

**Financial Results Briefing Material**  
for the Fiscal Year ended March 2023

**KAGA ELECTRONICS CO., LTD.**

TSE Prime Market 8154

May 25, 2023

**KAGA ELECTRONICS CO., LTD.**

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**Consolidated Financial Results**  
**for the Fiscal Year ended March 2023**

Director,  
Managing Executive Officer  
**Eiji Kawamura**

My name is Kawamura with KAGA ELECTRONICS. Thank you very much for your continued patronage.  
I would like to provide an overview of the financial results for the fiscal year ending March 2023.

Summary of Financial Results for FY2023/3	
Results for FY2023/3	<ul style="list-style-type: none"> <li>Net sales increased by 112.2 billion yen or 22.6%, year on year to 608.0 billion yen. The electronic components business achieved significant growth both in the component sales business and the EMS business. Supply shortages and extended lead times were generally resolved, and sales to a wide range of industries were high.</li> <li>Operating income increased by 11.3 billion yen or 54.2%, year on year to 32.2 billion yen. Operating income increased significantly due to improved gross profit margin resulting from higher sales and improved sales mix.</li> <li>All metrics, from net sales to net income for the fiscal year, achieved record highs.</li> </ul>
FY2024/3 earnings forecast	<ul style="list-style-type: none"> <li><b>Forecast assumptions:</b> &lt;Economic situation&gt; Although a gradual recovery is expected, the outlook is uncertain partly due to rising commodity prices and financial system instability. &lt;Industry trends&gt; While supply shortages and extended lead times were generally resolved, demand is expected to temporarily decline due to a backlash from increased demand amid the COVID-19 pandemic and inventory adjustments by customers.</li> <li>The electronic components business is expected to post decreases in net sales and profit, considering the business environment and market conditions carefully.</li> <li>Net sales of 545.0 billion yen (down 10.3%) and operating income of 25.0 billion yen (down 22.3%) are expected.</li> </ul>
Shareholder Return	<ul style="list-style-type: none"> <li>FY2023/3: The year-end dividend will be 120 yen per share (70 yen ordinary dividend + 10 yen commemorative dividend + 40 yen extraordinary dividend) as previously announced. The annual dividend including the interim dividend amounts to 220 yen per share (140 yen ordinary dividend + 10 yen commemorative dividend + 50 yen extraordinary dividend), an increase of 100 yen from the previous fiscal year.</li> <li>FY2024/3: Although a temporary decrease in profit is expected, the dividend forecast for the next fiscal year will remain unchanged from the previous year, with priority on stable dividend payouts (220 yen per share, consisting of 110 yen for both interim and year-end).</li> </ul>
 <span>3</span>	

First, here is a summary.

Net sales were JPY608 billion, up JPY112.2 billion from the previous year. This was due to significant growth in both component sales and EMS in the electronic components business. Operating profit increased JPY11.3 billion from the previous year to JPY32.2 billion. All items, from net sales to net profit, have reached record highs.

I will continue with our forecast for the fiscal year ending March 2024.


As a premise for the outlook, although the economic situation is expected to show a gradual recovery, the future is uncertain due to the soaring prices of various commodities and financial system instability. As for industry trends, although shortages and long delivery times for semiconductors and electronic components have been largely resolved, we expect a temporary decline in demand due to the impact of inventory adjustments by customers and a rebound from the increase in demand for coronavirus disasters.

Based on a cautious view of the domestic and overseas business environment and market conditions, we are forecasting lower sales and profits in the electronic components business, with net sales of JPY550 billion and operating profit of JPY25 billion. For the fiscal year ended March 2023, we have decided to pay a full-year dividend of JPY220 per share by adding a special dividend of JPY70 to the initial dividend of JPY150, consisting of an ordinary dividend of JPY140 and a commemorative dividend of JPY10, due to our robust performance.

Although we expect a decrease in profit for the fiscal year ending March 2024, we have decided to pay a dividend of JPY220, the same as in the previous fiscal year. The Company plans to pay interim and year-end dividends of JPY110 per share.

Financial Highlights for FY2023/3							
	(million yen)						
	FY2022/3 Results		FY2023/3 Results		YoY	FY2023/3 Previous Forecasts (Revised on February 7, 2023)	vs Forecasts
Net sales	495,827		<b>608,064</b>		22.6%	585,000	3.9%
Gross Profit	60,547	12.2%	<b>78,514</b>	12.9%	29.7%	—	—
SG&A	39,632	8.0%	<b>46,265</b>	7.6%	16.7%	—	—
Operating income	20,915	4.2%	<b>32,249</b>	5.3%	54.2%	29,500	5.0%
Ordinary income	21,456	4.3%	<b>32,739</b>	5.4%	52.6%	30,000	5.1%
Profit attributable to owners of parent	15,401	3.1%	<b>23,070</b>	3.8%	49.8%	21,000	3.6%
EPS (yen)	576.46	—	<b>878.65</b>	—	—	799.78	—
ROE	15.7%	—	<b>19.6%</b>	—	3.9pt	18.0%	—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 38,483 million yen on net sales and 1,782 million yen on operating income.  
2. "x. x%" represents the profit margin.

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Next, the key highlights of our financial results.

Net sales totaled JPY608.064 billion, up 22.6% from the previous year. Gross profit totaled JPY78.514 billion, up 29.7% from the previous year. Gross profit margin improved significantly to 12.9%.

SG&A and other general administrative expenses totaled JPY46.265 billion, up 16.7% from the previous year. Operating income was JPY32.249 billion, up 54.2% from the previous year. Ordinary income was JPY32.739 billion, up 52.6% from the previous year. Net profit attributable to owners of the parent was JPY23.07 billion, up 49.8% from the previous year. EPS was JPY878.65 and ROE was 19.6%.

Compared to the figures announced on February 7, 2023, as shown on the far right side of this table, there is an upward revision in all items.


## Results by Business Segment for FY2023/3

(million yen)

		FY2022/3 Results		FY2023/3 Results		YoY	FY2023/3 Previous Forecasts (Revised on February 7, 2023)		vs Forecasts
Electronic Component	Net sales	433,852		<b>539,342</b>		24.3%	523,000		3.1%
	Segment income	18,107	4.2%	<b>28,314</b>	5.2%	56.4%	25,800	4.9%	9.7%
Information Equipment	Net sales	39,616		<b>43,680</b>		10.3%	39,000		12.0%
	Segment income	2,085	5.3%	<b>2,449</b>	5.6%	17.4%	2,000	5.1%	22.5%
Software	Net sales	2,767		<b>2,998</b>		8.3%	3,000		-0.1%
	Segment income	-26	-1.0%	<b>286</b>	9.6%	—	200	6.7%	43.4%
Others	Net sales	19,590		<b>22,044</b>		12.5%	20,000		10.2%
	Segment income	626	3.2%	<b>1,101</b>	5.0%	76.0%	1,500	7.5%	-26.5%
Total	Net sales	495,827		<b>608,064</b>		22.6%	585,000		3.9%
	Segment income	20,915	4.2%	<b>32,249</b>	5.3%	54.2%	29,500	5.0%	9.3%

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

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Here is a summary of each business segment.

The electronic components business recorded JPY539.342 billion, up 24.3% from the previous year. Segment income was JPY28.314 billion, up 56.4% YoY.


Next is information equipment. Sales of JPY43.68 billion, up 10.3% from the previous year. Segment income was JPY2.449 billion, up 17.4%.

Software sales were JPY2.998 billion, up 8.3% from the previous year. Segment income was JPY286 million.

Sales of other products totaled JPY22.044 billion, up 12.5% from the previous year. Segment income was JPY1.101 billion, up 76% from the previous year.

Results by Company for FY2023/3								
(million yen)								
		FY2022/3 Results		FY2023/3 Results		YoY	FY2023/3 Previous Forecasts (Revised on February 7, 2023)	vs Forecasts
Kaga Electronics	Net sales	281,075		<b>348,034</b>		23.8%	330,000	5.5%
	Gross Profit	41,767	14.9%	<b>53,123</b>	15.3%	27.2%	51,000	15.5%
	Operating income	15,461	5.5%	<b>21,899</b>	6.3%	41.6%	19,500	5.9%
Kaga FEI	Net sales	149,455		<b>199,548</b>		33.5%	195,000	2.3%
	Gross Profit	14,690	9.8%	<b>20,913</b>	10.5%	42.4%	20,500	10.5%
	Operating income	3,654	2.4%	<b>8,103</b>	4.1%	121.8%	8,000	4.1%
Excel	Net sales	65,296		<b>60,481</b>		-7.4%	60,000	0.8%
	Gross Profit	4,247	6.5%	<b>4,443</b>	7.3%	4.6%	4,500	7.5%
	Operating income	1,937	3.0%	<b>2,072</b>	3.4%	7.0%	2,000	3.3%
Total	Net sales	495,827		<b>608,064</b>		22.6%	585,000	3.9%
	Gross Profit	60,547	12.2%	<b>78,514</b>	12.9%	29.7%	76,000	13.0%
	Operating income	20,915	4.2%	<b>32,249</b>	5.3%	54.2%	29,500	5.0%

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.

