

**Financial Results Briefing Material**  
for the First Half of the  
Fiscal Year Ending March 2024

**KAGA ELECTRONICS CO., LTD.**

TSE Prime Market 8154

November 24, 2023

**KAGA ELECTRONICS CO., LTD.**

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for the First Half of FY2024/3

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## **Consolidated Financial Results**


for the First Half of the  
Fiscal Year ended March 2024

Senior Executive Officer  
Head of Administration Headquarters  
**Yasuhiro Ishihara**

I am Ishihara from KagaElectronics.

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 first half of the fiscal year ending March 31, 2024.

Summary of Financial Results for FY2024/3 2Q														
<div>FY2024/3 2Q results</div> <div>FY2024/3 earnings forecast</div>	<ul style="list-style-type: none"> <li>Net sales decreased by 23.7 billion yen or 7.9% year on year to 275.0 billion yen. The decrease, despite sales growth in the information equipment business and the others business, <b>reflected disappearance of spot demand and emergence of some impact of inventory adjustments by customers in the electronic components business</b>, the Group's core business.</li> <li>Operating income decreased by 4.4 billion yen or 24.4% year on year to 13.8 billion yen. Lower income is attributable partly to provision of allowance for doubtful accounts recorded in 1Q associated with a business partner's filing for insolvency, in addition to decline in gross profit due to lower sales. <b>Excluding disappearance of spot demand and the one-off factor related to allowance for doubtful accounts, "earning power" in real terms maintained the previous year's level.</b></li> <li>Net income decreased by 2.0 billion yen or 15.0% year on year to 11.4 billion yen. <b>Gain on sales of investment securities and gain on bargain purchase associated with a corporate acquisition</b> were posted as <b>extraordinary income</b>.</li> <li>Upward momentum in 1Q was maintained in 2Q. <b>Net sales and operating income exceeded the internal plan, by 15.0 billion and 3.8 billion yen, respectively.</b></li> </ul>													
	<ul style="list-style-type: none"> <li>While an upward revision is in mind as better-than-expected performance continues, supporting first-half earnings momentum, earnings forecast revision is held off at this time to carefully assess the future demand trend, in light of a management environment that poses growing uncertainty about the outlook.</li> </ul> <table> <tr> <th></th><th>Net Sales</th><th>Operating income</th><th>Net income</th></tr> <tr> <td>FY2024/3 Forecasts (Announced on May 11, 2023)</td><td>JPY 550.0 bn</td><td>JPY 25.0 bn</td><td>JPY 18.0 bn</td></tr> <tr> <td>2Q Progress rate</td><td>50.0%</td><td>55.5%</td><td>63.4%</td></tr> </table>				Net Sales	Operating income	Net income	FY2024/3 Forecasts (Announced on May 11, 2023)	JPY 550.0 bn	JPY 25.0 bn	JPY 18.0 bn	2Q Progress rate	50.0%	55.5%
	Net Sales	Operating income	Net income											
FY2024/3 Forecasts (Announced on May 11, 2023)	JPY 550.0 bn	JPY 25.0 bn	JPY 18.0 bn											
2Q Progress rate	50.0%	55.5%	63.4%											
 <div>3</div>														

Results for the first half of the current fiscal year Net sales decreased by 23.7 billion yen from the previous year to 275.0 billion yen.

Operating income decreased by 4.4 billion yen from the previous year to 13.8 billion yen.

The primary cause of decreases in net sales and income is disappearance of spot demand in our mainstay electronic components business.

Other factors that pushed down sales and income include emergence of some impact of customers' inventory adjustments, and provision of allowance for doubtful accounts recorded in 1Q in connection with filing of a petition for civil rehabilitation proceedings by a certain business partner.

Profit decreased by 2.0 billion yen from the previous year to 11.4 billion yen, reflecting in part posting of gain on sales of investment securities and gain on bargain purchase associated with a corporate acquisition.

In comparison with the internal plan that factors in disappearance of spot demand and impact of customers' inventory adjustments, net sales were in excess by 15.0 billion yen and operating income by 3.8 billion yen.

Excluding disappearance of spot demand and one-off factors including allowance for doubtful accounts, our "earning power" in real terms maintained the previous year's level. The betterthan-expected performance vis-a-vis the internal plan observed in 1Q continued in 2Q.



Full-year earnings forecasts With respect to progress in 2Q against the full-year earnings forecasts announced on May 11, a good progress was made in general, with net sales at 50%, operating income at 55.5%, and profit at 63.4%.

In view of such progress achieved in business performance and the results that tend to exceed the internal plans, we discussed and considered whether or not to revise upward our full-year earnings forecasts. Given that the outlook was becoming increasingly uncertain, more so than at the start of the fiscal year, and as we wanted to carefully assess the future demand trend, we decided to leave the earnings forecasts unchanged at this time.

