

**Financial Results Briefing Material**  
for the First Half of the  
Fiscal Year ending March 2023

**KAGA ELECTRONICS CO., LTD.**

TSE Prime Market 8154

November 24, 2022

**KAGA ELECTRONICS CO., LTD.**

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for the First Half of FY2023/3

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## **Consolidated Financial Results**

for the First Half of the  
Fiscal Year ended March 2023

Director,  
Managing Executive Officer  
**Eiji Kawamura**

My name is Kawamura, Kaga Electronics. Thank you very much for your continued support. I would also like to thank you for your participation in today's financial results briefing. I would like to present an overview of our financial results for Q2 of the fiscal year ending March 31, 2023.

## Summary of Financial Results for FY2023/3 2Q

### FY2023/3 1H results

- **Net sales increased by 75.7 billion yen or 34.0%, year on year to 298.7 billion yen.** In the core electronic components business, demand remained robust in a wide range of areas, particularly automotive and industrial equipment-related applications.
- **Operating income increased by 10.0 billion yen or 121.3%, year on year to 18.3 billion yen.** Improved gross profit margin attributable to higher sales and sales mix resulted in a substantial increase in gross profit.
- **All metrics from net sales to ordinary income for the quarter achieved record highs for a second quarter.**
- **Net sales and operating income both exceeded internal plans, by approximately 23.7 billion yen and 4.8 billion yen, respectively.**

### FY2023/3 earnings forecast

- As the conditions in the semiconductor market, COVID-19, the conflict in Ukraine, and exchange rate volatility make it difficult to predict the outlook, **upward revisions only take into account the upward deviations in Q2. The initial forecasts for the period from Q3 have not been changed.**

(billion yen)	Net Sales	Operating income	Net income
Previous forecasts	540.0	24.0	16.0
Revised forecasts	<b>570.0</b>	<b>28.0</b>	<b>20.0</b>

### Shareholder return

- The annual dividend was **revised to 200 yen per share, up 50 yen from the previous forecast of 150 yen** (100-yen interim dividend/100-yen year-end dividend).
- This amounts to **an increase of 80 yen in the annual dividend from the previous fiscal year's 120 yen per share.**

Net sales increased JPY75.7 billion, or 34%, from the previous year to JPY298.7 billion. In the mainstay electronic components business, sales grew in a wide range of fields, particularly in the automotive and industrial equipment-related sectors.

Operating income increased JPY10 billion, or 121.3%, from the previous year to JPY18.3 billion. Gross profit increased significantly due to an increase in sales and an improvement in the gross profit margin resulting from a better sales mix.

All items from net sales to quarterly net income reached record highs for Q2. Net sales and operating income exceeded the internal plan by JPY23.7 billion and JPY4.8 billion, respectively.


The forecast for FY2023/03 has been changed. The outlook for the semiconductor market, the situation of COVID-19 and Ukraine, and exchange rate fluctuations are unpredictable. So the upward revision reflects only the upward swing in Q2. The forecast at the beginning of the period remains unchanged from Q3 onward.

Next, shareholder returns. The annual dividend has been revised to JPY200 per share, up JPY50 from the previous forecast of JPY150 per share. We plan to pay an interim dividend of JPY100 and a year-end dividend of JPY100. This is an increase of JPY80 per share over the previous year's dividend of JPY120

per share.

Financial Highlights for FY2023/3 2Q							
	(million yen)						
	FY2022/3 2Q Results		FY2023/3 2Q Results		YoY	FY2023/3 Forecasts (Revised on August 4, 2022)	Progress rate
Net sales	223,009		<b>298,760</b>		34.0%	540,000	55.3%
Gross Profit	27,133	12.2%	<b>40,001</b>	13.4%	47.4%	—	—
SG&A	18,832	8.4%	<b>21,639</b>	7.2%	14.9%	—	—
Operating income	8,300	3.7%	<b>18,361</b>	6.1%	121.2%	24,000	4.4%
Ordinary income	8,452	3.8%	<b>18,932</b>	6.3%	124.0%	24,500	4.5%
Profit attributable to owners of parent	5,624	2.5%	<b>13,412</b>	4.5%	138.5%	16,000	3.0%
EPS (yen)	207.39	—	<b>510.88</b>	—	—	609.58	—
Exchange Rate    yen / USD	109.80	—	<b>133.97</b>	—	—	116.00	—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 19.4 billion yen on net sales and 0.9 billion yen on operating income.  
2. "x. x%" represents the profit margin.

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Here are the financial highlights for Q2.

Net sales, as I mentioned earlier, were JPY298,760 million. Gross profit amounted to JPY40,001 million, up 47.4% from the previous year. Gross margin was 13.4%, an improvement of 1.2% from the previous year.


SG&A expenses totaled JPY21,639 million, and here, SG&A expenses increased slightly in line with the increase in sales. As a result, operating profit was JPY18,361 million, up 121.2% from the previous year, ordinary profit was JPY18,932 million, up 124.0%, and net income attributable to owners of the parent was JPY13,412 million, up 138.5%.

As a result, net income per share was JPY510.88. The dollar exchange rate was JPY133.97 to the US dollar, which represents a depreciation of about JPY24 from the previous year.

Compared to the previously announced forecasts, the progress rate of net sales, operating profit, and parent company net income is 55.3%, 76.5%, and 83.8%, respectively.

Results by Business Segment for FY2023/3 2Q							
(million yen)							
		FY2022/3 2Q Results		FY2023/3 2Q Results	YoY	FY2023/3 Forecasts (Revised on August. 4, 2022)	Progress rate
Electronic Component	Net sales	194,406		<b>268,464</b>	38.1%	477,000	56.3%
	Segment income	7,123	3.7%	<b>16,617</b>	6.2%	21,300	4.5%
Information Equipment	Net sales	18,713		<b>19,597</b>	4.7%	39,000	50.2%
	Segment income	910	4.9%	<b>965</b>	4.9%	2,000	5.1%
Software	Net sales	1,237		<b>1,307</b>	5.6%	4,000	32.7%
	Segment income	-109	—	<b>95</b>	7.3%	100	2.5%
Others	Net sales	8,651		<b>9,392</b>	8.6%	20,000	47.0%
	Segment income	320	3.7%	<b>658</b>	7.0%	600	3.0%
Total	Net sales	223,009		<b>298,760</b>	34.0%	540,000	55.3%
	Segment income	8,300	3.7%	<b>18,361</b>	6.1%	24,000	4.4%

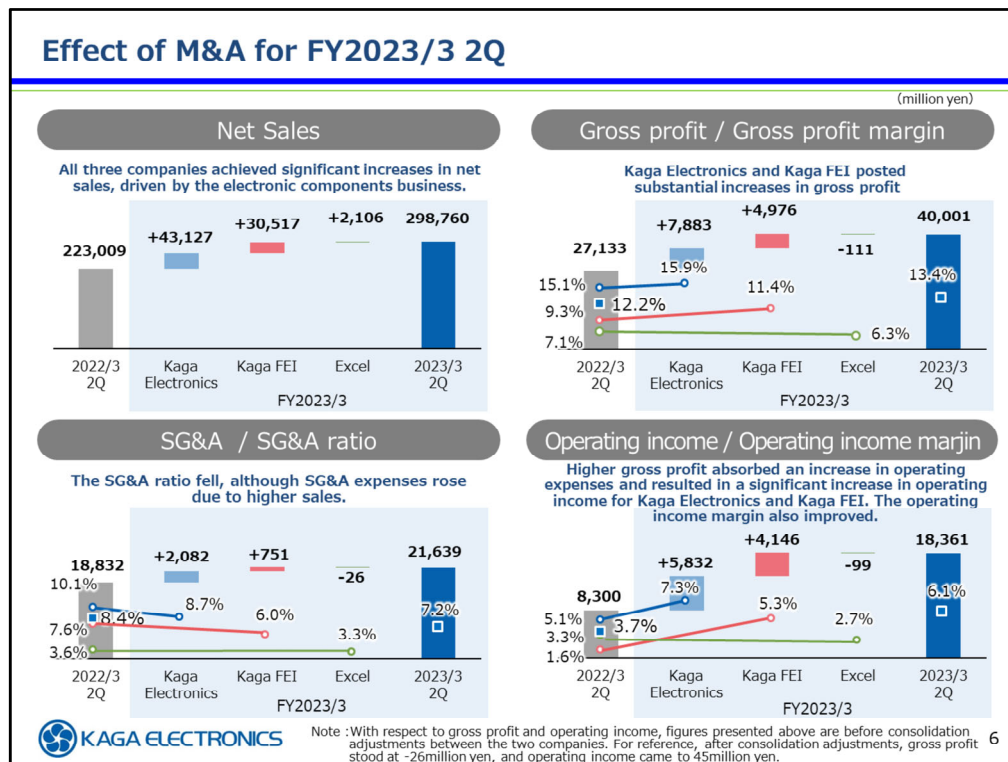
Note: 1. Figures of each segment income are not inter-segment adjusted.  
Total amount is inter-segment adjusted (operating income).  
2. "x. x%" represents the profit margin.