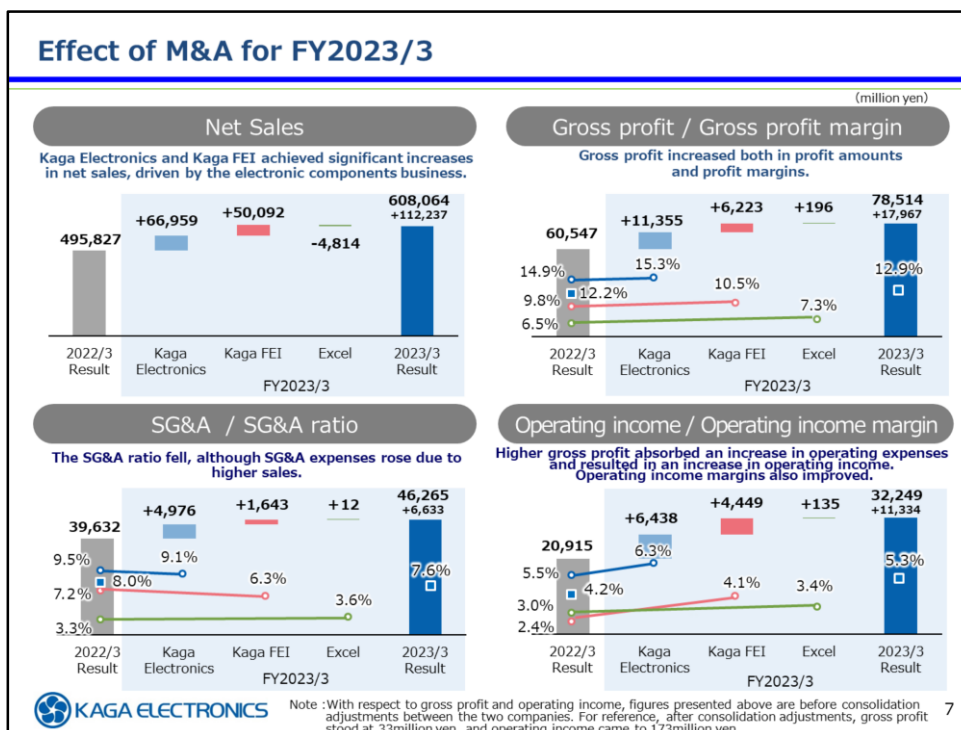
 KAGA ELECTRONICS

This is followed by the performance by company.

KAGA ELECTRONICS posted sales of JPY348.034 billion, up 23.8% from the previous year. Operating income was JPY21.899 billion, up 41.6%.

Kaga FEI posted sales of JPY199.548 billion, up 33.5% from the previous year. Operating income totaled JPY8.103 billion, up 121.8% from the previous year.

Excel posted sales of JPY60.481 billion, down 7.4% from the previous year. Operating income was JPY2.072 billion, up 7% from the previous year.



Here is a graphic presentation of the impact of M&A.

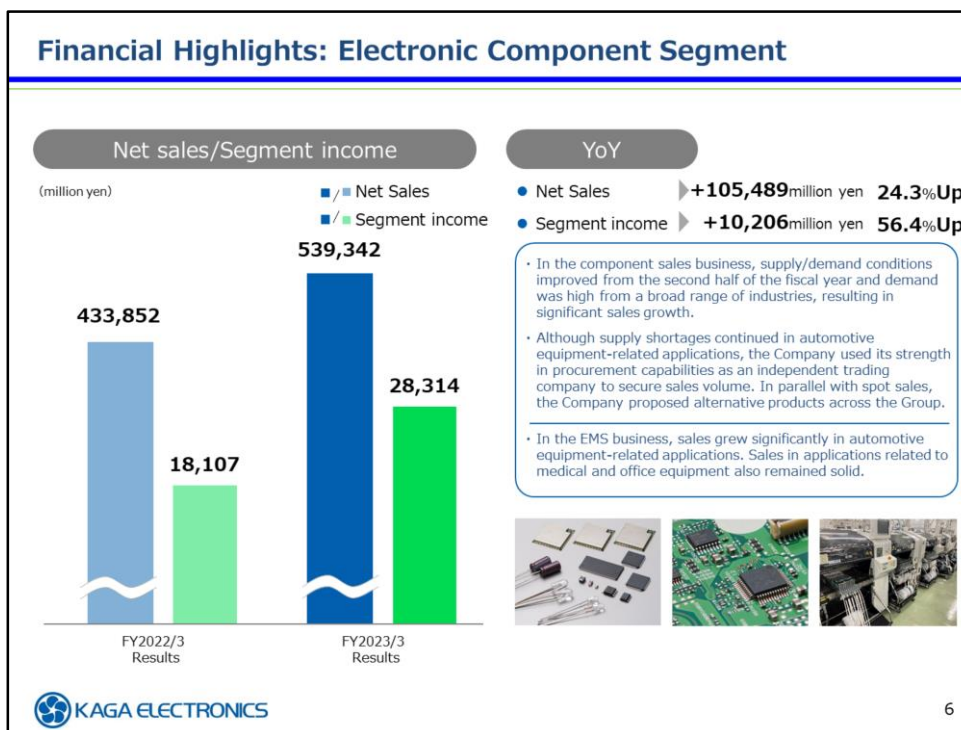
As explained earlier, sales of KAGA ELECTRONICS and Kaga FEI increased significantly, but this was mainly driven by the electronic components business.

Gross profit increased both in terms of profit amount and profit margin. In particular, gross profit margin increased 0.7% YoY to 12.9%, of which KAGA ELECTRONICS increased 0.4% to 15.3%, FEI increased 0.7% to 10.5%, and Excel increased 0.8% to 7.3%.

As for the SG&A ratio, SG&A expenses increased in line with sales growth, but the SG&A ratio decreased.

As for the operating income/operating income margin, the increase in gross profit absorbed the increase in expenses, resulting in an increase in profit and an improvement in the profit margin.





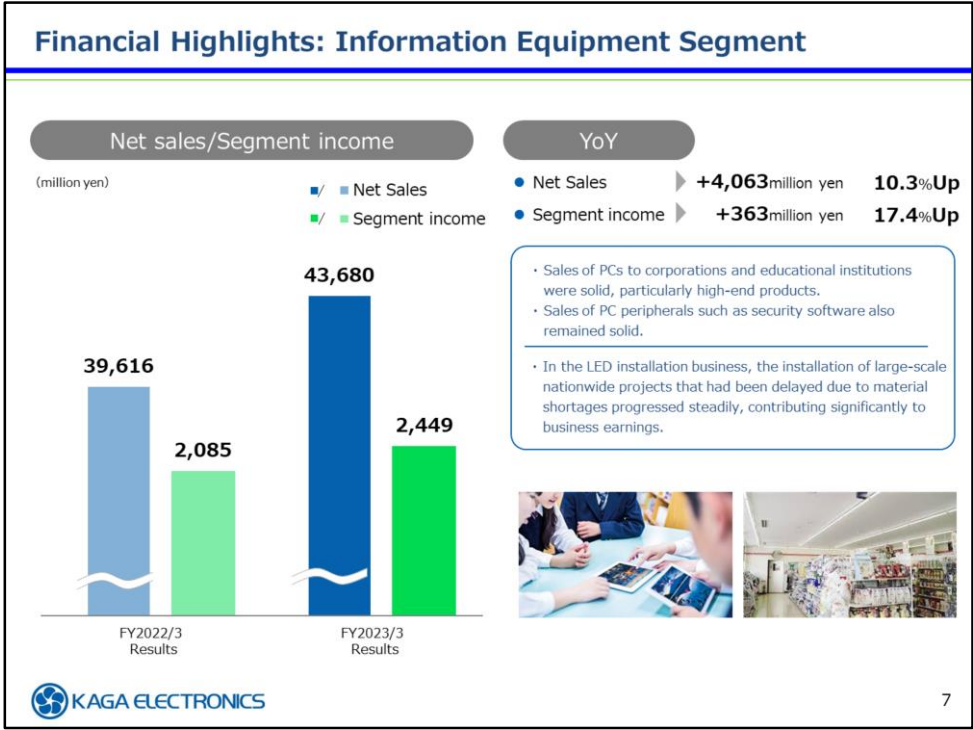
These are the results of the electronic components business.

Compared to the previous year, net sales increased by JPY105.489 billion, or 24.3%. Segment income increased by JPY10.206 billion, or 56.4%.

This was due to the component sales business, which enjoyed an elevated level of demand from a wide range of industries given improved supply and demand conditions from H2, resulting in a significant increase in sales.

Although supply shortages continued in the automotive-related market, we were able to secure sales volume by taking advantage of our procurement capabilities as an independent trading company. In parallel with spot sales, the Group was also active in proposing alternative parts.

In the EMS business, sales to the automotive industry grew significantly, while sales to the medical equipment and office equipment industries remained strong.



Next is the information equipment business.

Net sales increased by 10.3%, or JPY4.063 billion. Segment income increased by JPY363 million, or 17.4%.

Factors contributing to this result included solid sales of personal computers to corporate and educational institutions, especially for high-priced products.

PC peripherals, such as security software, also remained strong.

In the LED installation business, the installation of large-scale nationwide projects, which had been delayed due to material shortages, progressed smoothly, and contributed significantly to business earnings.

