KAGA ELECTRONICS

JPX-NIKKEI 400
2023

JPX-NIKKEI Mid Small
2021 - 2023

Financial Results Briefing Material for the Fiscal Year ended March 2024

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

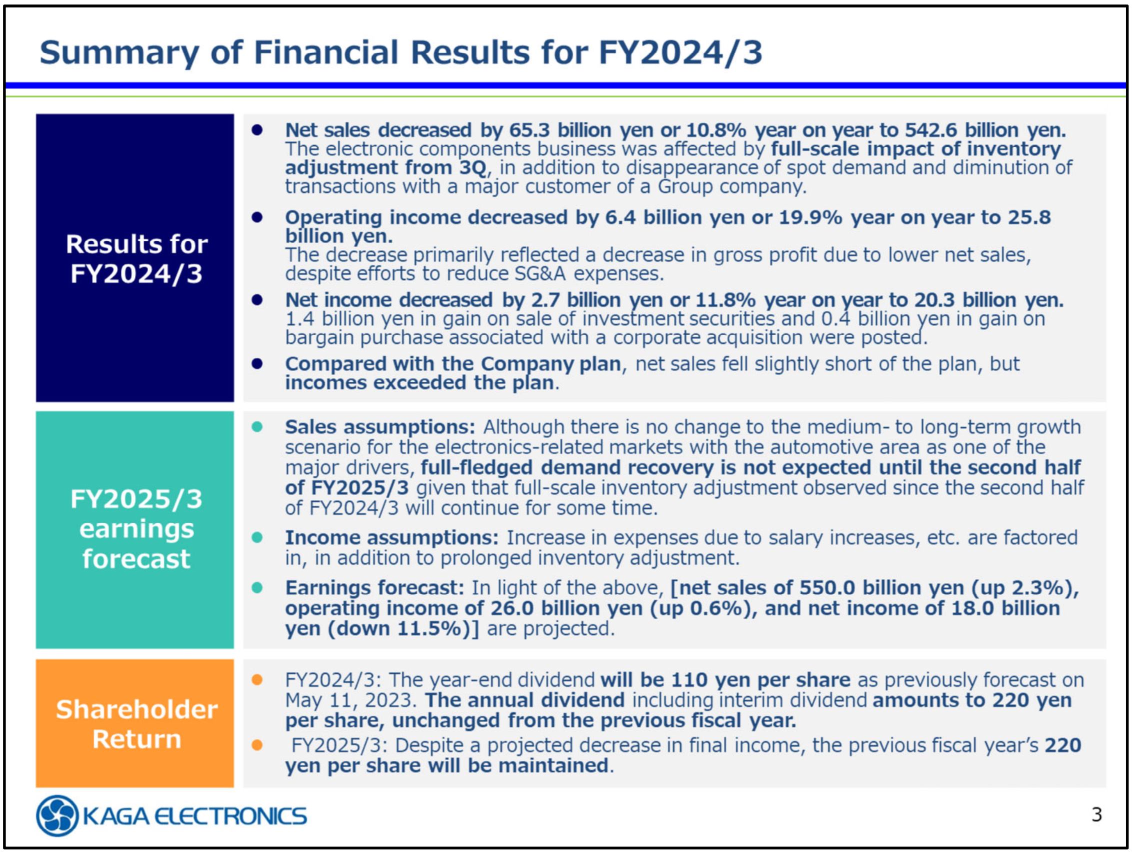
May 23, 2024

INDEX

Consolidated Financial Results
for the Fiscal Year ended March 2024

Senior Executive Officer
Head of Administration Headquarters
Yasuhiro Ishihara

I am Ishihara from Kaga Electronics.
Thank you very much for your continued support and thank you for watching our financial results briefing today.
I would like to present an overview of our financial results for the fiscal year ended March 31, 2024.



These are the results for the fiscal year ended March 31, 2024.
Net sales decreased by 65.3 billion yen from the previous year to 542.6 billion yen.
Operating income decreased by 6.4 billion yen from the previous year to 25.8 billion yen.
The primary cause of decreases in net sales and income is the disappearance of spot demand in our mainstay electronic components business and full-scale impact of inventory adjustment by customers from 3Q.

Operating income decreased from the previous year, reflecting a decline in gross profit due to lower net sales, despite efforts to control and reduce SG&A expenses.
Profit decreased by 2.7 billion yen from the previous year to 20.3 billion yen, reflecting in part posting of extraordinary income, including gain on sales of investment securities and gain on bargain purchase associated with a corporate acquisition.
Compared with the internal plan announced in May last year, net sales fell slightly short of the plan, but operating income, ordinary income, and profit all exceeded the plan.

Next is the earnings forecast for the year ending March 31, 2025.
In the electronics-related market to which we belong, our medium- to long-term growth scenario, driven mainly by the automotive market, will

remain unchanged. However, we expect inventory adjustment, which began in full swing in the second half of the year ended March 31, 2024, to continue for some time, and a full-fledged demand recovery is not expected until the second half of the year ending March 31, 2025. Factoring in the business conditions and increased costs partly from recent salary increases, our earnings forecast for the year ending March 31, 2025, is net sales of 555.0 billion yen, operating income of 26.0 billion yen, and profit of 18.0 billion yen.

I explain our shareholder return policy.
As announced in May last year, the year-end dividend for the year ended March 31, 2024, will be 110 yen per share.
The annual dividend including interim dividend will be 220 yen per share, the same amount as the previous fiscal year.
For the year ending March 31, 2025, we intend to maintain the dividend of 220 yen per share, even though the final profit is expected to decrease.

Financial Highlights for FY2024/3

(million yen)

	FY2023/3 Results		FY2024/3 Results		YoY	FY2024/3 Forecasts (Announced on May 11, 2023)		Progress rate
Net sales	608,064		**542,697**		-10.8%	550,000		-1.3%
Gross Profit	78,514	*12.9%*	**70,452**	*13.0%*	-10.3%	—	–	–
SG&A	46,265	*7.6%*	**44,607**	*8.2%*	-3.6%	—	–	–
Operating income	32,249	*5.3%*	**25,845**	*4.8%*	-19.9%	25,000	*4.5%*	3.4%
Ordinary income	32,739	*5.4%*	**25,976**	*4.8%*	-20.7%	25,000	*4.5%*	3.9%
Profit attibutable to owners of parent	23,070	*3.8%*	**20,345**	*3.7%*	-11.8%	18,000	*3.3%*	13.0%
EPS (yen)	878.65	–	**774.61**	–	–	685.42	–	–
ROE	19.6%	–	**14.5%**	–	-5.1pt	13.3%	–	1.2pt
Exchange Rate yen / USD	135.47	–	**144.62**	–	–	135.00	–	–

Note: 1. The effect of exchange rates on the conversion into yen is approximately 12,539 million yen on net sales and 420 million yen on operating income.
2. "*x. x%*" represents the ratio to net sales.

KAGA ELECTRONICS

The financial highlights on the next page are as I have just explained.
Earnings per share (EPS) in the current year was 774.61 yen.
ROE was 14.5%, down 5.1 percentage points from the previous year.
While most of the profits earned are piled in net assets, increasing financial stability, we find it necessary to further improve capital efficiency in the future.
The average exchange rate during the current year was 144.62 yen against the U.S. dollar, which represents a depreciation of about 9 yen from the previous year and from the assumed rate of 135 yen in the full-year earnings forecasts.
The year-on-year impact of foreign exchange fluctuations was an increase of approximately 12.5 billion yen in net sales and an increase of approximately 420 million yen in operating income.

Results by Business Segment for FY2024/3

(million yen)

		FY2023/3 Results		FY2024/3 Results		YoY	FY2024/3 Forecasts (Announced on May 11, 2023)		Progress rate
Electronic Component	Net sales	539,342		**472,583**		-12.4%	471,500		0.2%
	Segment income	28,314	*5.2%*	**20,887**	*4.4%*	-26.2%	20,700	*4.4%*	0.9%
Information Equipment	Net sales	43,680		**44,305**		1.4%	45,000		-1.5%
	Segment income	2,449	*5.6%*	**2,924**	*6.6%*	19.4%	2,500	*5.6%*	17.0%
Software	Net sales	2,998		**2,567**		-14.4%	4,500		-42.9%
	Segment income	286	*9.6%*	**370**	*14.4%*	29.0%	300	*6.7%*	23.4%
Others	Net sales	22,044		**23,241**		5.4%	29,000		-19.9%
	Segment income	1,101	*5.0%*	**1,555**	*6.7%*	41.2%	1,500	*5.2%*	3.7%
Total	Net sales	608,064		**542,697**		-10.8%	550,000		-1.3%
	Segment income	32,249	*5.3%*	**25,845**	*4.8%*	-19.9%	25,000	*4.5%*	3.4%

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.

KAGA ELECTRONICS

These are results by business segment.
In the mainstay electronic components business, net sales and income in the component sales business both recorded decreases from the previous fiscal year. This is due to disappearance of spot demand, which had contributed to earnings until the previous fiscal year, given easing of supply shortages of semiconductors and electronic components and the diminution of transactions with a certain major client of Excel, as well as the impact of inventory adjustment by customers, which began in earnest from 3Q. The EMS business also recorded decreases in net sales and income year on year, for although sales in the automotive sector increased due to improved supply and demand balance of semiconductors and electronic components, inventory adjustments by key customers had an impact on sales in applications related to medical, industrial, and air-conditioning equipment.

In the information equipment business, both net sales and income increased from the previous fiscal year due to robust sales of PCs to educational institutions, security software, and PC peripheral products, combined with contribution from large-scale projects in the LED installation business that we started pushing forward on a full scale in the previous fiscal year. Segment income, in terms of both income amount and margin, came in above the previous year’s results and the internal plan figures.

In the software business, net sales were lower than in the previous fiscal year, while segment income increased and, as with the information equipment business, both the segment income amount and margin exceeded the previous year's results and the internal plan figures.
In the others business, net sales increased year on year, and segment income was higher than the previous year's results and the internal plan figures.
Regarding segment income margin, all business segments exceeded the internal plan figures. Overall, operating income margin stood at 4.8% against full-year target of 4.5%.

