53.0%	0.1%
Total	Net sales	128,099		129,675		143,143		11.7%	10.4%
	Segment income	3,950	3.1%	6,357	4.9%	6,257	4.4%	58.4%	-1.6%

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

Financial Results by Company (3 months)

(million yen)

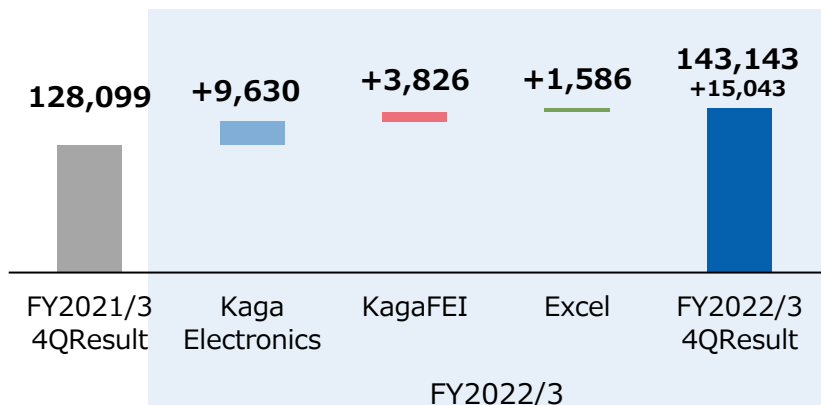
		FY2021/3 4QResults		FY2022/3 3QResults		FY2022/3 4QResults		YoY	QoQ
Kaga Electronics	Net sales	72,423		73,748		82,054		+13.3%	+11.3%
	Gross Profit	10,488	14.5%	10,839	14.7%	12,077	14.7%	+15.3%	+11.4%
	Operating income	3,304	4.6%	4,698	6.4%	4,360	5.3%	+32.0%	-7.2%
Kaga FEI	Net sales	39,511		37,876		43,338		+9.7%	+14.4%
	Gross Profit	3,064	7.8%	3,945	10.4%	4,419	10.2%	+44.2%	+12.0%
	Operating income	506	1.3%	1,351	3.6%	1,235	2.9%	+143.8%	-8.6%
Excel	Net sales	16,163		18,050		17,750		+9.8%	-1.7%
	Gross Profit	733	4.5%	850	4.7%	1,293	7.3%	+76.3%	+52.1%
	Operating income	128	0.8%	308	1.7%	662	3.7%	+417.1%	114.6%
Total	Net sales	128,099		129,675		143,143		+11.7%	+10.4%
	Gross Profit	14,289	11.2%	15,628	12.1%	17,786	12.4%	+24.5%	+13.8%
	Operating income	3,950	3.1%	6,357	4.9%	6,257	4.4%	+58.4%	-1.6%

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

(million yen)

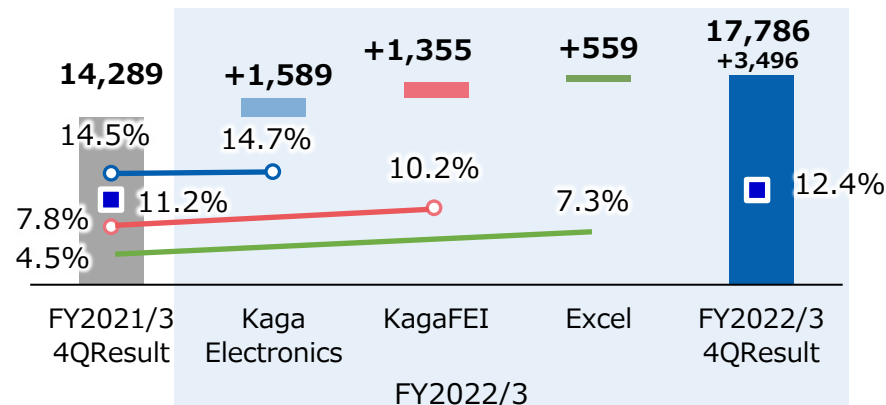
Net Sales

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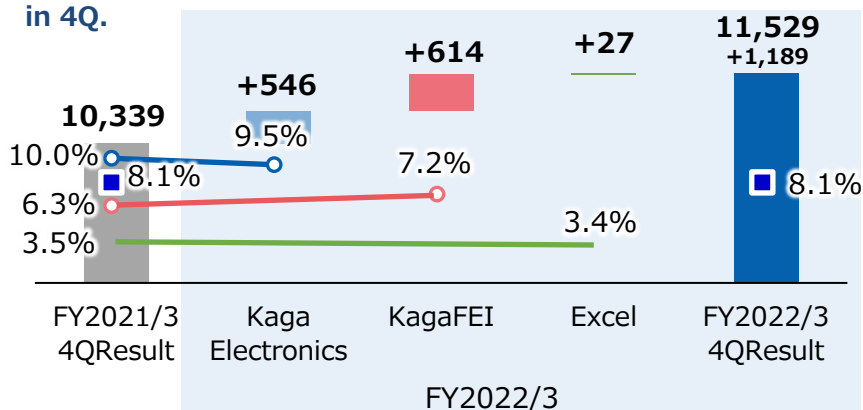
Gross profit / Gross profit margin

Profit grew for all three companies thanks to improved profit margins and increased gross profit in line with higher sales.



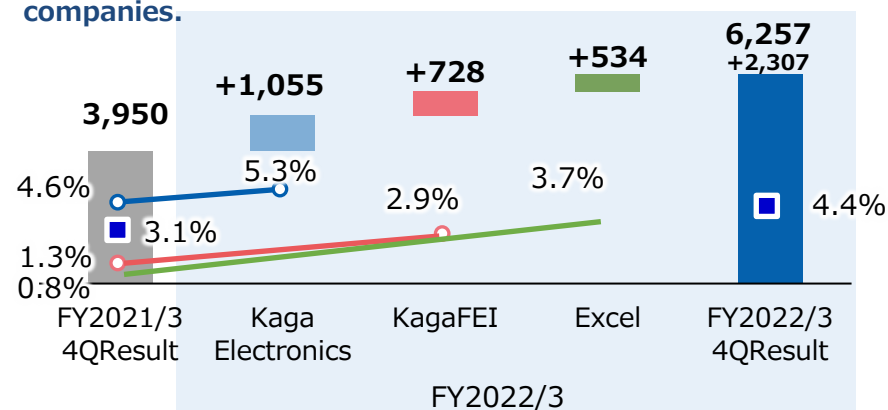
SG&A / SG&A ratio

Expenses increased with growth in sales, in addition to seasonal factors such as bonus reserves in 4Q.