# Financial Highlights for FY2023/3 (3months)

Reference

(million yen)

	FY2022/3 4Q Results		FY2023/3 3Q Results		FY2023/3 4Q Results	YoY	QoQ
Net sales	143,143		153,460		<b>155,843</b>	8.9%	1.6%
Gross Profit	17,786	12.4%	19,882	13.0%	<b>18,630</b>	12.0%	4.7%
SG&A	11,529	8.1%	12,237	8.0%	<b>12,387</b>	7.9%	7.4%
Operating income	6,257	4.4%	7,645	5.0%	<b>6,242</b>	4.0%	-0.2%
Ordinary income	6,569	4.6%	7,685	5.0%	<b>6,121</b>	3.9%	-6.8%
Profit attributable to owners of parent	4,986	3.5%	5,640	3.7%	<b>4,017</b>	2.6%	-19.4%
EPS (yen)	189.99	—	214.80	—	<b>152.99</b>	—	—

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

## Results by Business Segment for FY2023/3 (3 months)

Reference

(million yen)

		FY2022/3 4Q Results		FY2023/3 3Q Results		FY2023/3 4Q Results		YoY	QoQ
Electronic Component	Net sales	122,440		137,144		133,733		9.2%	-2.5%
	Segment income	5,105	4.2%	6,724	4.9%	4,972	3.7%	-2.6%	-26.1%
Information Equipment	Net sales	13,315		9,542		14,540		9.2%	52.4%
	Segment income	869	6.5%	534	5.6%	949	6.5%	9.2%	77.5%
Software	Net sales	926		768		922		-0.5%	20.0%
	Segment income	83	9.0%	39	5.2%	151	16.4%	82.1%	281.1%
Others	Net sales	6,460		6,004		6,647		2.9%	10.7%
	Segment income	152	2.4%	313	5.2%	129	2.0%	-15.0%	-58.6%
Total	Net sales	143,143		153,460		155,843		8.9%	1.6%
	Segment income	6,257	4.4%	7,645	5.0%	6,242	4.0%	-0.2%	-18.3%

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 FY2023/3 (3 months)

Reference

(million yen)

		FY2022/3 4Q Results		FY2023/3 3Q Results		FY2023/3 4Q Results	YoY	QoQ
Kaga Electronics	Net sales	82,054		86,074		93,560	14.0%	8.7%
	Gross Profit	12,077	14.7%	13,486	15.7%	12,901	13.8%	-4.3%
	Operating income	4,360	5.3%	5,342	6.2%	4,320	4.6%	-0.9%
Kaga FEI	Net sales	43,338		54,535		46,255	6.7%	-15.2%
	Gross Profit	4,419	10.2%	5,310	9.7%	4,300	9.3%	-2.7%
	Operating income	1,235	2.9%	1,796	3.3%	1,093	2.4%	-11.5%
Excel	Net sales	17,750		12,851		16,027	-9.7%	24.7%
	Gross Profit	1,293	7.3%	1,124	8.7%	1,328	8.3%	18.2%
	Operating income	662	3.7%	511	4.0%	695	4.3%	35.9%
Total	Net sales	143,143		153,460		155,843	8.9%	1.6%
	Gross Profit	17,786	12.4%	19,882	13.0%	18,630	12.0%	-6.3%
	Operating income	6,257	4.4%	7,645	5.0%	6,242	4.0%	-0.2%

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.

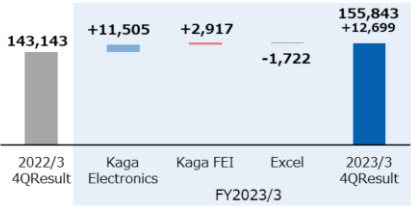
## Effect of M&A for FY2023/3 (3 months)

Reference

(million yen)

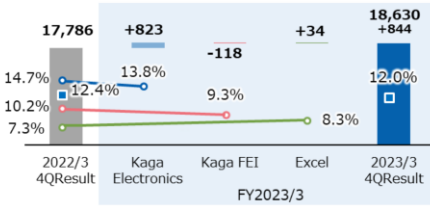
### Net Sales

Kaga Electronics and Kaga FEI achieved significant increases in net sales, driven by the electronic components business.



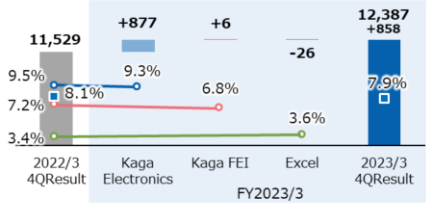
### Gross profit / Gross profit margin

Profit margins declined except for Excel and profit increases slowed down slightly.



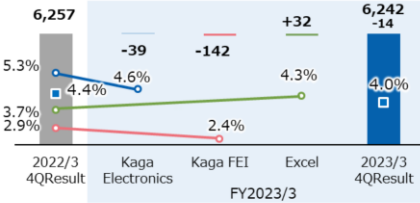
### SG&A / SG&A ratio

Selling expenses increased with growth in sales. Expenses rose with year-end bonus reserves and other factors.



### Operating income / Operating income margin

All three companies secured profit amounts at about the same level as the previous year.



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 99million yen, and operating income came to 133million yen.

Financial Highlights: Electronic Component Segment  
(3 months)

Reference

Net sales/Segment income

(million yen)

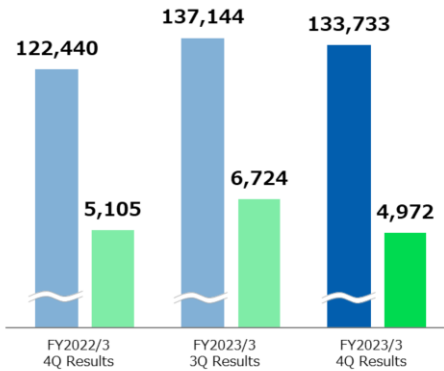
■ / ■ Net Sales  
■ / ■ Segment income

YoY

● Net Sales ▶ **+11,292million yen 9.2%Up**  
● Segment income ▶ **-133million yen 2.6%Down**

QoQ

● Net Sales ▶ **-3,411million yen 2.5%Down**  
● Segment income ▶ **-1,751million yen 26.1%Down**



Financial Highlights: Information Equipment Segment  
(3 months)

Reference

Net sales/Segment income

(million yen)

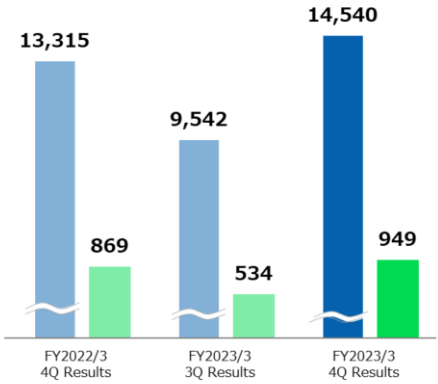
■ / ■ Net Sales  
■ / ■ Segment income

YoY

● Net Sales ▶ **+1,224million yen 9.2%Up**  
● Segment income ▶ **+80million yen 9.2%Up**

QoQ


● Net Sales ▶ **+4,997million yen 52.4%Up**  
● Segment income ▶ **+414million yen 77.5%Up**





Financial Highlights by Business Segment of the Medium-Term Management Plan							Reference
							(million yen)
		FY2022/3 Results		FY2023/3 Results	YoY	FY2022/3 Previous Forecasts <small>announced on February 7, 2023</small>	vs Forecasts
Electronic Component	Net sales	325,830		<b>398,783</b>	22.4%	391,000	2.0%
	Segment income	11,094	3.4%	<b>19,475</b>	4.9%	17,200	4.4%
EMS	Net sales	117,828		<b>149,862</b>	27.2%	140,000	7.0%
	Segment income	7,356	6.2%	<b>9,563</b>	6.4%	9,500	6.8%
CSI	Net sales	39,616		<b>43,680</b>	10.3%	39,000	12.0%
	Segment income	2,085	5.3%	<b>2,449</b>	5.6%	2,000	5.1%
Others	Net sales	12,552		<b>15,739</b>	25.4%	15,000	4.9%
	Segment income	255	2.0%	<b>663</b>	4.2%	800	5.3%
Total	Net sales	495,827		<b>608,064</b>	22.6%	585,000	3.9%
	Segment income	20,915	4.2%	<b>32,249</b>	5.3%	29,500	5.0%

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.

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The table shows the results of the previous year by segment of the mid-term management plan.

In the electronic components business, net sales were JPY398.783 billion, up 22.4% from the previous year. Segment income was JPY19.475 billion, up 75.5%.

EMS sales were JPY149.862 billion, up 27.2% from the previous year. Segment income was JPY9.563 billion, up 30%.

For CSI, net sales were JPY43.68 billion, up 10.3% from the previous year. Segment income was JPY2.449 billion, up 17.4%.

Others posted sales of JPY15.739 billion, up 25.4% from the previous year. Segment income was JPY663 million, up 159.4%.

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

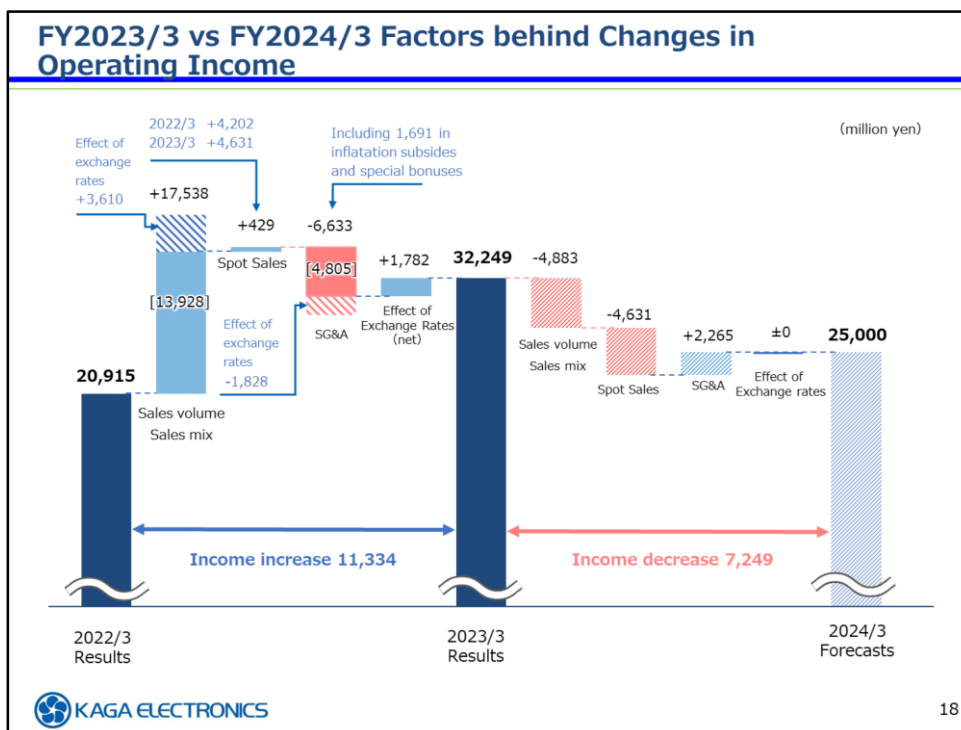
Reference

(million yen)