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This is segment information for Q2.

Electronic components accounted for 90% of total sales, and its electronic components business recorded sales of JPY268,464 million, up 38.1% from the previous year, and segment profit of JPY16,617 million, up 133.3%.

You can see that all other segments, including Information Equipment, software, and others, are also profitable.



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

Net sales are shown separately for the existing Kaga Electronics Group, Kaga FEI, which joined the Group three years ago, and Excel, which joined the Group two years ago.

Net sales of all three companies increased significantly, driven by the electronic components business. The breakdown is JPY43.1 billion increase for Kaga Electronics and JPY30.5 billion increase for FEI.

As for gross profit, KAGA Electronics and KAGA FEI reported significant increases. Gross profit margin also improved. The breakdown is JPY7.8 billion increase for Kaga Electronics and JPY 4.9 billion increase for FEI. The gross margin ratio increased from 15.1% to 15.9% for Kaga Electronics and from 9.3% to 11.4% for FEI. There is a slight decline for Excel.

As for SG&A expenses and the expense ratio, SG&A expenses increased in line with sales growth, but the expense ratio was reduced.

Finally, operating profit. As a result, operating income increased JPY5.8 billion at Kaga Electronics and JPY4.1 billion at FEI, which were the major factors behind the overall increase in income.



## Results by Company for FY2023/3 2Q

		(million yen)		
		FY2022/3 2Q Results	FY2023/3 2Q Results	YoY
Kaga Electronics	Net sales	125,272	<b>168,400</b>	34.4%
	Gross Profit	18,850 <i>15.1%</i>	<b>26,734</b> <i>15.9%</i>	41.8%
	Operating income	6,402 <i>5.1%</i>	<b>12,235</b> <i>7.3%</i>	91.1%
Kaga FEI	Net sales	68,240	<b>98,757</b>	44.7%
	Gross Profit	6,325 <i>9.3%</i>	<b>11,301</b> <i>11.4%</i>	78.7%
	Operating income	1,067 <i>1.6%</i>	<b>5,214</b> <i>5.3%</i>	388.3%
Excel	Net sales	29,495	<b>31,602</b>	7.1%
	Gross Profit	2,103 <i>7.1%</i>	<b>1,991</b> <i>6.3%</i>	-5.3%
	Operating income	966 <i>3.3%</i>	<b>866</b> <i>2.7%</i>	-10.3%
Total	Net sales	223,009	<b>298,760</b>	34.0%
	Gross Profit	27,133 <i>12.2%</i>	<b>40,001</b> <i>13.4%</i>	47.4%
	Operating income	8,300 <i>3.7%</i>	<b>18,361</b> <i>6.1%</i>	121.2%

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

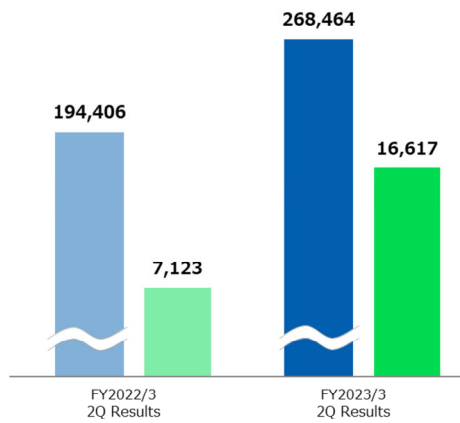
2. "x. x%" represents the profit margin.

## Financial Highlights: Electronic Component Segment

### Net sales/Segment income

(million yen)

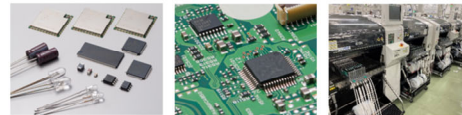
■ Net Sales  
■ Segment income



### YoY

• Net Sales ▶ **+74,057** million yen **38.1%Up**  
• Segment income ▶ **+9,493** million yen **133.3%Up**

- In the component sales business, supply/demand conditions began to ease for some materials, and the Company was able to achieve significant growth in sales through early efforts to capture demand from customers in a broad range of industries.
- Both Kaga Electronics and Kaga FEI worked on spot sales with automotive and industrial equipment-related customers still facing supply shortages, which also contributed to growth in sales/profit.
- In parallel with these efforts, the Company proactively proposed alternative products.
- The EMS business was a strong performer, especially in automotive and medical equipment applications.

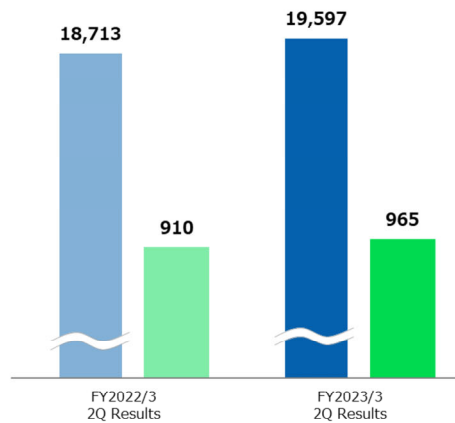


## Financial Highlights: Information Equipment Segment

### Net sales/Segment income

(million yen)

■ Net Sales  
■ Segment income



### YoY


● Net Sales ▶ **+883million yen 4.7%Up**  
● Segment income ▶ **+54million yen 6.0%Up**

- Sales of PCs to corporations and educational institutions were solid, particularly high-priced products.
- Sales of PC peripherals such as security software remained strong.
- In the LED installation business, large projects that had been delayed due to shortages of materials resumed, which contributed to earnings.



Financial Highlights for FY2023/3 2Q (3 months)						Reference	
	FY2022/3 2Q Results		FY2023/3 1Q Results		FY2023/3 2Q Results		(million yen)
						YoY	QoQ
Net sales	117,059		149,302		<b>149,458</b>	27.7%	0.1%
Gross Profit	13,582	11.6%	19,838	13.3%	<b>20,163</b>	13.5%	48.5%
SG&A	9,733	8.3%	10,018	6.7%	<b>11,621</b>	7.8%	19.4%
Operating income	3,848	3.3%	9,820	6.6%	<b>8,541</b>	5.7%	121.9%
Ordinary income	3,885	3.3%	9,858	6.6%	<b>9,073</b>	6.1%	-13.0%
Profit attributable to owners of parent	2,752	2.4%	6,984	4.7%	<b>6,427</b>	4.3%	133.5%
EPS (yen)	102.48	—	266.10	—	<b>244.79</b>	—	-8.0%

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

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Here is a side-by-side view of the most recent three-month results, Q1 and Q2.

As you can see, sales were almost flat in both Q1 and Q2.

As you can see, the gross profit margin improved by 0.2 points compared to Q1.

As you can see, compared to the same period last year, net sales increased significantly and the gross profit margin improved by more than 1.5%.