Operating income / Operating income margin

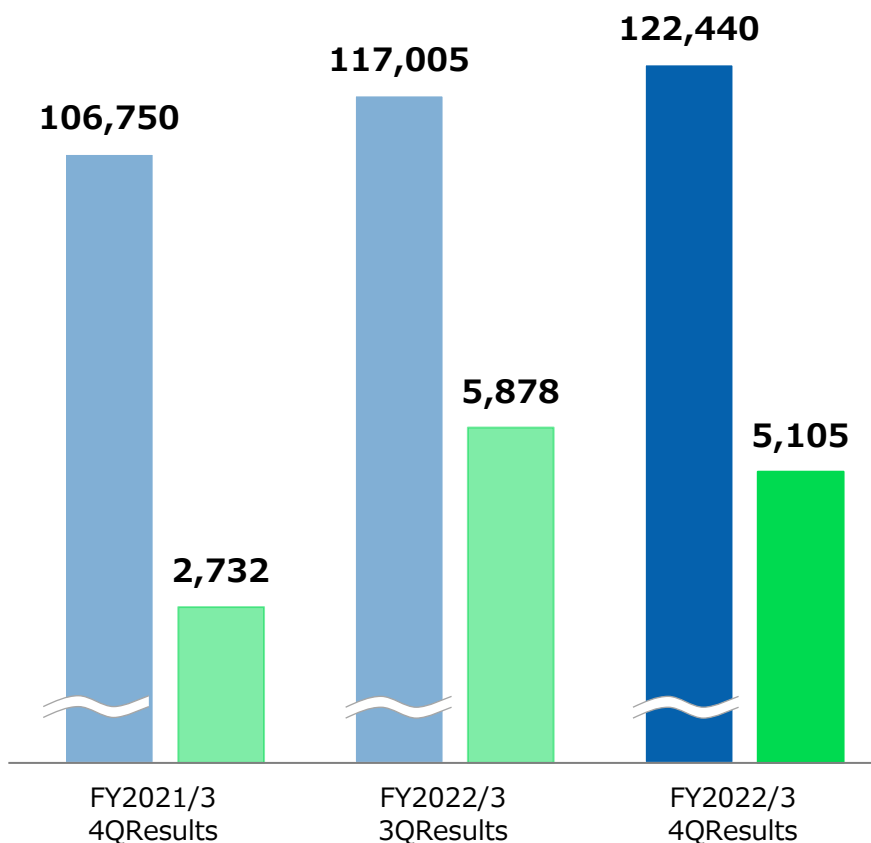
Higher expenses were absorbed by the increase in gross profit. Income increased significantly for all three companies.



(Million Yen)

Net sales/Segment income

■ / ■ Net Sales
■ / ■ Segment Income



YoY

- Net sales ▶ **+ 15,690**million Yen **14.7%Up**
- Segment Income ▶ **+ 2,372**million Yen **86.8%Up**

QoQ

- Net sales ▶ **+ 5,435**million Yen **4.6%Up**
- Segment Income ▶ **-772**million Yen **13.1%Down**

(Million Yen)

Net sales/Segment income

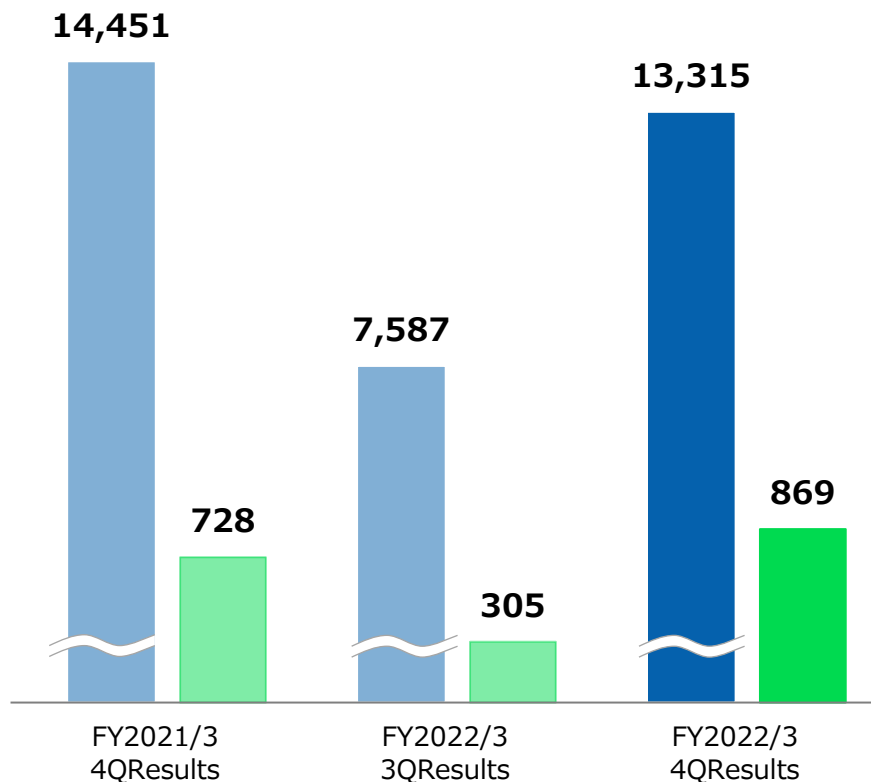
YoY

■ / ■ Net Sales
■ / ■ Segment Income

- Net sales ▶ **-1,135**million Yen **7.9%Down**
- Segment Income ▶ **+140**million Yen **19.2%Up**

QoQ

- Net sales ▶ **+5,728**million Yen **75.5%Up**
- Segment Income ▶ **+563**million Yen **184.2%Up**



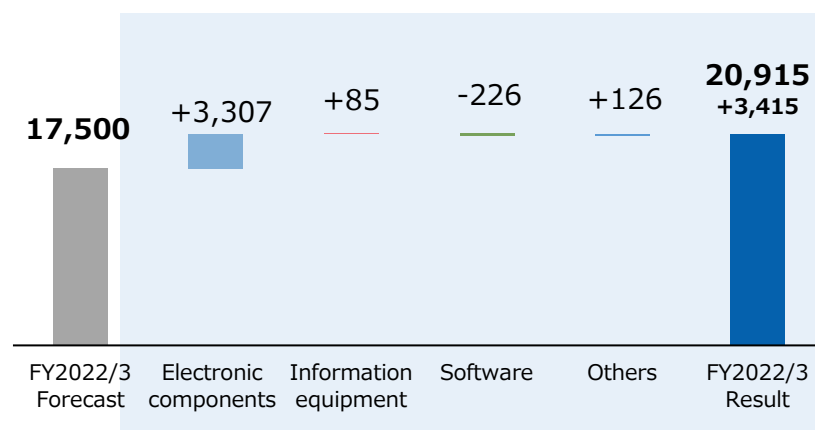
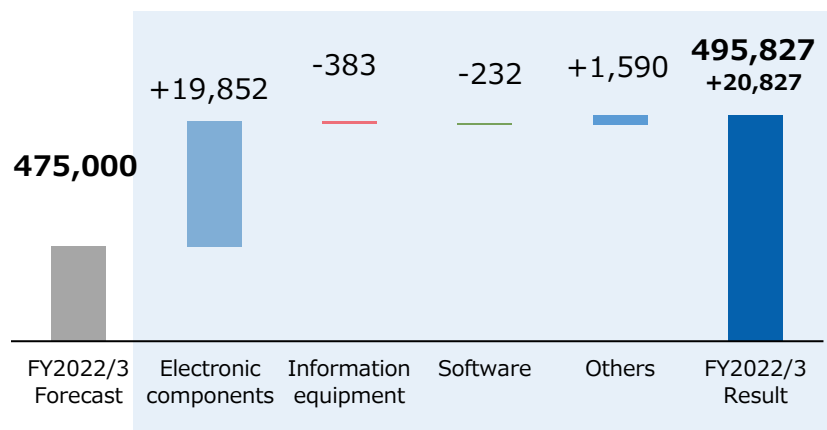
Changes from Previous forecast (announced on February 3, 2022)

(million yen)