## Financial Highlights for FY2024/3 2Q

	(million yen)				
	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY	FY2024/3 Forecasts (Announced on May 11, 2023)	Progress rate
Net sales	298,760	<b>275,044</b>	-7.9%	550,000	50.0%
Gross Profit	40,001 <b>13.4%</b>	<b>35,160 12.8%</b>	-12.1%	—	—
SG&A	21,639 <b>7.2%</b>	<b>21,284 7.7%</b>	-1.6%	—	—
Operating income	18,361 <b>6.1%</b>	<b>13,876 5.0%</b>	-24.4%	25,000 <b>4.5%</b>	55.5%
Ordinary income	18,932 <b>6.3%</b>	<b>13,945 5.1%</b>	-26.3%	25,000 <b>4.5%</b>	55.8%
Profit attributable to owners of parent	13,412 <b>4.5%</b>	<b>11,404 4.1%</b>	-15.0%	18,000 <b>3.3%</b>	63.4%
EPS (yen)	510.88	<b>434.23</b>	—	685.42	—
Exchange Rate    yen / USD	133.97	<b>141.00</b>	—	135.00	—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 6,072 million yen on net sales and 194 million yen on operating income.

2. "x. x%" represents the ratio to net sales.

The financial highlights on the next page are as I have just explained.


Earnings per share (EPS) in the first half was 434.23 yen.

The average exchange rate during the first half was 141 yen against the U.S. dollar, which represents a depreciation of about 7 yen from the previous year and a depreciation of 6 yen from the assumed exchange rate of 135 yen used for the full-year earnings forecasts.

The year-on-year impact of foreign exchange fluctuations was an increase of approximately 6 billion yen in net sales and an increase of approximately 190 million yen in operating income. In comparison with the internal plan, the impact was an increase of approximately 70 million yen in operating income.

Results by Business Segment for FY2024/3 2Q						
(million yen)						
		FY2023/3 2Q Results	FY2024/3 2Q Results	YoY	FY2024/3 Forecasts (Announced on May 11, 2023)	Progress rate
Electronic Component	Net sales	268,464	<b>242,564</b>	-9.6%	471,500	51.4%
	Segment income	16,617 <b>6.2%</b>	<b>11,785</b> <b>4.9%</b>	-29.1%	20,700 <b>4.4%</b>	56.9%
Information Equipment	Net sales	19,597	<b>20,715</b>	5.7%	45,000	46.0%
	Segment income	965 <b>4.9%</b>	<b>1,280</b> <b>6.2%</b>	32.7%	2,500 <b>5.6%</b>	51.2%
Software	Net sales	1,307	<b>1,225</b>	-6.3%	4,500	27.2%
	Segment income	95 <b>7.3%</b>	<b>112</b> <b>9.2%</b>	18.2%	300 <b>6.7%</b>	37.7%
Others	Net sales	9,392	<b>10,539</b>	12.2%	29,000	36.3%
	Segment income	658 <b>7.0%</b>	<b>623</b> <b>5.9%</b>	-5.3%	1,500 <b>5.2%</b>	41.5%
Total	Net sales	298,760	<b>275,044</b>	-7.9%	550,000	50.0%
	Segment income	18,361 <b>6.1%</b>	<b>13,876</b> <b>5.0%</b>	-24.4%	25,000 <b>4.5%</b>	55.5%

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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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 attributable 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, combined with emergence of some impact of inventory adjustments by customers. 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 and industrial equipment. Against the full-year earnings forecasts, the electronic components business is progressing at over 50% in terms of both net sales and segment income.

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 progressed to over 50% of the full-year earnings forecasts, and income margin also exceeded the result of the previous fiscal year as

well as the internal plan figures.

In the software business, net sales were almost at the same level as the previous fiscal year, while segment income increased and, as with the information equipment business, income margin exceeded the result of the previous fiscal year and the internal plan figures.


In the others business, net sales increased year on year, and segment income was almost at the same level as the previous fiscal year.

Particularly with respect to segment income margin, all business segments exceeded full-year internal plan figures. Overall, operating income margin stood at 5% for the first half, against fullyear target of 4.5%.

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

Results by Company for FY2024/3 2Q					
(million yen)					
		FY2022/3 2Q Results	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY
Kaga Electronics	Net sales	125,272	168,400	<b>156,408</b>	-7.1%
	Gross Profit	18,850 <i>15.1%</i>	26,734 <i>15.9%</i>	<b>23,651 <i>15.1%</i></b>	-11.5%
	Operating income	6,402 <i>5.1%</i>	12,235 <i>7.3%</i>	<b>10,568 <i>6.8%</i></b>	-13.6%
Kaga FEI	Net sales	68,240	98,757	<b>98,766</b>	0.0%
	Gross Profit	6,325 <i>9.3%</i>	11,301 <i>11.4%</i>	<b>9,632 <i>9.8%</i></b>	-14.8%
	Operating income	1,067 <i>1.6%</i>	5,214 <i>5.3%</i>	<b>2,422 <i>2.5%</i></b>	-53.5%
Excel	Net sales	29,495	31,602	<b>19,869</b>	-37.1%
	Gross Profit	2,103 <i>7.1%</i>	1,991 <i>6.3%</i>	<b>1,925 <i>9.7%</i></b>	-3.3%
	Operating income	966 <i>3.3%</i>	866 <i>2.7%</i>	<b>865 <i>4.4%</i></b>	-0.1%
Total	Net sales	223,009	298,760	<b>275,044</b>	-7.9%
	Gross Profit	27,133 <i>12.2%</i>	40,001 <i>13.4%</i>	<b>35,160 <i>12.8%</i></b>	-12.1%
	Operating income	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	<b>13,876 <i>5.0%</i></b>	-24.4%

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

Moving on to performance by company, I would like to explain the points that I wish to draw your attention to.