Results by Business Segment for FY2023/3 2Q (3 months)

Reference


(million yen)

		FY2022/3 2Q Results		FY2023/3 1Q Results		FY2023/3 2Q Results		YoY	QoQ
Electronic Component	Net sales	103,782		133,477		134,986		30.1%	1.1%
	Segment income	3,423	3.3%	9,018	6.8%	7,599	5.6%	122.0%	-15.7%
Information Equipment	Net sales	8,077		11,147		8,449		4.6%	-24.2%
	Segment income	342	4.2%	564	5.1%	400	4.7%	17.0%	-29.1%
Software	Net sales	669		498		808		20.8%	62.3%
	Segment income	-42	-6.3%	-33	-6.7%	129	16.0%	—	—
Others	Net sales	4,530		4,178		5,213		15.1%	24.8%
	Segment income	103	2.3%	249	6.0%	408	7.8%	295.6%	64.1%
Total	Net sales	117,059		149,302		149,458		27.7%	0.1%
	Segment income	3,848	3.3%	9,820	6.6%	8,541	5.7%	121.9%	-13.0%

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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This chart shows Q1 and Q2 results by segment, side by side.

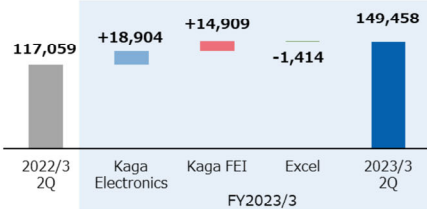
You can see that electronic components increased significantly in both Q1 and Q2 compared to the previous year.

## Effect of M&A for FY2023/3 2Q (3 months)

Reference

### Net Sales

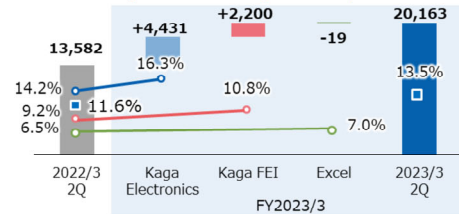
Kaga Electronics and Kaga FEI achieved significant increases in net sales, driven by the electronic components business.



### Gross profit / Gross profit margin

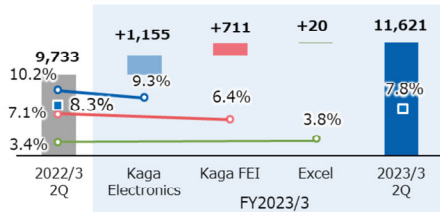
(million yen)

Gross profit increased significantly for Kaga Electronics and Kaga FEI. Profit margins also improved.



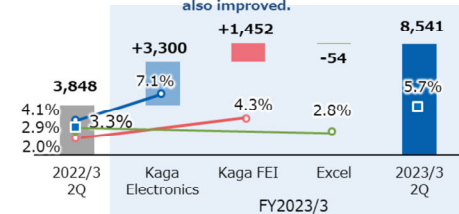
### SG&A / SG&A ratio

Although SG&A expenses increased due to higher sales, the SG&A ratio fell.



### Operating income / Operating income margin


Kaga Electronics and Kaga FEI contributed significantly to increases in operating income. The operating income margin also improved.



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 -52million yen, and operating income came to -19million yen.

Results by Company for FY2023/3 2Q (3 months)							Reference
							(million yen)
		FY2022/3 2Q Results	FY2023/3 1Q Results	FY2022/3 2Q Results	YoY	QoQ	
Kaga Electronics	Net sales	65,157	84,339	<b>84,061</b>	29.0%	-0.3%	
	Gross Profit	9,261 <i>14.2%</i>	13,040 <i>15.5%</i>	<b>13,693</b> <i>16.3%</i>	47.9%	5.0%	
	Operating income	2,683 <i>4.1%</i>	6,251 <i>7.4%</i>	<b>5,983</b> <i>7.1%</i>	123.0%	-4.3%	
Kaga FEI	Net sales	36,095	47,752	<b>51,005</b>	41.3%	6.8%	
	Gross Profit	3,316 <i>9.2%</i>	5,784 <i>12.1%</i>	<b>5,516</b> <i>10.8%</i>	66.4%	-4.6%	
	Operating income	721 <i>2.0%</i>	3,040 <i>6.4%</i>	<b>2,173</b> <i>4.3%</i>	201.4%	-28.5%	
Excel	Net sales	15,807	17,209	<b>14,392</b>	-9.0%	-16.4%	
	Gross Profit	1,024 <i>6.5%</i>	986 <i>5.7%</i>	<b>1,004</b> <i>7.0%</i>	-1.9%	1.9%	
	Operating income	458 <i>2.9%</i>	462 <i>2.7%</i>	<b>403</b> <i>2.8%</i>	-11.9%	-12.7%	
Total	Net sales	117,059	149,302	<b>149,458</b>	27.7%	0.1%	
	Gross Profit	13,582 <i>11.6%</i>	19,838 <i>13.3%</i>	<b>20,163</b> <i>13.5%</i>	48.5%	1.6%	
	Operating income	3,848 <i>3.3%</i>	9,820 <i>6.6%</i>	<b>8,541</b> <i>5.7%</i>	121.9%	-13.0%	

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.

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The following are the results by company for Kaga Electronics, FEI, and Excel.

As you can see, Kaga Electronics was flat in Q1 and Q2, but its sales increased significantly compared to the previous year.

As for FEI, you can see that it increased in Q2 compared to Q1.

As for Excel, sales in Q2 were slightly lower than in Q1.

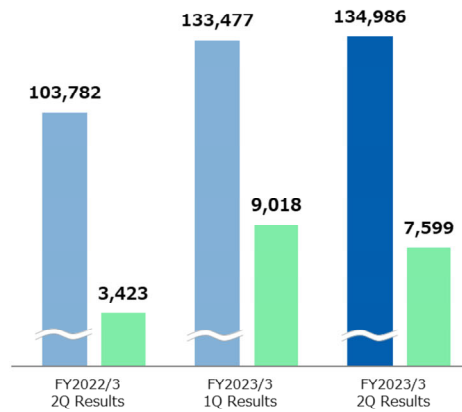
## Financial Highlights: Electronic Component Segment (3 months)

Reference

### Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



### YoY

- Net Sales ▶ +31,203 million yen **30.1%Up**
- Segment income ▶ +4,175 million yen **122.0%Up**

### QoQ

- Net Sales ▶ +1,508 million yen **1.1%Up**
- Segment income ▶ -1,418 million yen **15.7%Down**



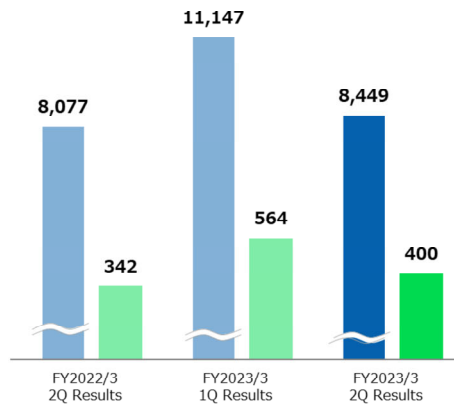
## Financial Highlights: Information Equipment Segment (3 months)

Reference

### Net sales/Segment income

(million yen)