Net sales

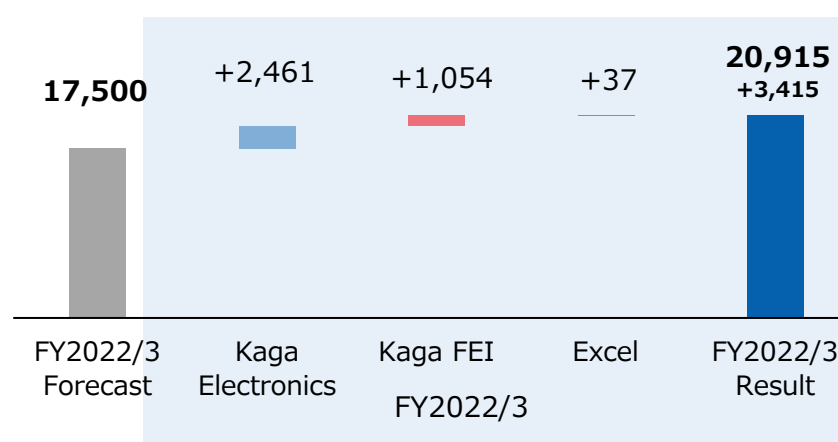
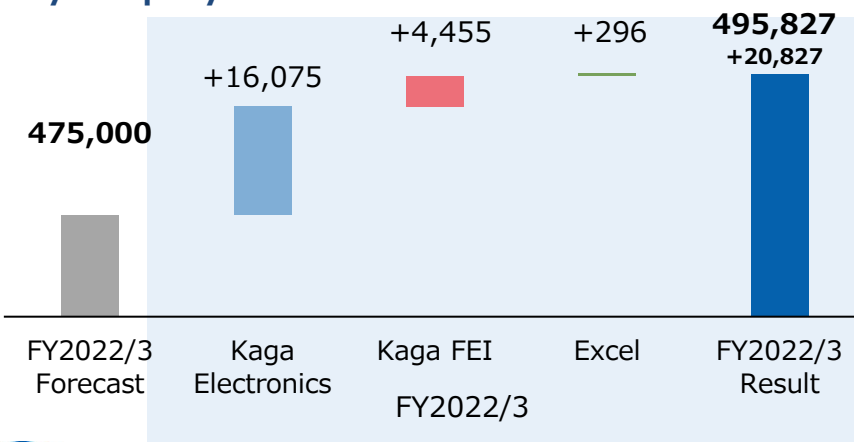
Operating income

< by Business Segment >



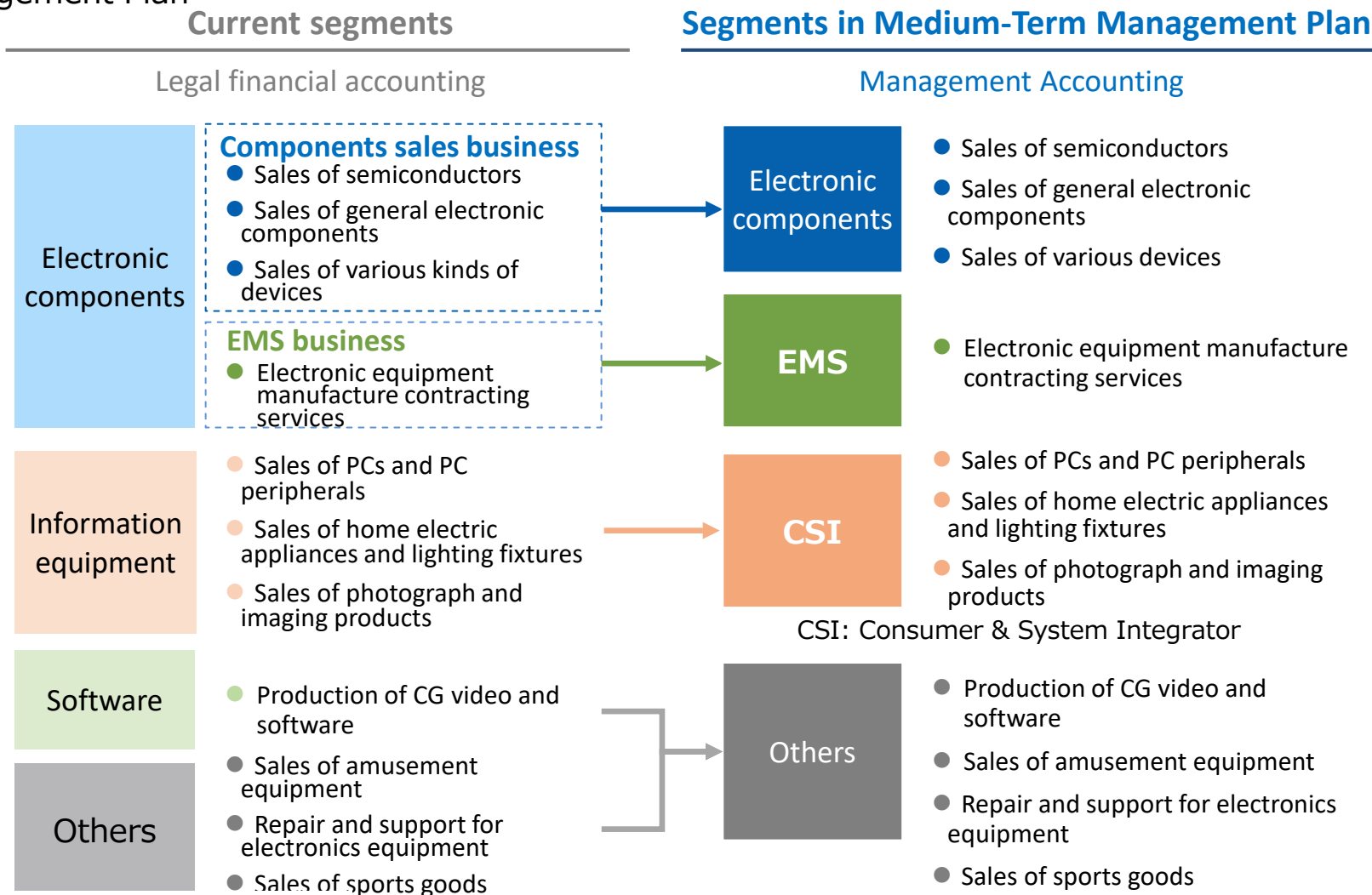
<by company>

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



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

* announced on February 3, 2022

(million yen)

		FY2021/3 Results		FY2022/3 Previous Forecasts(*)		FY2022/3 Results		YoY	vs Forecasts
Electronic Components	Net sales	262,318		313,000		325,830		+24.2%	+4.1%
	Segment income	2,961	1.1%	8,700	2.8%	11,094	3.4%	+274.6%	+27.5%
EMS	Net sales	99,599		110,000		117,828		+18.3%	+7.1%
	Segment income	5,539	5.6%	6,400	5.8%	7,356	6.2%	+32.8%	+14.9%
CSI	Net sales	48,389		40,000		39,616		-18.1%	-1.0%
	Segment income	2,482	5.1%	2,000	5.0%	2,085	5.3%	-16.0%	+4.3%
Others	Net sales	12,057		12,000		12,552		+4.1%	+4.6%
	Segment income	387	3.2%	400	3.3%	255	2.0%	-34.0%	-36.0%
Total	Net sales	422,365		475,000		495,827		+17.4%	+4.4%
	Segment income	11,467	2.7%	17,500	3.7%	20,915	4.2%	+82.4%	+19.5%

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

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

(million yen)