In KagaElectronics proper, net sales and income decreased from the previous fiscal year, largely reflecting disappearance of spot demand. However, compared with the year prior to the previous fiscal year when the benefits of spot demand were still small, we can see that net sales, operating income, and operating income margin all increased significantly.

In the KagaFEI Group, despite disappearance of spot demand, net sales maintained the previous fiscal year's level. Comparison with the year prior to the previous fiscal year shows significant improvement in its sales power. Although income was pushed down notably by posting of allowance for doubtful accounts associated with a certain customer, we can see that, as with KagaElectronics, both operating income and operating income margin increased significantly when compared with the year prior to the previous fiscal year.

In Excel Group, despite a decrease in sales to a major customer, profit-generating ability was enhanced with improved sales mix, enabling the company to maintain gross profit and operating income at almost the same levels as the previous fiscal year, and improve operating income margin significantly, to 4.4%.

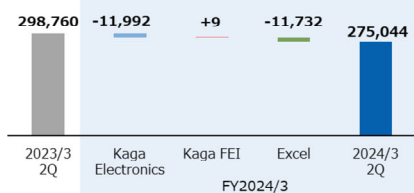
Thus although in a year-on-year comparison, net sales and income both

recorded decreases, if you look at our performance by taking into account such things as one-off factors in the context of the trend to date, I believe you can recognize that post-merger integration is progressing steadily particularly at the KagaFEI Group and Excel Group, with dramatic changes and growth in their sales power and profit-generating ability, and that the “earning power” of the whole Group, including KagaElectronics proper, is steadily increasing. Please also refer to the graphs on page 6.

## Effect of M&A for FY2024/3 2Q

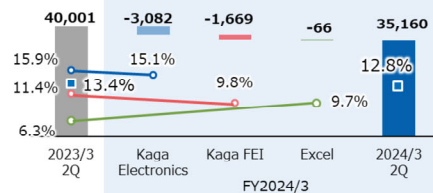
### Net Sales

Kaga Electronics posted a sales decrease due partly to disappearance of spot demand. Excel saw a decrease in sales to a major customer.



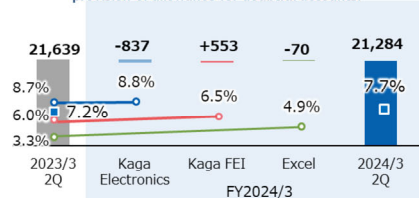
### Gross profit / Gross profit margin

Kaga Electronics and Kaga FEI both recorded a gross profit decrease due partly to disappearance of spot demand. Improved sales mix helped Excel to maintain profit at nearly the same level as last year.



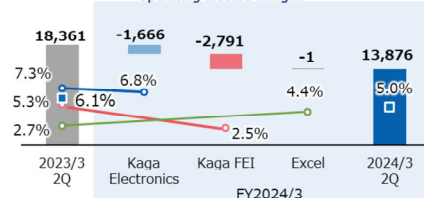
### SG&A / SG&A ratio

SG&A expenses declined in both Kaga Electronics and Excel due to lower sales. Kaga FEI's expenses increased due partly to the provision of allowance for doubtful accounts.



### Operating income / Operating income margin

Kaga Electronics and Kaga FEI recorded a decrease in operating income. Excel secured last year's income level with improved operating income margin.



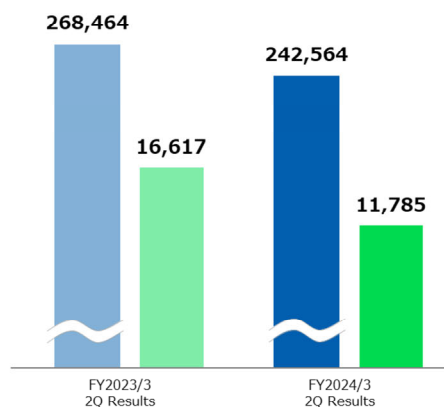
Note : With respect to gross profit and operating income, figures presented above are before consolidation adjustments between the two companies. For reference, after consolidation adjustments, gross profit stood at -47million yen, and operating income came to 19million yen.

## Financial Highlights: Electronic Component Segment

### Net sales/Segment income

(million yen)

■ Net Sales  
■ Segment income



### YoY

• Net Sales ▶ **-25,899**million yen **9.6%Down**  
• Segment income ▶ **-4,831**million yen **29.1%Down**

• Both net sales and income decreased in the component sales business due to partial emergence of the impact of customers' inventory adjustments, 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.