■ Net Sales  
■ Segment income

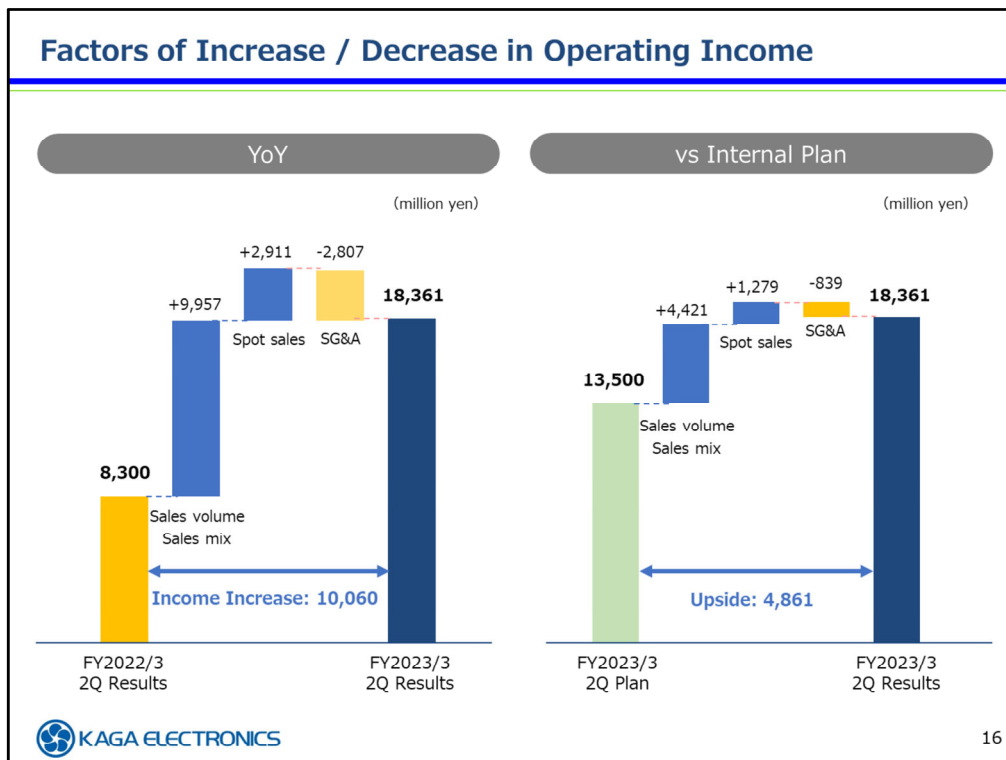


### YoY

● Net Sales ▶ **+372million yen 4.6%Up**  
● Segment income ▶ **+58million yen 17.0%Up**

### QoQ

● Net Sales ▶ **-2,697million yen 24.2%Down**  
● Segment income ▶ **-164million yen 29.1%Down**



Here is a graph showing the factors that caused operating income to fluctuate in Q2.

Operating profit increased JPY10.06 billion over the previous year.

Here is a breakdown of the profit increase.

JPY9.9 billion from an increase in sales mix and sales volume, JPY2.9 billion from spot sales, and JPY2.8 billion from an increase in SG&A expenses.

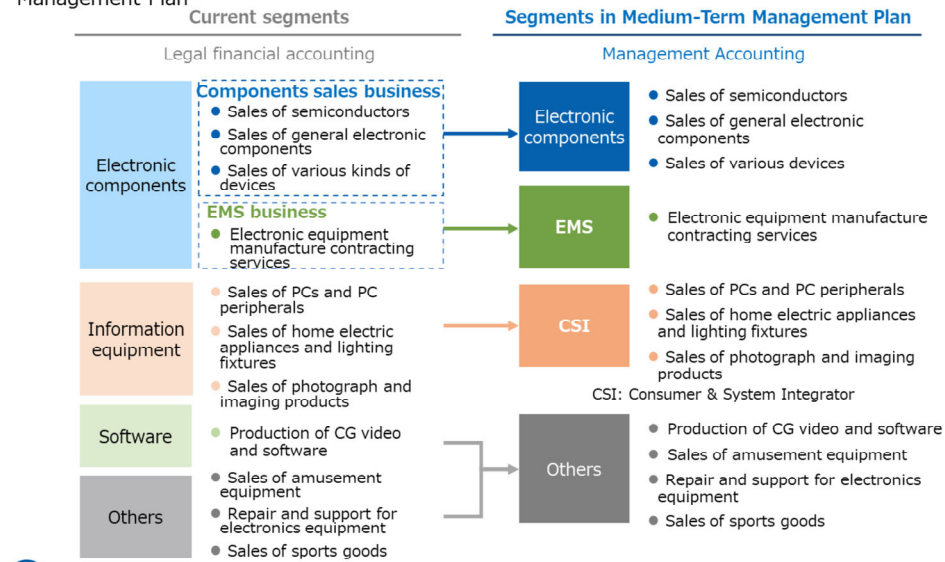
Compared to the internal plan, this is an upward revision of more than JPY4.8 billion.

The increase in sales volume and sales mix was JPY4.4 billion, JPY1.2 billion was due to spot sales, and JPY0.8 billion was due to an increase in SG&A expenses.

## Segment disclosure associated with the Medium-Term Management Plan


Reference

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



Financial Highlights by Business Segment of the Medium-Term Management Plan						Reference
						(million yen)
		FY2021/3 2Q Results	FY2022/3 2Q Results	FY2023/3 2Q Results	YOY	
Electronic Component	Net sales	117,287	144,790	<b>202,867</b>	40.1%	
	Segment income	851 <i>0.7%</i>	3,948 <i>2.7%</i>	<b>11,689</b> <i>5.8%</i>	196.1%	
EMS	Net sales	42,940	53,453	<b>69,486</b>	30.0%	
	Segment income	2,265 <i>5.3%</i>	3,322 <i>6.2%</i>	<b>5,311</b> <i>7.6%</i>	59.9%	
CSI	Net sales	23,192	18,713	<b>19,597</b>	4.7%	
	Segment income	1,160 <i>5.0%</i>	910 <i>4.9%</i>	<b>965</b> <i>4.9%</i>	6.0%	
Others	Net sales	5,438	6,052	<b>6,809</b>	12.5%	
	Segment income	88 <i>1.6%</i>	64 <i>1.1%</i>	<b>369</b> <i>5.4%</i>	473.2%	
Total	Net sales	188,859	223,009	<b>298,760</b>	34.0%	
	Segment income	4,434 <i>2.3%</i>	8,300 <i>3.7%</i>	<b>18,361</b> <i>6.1%</i>	121.2%	

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 here shows Q2 results for each segment of the medium-term plan into new segments.

The past three fiscal years are listed side by side.

You can see that electronic components and EMS have been on a steady rise for the past three fiscal years.


On a Q2 results basis, electronic components sales totaled JPY202,867 million, up 40.1% from the previous year, and segment income totaled JPY11,689 million, up 196.1% from the previous year.

EMS totaled JPY69,486 million, up 30.0% from the previous year, and segment income totaled JPY5,311 million, up 59.9%.

These two segments, electronic components and EMS, are the major factors behind the increase in sales and profit.

Financial Highlights by Business Segment of the Medium-Term Management Plan (3months)						Reference
		(million yen)				
		FY2022/3 2Q Results	FY2023/3 1Q Results	FY2023/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	78,665	101,444	<b>101,422</b>	28.9%	-0.0%
	Segment income	2,172 <b>2.8%</b>	6,541 <b>6.4%</b>	<b>5,148 5.1%</b>	137.0%	-21.3%
EMS	Net sales	27,118	33,867	<b>35,619</b>	31.3%	5.2%
	Segment income	1,262 <b>4.7%</b>	2,612 <b>7.7%</b>	<b>2,698 7.6%</b>	113.8%	3.3%
CSI	Net sales	8,077	11,147	<b>8,449</b>	4.6%	-24.2%
	Segment income	342 <b>4.2%</b>	564 <b>5.1%</b>	<b>400 4.7%</b>	17.0%	-29.2%
Others	Net sales	3,198	2,842	<b>3,967</b>	24.1%	39.6%
	Segment income	49 <b>1.6%</b>	79 <b>2.8%</b>	<b>289 7.3%</b>	479.4%	262.4%
Total	Net sales	117,059	149,302	<b>149,458</b>	27.7%	0.1%
	Segment income	3,848 <b>3.3%</b>	9,820 <b>6.6%</b>	<b>8,541 5.7%</b>	121.9%	-13.0%

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.