Please also refer to pages 7 and 8, which contain information by business segment.

Results by Company for FY2024/3

(million yen)

		FY2022/3 Results		FY2023/3 Results		FY2024/3 Results		YoY	VS FY2022/3
Kaga Electronics	Net sales	281,075		348,034		**315,404**		-9.4%	12.2%
	Gross Profit	41,767	*14.9%*	53,123	*15.3%*	**47,373**	*15.0%*	-10.8%	13.4%
	Operating income	15,461	*5.5%*	21,899	*6.3%*	**19,580**	*6.2%*	-10.6%	26.6%
Kaga FEI	Net sales	149,455		199,548		**190,684**		-4.4%	27.6%
	Gross Profit	14,690	*9.8%*	20,913	*10.5%*	**19,218**	*10.1%*	-8.1%	30.8%
	Operating income	3,654	*2.4%*	8,103	*4.1%*	**4,413**	*2.3%*	-45.5%	20.8%
Excel	Net sales	65,296		60,481		**36,608**		-39.5%	-43.9%
	Gross Profit	4,247	*6.5%*	4,443	*7.3%*	**3,834**	*10.5%*	-13.7%	-9.7%
	Operating income	1,937	*3.0%*	2,072	*3.4%*	**1,653**	*4.5%*	-20.2%	-14.6%
Total	Net sales	495,827		608,064		**542,697**		-10.8%	9.5%
	Gross Profit	60,547	*12.2%*	78,514	*12.9%*	**70,452**	*13.0%*	-10.3%	16.4%
	Operating income	20,915	*4.2%*	32,249	*5.3%*	**25,845**	*4.8%*	-19.9%	23.6%

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.

KAGA ELECTRONICS

6

Next, I will explain our performance by company.
In the Kaga Electronics Group's traditional business, net sales and income decreased from the previous fiscal year, largely reflecting the disappearance of spot demand. However, both the gross profit margin and operating income margin remained at the same level as in the previous fiscal year, and we can see that its profit-generating ability is maintained.

At a glance, Kaga FEI Group's operating income appears to have declined significantly, partly stemming from the intra-group allocation of head office expenses which began in the year ended March 31, 2024, and the provision for doubtful accounts for certain customers.
But in fact, the disappearance of spot demand does not have much of an impact on net sales and gross profit, and we can see that the company has steadily developed a highly profitable structure.
In the Excel Group, despite a decline in sales to large-lot customers, profit-generating ability was enhanced with improved sales mix, and profits showed no decline as much as net sales, with both gross profit margin and operating income margin improving significantly.

Thus although in a year-on-year comparison, net sales and income both recorded decreases overall, if we take into account one-off factors, including spot demand associated with the tight supply and demand balance of inventories in the context of a larger trend, the gross profit margin was slightly above the previous year’s figures, and I believe you can feel that the company continues to maintain the “earning power.”

Please also refer to the graphs on page 6.

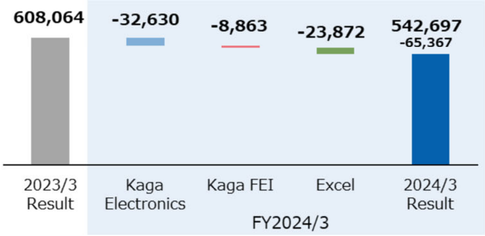
Please also refer to the quarterly information for the last three months of the year on pages 9 to 14.

Effect of M&A for FY2024/3

(million yen)

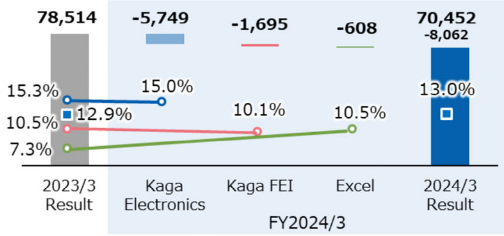
Net Sales

Net sales decreased both at Kaga Electronics and Kaga FEI due partly to disappearance of spot demand. Excel saw a decrease in sales to a major customer.



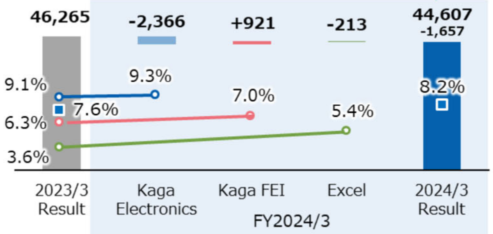
Gross profit / Gross profit margin

All three companies recorded a gross profit decrease due to lower net sales. At Excel, gross profit margin improved due to improved sales mix.



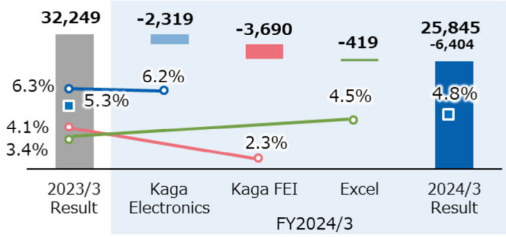
SG&A / SG&A ratio

SG&A expenses decreased in Kaga Electronics and Excel, reflecting cost-cutting efforts. Kaga FEI's expenses increased due partly to the provision of allowance for doubtful accounts and allocation of head office expenses.



Operating income / Operating income margin

All three companies recorded an operating income decrease.
At Excel, operating income margin improved due to improved sales mix

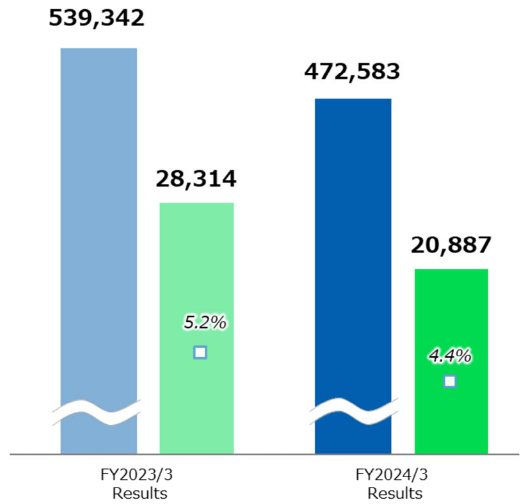


KAGA ELECTRONICS

Note :With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at 25million yen, and operating income came to 198million yen.

Financial Highlights: Electronic Component Segment

Net sales/Segment income

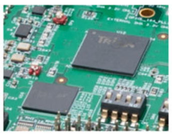


YoY

- Net Sales **-66,759**million yen **12.4**%**Down**
- Segment income **-7,427**million yen **26.3**%**Down**

- Both net sales and income decreased in the component sales business due to the impact of inventory adjustment taking place on a full-scale since 3Q, 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, and diminution of transactions with a certain major client of Excel.
- Kaga FEI's SoC (System on a Chip) products continued to enjoy robust sales.

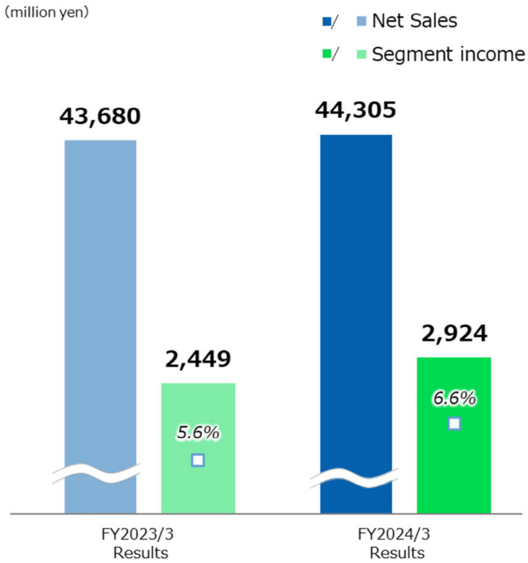
- In the EMS business, net sales and income declined due partly to the impact of inventory adjustments at key customers in applications related to medical, industrial and air-conditioning equipment, despite sales growth in the automotive sector resulting from improved supply and demand balance of semiconductors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



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

Financial Highlights: Information Equipment Segment

Net sales/Segment income



YoY

- Net Sales ▶ **+625**million yen **1.4%Up**
- Segment income ▶ **+474**million yen **19.4%Up**

- Although sales of PCs for mass retailers struggled due to weak demand, sales of PCs for 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.

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

Financial Highlights for FY2024/3 (3months)

(million yen)

	FY2023/3 4Q Results		FY2024/3 3Q Results		FY2024/3 4Q Results		YoY	QoQ
Net sales	155,843		131,413		**136,239**		-12.6%	3.7%
Gross Profit	18,630	*12.0%*	17,091	*13.0%*	**18,200**	13.4%	-2.3%	6.5%
SG&A	12,387	*7.9%*	10,475	*8.0%*	**12,846**	9.4%	3.7%	22.6%
Operating income	6,242	*4.0%*	6,615	*5.0%*	**5,353**	*3.9%*	-14.2%	-19.1%
Ordinary income	6,121	*3.9%*	6,365	*4.8%*	**5,664**	*4.2%*	-7.5%	-11.0%
Profit attibutable to owners of parent	4,017	*2.6%*	4,587	*3.5%*	**4,353**	*3.2%*	8.4%	-5.1%
EPS (yen)	152.99	－	174.65	－	**165.73**	－	－	－

Note: 1. The effect of exchange rates on the conversion into yen is approximately 2,842 million yen on net sales and 90 million yen on operating income.
2. "*x. x%* " represents the ratio to net sales.