• 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 and industrial equipment, despite sales growth in the automotive sector resulting from improved supply and demand balance of semiconductors and electronic components.



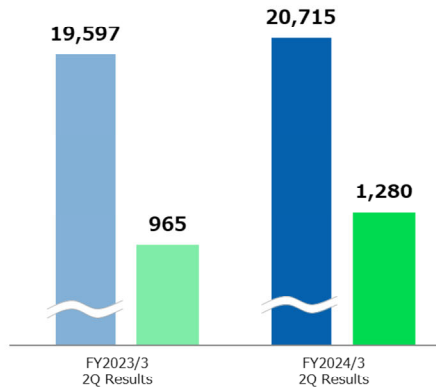


## Financial Highlights: Information Equipment Segment

### Net sales/Segment income

(million yen)

■ Net Sales  
■ Segment income



### YoY

• Net Sales ▶ **+1,118million yen 5.7%Up**  
• Segment income ▶ **+315million yen 32.7%Up**

- Sales of PCs to 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.




Financial Highlights for FY2024/3 2Q (3 months)

Reference

(million yen)

	FY2023/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Net sales	149,458	137,694	137,350	-8.1%	-0.3%
Gross Profit	20,163 13.5%	17,553 12.7%	17,607 12.8%	-12.7%	0.3%
SG&A	11,621 7.8%	10,559 7.7%	10,725 7.8%	-7.7%	1.6%
Operating income	8,541 5.7%	6,994 5.1%	6,882 5.0%	-19.4%	-1.6%
Ordinary income	9,073 6.1%	6,909 5.0%	7,035 5.1%	-22.5%	1.8%
Profit attributable to owners of parent	6,427 4.3%	5,767 4.2%	5,636 4.1%	-12.3%	-2.3%
EPS (yen)	244.79 —	219.63 —	214.60 —	—	—

Note: "x. x%" represents the ratio to net sales.



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In the past three months, net sales, operating income, and income margin were all almost at the same levels as in the first quarter and exceeded the internal plan, maintaining the upward momentum of 1Q.

Please also refer to pages 10 to 14 for information by quarter.

## Results by Business Segment for FY2024/3 2Q (3 months) Reference

(million yen)

		FY2023/3 2Q Results		FY2024/3 1Q Results		FY2024/3 2Q Results		YoY	QoQ
Electronic Component	Net sales	134,986		120,015		<b>122,549</b>		-9.2%	2.1%
	Segment income	7,599	5.6%	5,922	4.9%	<b>5,862</b>	4.8%	-22.9%	-1.0%
Information Equipment	Net sales	8,449		12,050		<b>8,664</b>		2.5%	-28.1%
	Segment income	400	4.7%	746	6.2%	<b>533</b>	6.2%	33.4%	-28.5%
Software	Net sales	808		577		<b>647</b>		-19.9%	12.3%
	Segment income	129	16.0%	-4	-0.8%	<b>117</b>	18.1%	-9.0%	—
Others	Net sales	5,213		5,050		<b>5,488</b>		5.3%	8.7%
	Segment income	408	7.8%	291	5.8%	<b>331</b>	6.0%	-18.9%	13.8%
Total	Net sales	149,458		137,694		<b>137,350</b>		-8.1%	-0.3%
	Segment income	8,541	5.7%	6,994	5.1%	<b>6,882</b>	5.0%	-19.4%	-1.6%

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 2Q (3 months)

Reference

(million yen)

		FY2023/3 2Q Results		FY2024/3 1Q Results		FY2024/3 2Q Results	YoY	QoQ
Kaga Electronics	Net sales	84,061		78,615		<b>77,792</b>	-7.5%	-1.0%
	Gross Profit	13,693	16.3%	12,146	15.5%	<b>11,504</b>	14.8%	-16.0%
	Operating income	5,983	7.1%	5,663	7.2%	<b>4,905</b>	6.3%	-18.0%
Kaga FEI	Net sales	51,005		48,135		<b>50,631</b>	-0.7%	5.2%
	Gross Profit	5,516	10.8%	4,379	9.1%	<b>5,252</b>	10.4%	-4.8%
	Operating income	2,173	4.3%	797	1.7%	<b>1,625</b>	3.2%	-25.2%
Excel	Net sales	14,392		10,943		<b>8,925</b>	-38.0%	-18.4%
	Gross Profit	1,004	7.0%	1,014	9.3%	<b>910</b>	10.2%	-9.3%
	Operating income	403	2.8%	485	4.4%	<b>379</b>	4.3%	-6.0%
Total	Net sales	149,458		137,694		<b>137,350</b>	-8.1%	-0.3%
	Gross Profit	20,163	13.5%	17,553	12.7%	<b>17,607</b>	12.8%	-12.7%
	Operating income	8,541	5.7%	6,994	5.1%	<b>6,882</b>	5.0%	-19.4%

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

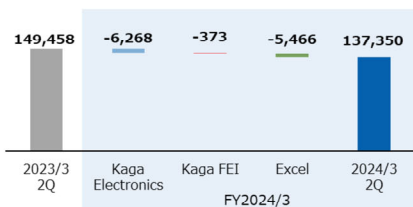
2. "x. x%" represents the profit margin.