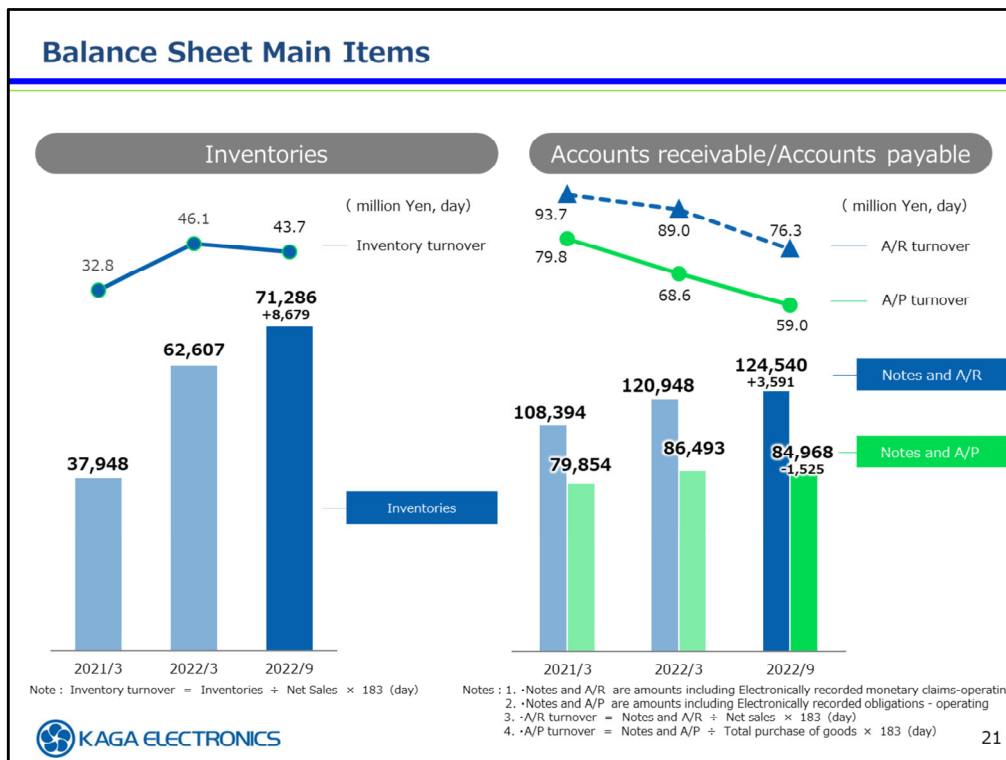
 KAGA ELECTRONICS

This is a side-by-side presentation of results by mid-term business segment for Q1 and Q2, with actual results for each three-month period.

Both electronic components and EMS have seen significant increases in sales and profits in Q1 and Q2 compared to the previous year, but you can see that Q1 and Q2 have been almost flat.

As for CSI, there is the slight decrease in sales in Q2. This was due to the significant increase in Q1 with the for new students project and other factors.





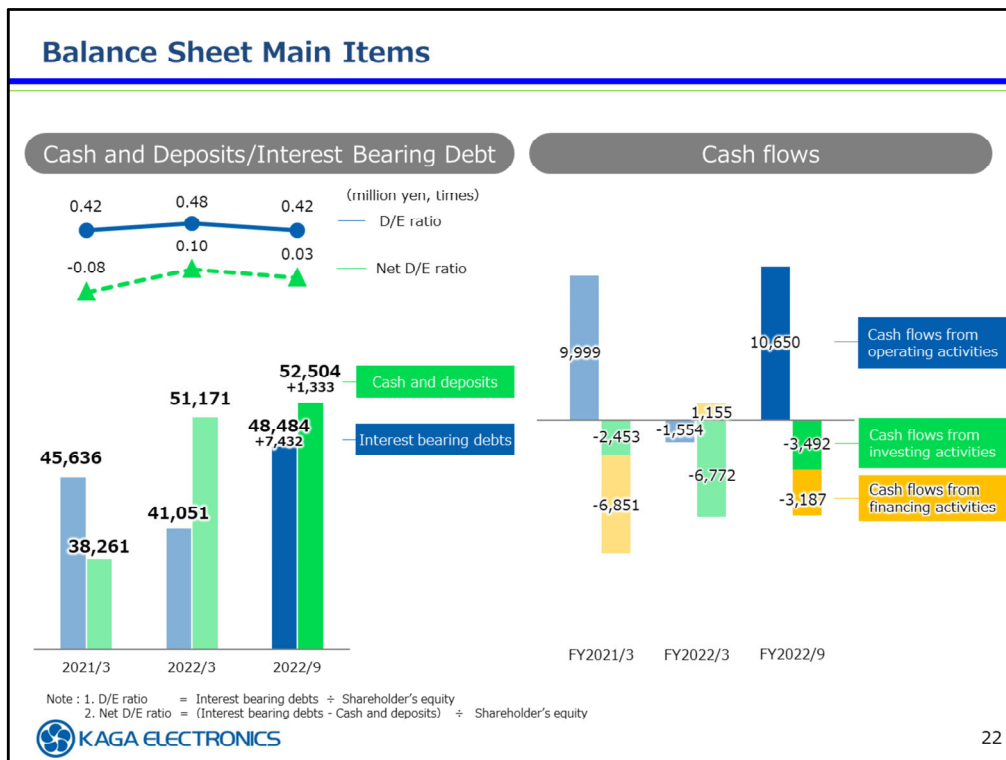
Inventories are among the major items on the balance sheet.

The total amount was JPY71,286 million, an increase of JPY8,679 million from the end of March. However, inventories increased by about JPY33.3 billion compared to the end of March 2021, mainly due to the shortage of electronic components.

However, based on current business volume, an appropriate inventory level would be about JPY50 billion. As the President will explain later, we plan to shrink this inventory amount by the end of March next year.

As for notes and accounts receivable and notes and accounts payable, the balance of notes and accounts receivable was JPY124,540 million, an increase of JPY3,591 million. Account payables amounted to JPY84,968 million, a decrease of JPY1,525 million.

You can see that both accounts receivable and accounts payable turnovers have decreased.




Cash and deposits / cash flow.

Cash and deposits totaled JPY48,484 million, an increase of JPY7,432 million. Interest-bearing debt totaled JPY52,504 million, an increase of JPY1,333 million.

As for cash flow, operating cash flow was JPY10.65 billion. Investment cash flow used was JPY3,492 million. Financing cash flow used was JPY3,187 million.



## Forecasts for FY2023/3

Forecasts for FY2023/3						
(announced on August 4, 2022)						
(million yen)						
	FY2022/3 Results		FY2023/3 Previous forecasts		FY2023/3 Current forecasts	Diff. from previous forecasts
						YoY
Net sales	495,827		540,000		<b>570,000</b>	5.6%
Operating income	20,915	4.2%	24,000	4.4%	<b>28,000</b>	4.9%
Ordinary income	21,456	4.3%	24,500	4.5%	<b>29,000</b>	5.1%
Profit attributable to owners of parent	15,401	3.1%	16,000	3.0%	<b>20,000</b>	3.5%
EPS (yen)	576.46		609.58		<b>761.70</b>	—
ROE	15.7%		14.0%		<b>17.0%</b>	—
Annual dividend (yen)	120.00		150.00		<b>200.00</b>	
	Ordinary dividend 80.00 Extraordinary dividend 40.00		Ordinary dividend 140.00 Commemorative dividend 10.00		Ordinary dividend 140.00 Commemorative dividend 10.00 Extraordinary dividend 50.00	50.00
Note: "x. x%" represents the profit margin.						
						24

Here we would like to explain our full-year forecasts for FY2023/03.

As mentioned at the beginning of this report, we have revised our full-year forecasts.

We have revised upward our previous forecast for net sales from JPY540 billion to JPY570 billion, operating profit from JPY24 billion to JPY28 billion, ordinary profit from JPY24.5 billion to JPY29 billion, and net income attributable to owners of the parent from JPY16 billion to JPY20 billion.

With this upward revision, net income per share will be JPY761.7 and ROE will be 17.0%. The annual dividend is JPY200, an increase of JPY50. The dividend payout ratio will be 26.3%.

# Forecasts by Business Segment for FY2023/3

(announced on August 4, 2022)

(million yen)

		FY2022/3 Results		FY2023/3 Previous Forecasts		FY2023/3 Current forecasts	Diff. from previous forecasts	YoY
Electronic Component	Net sales	433,852		477,000		507,000	6.3%	16.9%
	Segment income	18,107	4.2%	21,300	4.5%	24,800	4.9%	37.0%
Information Equipment	Net sales	39,616		39,000		39,000	—	-1.6%
	Segment income	2,085	5.3%	2,000	5.1%	2,000	5.1%	-4.1%
Software	Net sales	2,767		4,000		4,000	—	44.5%
	Segment income	-26	-1.0%	100	2.5%	200	5.0%	—
Others	Net sales	19,590		20,000		20,000	—	2.1%
	Segment income	626	3.2%	600	3.0%	1,000	5.0%	59.7%
Total	Net sales	495,827		540,000		570,000	5.6%	15.0%
	Segment income	20,915	4.2%	24,000	4.4%	28,000	4.9%	33.9%

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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This is incorporated into the forecast for each segment.