		FY2021/3 4Q Results	FY2022/3 3Q Results	FY2023/3 4Q Results	YoY	QoQ
Electronic Component	Net sales	92,960	100,346	<b>95,569</b>	2.8%	-4.8%
	Segment income	3,321 <small>3.6%</small>	4,211 <small>4.2%</small>	<b>3,573</b> <small>3.7%</small>	7.6%	-15.1%
EMS	Net sales	33,232	39,123	<b>41,251</b>	24.1%	5.4%
	Segment income	1,893 <small>5.7%</small>	2,614 <small>6.7%</small>	<b>1,637</b> <small>4.0%</small>	-13.5%	-37.4%
CSI	Net sales	13,315	9,542	<b>14,540</b>	9.2%	52.4%
	Segment income	869 <small>6.5%</small>	534 <small>5.6%</small>	<b>949</b> <small>6.5%</small>	9.2%	77.5%
Others	Net sales	3,634	4,448	<b>4,480</b>	23.3%	0.7%
	Segment income	126 <small>3.5%</small>	251 <small>5.7%</small>	<b>42</b> <small>1.0%</small>	-66.3%	-83.1%
Total	Net sales	143,143	153,460	<b>155,843</b>	8.9%	1.6%
	Segment income	6,257 <small>4.4%</small>	7,645 <small>5.0%</small>	<b>6,242</b> <small>4.0%</small>	-0.2%	-18.3%

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.



Next, I will explain the analysis of core operating profit.

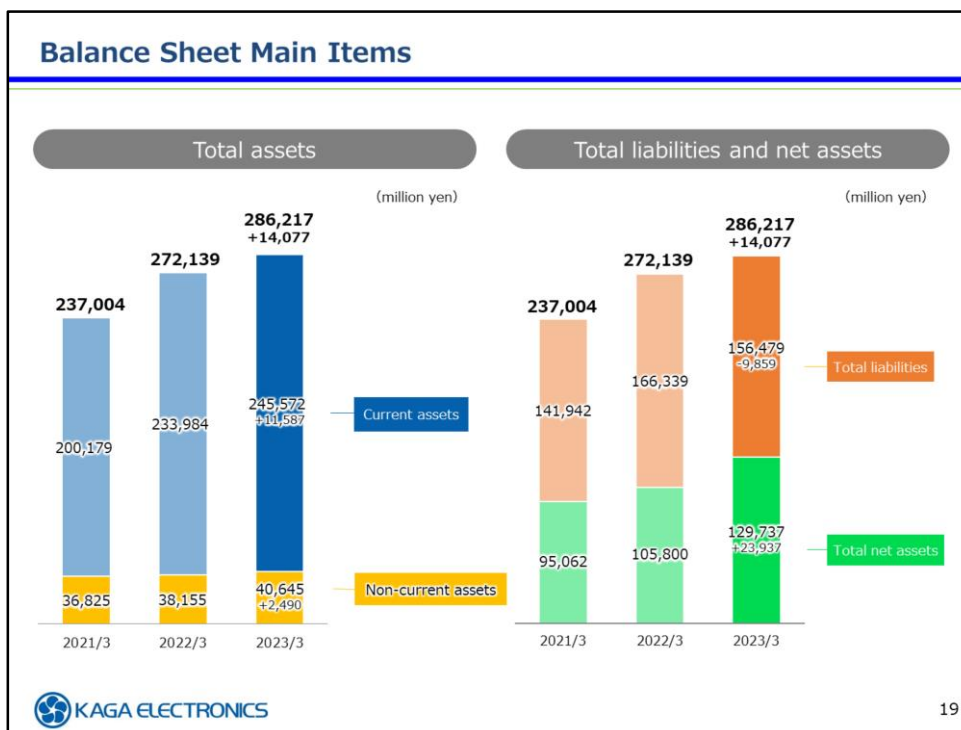
Operating income, which was JPY32.249 billion in the previous year, marked a significant increase.

The first thing I would like to mention is the sales volume and sales mix which contributed to the increase of JPY17.538 billion. Spot sales accounted for JPY429 million. SG&A expenses were the main reason for the JPY6.633 billion decrease. The foreign exchange impacted favorably to add JPY1.782 billion in profit.

Given the circumstances we increased JPY11.334 billion in profit.

For the fiscal year ending March 2024, operating income is expected to be JPY25 billion. We expect to lose JPY4.883 billion in profit due to the decrease in sales volume and sales mix, and a JPY4.631 billion decrease in spot sales. The decrease in SG&A expenses is expected to increase to JPY2.265 billion.

As a result, the Company forecasts a decrease of JPY7.249 billion compared to the same period of the previous fiscal year.



Next, I will explain the balance sheet.

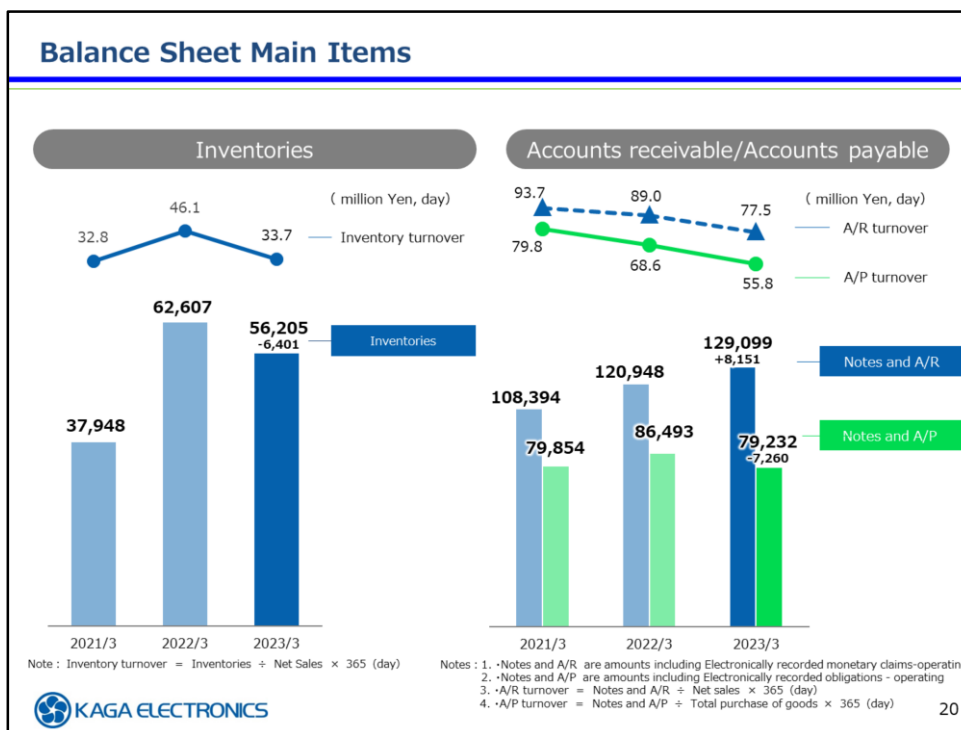
Total assets amounted to JPY286.217 billion, an increase of JPY14.077 billion from the same period last year.

Current assets totaled JPY245.572 billion, an increase of JPY11.587 billion.

Non-current assets totaled JPY40.645 billion, an increase of JPY2.490 billion.

As for liabilities and net assets, total liabilities amounted to JPY156.479 billion, a decrease of JPY9.859 billion.

Net assets totaled JPY129.737 billion, an increase of JPY23.937 billion.

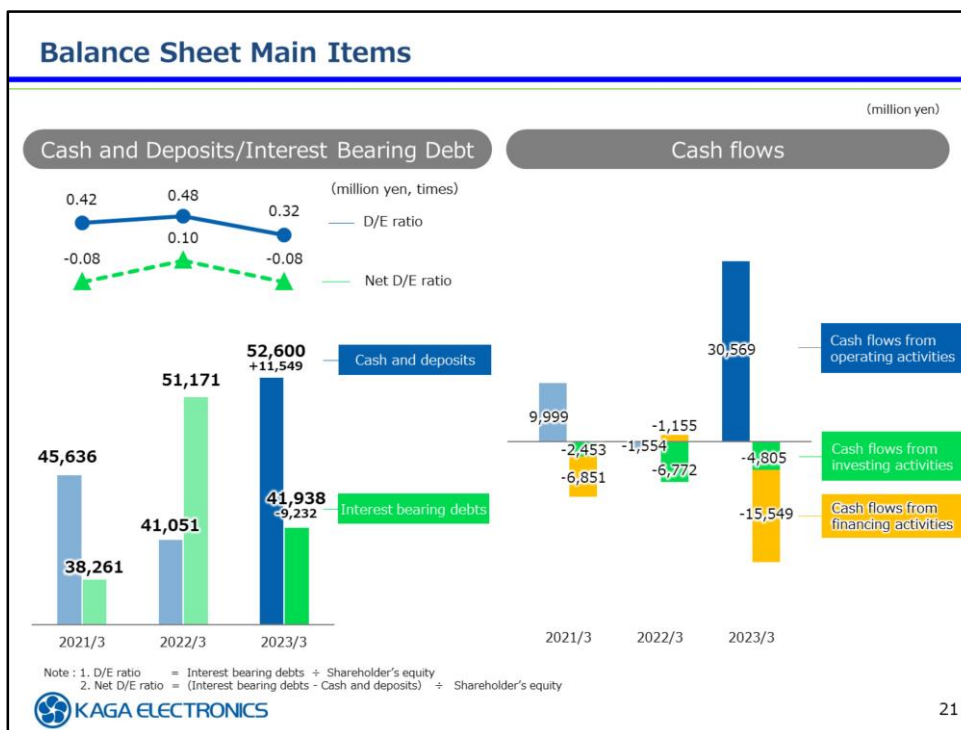


Next, I would like to review inventories

Inventories totaled JPY56.205 billion, a decrease of JPY6.401 billion. Inventory turnover was 33.7 days.