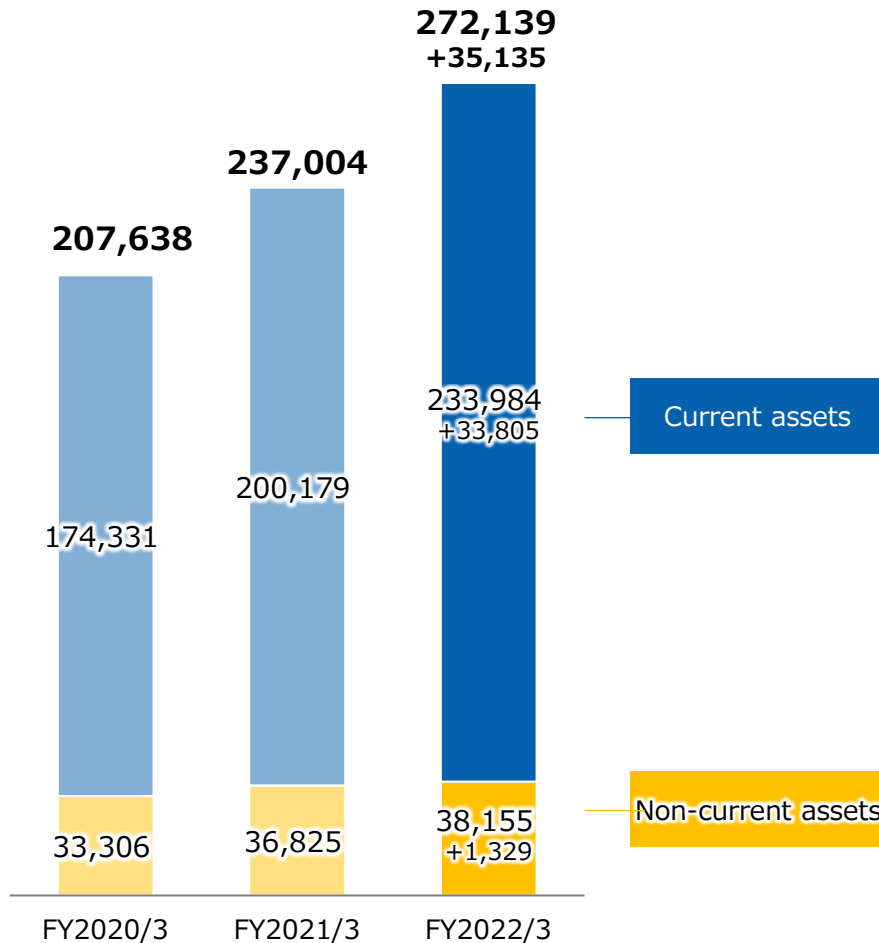
		FY2021/3 4QResults		FY2022/3 3QResults		FY2022/3 4QResults		YoY	vs Forecasts
Electronic Components	Net sales	80,405		88,079		92,960		+15.6%	+5.5%
	Segment income	1,304	1.6%	3,824	4.3%	3,321	3.6%	+154.6%	-13.1%
EMS	Net sales	29,383		31,142		33,232		+13.1%	+6.7%
	Segment income	1,649	5.6%	2,140	6.9%	1,893	5.7%	+14.8%	-11.6%
CSI	Net sales	14,451		7,587		13,315		-7.9%	+75.5%
	Segment income	728	5.0%	305	4.0%	869	6.5%	+19.2%	+184.2%
Others	Net sales	3,858		2,865		3,634		-5.8%	+26.8%
	Segment income	261	6.8%	64	2.3%	126	3.5%	-51.5%	+95.1%
Total	Net sales	128,099		129,675		143,143		+11.7%	+10.4%
	Segment income	3,950	3.1%	6,357	4.9%	6,257	4.4%	+58.4%	-1.6%

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

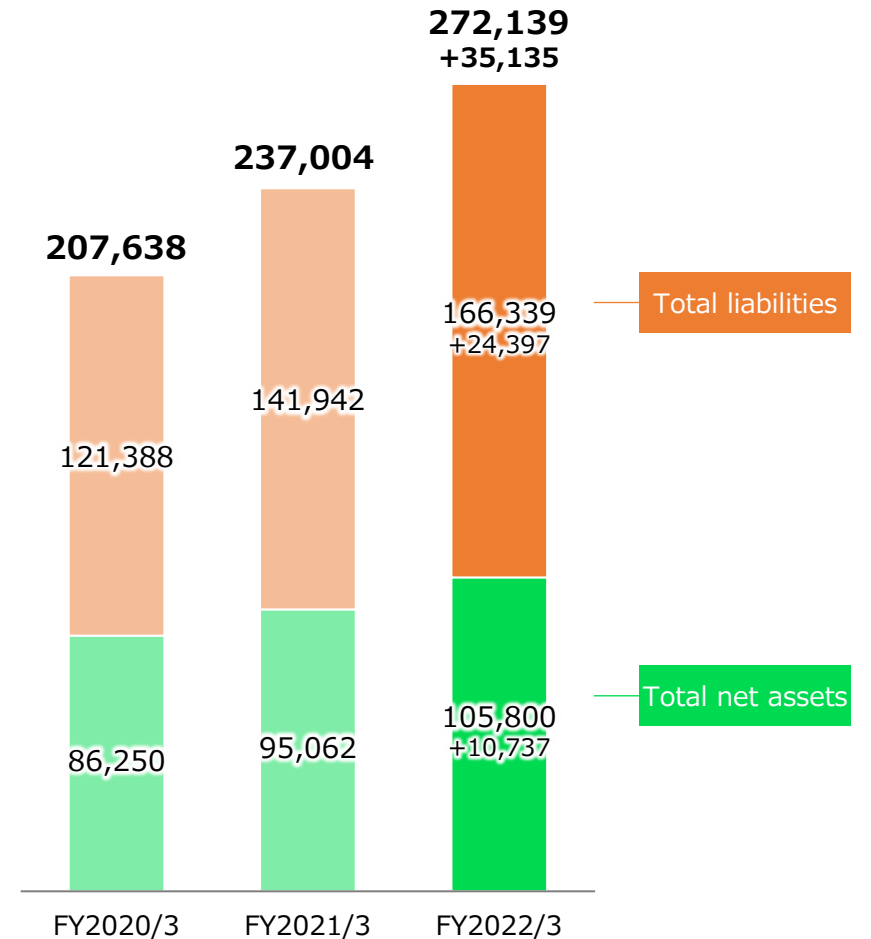
Balance Sheet Main Items

(million yen)