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

(million yen)

		FY2023/3 4Q Results		FY2024/3 3Q Results		FY2024/3 4Q Results		YoY	QoQ
Electronic Component	Net sales	133,733		115,229		**114,788**		-14.2%	-0.4%
	Segment income	4,972	*3.7%*	5,363	*4.7%*	**3,738**	*3.3%*	-24.8%	-30.3%
Information Equipment	Net sales	14,540		9,551		**14,038**		-3.4%	47.0%
	Segment income	949	*6.5%*	641	*6.7%*	**1,002**	*7.1%*	5.6%	56.2%
Software	Net sales	922		591		**750**		-18.6%	27.0%
	Segment income	151	*16.4%*	149	*25.3%*	**107**	*14.3%*	-29.1%	-28.2%
Others	Net sales	6,647		6,041		**6,660**		0.2%	10.2%
	Segment income	129	*2.0%*	436	*7.2%*	**495**	*7.4%*	281.9%	13.6%
Total	Net sales	155,843		131,413		**136,239**		-12.6%	3.7%
	Segment income	6,242	*4.0%*	6,615	*5.0%*	**5,353**	*3.9%*	-14.2%	-19.1%

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 (3 months)

(million yen)

		FY2023/3 4Q Results		FY2024/3 3Q Results		FY2024/3 4Q Results		YoY	QoQ
Kaga Electronics	Net sales	93,560		78,517		**80,478**		-14.0%	2.5%
	Gross Profit	12,901	*13.8%*	11,556	*14.7%*	**12,165**	*15.1%*	-5.7%	5.3%
	Operating income	4,320	*4.6%*	5,089	*6.5%*	**3,922**	*4.9%*	-9.2%	-22.9%
Kaga FEI	Net sales	46,255		44,360		**47,556**		2.8%	7.2%
	Gross Profit	4,300	*9.3%*	4,510	*10.2%*	**5,075**	*10.7%*	18.0%	12.5%
	Operating income	1,093	*2.4%*	1,009	*2.3%*	**980**	*2.1%*	-10.3%	-2.9%
Excel	Net sales	16,027		8,535		**8,203**		-48.8%	-3.9%
	Gross Profit	1,328	*8.3%*	993	*11.6%*	**915**	*11.2%*	-31.0%	-7.8%
	Operating income	695	*4.3%*	455	*5.3%*	**332**	*4.1%*	-52.1%	-26.9%
Total	Net sales	155,843		131,413		**136,239**		-12.6%	3.7%
	Gross Profit	18,630	*12.0%*	17,091	*13.0%*	**18,200**	*13.4%*	-2.3%	6.5%
	Operating income	6,242	*4.0%*	6,615	*5.0%*	**5,353**	*3.9%*	-14.2%	-19.1%

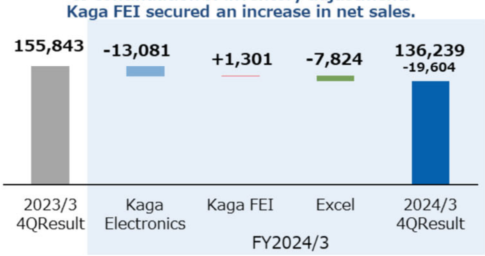
Note: 1. With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the three companies.
2. "*x. x%* " represents the profit margin.

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

(million yen)

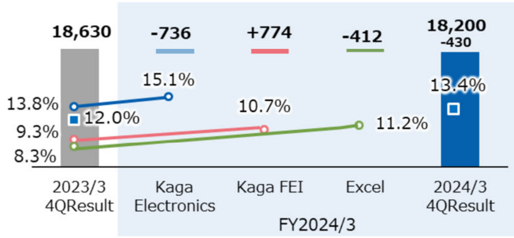
Net Sales

Net sales decreased both at Kaga Electronics and Excel due to continuation of inventory adjustment.
Kaga FEI secured an increase in net sales.



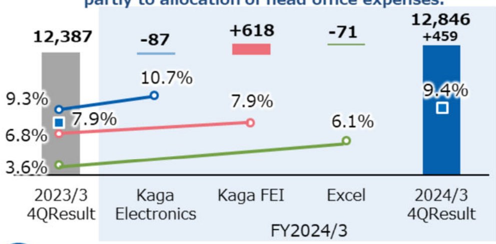
Gross profit / Gross profit margin

profit decreased at both Kaga Electronics and Excel due to lower net sales.
Kaga FEI recorded a gross profit increase.



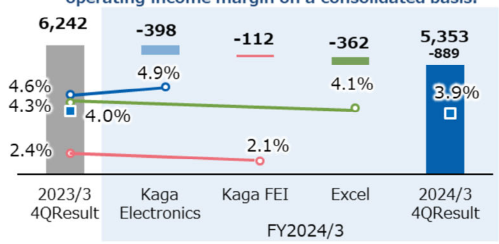
SG&A / SG&A ratio

At Kaga Electronics and Excel reduced SG&A expenses due to a decrease in gross profit. Kaga FEI's expenses increased due partly to allocation of head office expenses.



Operating income / Operating income marjin

All three companies recorded a decrease in operating income but maintained roughly last year's level of operating income margin on a consolidated basis.

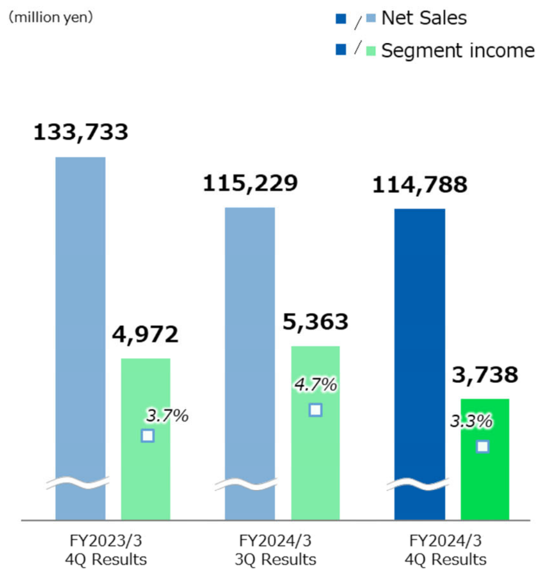


KAGA ELECTRONICS

Note :With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at 43million yen, and operating income came to 117million yen.

Financial Highlights: Electronic Component Segment (3 months)

Net sales/Segment income



YoY

- Net Sales ▶ **-18,944**million yen **14.2**%**Down**
- Segment income ▶ **-1,233**million yen **24.8**%**Down**

QoQ

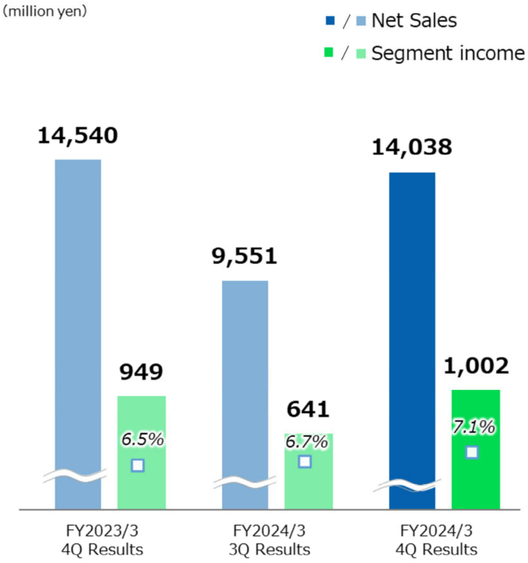
- Net Sales ▶ **-440**million yen **0.4**%**Down**
- Segment income ▶ **-1,624**million yen **30.3**%**Down**

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

Financial Highlights: Information Equipment Segment (3 months)

Net sales/Segment income

(million yen)



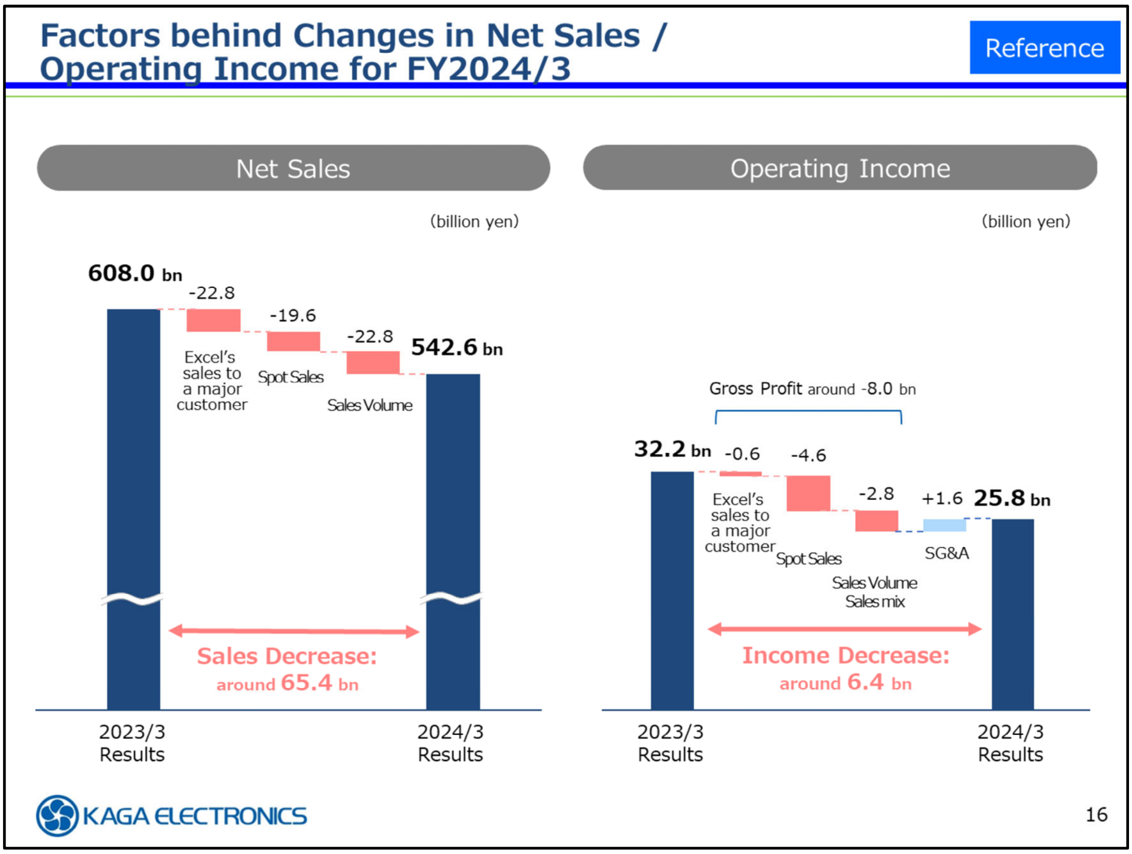
YoY

- Net Sales: **-501**million yen **3.4**%**Down**
- Segment income: **+52**million yen **5.6**%**Up**

QoQ

- Net Sales: **+4,487**million yen **47.0**%**Up**
- Segment income: **+360**million yen **56.2**%**Up**

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



I will now explain the causes of the year-on-year changes in net sales and operating income.
A diminution in transactions with a certain major customer of Excel caused sales to decrease by 22.8 billion yen and income to decrease by 0.6 billion yen.