## Effect of M&A for FY2024/3 2Q (3 months)

Reference

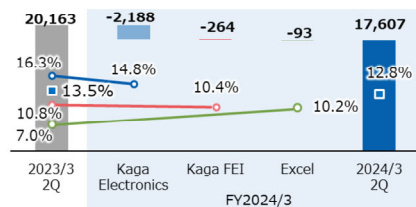
### Net Sales

All three companies recorded a decrease in net sales due to a sales decrease in the electronic components business.



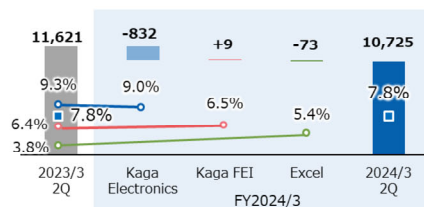
### Gross profit / Gross profit margin

Gross profit decreased in all three companies due to a sales decrease.



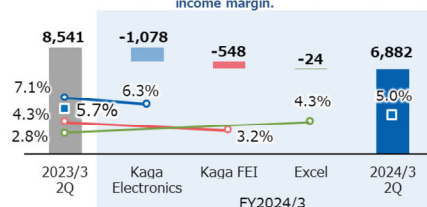
### SG&A / SG&A ratio

SG&A expenses decreased in Kaga Electronics and Excel due to a sales decrease.



### Operating income / Operating income margin

Operating income decreased in both Kaga Electronics and Kaga FEI. Excel secured last year's income level with improved operating income margin.



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 -60million yen, and operating income came to -28million yen.

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

Reference

### Net sales/Segment income

(million yen)

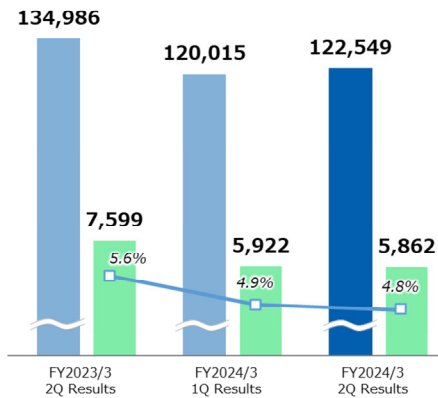
- / ■ Net Sales
- / ■ Segment income

### YoY

- Net Sales ▶ **-12,437** million yen **9.2%Down**
- Segment income ▶ **-1,736** million yen **22.9%Down**

### QoQ

- Net Sales ▶ **+2,533** million yen **2.1%Up**
- Segment income ▶ **-60** million yen **1.0%Down**



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

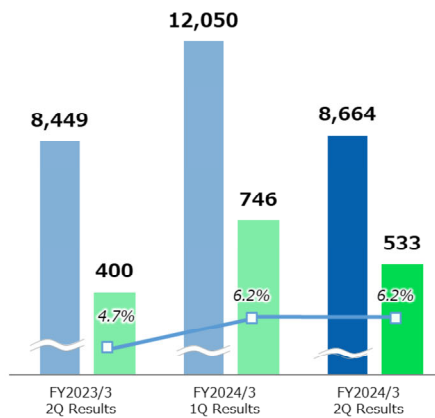
## Financial Highlights: Information Equipment Segment (3 months)

Reference

### Net sales/Segment income

(million yen)

■ Net Sales  
■ Segment income



### YoY

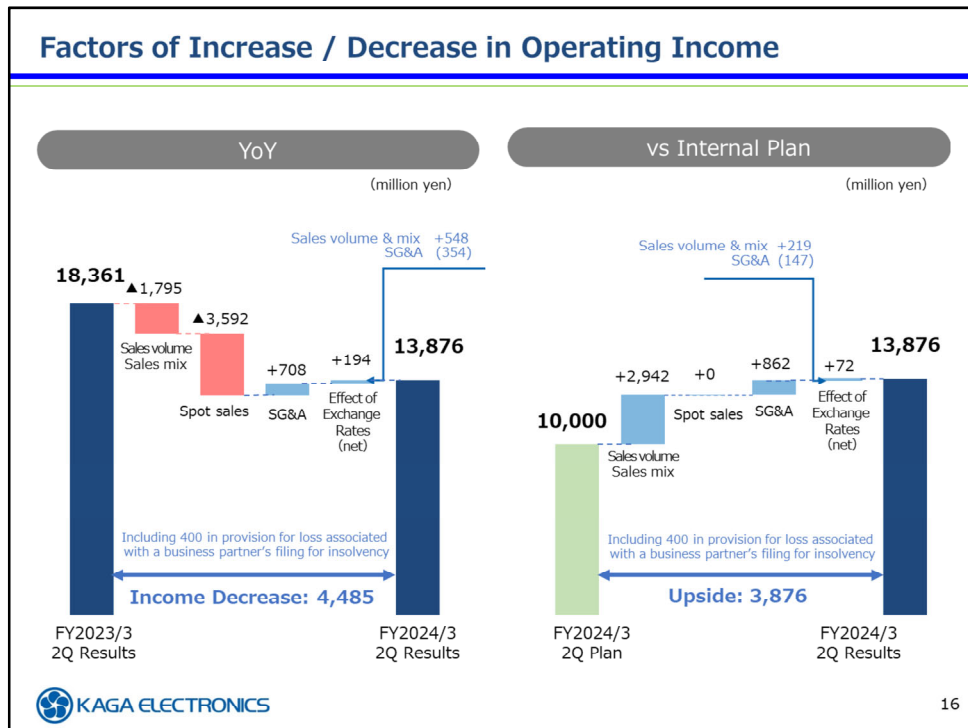
● Net Sales ▶ +215million yen 2.5%Up  
● Segment income ▶ +133million yen 33.4%Up