Total assets



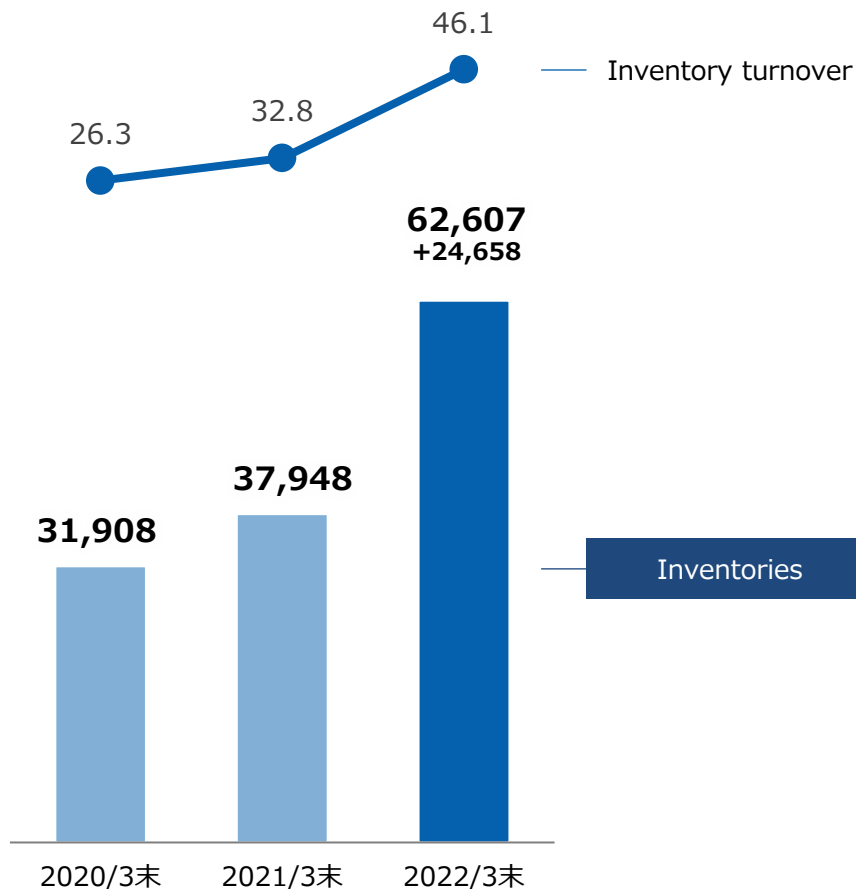
Total liabilities and net assets



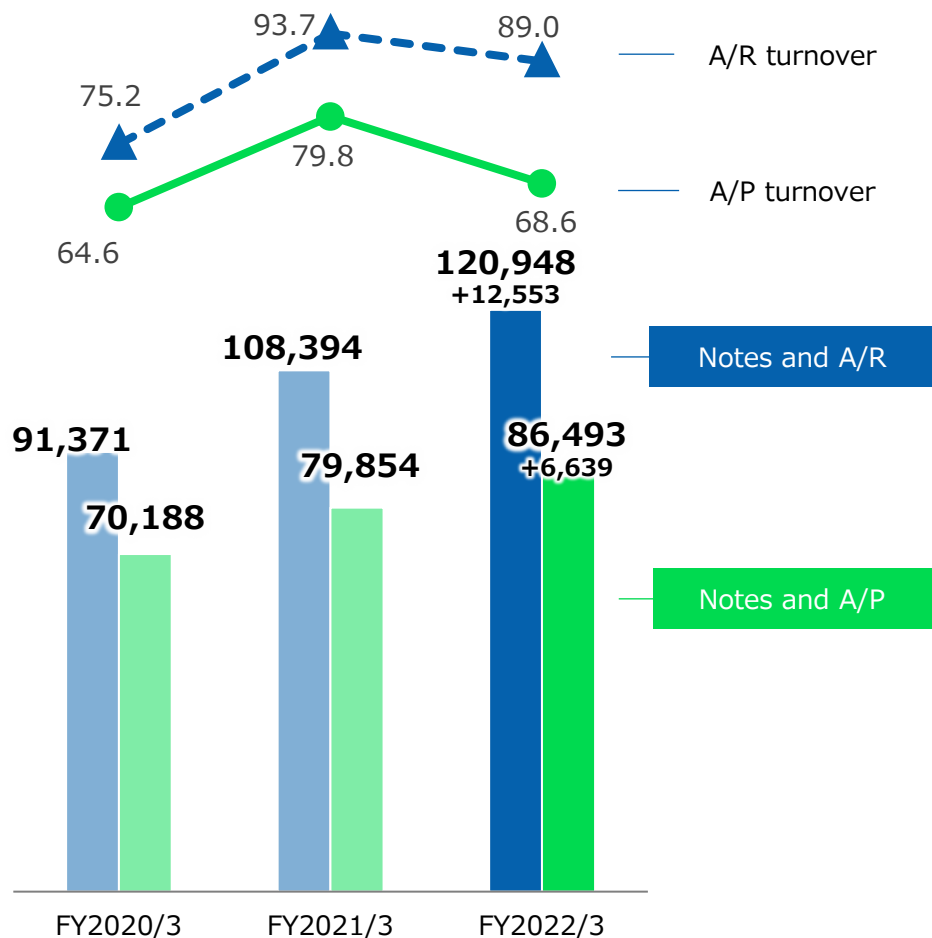
Balance Sheet Main Items

(million yen, day)

Inventories



Accounts receivable/Accounts payable

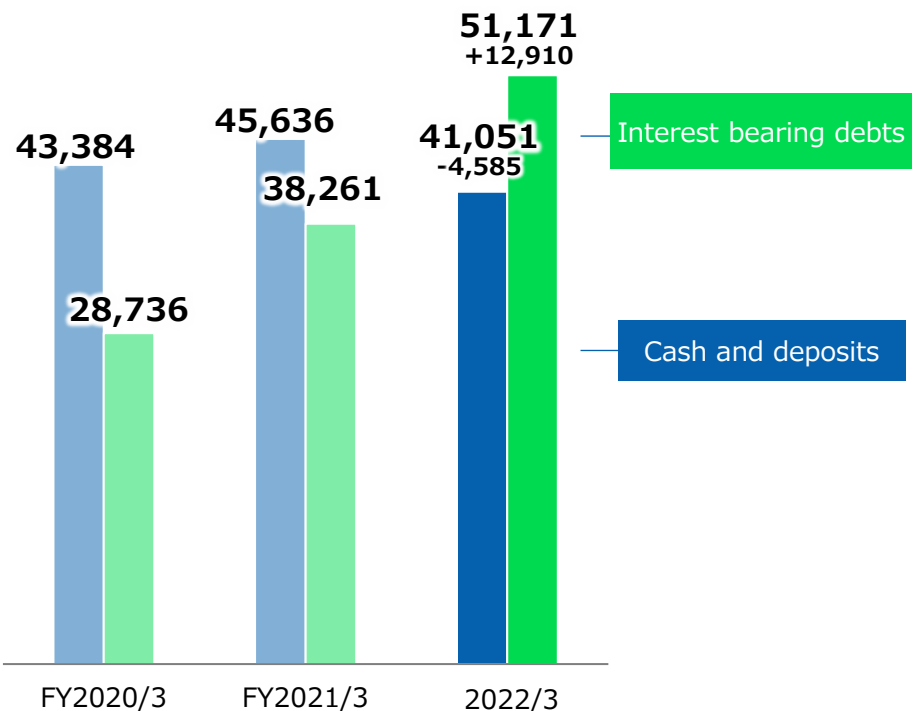
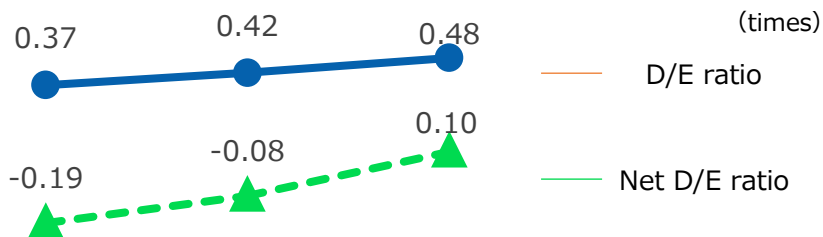


notes :
 • Notes and A/R are amounts including Electronically recorded monetary claims-operating
 • Notes and A/P are amounts including Electronically recorded obligations - operating
 • A/R turnover = Notes and A/R ÷ Net sales × 365 (day)
 • A/P turnover = Notes and A/P ÷ Total purchase of goods × 365 (day)

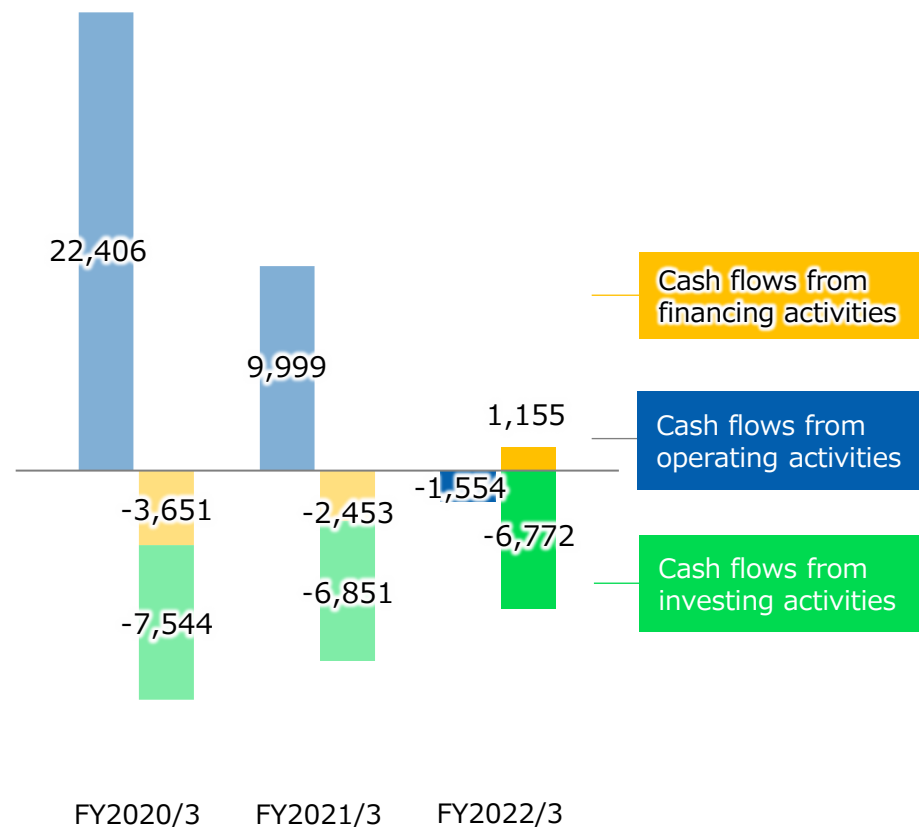
Cash and Deposits/Interest Bearing Debts/Cash Flows