Another factor was the disappearance of spot demand in the electronic components business, which led to a decrease in sales of 19.6 billion yen and a decrease in income of 4.6 billion yen.
In addition, a decrease in sales volume due to inventory adjustment by customers and fluctuation in sales mix caused sales to decrease by 22.8 billion yen and income to decrease by 2.8 billion yen.
These three factors above resulted in a year-on-year decrease in net sales of 65.4 billion yen and a decrease in gross profit of 8.0 billion yen.

In the business condition, we made efforts to reduce and control SG&A expenses and cut costs by 1.6 billion yen, but operating income stood at 6.4 billion yen less than the previous year's level.
In comparison with the internal plan, net sales fell slightly short of the plan, but operating income exceeded the plan figures of 25.0 billion yen by 0.8 billion yen.

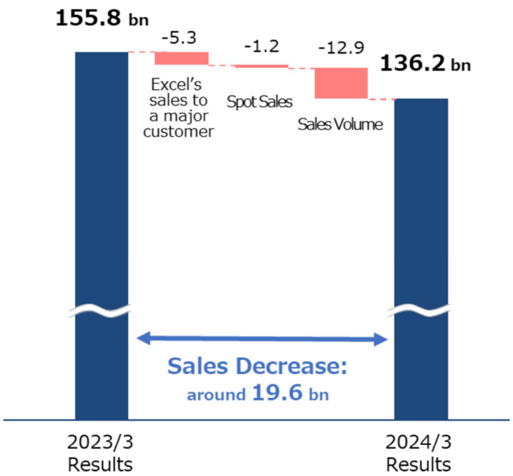
Please also refer to the quarterly information for the last three months of the year on page 16.

Factors behind Changes in Net Sales / Operating Income for FY2024/3 (3 months)

Reference

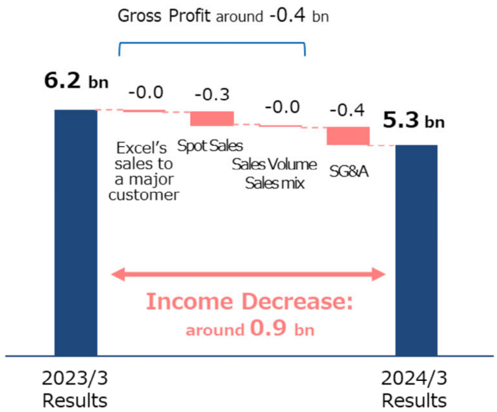
Net Sales

(billion yen)

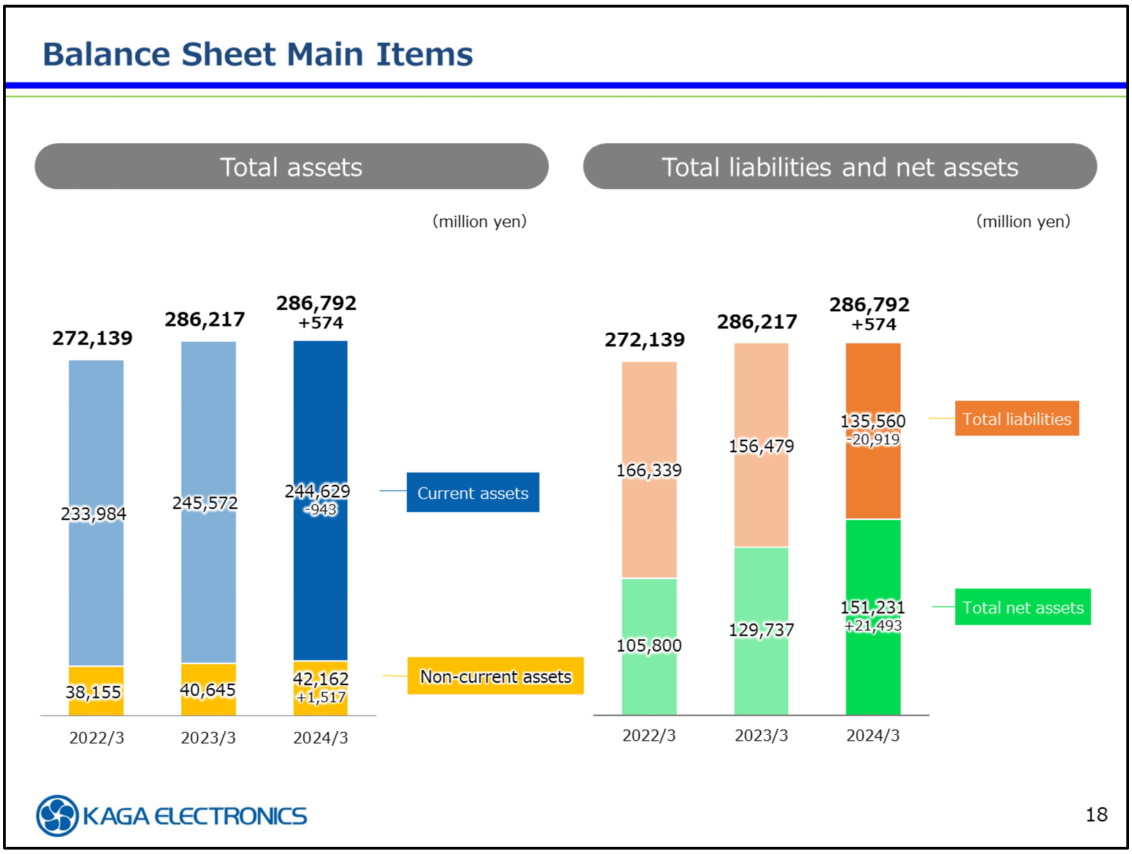


Operating Income

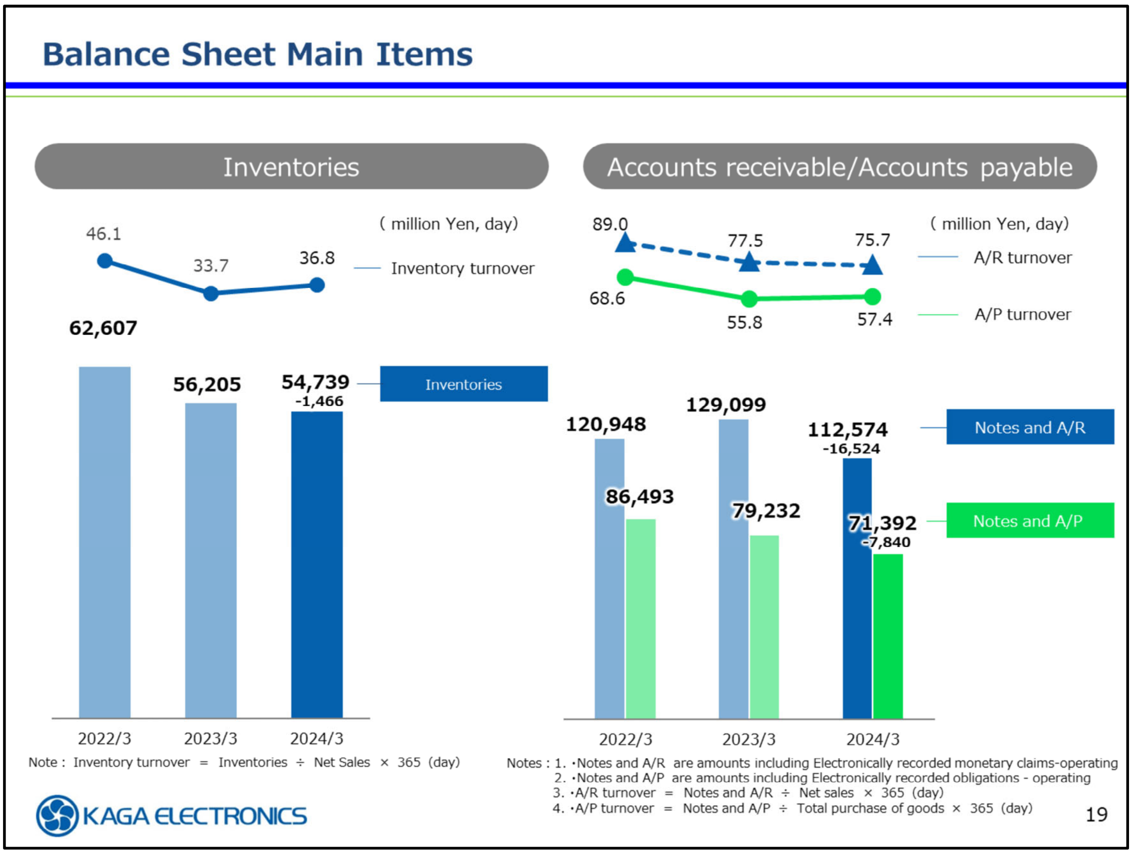
(billion yen)