The balance of trade receivables was JPY129.099 billion, an increase of JPY8.151 billion. The balance of trade payables was JPY79.232 billion, a decrease of JPY7.260 billion.

Both the accounts receivable turnover and accounts payable turnover decreased to 77.5 days and 55.8 days, respectively.

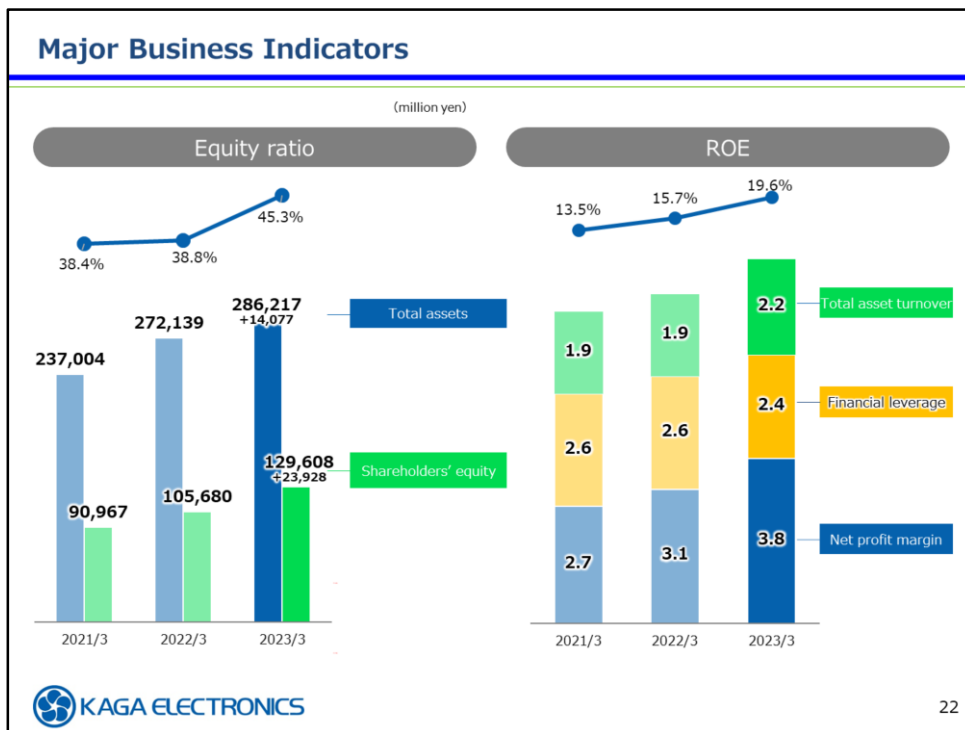


Next, I will review cash and cash equivalents and interest-bearing debt.

Cash and deposits totaled JPY52.6 billion, an increase of JPY11.549 billion. Interest-bearing debt totaled JPY41.938 billion, a decrease of JPY9.232 billion.

As a result, both the D/E ratio and net D/E ratio decreased to 0.32 and negative 0.08, respectively.

As for cash flow, operating cash flow provided JPY30.569 billion, investing cash flow used JPY4.805 billion, and financing cash flow used JPY15.549 billion.



I would like to explain about stability and efficiency.

Total assets stood at JPY286.217 billion, an increase of JPY14.077 billion.

Shareholders' equity totaled JPY129.608 billion, an increase of JPY23.928 billion.


As a result, the equity ratio improved significantly to 45.3%.

Next is ROE. We are at 19.6%.

The breakdown is as follows: total asset turnover of 2.2, financial leverage of 2.4, and net profit margin of 3.8.

## Forecasts for FY2024/3



Forecasts for FY2024/3				
	FY2023/3 Results		FY2024/3 Forecasts	
				YoY
Net sales	608,064		550,000	-9.5%
Operating income	32,249	5.3%	25,000	4.5%
Ordinary income	32,739	5.4%	25,000	4.5%
Profit attributable to owners of parent	23,070	3.8%	18,000	3.3%
EPS (yen)	878.65	—	685.42	—
ROE	19.6%	—	13.3%	—
Note: "x. x%" represents the profit margin.				
<div></div>				
24				


I would like to continue by explaining our earnings forecast for the fiscal year ending March 2024.

We have decreased net sales to JPY550 billion, operating income to JPY25 billion, ordinary income also to JPY25 billion, and net profit attributable to owners of the parent company to JPY18 billion.

As a result, EPS and ROE are JPY685.42 and 13.3%, respectively.

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

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We have broken down this forecast by segment.

In the electronic components business, net sales were JPY471.5 billion, down 12.6% from the previous year. Segment profit was JPY20.7 billion, down 26.9% from the previous year.

Information equipment posted sales of JPY45 billion, up 3%. Segment income increased by JPY2.5 billion, or 2.1%.

Software sales were JPY4.5 billion, up 50.1%. Segment income increased by JPY0.3 billion, or 4.6%.

Others posted sales of JPY29 billion, up 31.6%. Segment income increased by JPY1.5 billion, or 36.1%.

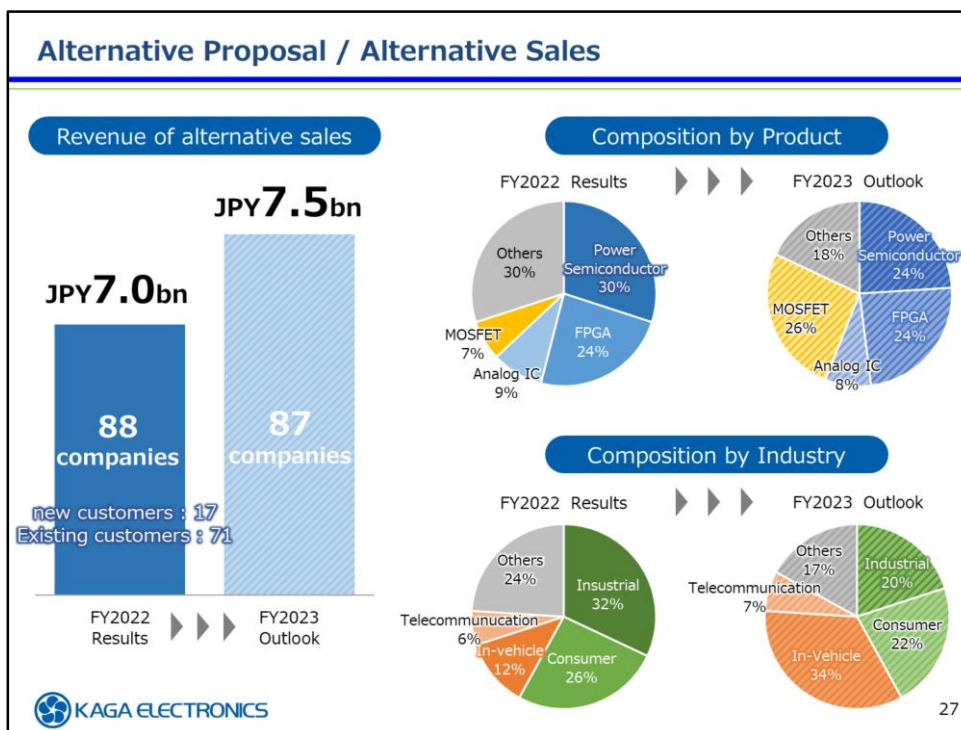
## Management Topics

Representative Director,  
President & COO

**Ryoichi Kado**

I am Kado, the President of KAGA ELECTRONICS. Thank you for your continued support and cooperation in our IR activities.

I will now present our management topics for FY2022. The three main topics are: financial results, the medium-term management plan, and the sustainability medium-term management plan.



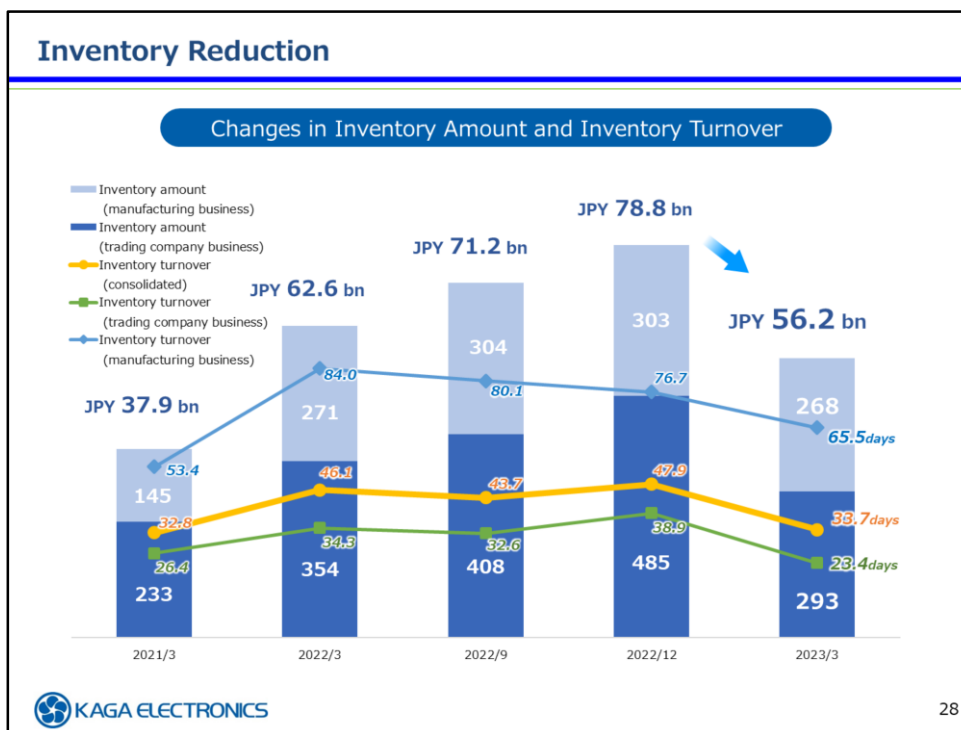
First, I would like to discuss two points regarding FY2022 financial results.