(million yen)

Cash and deposits / Interest bearing debts



Cash flows



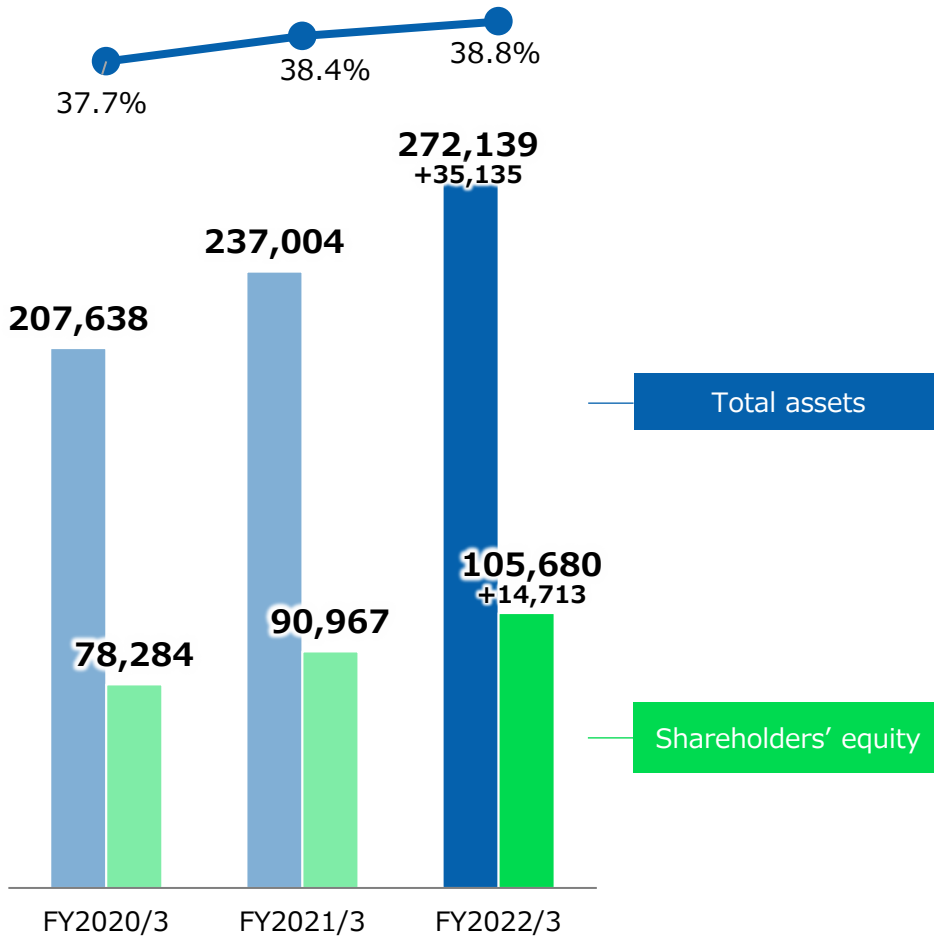
note : D/E ratio = Interest bearing debts ÷ Shareholder's equity

Net D/E ratio = Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

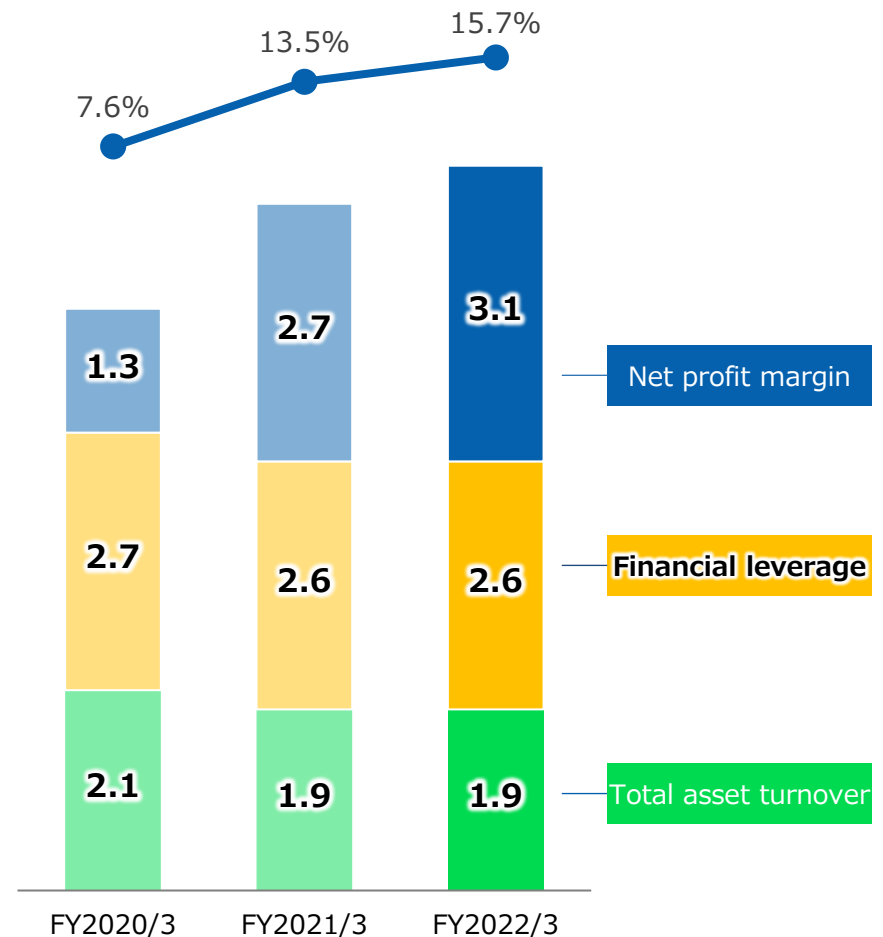
Major Business Indicators

(million yen)