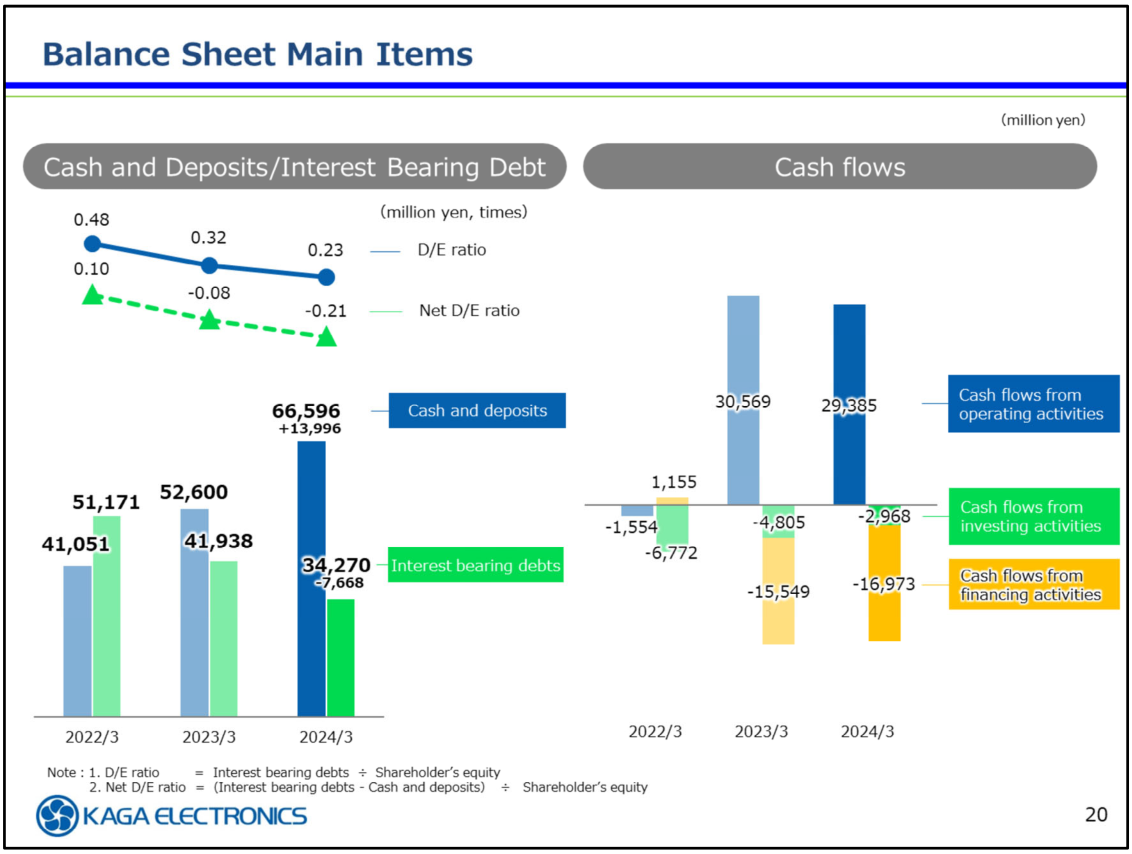
KAGA ELECTRONICS



Let me move on to the balance sheet, starting with assets.
Current assets decreased by 0.9 billion yen from the end of the previous fiscal year to 244.6 billion yen, due in part to a decrease in accounts receivable and inventories. Non-current assets increased by 1.5 billion yen from the end of the previous fiscal year to 42.1 billion yen, due notably to capital investment in the new Mexico plant. Total assets increased by 0.5 billion yen from the end of the previous fiscal year to 286.7 billion yen.
Liabilities decreased by 20.9 billion yen from the end of the previous fiscal year to 135.5 billion yen, due primarily to a decrease in accounts payable-trade and repayment of loans payable. Net assets increased by 21.4 billion yen from the end of the previous fiscal year to 151.2 billion, due partly to an increase in retained earnings.
As a result of the significant decrease in current liabilities, the current ratio was 233.4%.
The equity ratio improved by 7.3 percentage points from 45.3% at the end of the previous fiscal year to 52.6%, indicating improved financial stability.

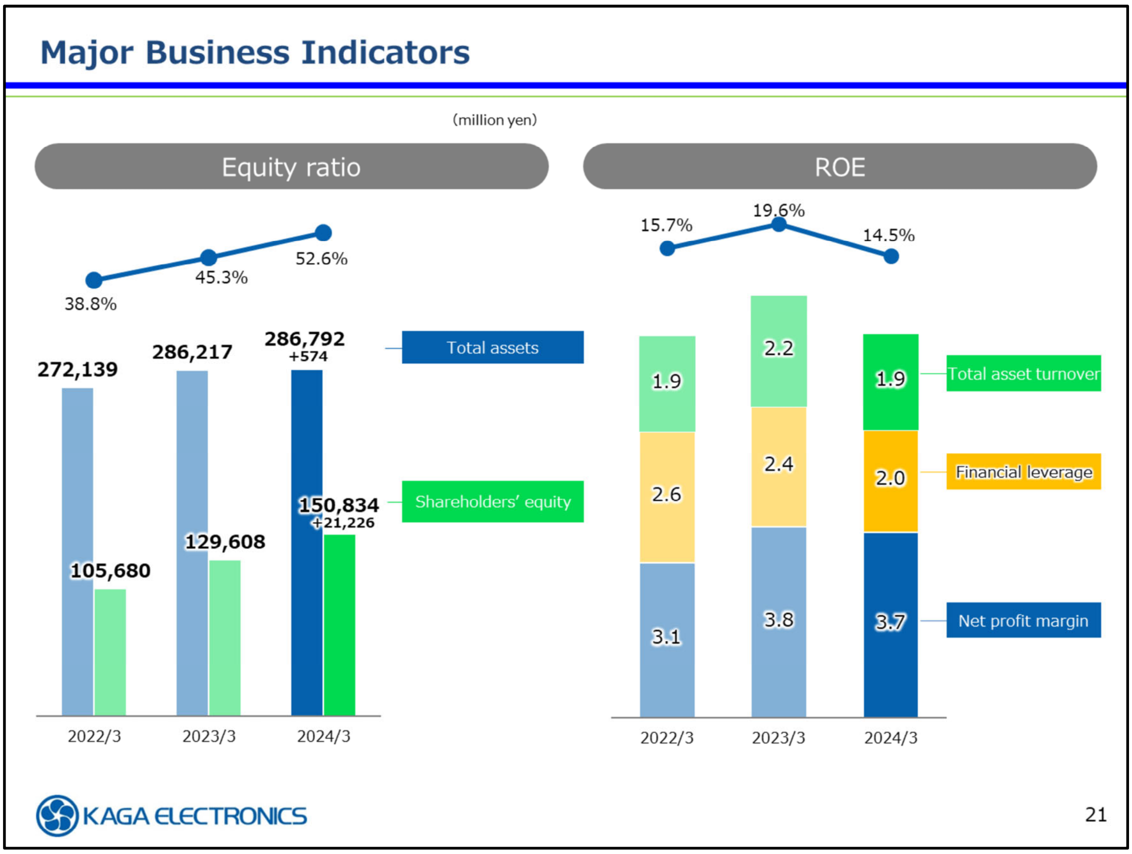


Inventories amounted to 54.7 billion yen, a decrease of 1.4 billion yen from the end of the previous fiscal year, as a result of efforts, including adjustments in purchasing and procurement, amid the impact of inventory adjustment by key customers.
Inventory turnover, on the other hand, worsened by 3 days to 36.8 days, partly due to a decrease in net sales, and we are continuing to strengthen efforts to reduce inventories.



Interest-bearing debt stood at 34.2 billion yen, a decrease of 7.6 billion yen from the end of the previous fiscal year due to debt repayment, and the debt-to-equity ratio (D/E ratio) was kept low at 0.23 times due to an increase in equity through profit generation.

The balance of cash and deposits increased by 13.9 billion yen from the end of the previous fiscal year to 66.5 billion yen, reflecting cash flow from operating activities of 29.3 billion yen, almost the same level as the previous fiscal year. As a result of the increase in cash and deposits, the net D/E ratio stood at negative 0.21 times remaining in the negative as it did at the end of the previous fiscal year. Our financial foundation is becoming increasingly stable and strong to invest in the next phase of growth.



While shareholders' equity increased, bringing financial stability higher at an equity ratio of 52.6%, ROE of 14.5% indicates a slight decline in capital efficiency.
We intend to continue further enhancing the profit-generating ability and use the funds generated to implement a multifaceted approach covering investments in business expansion, including through M&A, production facilities and other business infrastructure for growth, and human capital, as well as shareholder returns. As such, we aim to sustainably maintain and improve the management target ROE of a "stable 10% or higher."

Forecasts for FY2025/3

Forecasts for FY2025/3

(million yen)

この画像は表示できません。

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

KAGA ELECTRONICS

I now explain our earnings forecast for the fiscal year ending March 31, 2025.

As mentioned earlier, we expect customers' inventory adjustments, which began in full swing in the second half of the year ended March 31, 2024, to continue for some time with a full-fledged recovery in demand expected in the second half of the year ending March 31, 2025.

Factoring in higher costs, including salary increases, in addition to the lingering inventory adjustment, we have revised our forecasts for the year ending March 31, 2025, to net sales of 555 billion yen, operating income and ordinary income of 26 billion yen, and profit of 18 billion yen, which is almost unchanged from the previous fiscal year.

Based on the above forecasts, we expect earnings per share (EPS) for the year ending March 31, 2025, to be 685.26 yen, and ROE at the end of the year to be 11.5%.

The annual dividend will be 220 yen per share, the same as the previous year, even though profit is expected to be lower than the previous year.