All of the JPY30 billion increase in sales is added to the electronic components business.

As a result, net sales of the electronic components business are expected to increase from JPY477 billion to JPY507 billion and segment profit from JPY21.3 billion to JPY24.8 billion.

## Management Topics

Representative Director,  
President & COO  
**Ryoichi Kado**

I am Kado of KAGA ELECTRONICS CO., LTD. Thank you for your continued support and cooperation in our IR activities.  
I would now like to report on management topics for H1 of FY2022.

Review of the new medium-term management plan	
IR schedule for revision announcement	<ul style="list-style-type: none"> <li>At the announcement of financial results for the fiscal year ending March 31, 2023, in May 2023, revised management targets for the final fiscal year (ending March 31, 2025) of the medium-term management plan will be disclosed together with earnings forecasts for the fiscal year ending March 31, 2024.</li> <li>In revising management targets, a comprehensive review of KPIs encompassing not only operating income but also net sales and ROE will be conducted.</li> </ul>
Reasons for change of schedule	<ul style="list-style-type: none"> <li>To assess the final income level in the fiscal year ending March 31, 2023, as the upward momentum is expected to be maintained to exceed the targets.</li> <li>To improve the accuracy of income forecast for the fiscal year ending March 31, 2024, given concerns about downward pressure on earnings from the absence of spot sales, customers' inventory adjustment, and other factors.</li> </ul>
 <span>27</span>	

First, I would like to report on the revision of the operating income target of the medium-term management plan 2024, which was announced last November.

The financial results for this March exceeded the operating income announced in the mid-term business plan 2024. Therefore, we had said that we would announce the revised figures this November after assessing the figures for H1 of the current fiscal year. However, we have decided to disclose the management target figures together with the forecast for the fiscal year ending March 31, 2024, at the announcement of the fiscal year ending March 31, 2023, in May next year.

The primary reason for the change is to determine the profit level at the end of FY2023/03, as we expect earnings momentum to keep continuing in H2, which has been progressing above plan in Q1 and Q2. The second reason is to improve the accuracy of the profit forecast for FY2024/03, where there are concerns about downward pressure on earnings due to the elimination of spot sales, inventory adjustments by customers, and other factors.

In this way, we would like to report you our management targets with a high degree of certainty of realization based on a thorough assessment of both upside and downside risks.

## EMS Business growth investment: new factory in Malaysia

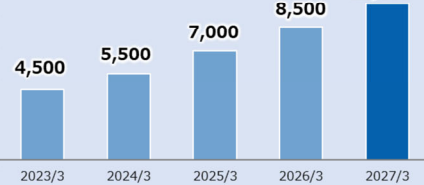


### 【Outline of the new factory in Malaysia】

Site area	11,300㎡
Floor area	11,150㎡
Number of employee	900 (max. 950)
Scheduled commencement of operations	October, 2022
Items produced	<ul style="list-style-type: none"> <li>• Various power supply products</li> <li>• Sanitary equipment, Industrial equipment, and electrical equipment substrates for consumer electronics</li> </ul>

### Sales Plan for FY22 to FY26

(million Yen)



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From here, I would like to report on two growth investments in the EMS business.

The first is a new plant in Malaysia. As we have already announced in a press release, we have been producing electrical circuit boards for power supply products, sanitary equipment, and consumer electronics in Malaysia since 2000. With the semiconductor shortage and supply chain disruptions beginning to dissipate, and with a rapid recovery in customer requests for increased production and new inquiries, we have decided to renew our existing aging factory buildings and facilities and establish a system that can respond to strong demand. Mass production began from the end of October.

The new plant is 1.3 times larger than the old plant, and cutting-edge equipment is installed to further improve production quality and efficiency. In addition to an increase in orders from existing customers, we aim to achieve sales of JPY10 billion within five years of the start of operations, with a view to meeting the needs for distributed production in the ASEAN region and receiving new orders from local companies.

## EMS Business growth investment: new factory in Turkey

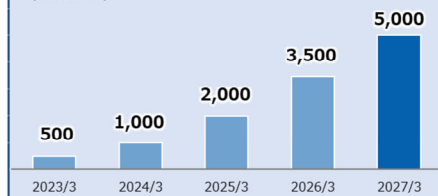


### 【Outline of the new factory in Turkey】

Site area	15,000㎡
Floor area	11,600㎡
Number of employee	330
Scheduled commencement of operations	June, 2023
Items produced	<ul style="list-style-type: none"> <li>•Electrical units for air conditioners</li> <li>•Substrates for electric tools</li> <li>•Automotive equipment substrates</li> </ul>

### Sales Plan for FY22 to FY26

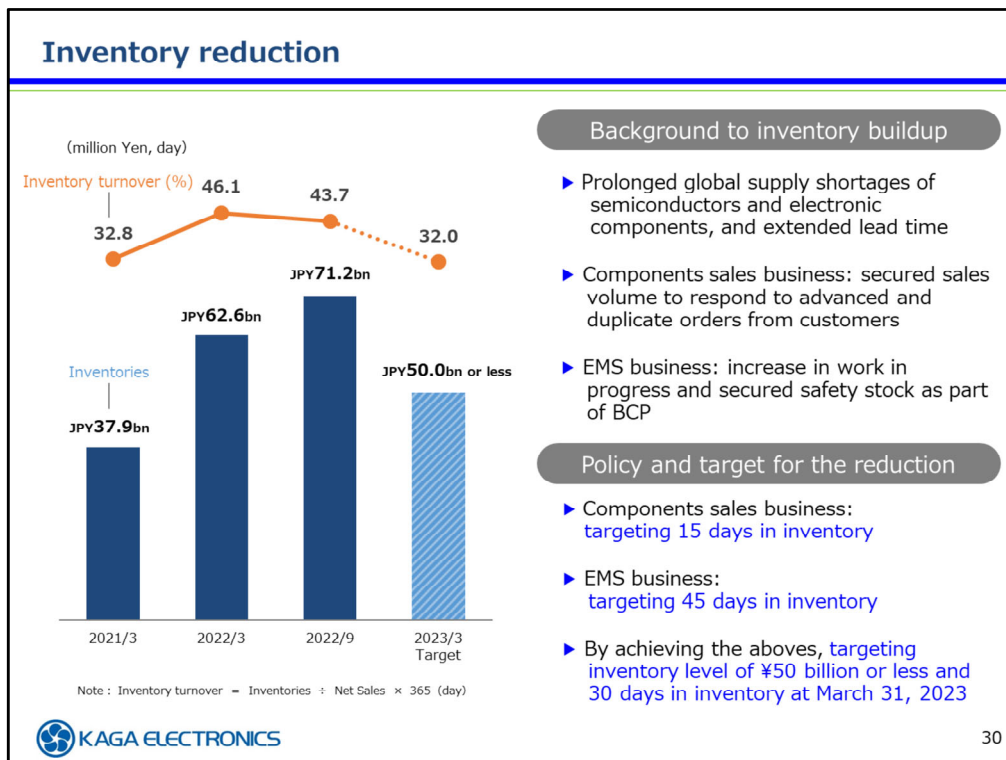
(million Yen)



Another new plant is under construction in Turkey to start mass production in June next year.

In Turkey, we made a capital investment in 2018 as a branch plant of the Czech plant, and since then we have been developing production mainly for air conditioning equipment-related unit assembly. This time, we have decided to construct a new plant in order to expand its functions and establish a system that can handle the mounting of electrical circuit boards in Turkey as well. In addition to meeting the needs of customers who are strengthening local production and local procurement in Europe, we will use Turkey as a base to expand our European operations for board mounting.

We aim to expand our customer base from air-conditioning equipment to in-vehicle and industrial equipment, and to achieve sales of JPY5 billion within five years of the start of operations.



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So far, I have explained offensive management, but in this slide, I will explain defensive management.

One of the most pressing management issues is inventory reduction. Many manufacturers have been reviewing their procurement policies and building up parts inventories over the past year or two against a backdrop of global shortages of semiconductors and electronic components, longer lead times, and disruptions in international logistics networks.