Equity ratio



ROE



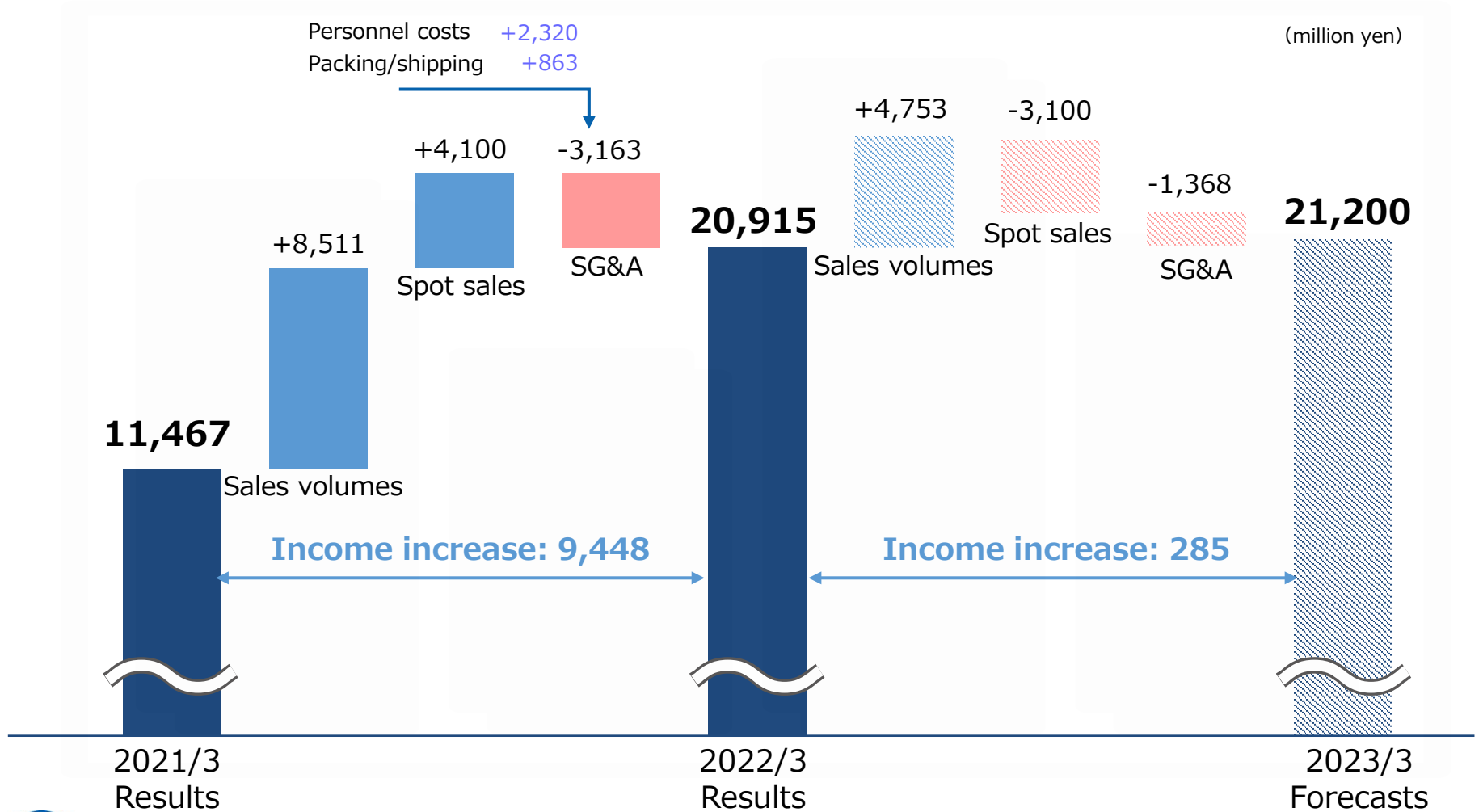
Forecasts for FY2023/3

Forecasts for FY2023/3

(million yen)

	FY2022/3 Results		FY2023/3 Forecasts		YoY
Net sales	495,827		510,000		2.9%
Operating income	20,915	4.2%	21,200	4.2%	1.4%
Ordinary income	21,456	4.3%	21,200	4.2%	-1.2%
Profit attributable to owners of parent	15,401	3.1%	14,500	2.8%	-5.9%
EPS (Yen)	576.45		552.42		-
ROE	15.7%		13.0%		

FY2022/3 vs FY2023/3 Factors of Increase/Decrease in Operating Income



Forecasts for FY2023/3 by Segment

(million yen)

		FY2022/3 Results		FY2023/3 Forecasts		YoY
Electronic components	Net sales	433,852		447,000		3.0%
	Segment income	18,127	4.2%	18,500	4.1%	2.2%
Information equipment	Net sales	39,616		39,000		-1.6%
	Segment income	2,085	5.3%	2,000	5.1%	-4.1%
Software	Net sales	2,767		4,000		44.5%
	Segment income	-26	0.1%	100	2.5%	—
Others	Net sales	19,590		20,000		2.1%
	Segment income	626	3.2%	600	3.0%	-4.2%
Total	Net sales	495,827		510,000		2.9%
	Segment income	20,934	4.2%	21,200	4.2%	1.4%

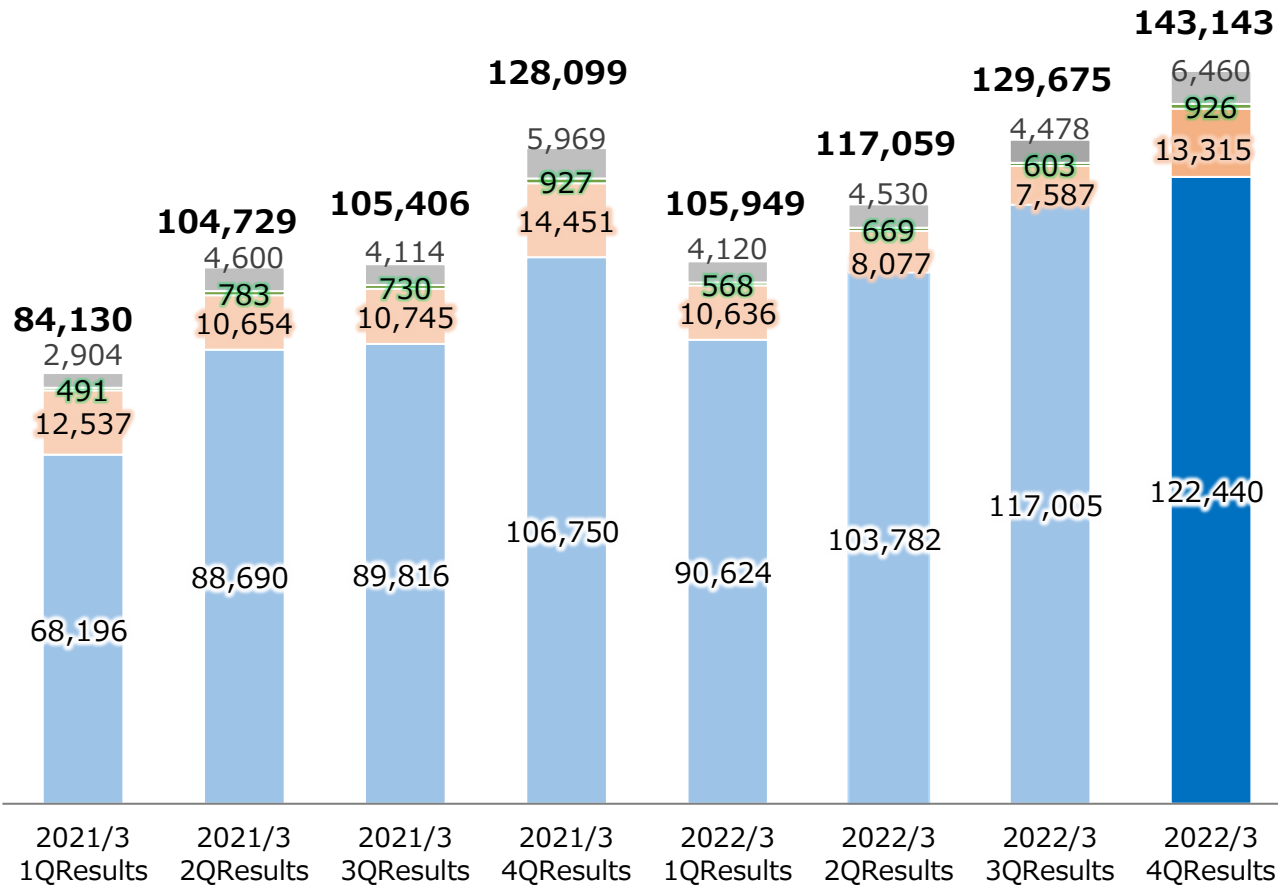
Note: Figures of each segment income are not inter-segment adjusted. Total amount is inter-segment adjusted (operating income).