Forecasts by Business Segment for FY2025/3

(million yen)

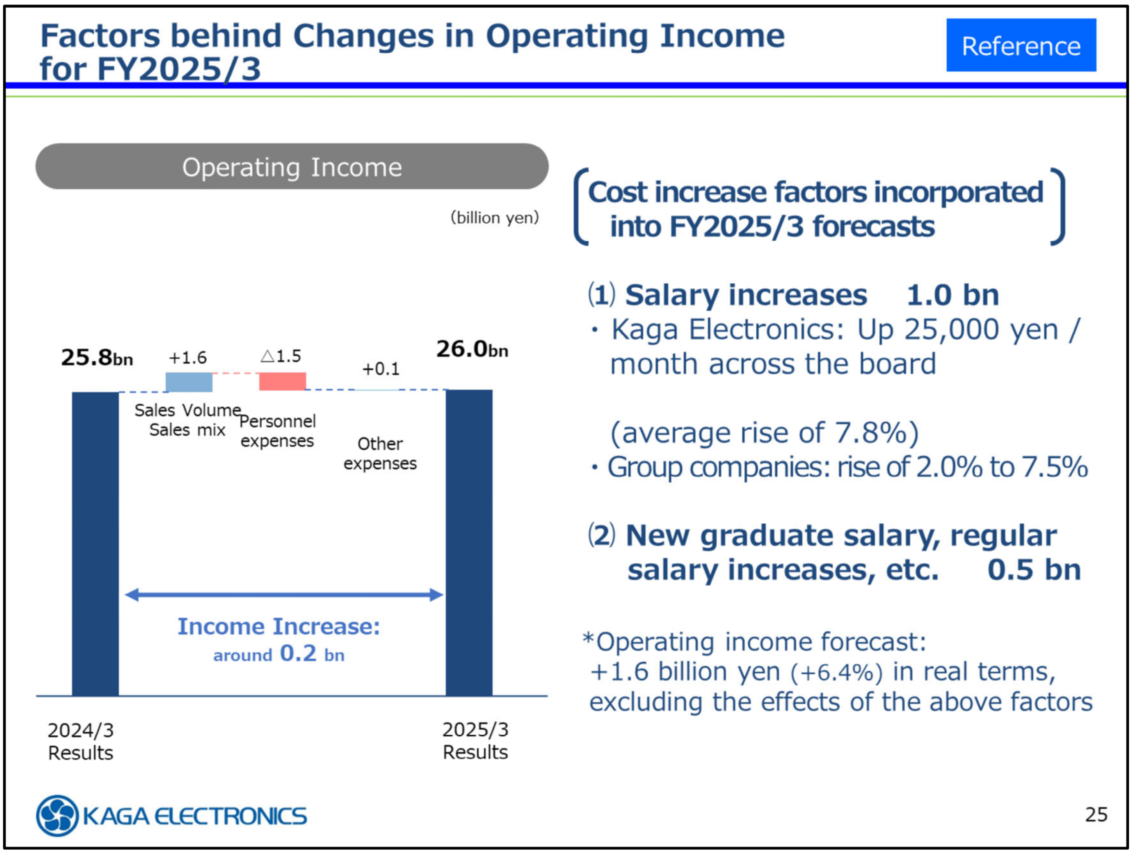
この画像は表示できません。

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

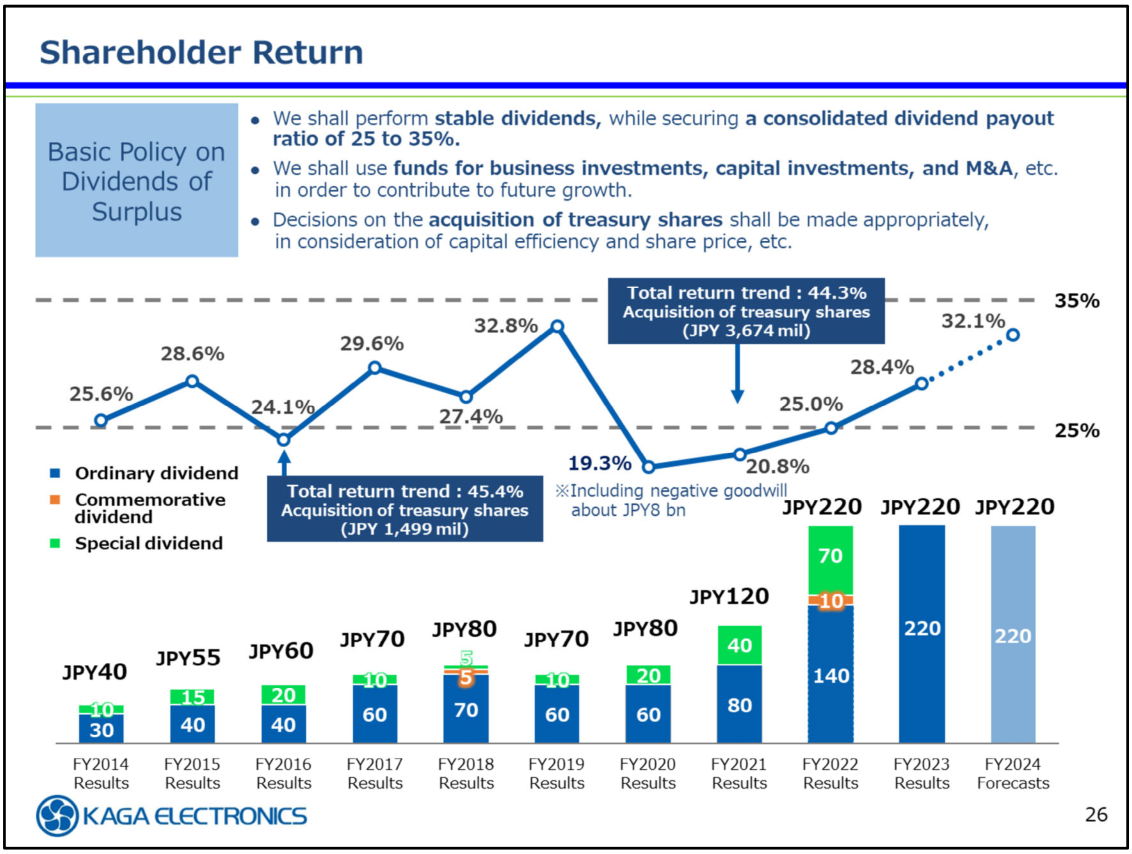
2. "*x. x%* " represents the profit margin.

KAGA ELECTRONICS

The earnings forecast for each business segment is expected to remain at the same level as in the previous fiscal year.



I will now explain the causes of the year-on-year changes in operating income.
Starting from the fiscal year ending March 31, 2025, salary increases of about 1.0 billion yen took effect for the Group as a whole.
At Kaga Electronics, the monthly increase is 25,000 yen across the board. The average increase is 7.8%.
By adding this figure to a 0.5 billion yen increase in costs, including new graduate salaries and regular salary increases, we have factored in a 1.5 billion yen increase in personnel expenses in our forecast.
This increase in income was due to a 1.6 billion yen increase in gross profit from higher sales volume and improved sales mix, a 0.1 billion yen increase from curbing non-personnel expenses, and an approximately 0.2 billion yen increase in operating income, all of which are incorporated in our forecast.



I now explain about shareholder returns and dividends.
The following are our three basic principles for profit distribution.
We shall perform stable dividends, while securing a consolidated dividend payout ratio of 25 to 35%.
We shall use funds for business investments, capital investments, and M&A, etc. in order to contribute to future growth.
Decisions on the acquisition of treasury shares shall be made appropriately, in consideration of capital efficiency and share price, etc.

In the fiscal year ended March 31, 2024, we plan to pay an annual dividend of 220 yen per share, the same as the previous year, despite the year-on-year decline in net sales and income. This will bring the payout ratio to 28.4%.
Looking toward the fiscal year ending March 31, 2025, the annual dividend is also expected to be 220 yen per share, the same as the previous year, even though final income is expected to decrease. As a result, the payout ratio for the year ending March 31, 2025, is expected to be 32.1%.

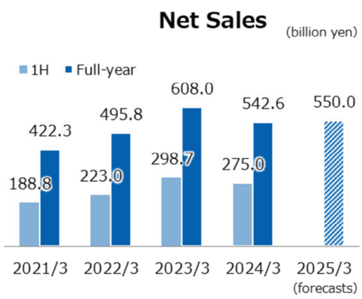
In January this year, we announced our policy on “Action to Implement Management that is Conscious of Cost of Capital and Stock Price.”
Going forward, we will, in line with the policy, work to further strengthen our earning power and management foundation, and will consider and make efforts to distribute profits other than through dividends as

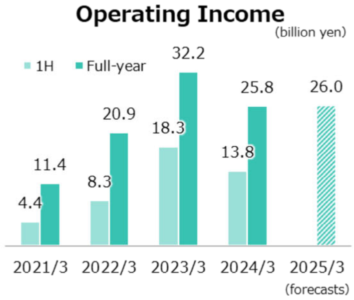
necessary, taking into account the environment and circumstances.

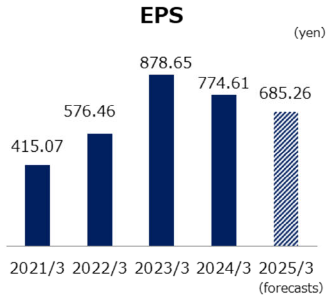
Page 28 and onwards are reference materials containing voluntary disclosure information by segment in line with the Medium-Term Management Plan, as well as graphs showing quarterly net sales by segment and by region, and such other information as exchange rates and exchange rate sensitivity. Please have a look.

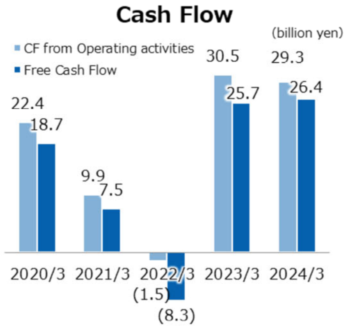
This concludes my presentation of our financial results for the fiscal year ended March 31, 2024.
Thank you very much for listening.

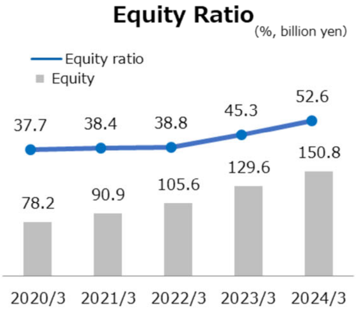
Latest 5 years Financial Trends

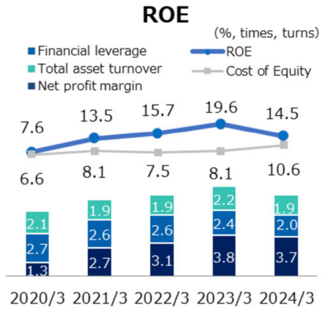












Summary of FY2024/3 Results

FY2024/3 Summary

Initial forecast

In the Electronic Component segment, the impact of 'inventory adjustment by customers' and 'disappearance of spot demand' was factored into our forecast for lower net sales and operating income.