### QoQ

● Net Sales ▶ -3,385million yen 28.1%Down  
● Segment income ▶ -212million yen 28.5%Down



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



I will now explain the causes of fluctuation in operating income.

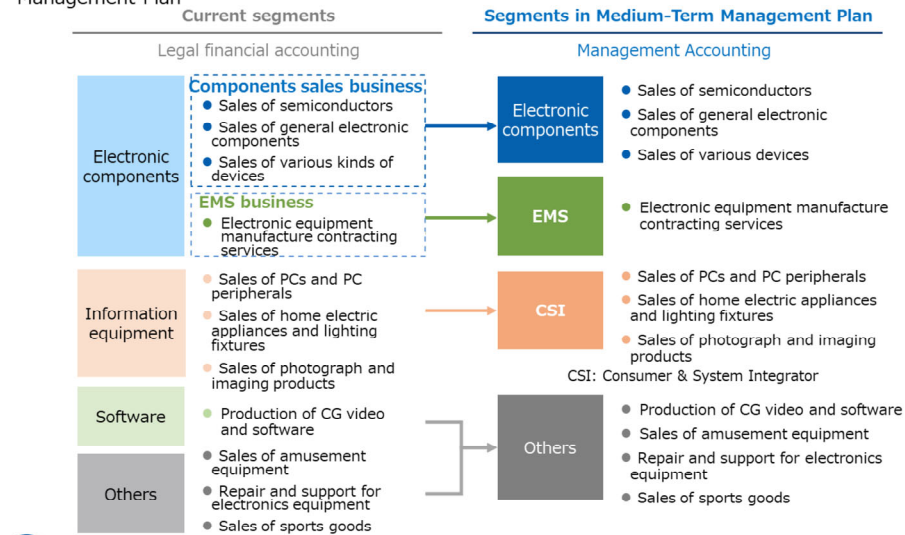
In a year-on-year comparison, operating income decreased by 4.4 billion yen, a large part of which was accounted for by disappearance of spot sales, which resulted in an income decrease of 3.6 billion yen. Other causes of the fluctuation were an income decrease of 1.2 billion yen due to a decrease in sales volume and changes in sales mix, and an income increase of 0.4 billion yen due to reduced SG&A expenses.

Vis-a-vis the internal plan, the result was 3.8 billion yen higher. This largely consisted of 3.1 billion yen attributable to an increase in sales volume and changes in sales mix, and 0.7 billion yen due to reduction in SG&A expenses.



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

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



## Financial Highlights by Business Segment of the Medium-Term Management Plan

Reference

(million yen)

		FY2022/3 2Q Results	FY2023/3 2Q Results	FY2024/3 2Q Results	YoY
Electronic Component	Net sales	144,790	202,867	<b>184,368</b>	-9.1%
	Segment income	3,948 <b>2.7%</b>	11,689 <b>5.8%</b>	<b>8,002 4.3%</b>	-31.5%
EMS	Net sales	53,453	69,486	<b>62,122</b>	-10.6%
	Segment income	3,322 <b>6.2%</b>	5,311 <b>7.6%</b>	<b>4,143 6.7%</b>	-22.0%
CSI	Net sales	18,713	19,597	<b>20,715</b>	5.7%
	Segment income	910 <b>4.9%</b>	965 <b>4.9%</b>	<b>1,280 6.2%</b>	32.7%
Others	Net sales	6,052	6,809	<b>7,837</b>	15.1%
	Segment income	64 <b>1.1%</b>	369 <b>5.4%</b>	<b>375 4.8%</b>	1.6%
Total	Net sales	223,009	298,760	<b>275,044</b>	-7.9%
	Segment income	8,300 <b>3.7%</b>	18,361 <b>6.1%</b>	<b>13,876 5.0%</b>	-24.4%

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.