The first is regarding alternative proposals and alternative sales. In previous financial results briefings, we have said that spot sales are a one-time revenue stream and in parallel, we would propose and sell alternative products that lead to sustainable earnings. This page summarizes how many alternative sales there have been.

In FY2022, we made alternative sales to 88 customers. Of these, 71 were existing customers and 17 were new. Total sales amounted to approximately JPY7 billion. In

FY2023, we expect to sell approximately JPY7.5 billion to approximately the same number of customers.

The graph on the right shows what products were sold and to what industries. By product, power semiconductors, FPGAs, and analog ICs accounted for the majority of the total. By industry, industrial equipment, consumer electronics, and automotive, in that order, are expected to grow significantly in FY2023.



The second is inventory reduction.

In my presentation at the previous financial briefing, I mentioned that inventory reduction is an urgent management issue. Global shortages of semiconductors and electronic components and longer lead times. In addition, many manufacturers have been reviewing their procurement policies against the backdrop of disruptions in international logistics networks, and have been building up parts inventories over the past year or two.

We are no exception, and in our component sales business, we have had to secure the number of goods as a result of prior and overlapping orders from our customers. In addition, the EMS business experienced an increase in work in the process due to difficulties in procuring some parts and materials, as well as the securing of safety stock as a BCP.

As a result, inventories, which were JPY62.6 billion at the beginning of FY2022, built up to JPY71.2 billion at the end of September and JPY78.8 billion at the end of December.

Unfortunately, the inventory at the end of this fiscal year did not reach reduction target, which I said we would normalize to below JPY50 billion, but we were still able to reduce it by over JPY20 billion, bringing it back to JPY50 billion range.

In this graph, our consolidated inventory is broken down into our manufacturing business, mainly EMS, and our trading company business, mainly component sales. As you can see, the trading company business is not hard to hand off, so we were able to drop our position quickly since the end of December. However, the manufacturing business is still somewhat heavy with some work-in-process inventory. We hope to achieve our overall goal of 30 days of turnover by the end of this quarter.

Medium-Term Management Plan 2024: Targets		
Initial plan (Announced on November 25, 2021)		Latest outlook (Announced on May 11, 2023)
FY2022~FY2024	Planned year	[No change]
JPY 750 bn Organic growth : JPY 600 bn Including new M&As: JPY 150 bn	Net Sales	[No change]
JPY 20 bn	Operating Income	JPY 30 bn or higher
stable 8.5% or higher	ROE	stable 10% or higher
KAGA ELECTRONICS		29

Next, I will discuss three points in the medium-term management plan.

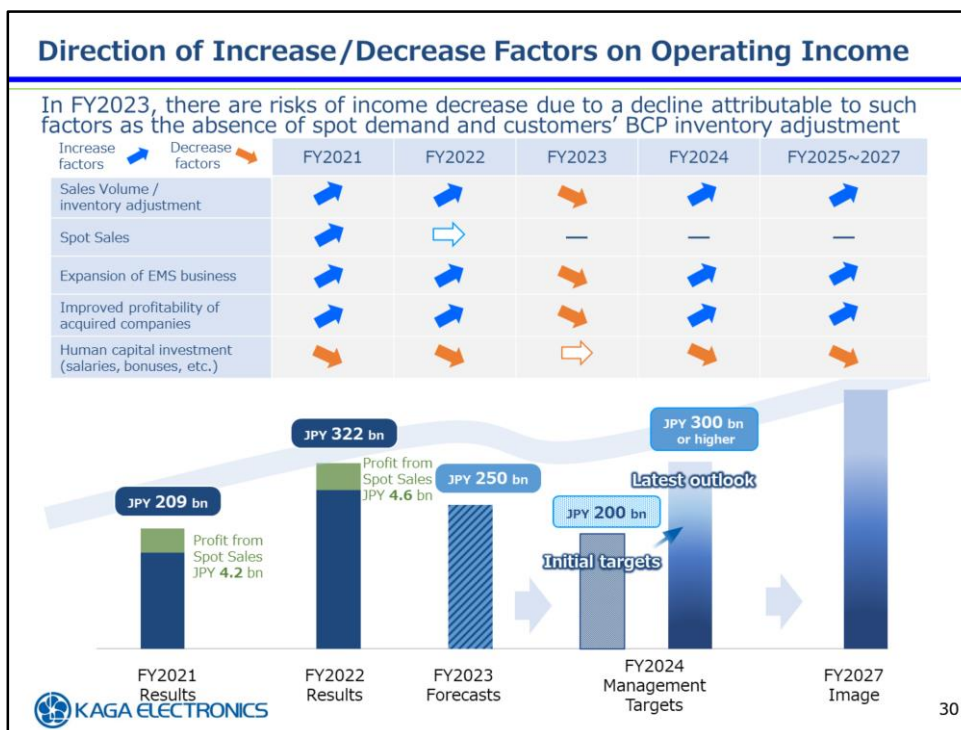
The first is the latest forecast of the medium-term management plan, which was announced on May 11, at the same time as the financial results.

At the previous meeting, I stated that the revision of the operating profit target for the medium-term management plan would be disclosed in the announcement of financial results in May. The reasons cited were to determine the final landing of FY2022 earnings, which are expected to be higher, and to improve the accuracy of the FY2023 forecast, which is concerned about downward pressure on earnings due to the elimination of spot sales, inventory adjustments, and other factors.

Based on these upside and downside factors, we have announced this latest outlook for our management targets for FY2024, the final year of the plan. The plan period remains unchanged from FY2022 to FY2024, a three-year plan. There is no change to the original forecast of achieving JPY600 billion in sales through autonomous growth, and JPY750 billion in reflecting new M&A challenges.

Operating income was revised to exceed JPY30 billion or higher. ROE was set at a stable 10% or higher, in line with the revision of operating profit.

On the next page, we will discuss the concepts of operating profit and ROE in more detail.

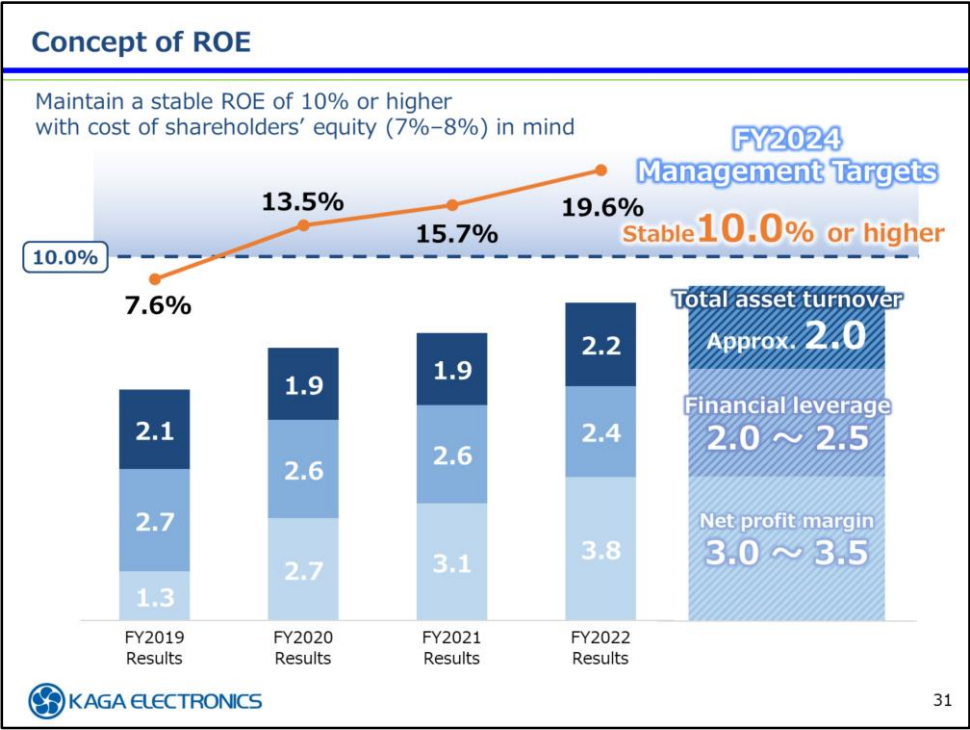


Operating profit was set at more than JPY30 billion, based on the expectation that operating profit will decline once from the highest profit level in FY2022 to FY2023, and then return to the growth phase in FY2024.

As the main indicators on which these assumptions are based, we have indicated the direction of each fiscal year for each of the following factors -- sales volume, spot sales, EMS business expansion, PMI, and human investment -- with blue arrows indicating factors for increased profits and red arrows indicating factors for decreased profits.

Operating profit forecast for the components sales business and the EMS business, which had led the Company to four consecutive years of record profits through FY2022, is lower in FY2023 due to recession risk, the impact of temporary inventory adjustments, and a drop-off in spot sales. After FY2024, there is no change in the medium-term business expansion scenario, such as EVs, 5G, IoT, and AI.

On the other hand, we expect the improvement in profitability of acquired companies to continue. In addition, we will continue to invest in human resources, including salaries and bonuses.



This page is a graphical representation of ROE trends broken down into its three components.

The bottom line is a net profit margin of 3% to 3.5%, based on an operating profit margin of about 5%.

We believe that the key factor in improving ROE is to maintain a high profit margin.











Second, financial leverage is 2 to 2.5 times, based on an equity ratio in the range between 40% and 50%.

If we assume the third factor, total asset turnover, to be around the current two times, we believe that ROE will be stable around 12% to 15%.