Results

- 'Spot demand' made no contribution to earnings as expected.
- The impact of inventory adjustment by customers on 1H results appeared less than initially expected, and both net sales and operating income returned above the internal plan.
- The impact of inventory adjustment by customers began on a full scale in 2H and the upward swing gradually narrowed, but the full-year plan exceeded the target.

(billion yen)	1Q	2Q	3Q	4Q
Operation margin	6.9 bn	13.8 bn	20.4 bn	25.8 bn
Progress rate	28.0%	55.5%	82.0%	103.4%
vs Internal Plan	+2.0 bn	+3.8 bn	+2.0 bn	+0.8 bn

Outlook for FY2025/3

- Upside: Medium- to long-term market growth scenario, especially in the automotive sector, remains unchanged.
- Downside: Inventory adjustment by customers continue for some time, and a full-fledged recovery is expected in 2H of FY2025/3.
- Salary increase: Decided to increase salaries to invest in human capital contributing to future growth
- Even after factoring in the impact of 1.5 billion yen, we aim to return to an upward trend of higher net sales and operating income.

The first topic is the summary of the financial results for the fiscal year ended March 31, 2024.

Our forecast for the year ended March 31, 2024, was 'lower net sales and operating income,' reflecting the two major factors in the electronic components segment: 'impact of inventory adjustment by customers' due to the easing of supply and demand for semiconductors and electronic components, and 'disappearance of spot demand' that contributed to earnings growth in the past two fiscal years.

Looking back at the previous year, the disappearance of spot demand was as expected, but the impact of inventory adjustment by customers in the first half of the year turned out to be less than our expectation at the beginning of the year, and therefore both net sales and operating income exceeded the internal plan.

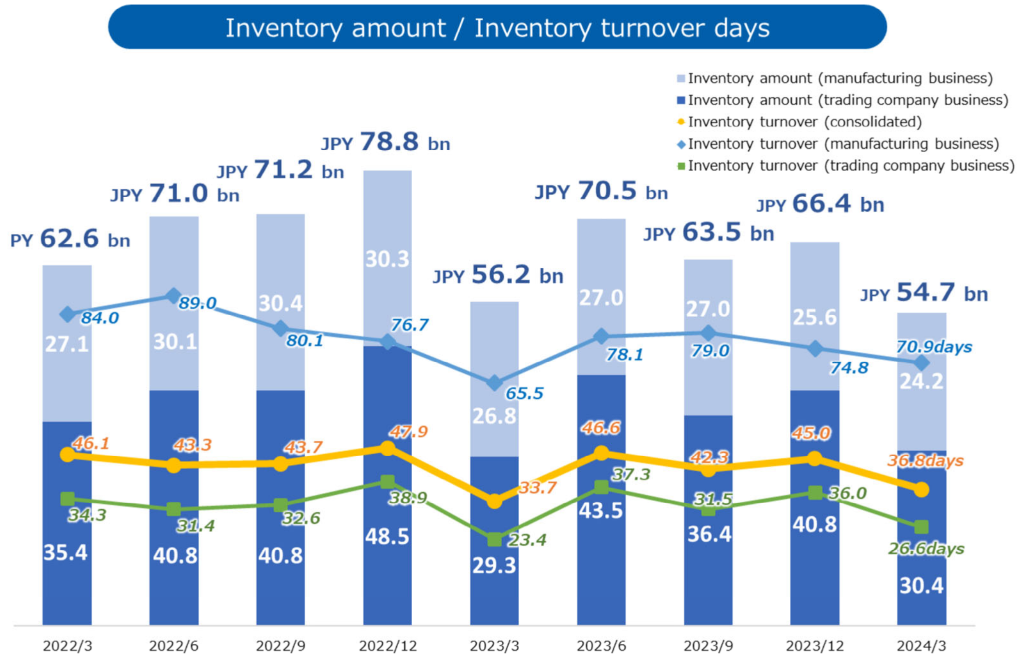
Meanwhile, as we entered in the second half, the impact of inventory adjustment by customers eventually began in full swing. As a result, the upward swing in operating income gradually narrowed. In the end, we were able to exceed the target, albeit by 0.8 billion yen.

Looking ahead to the year ending March 2025, there will be no change in the scenario in which we anticipate medium- to long-term market growth, centered on the automotive market.

However, we need to be prepared that inventory adjustment by customers continues for the time being and a full-fledged recovery in demand is not expected until the second half of 2025.

In addition, we decided to increase salaries across the Group to invest in human capital contributing to future growth. This will bring in a 1.5 billion yen increase in personnel expenses, but even after factoring in the impact of this increase, we hope to make the current fiscal year a year of ‘returning to an upward trend of higher net sales and operating income.’

Inventory Reduction



KAGA ELECTRONICS

30

The next topic is ‘changes in inventory’, which is one of our most important management issues that we are paying constant attention.

This graph shows our consolidated inventory, broken down into the ‘manufacturing’ business, mainly EMS, and the ‘trading company’ business, mainly component sales.

In the year ended March 2024, inventories hovered around 70.0 billion yen during the period, but the year-end inventory stood at 54.7 billion yen, allowing us to reduce our inventory position from the beginning of the period.
That said, we have yet to reach our target of ‘50.0 billion yen or less,’ and recognize that further reduction is necessary.

Going forward, we will continue efforts to achieve the target of ’50.0 billion yen or less’ and ‘inventory turnover of 30 days.’

『Medium-Term Management Plan 2024』 Progress of Management targets

- The Company formulated the three-year Medium-Term Management Plan 2024 in November 2021. Excluding the new M&A element, **management targets for all the three KPIs of net sales, operating income, and ROE set for the final year of the Plan were achieved in the fiscal year ended March 31, 2023, the first year of the Plan.** Based on the results of the first year, **the Company updated its earnings forecast for the final year, and presented them as the "latest outlook."**
- The earnings forecast for the fiscal year ending March 31, 2025, announced at this time **deviates from the "latest outlook" partly due to unexpectedly prolonged inventory adjustment and impact of salary increases**. Accordingly, the Company has positioned **earnings forecast as "commitment"** and **the latest outlook as "challenging targets,"** and **will work toward accomplishment of the Plan in the final year.**

	Initial plan (Announced on November 25, 2021)	First-year results FY2023/3	Latest outlook (Announced on May 11, 2023)	Second-year results FY2024/3	Final-year earnings forecast FY2025/3
Net Sales	JPY750.0 bn Organic growth : JPY 600.0 bn Including new M&As: JPY 150.0 bn	JPY 608.0 bn	[No change]	JPY 542.6 bn	JPY 555.0 bn
Operating Income	JPY 20.0 bn	JPY 32.2 bn	JPY 30.0 bn or higher	JPY 25.8 bn	JPY 26.0 bn
ROE	Stable 8.5% or higher	19.6%	stable 10.0% or higher	14.5%	11.5%

KAGA ELECTRONICS

31

I now move on to the progress of the Medium-Term Management Plan 2024.

In November 2021, the Company formulated and announced the three-year Medium-Term Management Plan 2024.

In the year ended March 2023, the first year of the plan, we were able to achieve all the KPIs of net sales, operating income, and ROE, excluding the new M&A element, two years ahead of schedule.

Based on the first year's results, we updated its earnings forecast for the final year and presented it as the "Latest Outlook" on May 11, 2023.

The operating income forecast of 26 billion yen announced in the Consolidated Financial Results for the Fiscal Year ended March 31, 2024, on May 9 still leaves a gap from the '30 billion yen or more' in the Latest Outlook.
This is attributable to the lingering effects of inventory adjustment by customers and the effects of salary increases, both of which were not incorporated in the Latest Outlook a year ago. With this in mind, we position these earnings forecast as "commitment" to our stakeholders, and the Latest Outlook as "challenging targets" that I have set for myself and will work to accomplish the plan in the final year.

Medium-Term Management Plan 2024 - Progress of Management Measures

- Overall, we expect to achieve initial targets through efforts on key issues as per our basic policy.

	key issues	Major outcome	Evaluation
Further Reinforcement of Profitability	• Selection and concentration in growth fields • **Reinforcement and expansion of EMS business and overseas business**	• Started operation of a new plant in Mexico (April 2024)	○
Reinforcement of Management Base	• Reinforcement of corporate governance • Efficient Group management • **Investments in human capital**	• Established a special leave system for male employees to take parental leave Utilization rate of 73.7% (FY2024/3) • Group-wide salary increase decided (March 2024)	○
Creation of New Businesses	• Initiatives in new fields • Promotion of open innovation through venture investments • **M&A efforts aimed at discontinuous growth**	• Investment in start-up companies through CVC (5 cases in FY2023/3, 1 case in FY2024/3)	△
Promotion of SDGs Management	*See the Progress of the Sustainability Medium- to Long-term Management Plan in the following page.		

KAGA ELECTRONICS

I move on to the progress of the management measures in the medium-term management plan.

Our basic measures are; further strengthening profitability, strengthening our management foundation, creating new businesses, and promoting SDGs management.
This chart summarizes the progress on each key issue. As shown here, overall, we are making headway in line with our initial plan.

First, looking at further strengthening profitability, we were able to launch a new plant in Mexico on April 2024, in an effort to strengthen and expand our EMS business and overseas business.

To strengthen our management foundation, we actively invested in human capital, such as encouraging male employees to take parental leave and increasing salaries that I explained earlier.

However, in terms of creating new businesses, investment in start-up companies through CVC is currently underway, but we have not been able to bring any new M&A to fruition, so at this point we have rated this as "−"(unfavorable).

For details on "promoting SDGs management," I will discuss in the following slide.

Started a New Factory in Mexico to expand EMS Business

- In April 2024, the new Mexico plant began operation as initially planned.
- Aiming for 'sales of 50 billion yen' over the next 5 years to meet the growing production demand that is expected for North and Latin American markets
- Launched "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant in Mexico
  We will establish an integrated production base that encompasses component molding, and sheet metal processing, in addition to circuit board assembly.

TAXAN MEXICO S.A. DE C.V.

Outline of the New Factory

Location : Parque Industrial Millenium, Arroyos, San Luis Potosí
Nomber of Employees : 700 (at start)
Land area : 80,000㎡
Floor area : 20,000㎡
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

Let me touch on our new plant in Mexico, which I mentioned earlier.