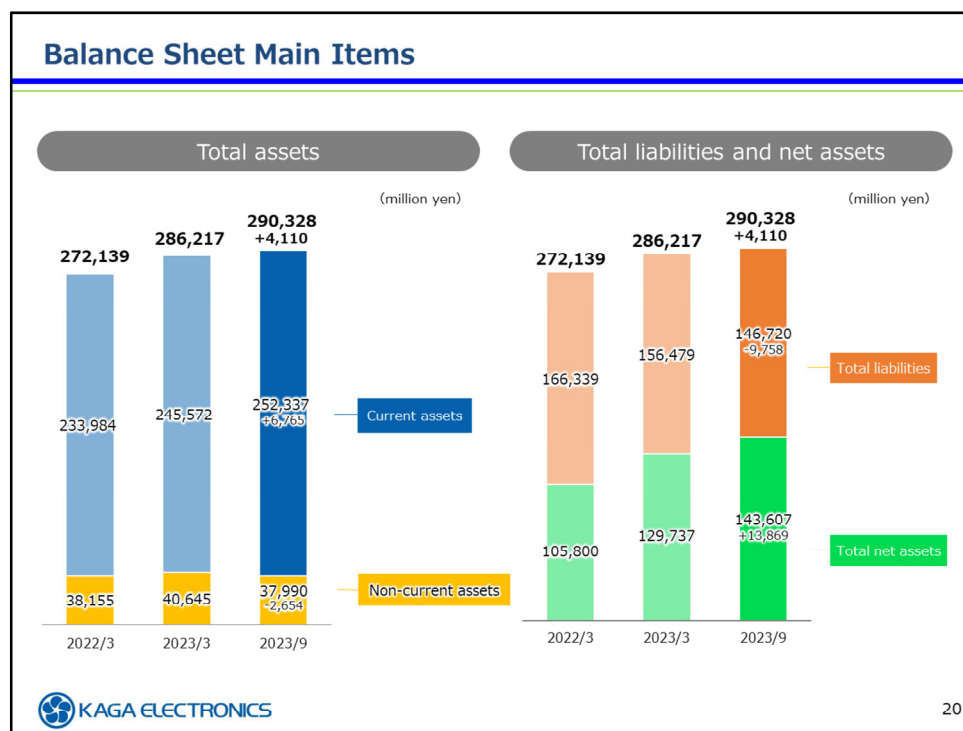
## Financial Highlights by Business Segment of the Medium-Term Management Plan (3months)

Reference

(million yen)

		FY2022/3 2Q Results	FY2024/3 1Q Results	FY2024/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	101,422	90,115	<b>94,253</b>	-7.1%	4.6%
	Segment income	5,148 <b>5.1%</b>	3,695 <b>4.1%</b>	<b>4,307 4.6%</b>	-16.3%	16.6%
EMS	Net sales	35,619	31,773	<b>30,348</b>	-14.8%	-4.5%
	Segment income	2,698 <b>7.6%</b>	2,433 <b>7.7%</b>	<b>1,709 5.6%</b>	-36.7%	-29.8%
CSI	Net sales	8,449	12,050	<b>8,664</b>	2.5%	-28.1%
	Segment income	400 <b>4.7%</b>	746 <b>6.2%</b>	<b>533 6.2%</b>	33.4%	-28.5%
Others	Net sales	3,967	3,754	<b>4,083</b>	2.9%	8.8%
	Segment income	289 <b>7.3%</b>	81 <b>2.2%</b>	<b>294 7.2%</b>	1.6%	262.7%
Total	Net sales	149,458	137,694	<b>137,350</b>	-8.1%	-0.3%
	Segment income	8,541 <b>5.7%</b>	6,994 <b>5.1%</b>	<b>6,882 5.0%</b>	-19.4%	-1.6%

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.



I will now move on to the balance sheet, starting with assets.