Based on these estimates, we have now revised our ROE target to a stable 10% or higher.

We recognize that our cost of equity is roughly 7% or 8%, so our message here is to maintain ROE at 10% or higher to consistently exceed that level.



Materiality			
<p>The Kaga Electronics Group is committed to seriously addressing a variety of issues relevant not only to itself but also communities around the world and thereby living up to the expectations of society. In line with this commitment, the Group has employed four perspectives— Environmental (E), Social (S), Governance (G) and Business (B)—to identify priority issues that are deemed to exert significant impact on its business operations, as listed below. Through its efforts to tackle the materiality of these issues, the Group will practice corporate activities aimed at contributing to the realization of a sustainable society, with the aim of further improving its corporate value.</p>			
Materiality	Related SDGs	Changes in the socio-economic environment	Our initiatives
<b>E</b> Create a clean global environment	 	<ul style="list-style-type: none"> <li>Growing seriousness of global warming and other environmental problems</li> <li>Urgent call for carbon neutrality</li> </ul>	<ul style="list-style-type: none"> <li>Provide products and services designed to help resolve environmental and energy issues</li> <li>Continue initiatives to reduce the environmental burden</li> </ul>
<b>S</b> Create an inclusive company as well as an affluent society	  	<ul style="list-style-type: none"> <li>Changes in social structure as we move toward the popularization of the new normal</li> <li>Human resource shortages attributable to a low birthrate and an aging population</li> </ul>	<ul style="list-style-type: none"> <li>Promote workforce diversity and innovative work styles to better adapt to the new normal</li> <li>Develop human resources by passing down and updating KAGA-ism</li> </ul>
<b>G</b> Create a sustainable management base	 	<ul style="list-style-type: none"> <li>Public calls for more robust corporate governance</li> <li>Growing need for business resilience against changes in the operating environment</li> </ul>	<ul style="list-style-type: none"> <li>Further strengthen corporate governance and compliance</li> <li>Thoroughly practice a profit-focused management approach</li> </ul>
<b>B</b> Realize sustainable business growth	  	<ul style="list-style-type: none"> <li>Progress in digital transformation</li> <li>Coming of a "super-smart" society due to the popularization of ICT, such as IoT and AI</li> <li>Intensification of global competition</li> </ul>	<ul style="list-style-type: none"> <li>Provide products and services that contribute to the transition to a digital-driven society</li> <li>Create new businesses aimed at helping</li> </ul>

Next, I will discuss the progress made in the first year of the sustainability mediumterm management plan.

This page is related to prominent issues of our group, but I have already discussed them previously, so I will omit them here.

Medium- to long-term sustainability targets				
	Key themes	Issues to address and issues to examine	Medium-term targets	Long-term targets
E	Achievement of shift to 100% renewable energy	<ul style="list-style-type: none"> <li>• Adoption of renewable energy at domestic sales offices</li> <li>• Adoption of renewable energy at domestic manufacturing sites</li> <li>• Adoption of renewable energy at overseas manufacturing sites</li> </ul>	2024: 40% (1%) By 2024: Information gathering/analysis and determination of policy •In-house power generation/external procurement •Solar panel/biomass power generation/renewable energy businesses	2030: 100% 2030: 50% 2050: 100% 2030: 30% 2050: 100%
	Shift to electricity for company-owned vehicles	<ul style="list-style-type: none"> <li>• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	2024: 85% (78.5%)	2030: 100%
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>• Ensuring diversity in core human resources (Women, foreign nationals, mid-career hires)</li> <li>• Initiatives to employ elderly workers and persons with disabilities</li> </ul>	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	<ul style="list-style-type: none"> <li>• Enhancement of programs such as childcare/family-care and telework</li> <li>• Acquisition of certification as a Health and Productivity Management Organization</li> </ul>	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	<ul style="list-style-type: none"> <li>• Independent Outside Directors: at least 1/3</li> <li>• Establishment of Nomination and Compensation Committee</li> </ul>	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	<ul style="list-style-type: none"> <li>• Diversification of the Board of Directors</li> <li>• Full compliance with Corporate Governance Code for Prime Market</li> <li>• Adoption of delegation-based executive officer structure</li> <li>• Transition to structure of company with committees</li> </ul>	By June 2022: Determination of policy Performed in November 2021 April 2022: Enactment By March 2023: Determination of policy	

This page shows the medium-term and long-term targets for each theme established in the sustainability medium-to long-term management plan.

From the following pages, I will report on the progress in ESGs per category.

Progress of medium- to long-term sustainability targets : Environmental		
Key themes	Issues to address and issues to examine	Main activities and progress in FY2022
E	<ul style="list-style-type: none"> <li>• Adoption of renewable energy at domestic sales offices</li> </ul>	<ul style="list-style-type: none"> <li>■ Introduced 1.2% of total electricity from renewable energy sources. Continue study to achieve 40% in FY2024.</li> </ul>
	<ul style="list-style-type: none"> <li>• Adoption of renewable energy at domestic manufacturing sites</li> <li>• Adoption of renewable energy at overseas manufacturing sites</li> </ul>	<ul style="list-style-type: none"> <li>■ Calculated power generation to install solar panels at sites in Aomori, Fukushima, and Tottori. Started the detailed design.</li> <li>■ 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.</li> </ul>
	<ul style="list-style-type: none"> <li>• Shift to electric vehicles for company-owned vehicles</li> <li>• Switch to electric vehicles for domestic sales vehicles (EV, HV, PHV, FCV)</li> </ul>	<ul style="list-style-type: none"> <li>■ The ratio of electric vehicles increased by 1.2% year on year to 82.0% (as of March 31, 2023).</li> </ul>
Solar panels installed on the roof of Head Office		Solar panels installed at Vietnam factory
		
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First, the “E” of Environment.

In this category, we are working to achieve 100% renewable energy.

As for major progress in FY2022, we have started designing for the installation of solar panels at our manufacturing sites in Japan.

In addition, at our overseas manufacturing bases, the Hubei Plant in China and the Vietnam Plant have begun to install renewable electricity from solar panels.

These sites are expected to cover 30% to 50% of their annual electricity use.

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

Key themes	Issues to address and issues to examine	Main activities and progress in FY2022
S	Diversity and human resource management	<ul style="list-style-type: none"> <li>Percentage of female new graduates in general positions increased by 12.3pt year on year to 18.1% as a result of hiring activities based on the Action Plan.</li> <li>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. As of April 2023, the percentage of women in management positions has increased by 3.2pt year on year to 16.5%.</li> </ul>
	Work-life management and enhancement of productivity	<ul style="list-style-type: none"> <li>Initiatives to employ elderly workers and persons with disabilities</li> <li>Enhancement of programs such as childcare/family-care and telework</li> <li>Acquisition of certification as a Health and Productivity Management Organization</li> </ul>

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Next is the “S” of Society.

The key theme here is diversity.

Our ultimate goal is to develop and promote women to officers and boards, and as a start, we started working to increase the ratio of female managers and the ratio of female career-track employees.

Progress in FY2022 was as follows: the ratio of female career-track positions increased by 12.3pt from the previous year to 18.1%, and the ratio of female managerial positions increased by 3.2pt from the previous year to 16.5%.

One of our achievements in FY2022 as work-life balance management was the certification of Health & Productivity Management Outstanding Organizations we received in March of this year.

In addition, remote work, which took root during the pandemic, did not go away even in the post-COVID-19 period; instead, it was institutionalized as one of the normal work styles. We estimate the rate of remote workers to be 40% to 60%.

Progress of medium- to long-term sustainability targets : Governance			
Key themes	Issues to address and issues to examine	Main activities and progress in FY2022	
G	Restructuring the governance structure in response to the revision of the Corporate Governance Code and the reorganization of Tokyo Stock Exchange	<ul style="list-style-type: none"><li>Independent Outside Directors: at least 1/3</li><li>Establishment of Nomination and Compensation Committee</li></ul>	<ul style="list-style-type: none"><li>Effective June 2023, 6 directors (including three outside directors), with a majority of directors being outside directors. Established the Nomination and Compensation Committee.</li></ul>
		<ul style="list-style-type: none"><li>Diversification of the Board of Directors</li></ul>	<ul style="list-style-type: none"><li>Decided to nominate a female candidate as a new outside auditor. Continued to work to appoint a female director.</li></ul>
		<ul style="list-style-type: none"><li>Full compliance with Corporate Governance Code for Prime Market</li></ul>	<ul style="list-style-type: none"><li>TCFD-compliant information to be disclosed from June 2022.</li></ul>
	Further strengthening the supervisory and oversight functions of top management over business execution	<ul style="list-style-type: none"><li>Adoption of delegation-based executive officer structure</li><li>Transition to structure of company with committees</li></ul>	<ul style="list-style-type: none"><li>Implemented from April 2022.</li><li>Continue the company-with-auditors system, but shorten the term of directors from the current 2 years to 1 year (planned in June 2023).</li></ul>

Enhancement of the Board of Directors' functions

Inside Director

11

Outside Director

➔

Inside Director

6

@Outside Director

Adoption of Delegation-based Executive Officer Structure

Outline: Management (conventionally, directors) with roles (e.g., Founder & CEO, President & COO, senior managing executive officer, managing executive officer, and senior executive officer) Inside directors concurrently serve as delegated executive officers.

Term of office: 1 year

Nomination: Deliberated by the Nomination Committee and resolved at the Board of Directors meeting.