Since its establishment in 2017, our subsidiary TAXAN MEXICO has operated in an EMS business, primarily in the assembly of lighting units for 4-wheeled vehicles for the U.S. market. To meet the expected increase in production demand for the North and Latin American markets, we constructed a new plant at a nearby industrial area, which began operation as planned this April.

Further, we launched another plant "TAXAN-SWE MEXICO," a finished product assembly plant adjacent to the new plant.
Going forward, we will establish an integrated production base in Mexico that encompasses component molding, sheet metal processing, in addition to circuit board assembly. We will achieve 'sales of 50 billion yen' over the next five years.

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	• Adoption of renewable energy at domestic sales offices	2024: 40% (1%)	2030: 100%
		• Adoption of renewable energy at domestic manufacturing sites	By 2024: Information gathering/analysis and determination of policy ·In-house power generation/external procurement ·Solar panel/biomass power generation/renewable energy businesses	2030: 50% 2050: 100%
		• Adoption of renewable energy at overseas manufacturing sites		2030: 30% 2050: 100%
	Shift to electricity for company-owned vehicles	• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	• 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	• 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 Corporate Governance Code and the reorganization of Tokyo Stock Exchange	• Independent Outside Directors: at least 1/3 • Establishment of Nomination and Compensation Committee	Performed in June 2021	Setting of targets in line with next Corporate Governance Code revision
	Further strengthening the supervisory and oversight functions of top management over business execution	• Diversification of the Board of Directors	By June 2022: Determination of policy	
		• Full compliance with Corporate Governance Code for Prime Market	Performed in November 2021	
		• Adoption of delegation-based executive officer structure	April 2022: Enactment	
		• Transition to structure of company with committees	By March 2023: Determination of policy	

KAGA ELECTRONICS

*Numbers in parentheses represent values at the time of planning: Nov. 2021

Here I discuss the progress we made during the second year of our sustainability medium-term management plan.

This slide shows the mid- and long-term targets for each theme set under the sustainability medium-term management plan.

I will brief on the progress in ESGs for each category in the following pages.

Today, let me focus on the highlights in fiscal 2023, as we covered the outcomes in fiscal 2022 at the briefing a year ago.

Progress of medium- to long-term sustainability targets : Environmental

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
E	Achievement of shift to 100% renewable energy	• Adoption of renewable energy at domestic sales offices	FY2022: (1) Introduced 1.2% of total electricity from renewable sources (2) Study on measures to 'achieve 40% in FY2024' FY2023: (1) Introduced 5.1% of total electricity from renewable sources (2) Decided to purchase non-fossil certificates to achieve target of '40% renewable energy in 2024', and to quantify greenhouse gas emissions and set a reduction target in FY2024
		• Adoption of renewable energy at domestic manufacturing sites	FY2022 : Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design. FY2023:Installed solar power generation system in Towada factory (December 2023) and Fukushima factory (February 2024)
		• Adoption of renewable energy at overseas manufacturing sites	FY2022: Started to introduce renewable energy-derived electricity using solar panels at sites in China (Hubei) and Vietnam. Expected to cover 30%-50% of annual electricity usage at each site. FY2023: Installed solar panels in Mexico new factory (April 2024)
	Shift to electricity for company-owned vehicles	• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)	FY2022: The ratio of electric vehicles increased by 1.2pt year on year to 82.0% (as of March 31, 2023). FY2023: The ratio of electric vehicles increased by 3.0pt year on year (as of March 31, 2024)

KAGA ELECTRONICS

Let me begin with the "E" of Environment.

The Group are making headway to 'achieve 100% renewable energy.'

Our major progress in fiscal 2023 is the installation of renewable energy facilities with solar panels at our domestic manufacturing sites, KAGA EMS TOWADA and KAGA MICRO SOLUTION Fukushima Business Office.

Also, solar panels have been installed at our overseas manufacturing bases, the new plant in Mexico, which I introduced earlier, in addition to the Hubei Factory in China and the Vietnam Factory.

Introduction of Renewable Energy

- Solar power generation facilities will be installed step by step to achieve 100% renewable energy.
- We continue to proactively install facilities for environmentally sustainable business growth.

KAGA EMS TOWADA CO.,LTD.

Generating capacity

Annual energy production
289,444kWh

Renewable energy ratio
10～20%

Instruction period

December, 2023

KAGA MICRO SOLUTION CO., LTD. Fukushima Factory

Generating capacity

Annual energy production
158,761kWh

Renewable energy ratio
20～30%

Instruction period

February, 2024

Vietnam factory

Generating capacity

Annual energy production
747,934kWh

Renewable energy ratio
70～80%

Instruction period

November, 2022

Hubei Factory

Generating capacity

Annual energy production
1,086,118kWh

Renewable energy ratio
30～40%

Instruction period

April, 2022

KAGA ELECTRONICS

Note: Renewable energy ratio indicates the projected percentage of renewable energy in total consumption at each site.

Here are representative sites that use renewable energy.

Generation capacity and other details for each site are listed here. Most of the factories cover several tens of percent of their annual electricity consumption.
In particular, the Vietnam factory, the largest of all, is expected to cover more than 70% of its electricity needs.

We are committed to sustainable business growth while giving consideration to the environment, as we continue to proactively install power generation facilities.

Progress of medium- to long-term sustainability targets : Social

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
S	Diversity and human resource management	● Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)	■ Percentage of female new graduates in general positions based on hiring activities as per the Action Plan FY2022: 4 females out of 22 new graduates in general positions, up 12.3pt year on year to 18.1% FY2023: 5 females out of 23 new graduates in general positions, up 3.6pt year on year to 21.7%. Fell below the target of 30%, despite a 3.6-pt year-on-year increase to 21.7% ■ Discussions held within the group to improve percentage of women in management positions and set targets for the number of women in management positions at each group company. FY2022: 16.5%, up 3.2pt year on year FY2023: 17.4%, up 0.9pt year on year
		● Initiatives to employ elderly workers and persons with disabilities	FY2022: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2023) FY2023: Employment of persons with disabilities is 100% of the legally mandated rate (as of March 31, 2024)
	Work–life management and enhancement of productivity	● Enhancement of programs such as childcare/family-care and telework	FY2022: Revised regulations and rules to make telework a permanent system FY2023: The new rules took effect in April 2023.
		● Acquisition of certification as a Health and Productivity Management Organization	FY2022: Certified in March 2023 FY2023: Certified for two consecutive years in March 2024

Next is the “S” of Society.

Our ultimate goal is to develop and promote women to officers and boards from among our human resources, and we are working to increase the ratio of female new graduates in general positions and the ratio of female career-track employees.

In fiscal 2023, in comparison with the previous year results, the ratio of female new graduates in general positions was up 3.6 points to 21.7% and the ratio of female career-track employees rose 0.9 points to 17.4%.
The ratio of female new graduates in general positions has not yet reached the target of 30% but has increased by 15.9 points in the last two years.

In the area of work-life management, we were certified as a "Health & Productivity Management Outstanding Organization" for two consecutive years.

Progress of medium- to long-term sustainability targets : Governance

	Key themes	Issues to address and issues to examine	Main activities and progress in FY2022 / FY2023
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	• Independent Outside Directors: at least 1/3 • Establishment of Nomination and Compensation Committee	FY2022: Effective June 2023, 6 directors (including three outside directors), with a majority of directors being outside directors. Established the Nomination and Compensation Committee. FY2023: Adopted a 6-director structure (including 3 outside directors) at the June 2023 general shareholders' meeting
		• Diversification of the Board of Directors	FY2022: Decided to nominate a female candidate as a new outside auditor. Continued to work to appoint a female director. FY2023: Appointed a female outside auditor at the June 2023 meeting. Deferred a proposal to appoint a female director at the June 2024 meeting
		• Full compliance with Corporate Governance Code for Prime Market	FY2022: Complied in June 2022. FY2023: CG Code not revised
	Further strengthening the supervisory and oversight functions of top management over business execution	• Adoption of delegation-based executive officer structure	FY2022: Implemented from April 2022. FY2023: Decided to expand the membership of the Group management committee to a delegation-based executive officer structure effective in April 2024
		• Transition to structure of company with committees	FY2022: Continue the company-with-auditors system, but shorten the term of directors from the current 2 years to 1 year (in June 2023). FY2023: Continued the company-with-auditors system. Discussed to move to a company-with-audit and supervisory committee structure, given the need for speedy management and appointment of female directors

KAGA ELECTRONICS

Finally, the "G" of Governance.

First theme is ‘restructuring of the governance structure.’
To enhance management transparency and speedy execution of business operations, at last year's General Meeting of Shareholders, we changed the number of directors to a total of 6 (3 internal and 3 external) and appointed a female outside auditor.

Second one is ‘further strengthening the supervisory and executive functions of management,’ we decided to expand the membership of the Group management committee to a delegation-based executive officer structure, which became effective in April 2024.

In terms of the appointment of female directors, we were unable to submit a female candidate for the Board of Directors at this year's General Meeting of Shareholders, and we will consider this as an ongoing issue for consideration in the coming year.

That concludes my presentation.

Thank you very much.

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

Current segments (Legal financial accounting)		Segments in Medium-Term Management Plan (Management Accounting)	
Electronic components	**Components sales business** • Sales of semiconductors • Sales of general electronic components • Sales of various kinds of devices	Electronic components	• Sales of semiconductors • Sales of general electronic components • Sales of various devices
	EMS business • Electronic equipment manufacture contracting services	EMS	• Electronic equipment manufacture contracting services
Information equipment	• Sales of PCs and PC peripherals • Sales of home electric appliances and lighting fixtures • Sales of photograph and imaging products	CSI	• Sales of PCs and PC peripherals • Sales of home electric appliances and lighting fixtures • Sales of photograph and imaging products
Software	• Production of CG video and software	Others	• Production of CG video and software • Sales of amusement equipment • Repair and support for electronics equipment • Sales of sports goods
Others	• Sales of amusement equipment • Repair and support for electronics equipment • Sales of sports goods		

CSI: Consumer & System Integrator