We are no exception. In our parts sales business, we need to secure the quantity of goods as customers place advance or duplicate orders. In the EMS business, there was an increase in work in process due to difficulties in procuring some components and securing safety stock as BCP.

As a result, inventories at the beginning of the current period were approximately JPY25 billion higher than a year ago, and the one in this September were approximately JPY8 billion higher than at the beginning of the period. Since these inventories are all on a firm order basis with customers, they will not remain stagnant, but in any case, we are working to convert them to cash as soon as possible.

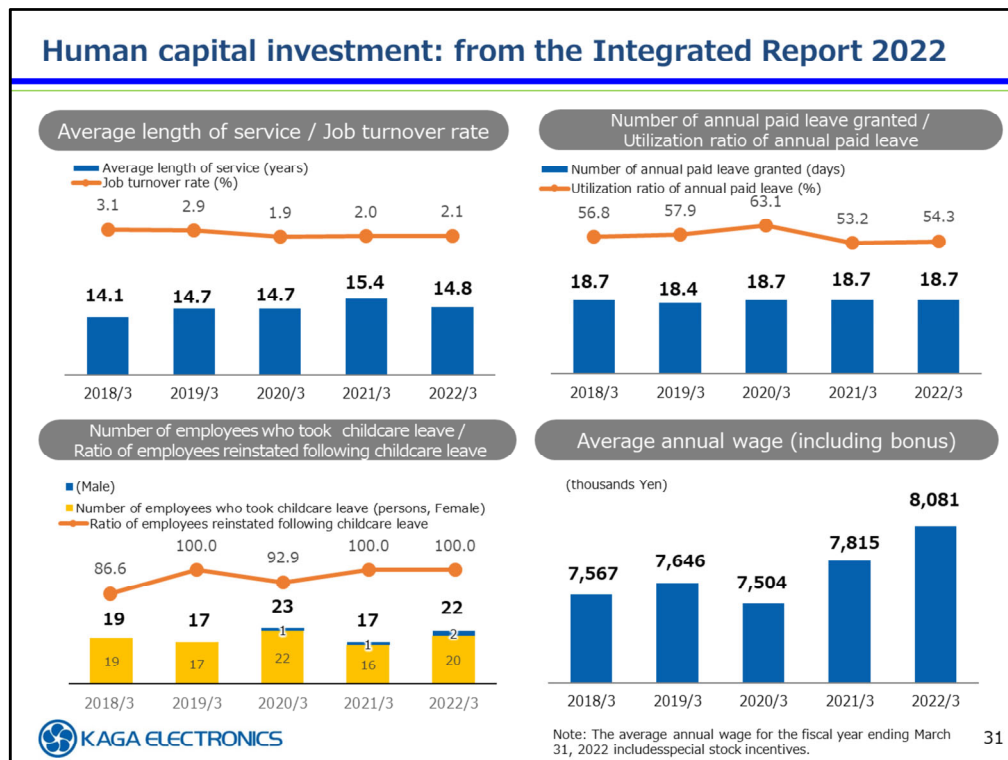
We believe that the increase in turnover days peaked out in Q2, and we will continue to reduce turnover days toward the end of March to 15 days in the



parts sales business and 45 days in the EMS business.

By achieving these goals, we expect to normalize inventory levels to less than JPY50 billion and turnover days to 30 days at the end of the current fiscal year.

At the same time, needless to say, cash will be generated.

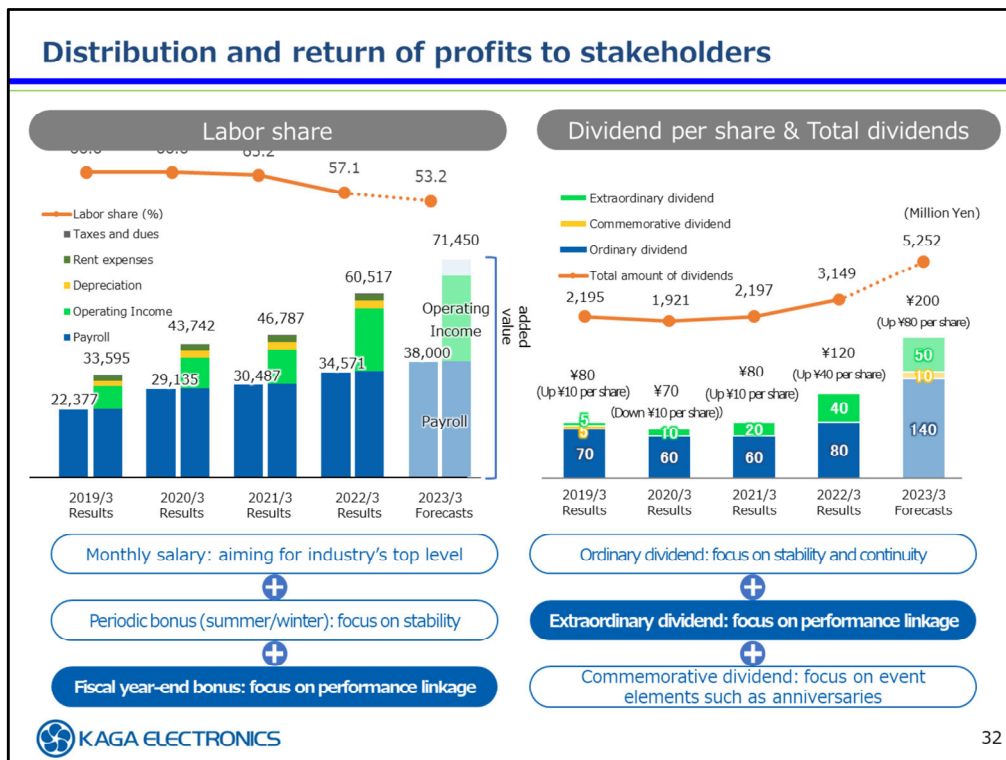


The last two slides were prepared from the perspective of sustainability management.

First, in terms of human investment, I have shown four graphs here. All of this information was disclosed in this year's integrated report. The average length of service is roughly 15 years, which is neither good nor bad, but the turnover rate is around 2%, which I believe is quite low.

The number of paid holidays granted is around 18 days, which is on par with the average, but we grant 6 days of refreshment leave in addition to this, which is not counted here. The paid leave utilization rate is around 55%, which is higher than the average of 48.6% for the wholesale and retail industries, according to data from the Ministry of Health, Labour and Welfare. About 20 employees take parental leave every year, and almost 100% return to work. Recently, some male employees have finally taken parental leave. Since there are still so few, we are in the process of educating our employee through internal newsletters and other means.

The average annual salary has been increasing aggressively every year, driven by the recent expansion of business performance. We recognize that our salaries are among the highest in the industry.



Since we have talked about salaries, the last slide presents two data on the distribution and return of profits to stakeholders.

First, the labor share has remained around 60%. We are aware that the average for the wholesale industry is about 50%, so this level is higher than that. In addition to monthly salaries and regular bonuses, we have a unique system of performance-linked year-end bonuses. The payment will be made when the financial results exceed the profit forecast.

At the same time, the return of profits to shareholders is also an important management issue. As noted here, the dividends are divided into three categories: ordinary dividends, special dividends, and commemorative dividends.

We emphasize stable and sustainable dividends for ordinary dividends, and performance-linked dividends for special dividends. We usually pay an ordinary dividend at the beginning of the fiscal year, and then revise the profit forecast upward during the fiscal year, or pay a special dividend if the financial results ultimately exceed the profit forecast.