Reference

Financial Highlights by Business Segment <Net Sales>

(million yen)

Net Sales



Total	
YoY	: +15,043
QoQ	: +13,467

Other	
YoY	: +490
QoQ	: +1,981

Software	
YoY	: -1
QoQ	: +322

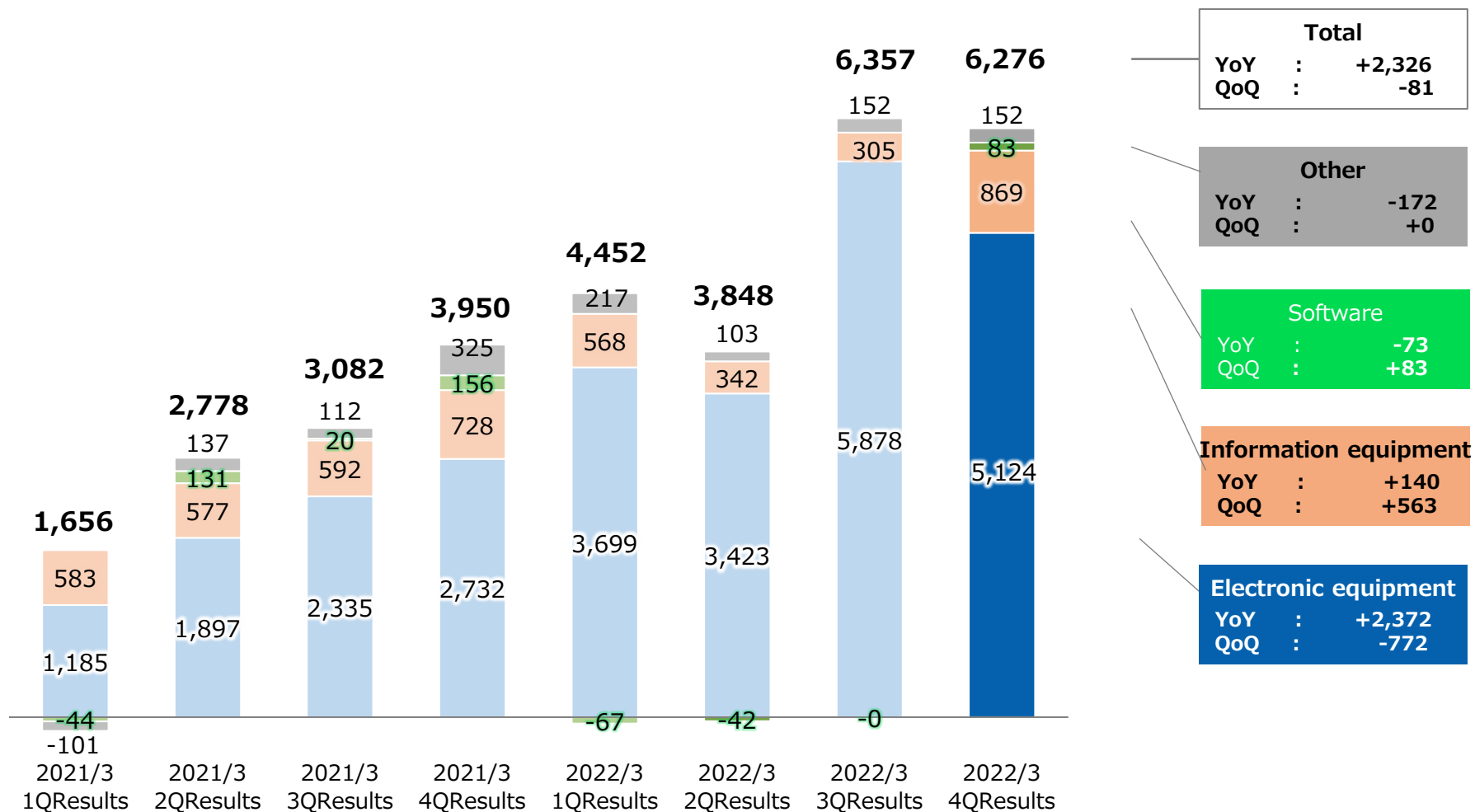
Information equipment	
YoY	: -1,135
QoQ	: +5,728

Electronic equipment	
YoY	: +15,690
QoQ	: +5,435

Financial Highlights by Business Segment < Segment Income >

(million yen)

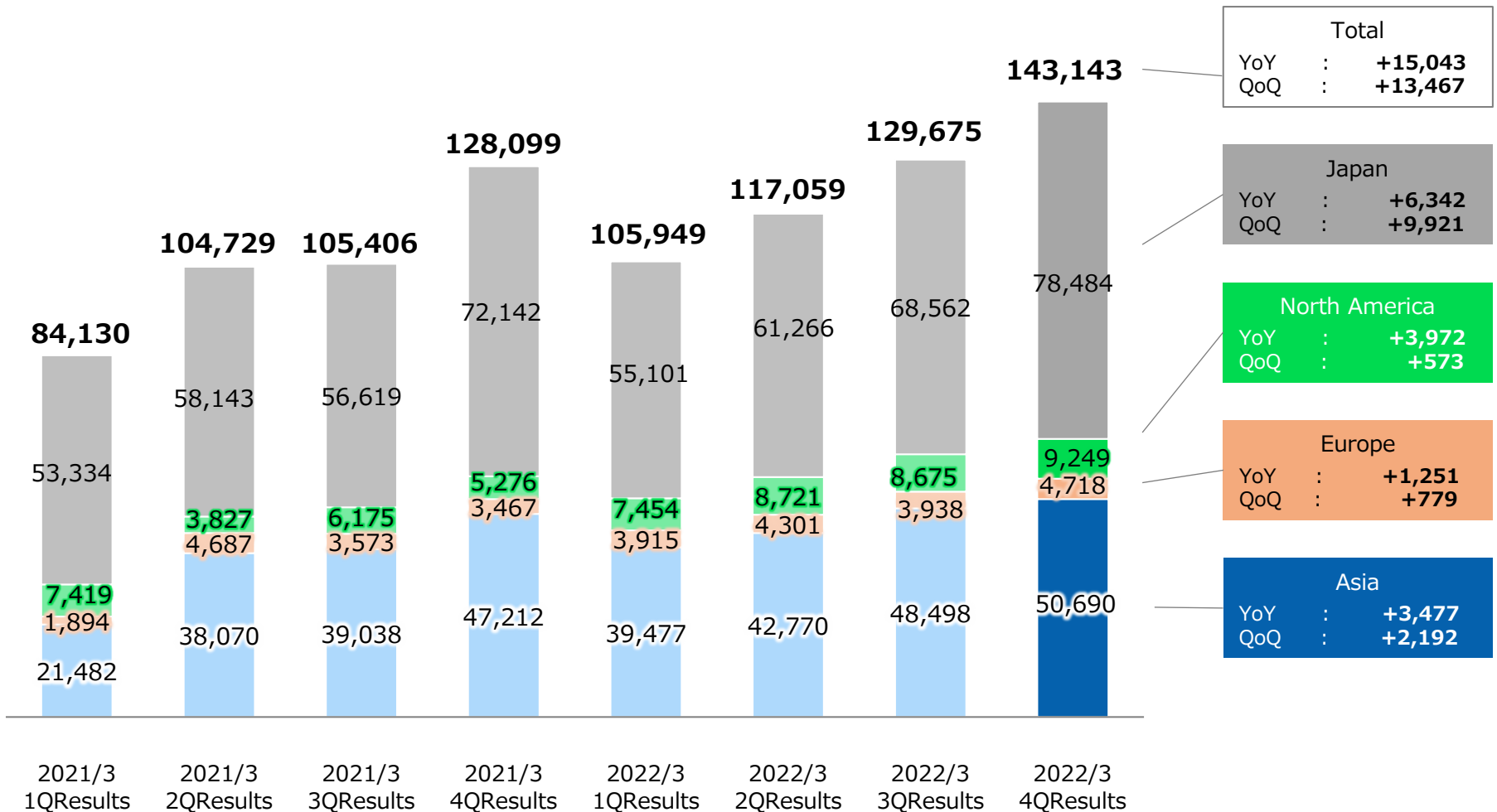
Segment Income



Net Sales by Region

(million yen)

Net Sales



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

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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.