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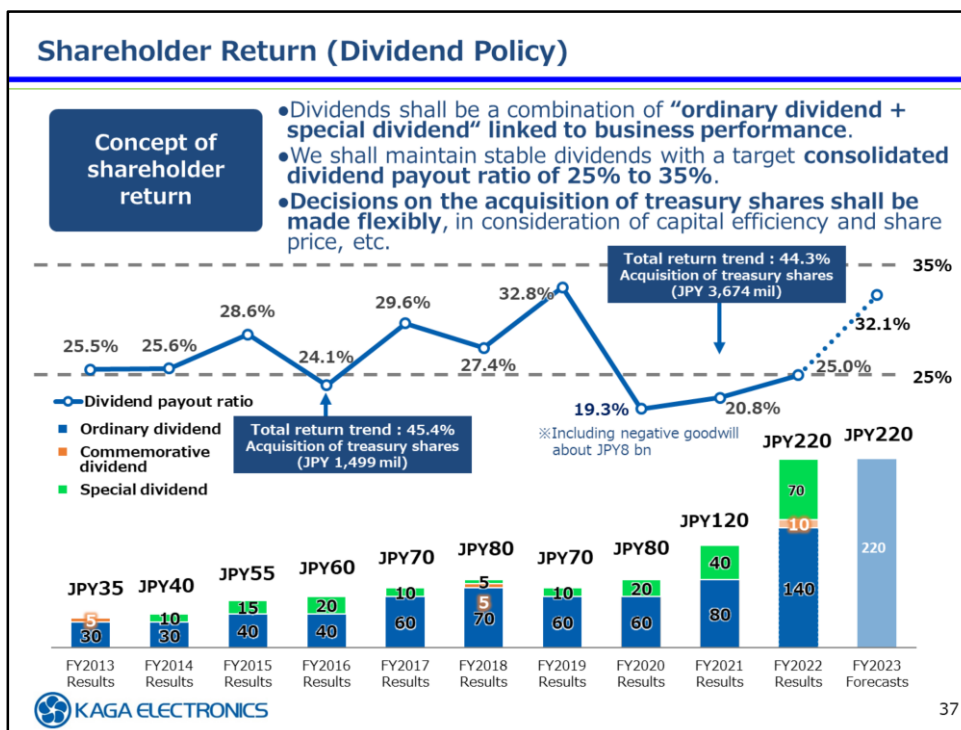
Finally, the “G” of Governance.

An important theme here is the restructuring of the governance structure.

As for the results for FY2022, we will review the number of directors, and from June of this year, the number of directors will be reduced from seven internal and four external, for a total of 11; to three internal and three external, for a total of six. The purpose is to clarify the supervisory and executive functions of management to enhance management transparency and speedy execution of business operations.

On the other hand, with respect to the diversification of the Board of Directors, unfortunately, we were unable to submit a female candidate for the Board of Directors at this year's General Meeting of Shareholders, but we have decided to introduce a female outside corporate auditor with the future transition to a company with an Audit Committee System in mind.





In connection with the medium-term management plan, I would like to mention a few things about shareholder returns.

The dividend for FY2022 was JPY220 per share, which, like our business performance, is a record high. Despite the forecasted decrease in profit for FY2023, the dividend forecast remains unchanged at JPY220 per share.

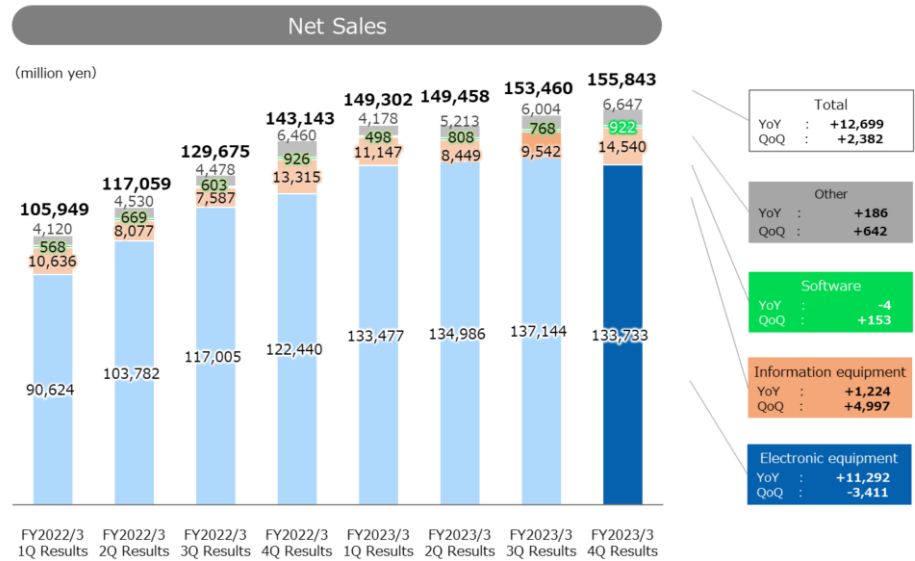
As discussed earlier, although single-year operating results will fluctuate from FY2022 to FY2024, with both increases and decreases, due to the rapidly changing business environment, we have decided that it is desirable to maintain the dividend level for shareholders who will hold our shares for the long term.

In February of this year, we resumed our overseas IR activities for the first time in three years, and met with investors and 11 companies in the UK. In the discussion with them, we were asked what we think of the dividends. There were also discussions among shareholders and new investors alike that dividend cuts are fatal to long-term investors. This real feedback was helpful.

We hope the investors will hold our stocks for the long term with peace of mind, and that is the message we embed here.

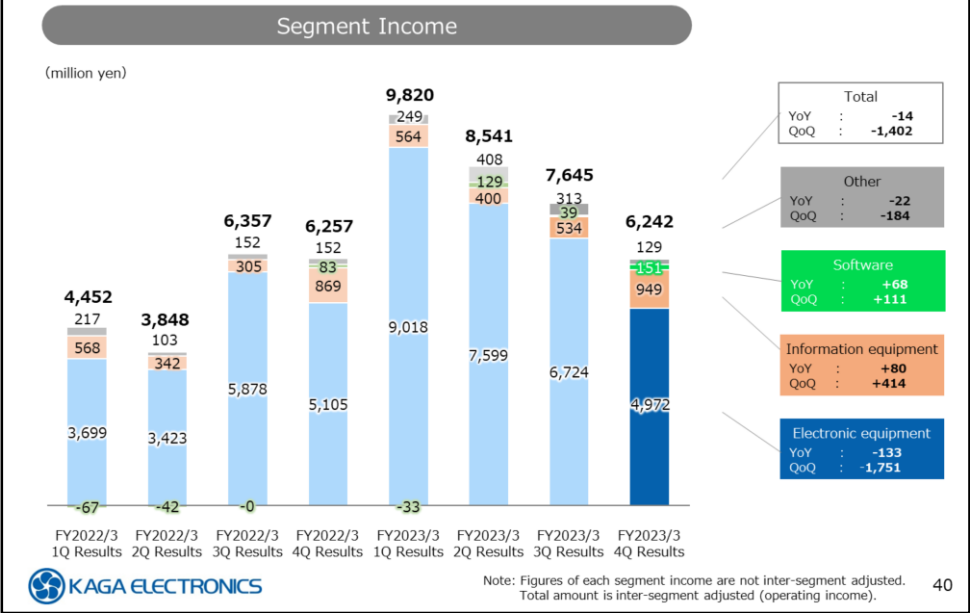
## Reference

# Quarterly Net Sales Trends

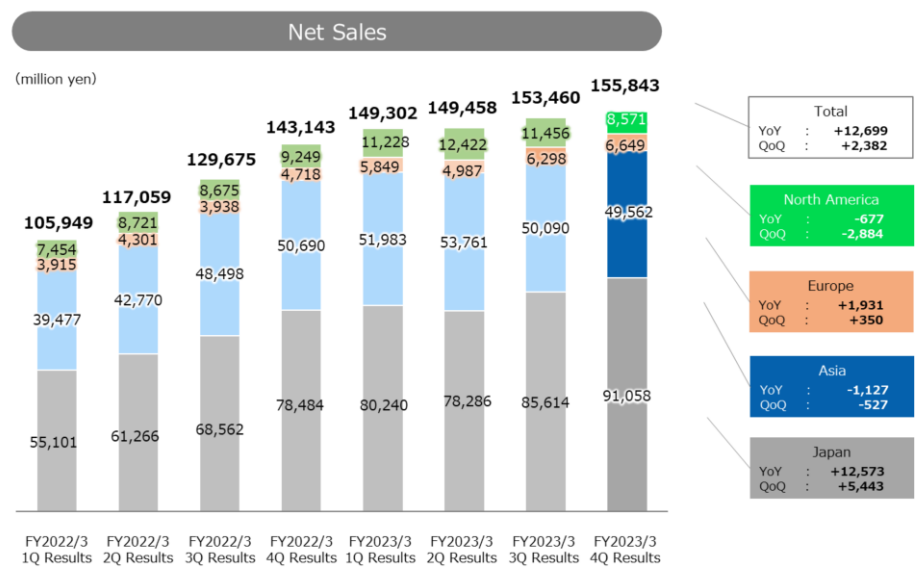





# Quarterly Segment Income Trends



Net Sales by Region



Exchange Rate/FOREX Sensitivity					
	FY2022/3 Results (Yen)	FY2023/3 Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2024/3(yen)
			Net sales	Operating income	
USD	112.38	135.47	1,218	50	135.00
RMB	17.03	19.48	278	11	19.50
THB	3.44	3.84	319	21	3.80
HKD	14.44	17.28	187	6	17.00
EUR	130.56	140.97	10	0	140.00
					42

Finally, we have prepared a list of exchange rates for your reference.

Regarding the foreign currency exchange rate for the previous fiscal year,the US dollar is the main currency used in our financial figures, and the annual exchange rate for the US dollar was JPY135.47, which you can see is a depreciation of about JPY23 compared to the previous fiscal year.

We estimate that a 1% change in the US dollar will have an impact of JPY1.218 billion on net sales and JPY50 million on operating profit.

I have now presented an overview of the Company's financial results for the fiscal year ending March 2023.

Thank you very much for your attention.

# **“Everything we do is 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.
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Number : Truncated less than the display unit.  
Ratio : After calculation in yen units, Round down one digit of Display unit.