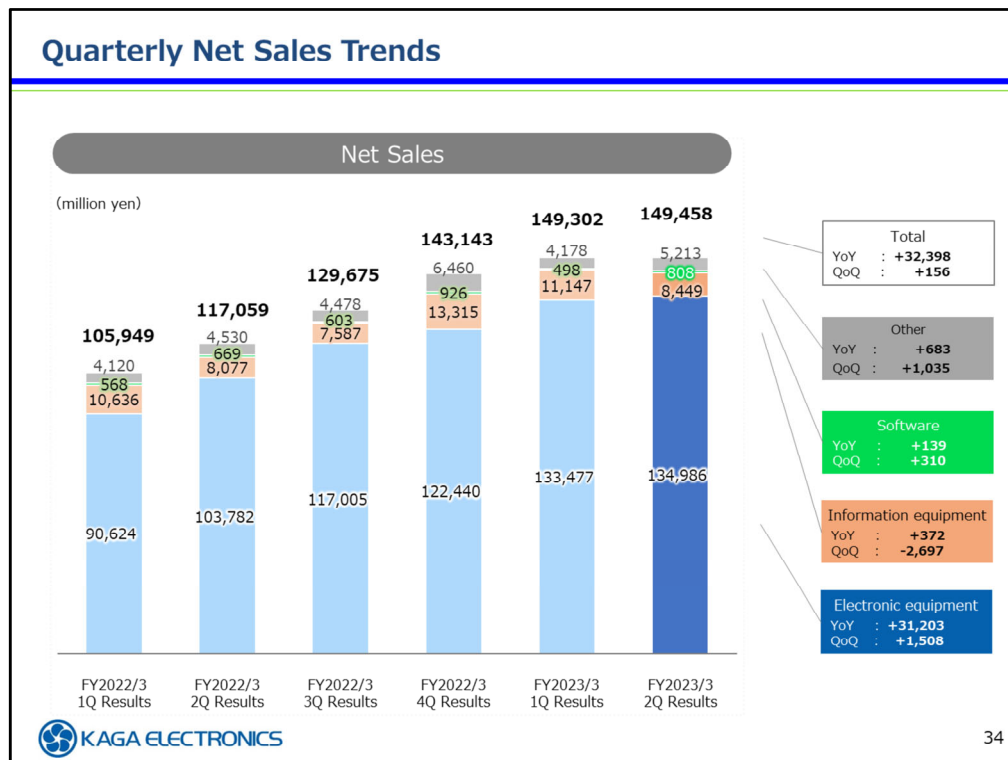
We have again revised our forecast to JPY200 per share by adding a special

dividend of JPY50 to the initial forecast of JPY150 per share.

This is the KAGA ELECTRONICS way of distributing and returning profits to stakeholders that reward employees with year-end bonuses and shareholders with special dividends in return for their good performance. This is the policy of our founder, Isao Tsukamoto, since the establishment of the Company: profits are shared by all, and we will continue to cherish this policy as part of our company DNA to be passed on to the next generation. We hope that all the investors gathered here today will join us in the circle of sharing.

This concludes my explanation. Thank you very much for your time today.

## Reference

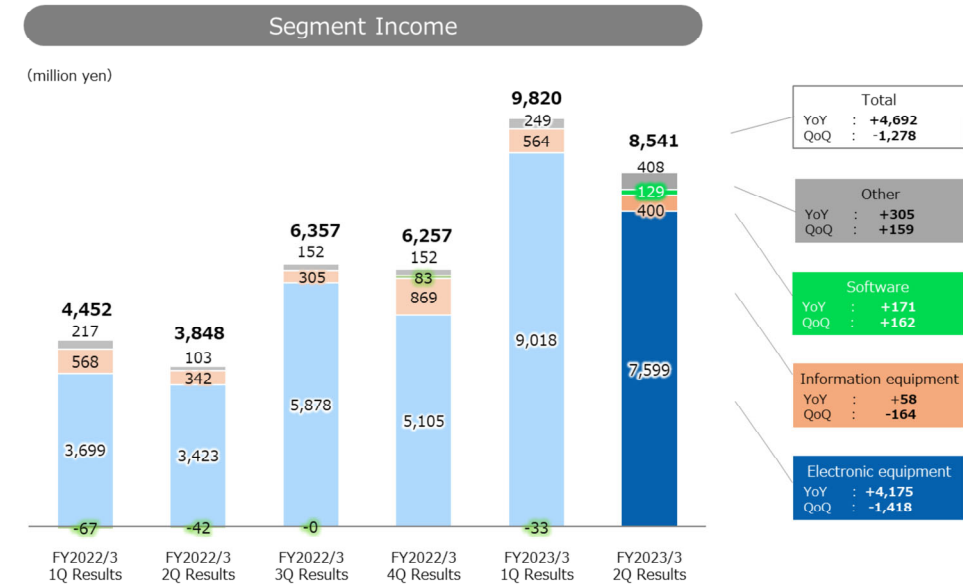


Here are the sales by region.

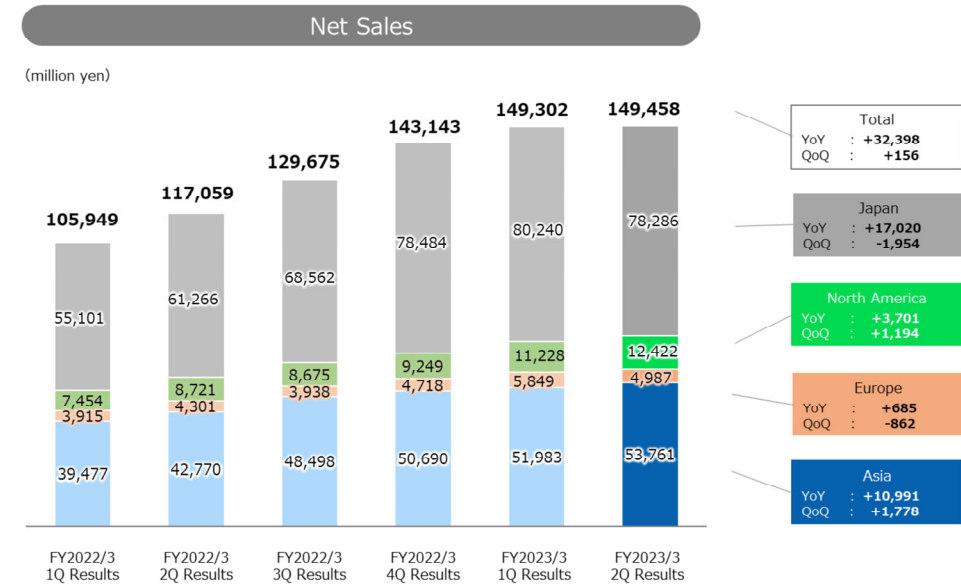
As of Q2 FY2023/03, sales by region were JPY78,286 million in Japan, which is in the gray area. The dark blue area at the bottom is Asia, with sales of JPY53,761 million.

Green is for North America, with sales of JPY12,422 million, and orange is for Europe, with sales of JPY4,987 million.

## Quarterly Segment Income Trends




## Net Sales by Region





Exchange Rate/FOREX Sensitivity					
	FY2022/3 2Q Results (Yen)	FY2023/3 2Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2023/3(yen)
			Net sales	Operating income	
USD	109.80	133.97	584	27	130.00
RMB	16.66	18.94	147	4	20.00
THB	3.42	3.79	145	8	3.50
HKD	14.13	17.07	98	3	16.50
EUR	130.90	138.73	5	0	135.00


Note: Forex assumption for 2023/3 3Q onwards

Finally, the exchange rate.

The applicable exchange rates as of this Q2 were JPY133.97 for the US dollar, JPY18.94 for Chinese yuan, JPY3.79 for Thai baht, and JPY17.07 for the Hong Kong dollar.

For your reference, the impact of the 1% change in the US dollar exchange rate on sales and operating profit will be JPY584 million in sales and JPY27 million in operating profit; the impact of the Chinese yuan will be JPY147 million in sales and JPY4 million in operating profit; the impact of Thai baht will be JPY145 million in sales and JPY8 million in operating profit; and the impact of the Hong Kong dollar will be JPY98 million in sales and JPY3 million in operating profit.

For FY2023/03, our internal plan assumes exchange rates of JPY130 for the US dollar JPY20 for the Chinese yuan, JPY3.5 for Thai baht and JPY16.5 for the Hong Kong dollar.

As of Q2 FY2023/03, the overall foreign currency transactions accounted is just under half of the total transaction value, and of those foreign currency transactions, just over half were denominated in US dollars.

I have now presented an overview of the financial results for Q2 2023. Thank

you for your attention.

**“Everything we do is  
for our customers**



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