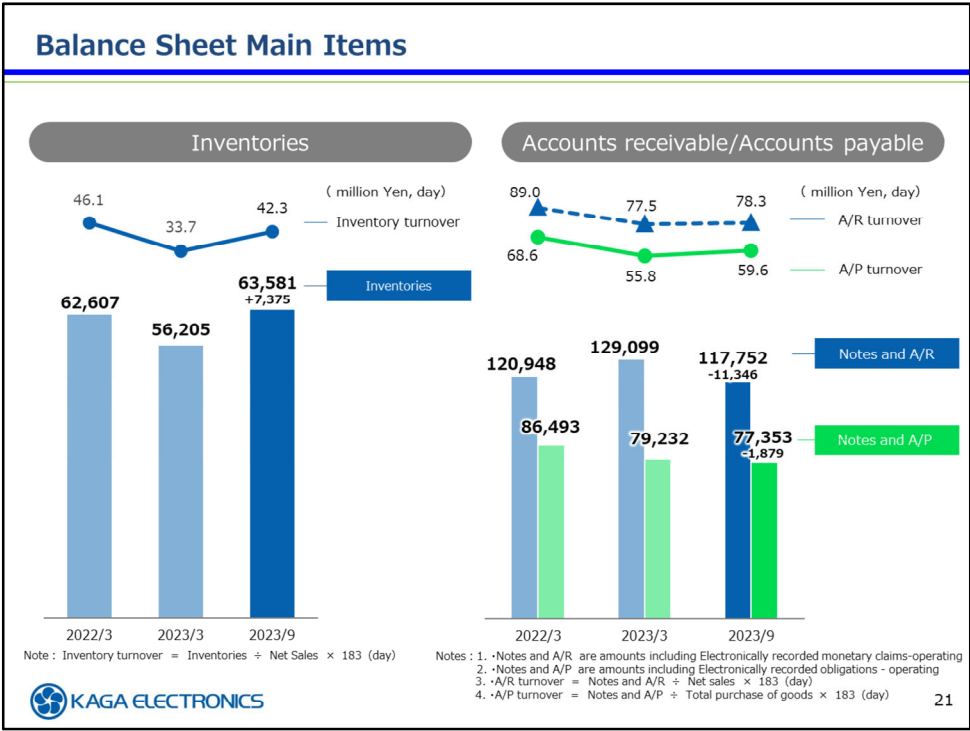
Current assets increased by 6.7 billion yen from the end of the previous fiscal year to 252.3 billion yen, due in part to an increase in cash and deposits. Non-current assets decreased by 2.6 billion yen from the end of the previous fiscal year to 38.0 billion yen, due notably to amortization and sale of investment securities. Total assets increased by 4.1 billion yen from the end of the previous fiscal year to 290.3 billion yen.

Liabilities decreased by 9.7 billion yen from the end of the previous fiscal year to 146.7 billion yen, due primarily to payments of income taxes payable and accounts payable.

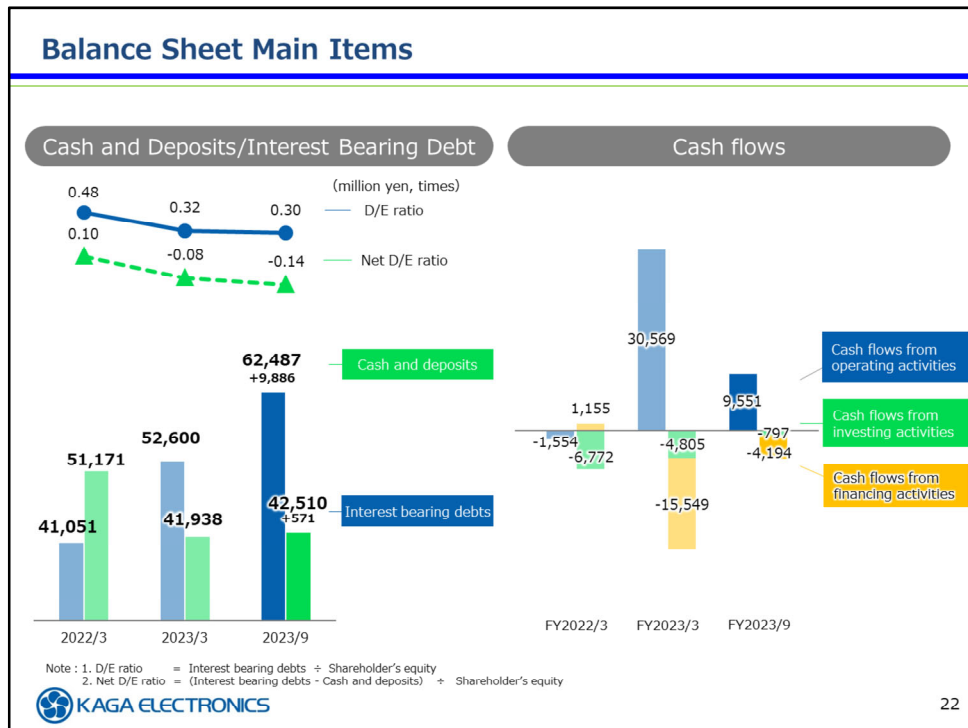
Net assets increased by 13.8 billion yen from the end of the previous fiscal year to 143.6 billion, due partly to an increase in retained earnings.

As a result of the increase in current assets and decrease in current liabilities, the current ratio improved to 215.6%.

The equity ratio improved by 4.1 percentage points from 45.3% at the end of the previous fiscal year to 49.4%, recovering to the level before the M&A deal to create the KagaFEI Group.



Inventories increased by 7.3 billion yen from the end of the previous fiscal year to 63.5 billion yen, partly due to inventory adjustments by key customers. Inventory turnover was 42 days, and is on a rising trend. We are strengthening our efforts to reduce inventories by the end of the fiscal year.




Interest-bearing debt stood at 42.5 billion yen, showing no significant change from the end of the previous fiscal year, and the debt-to-equity ratio (D/E ratio) was kept low at 0.3% due to an increase in equity through profit generation.

The balance of cash and deposits increased by 9.8 billion yen from the end of the previous fiscal year to 62.4 billion yen. As a result of the increase in cash and deposits, the net D/E ratio stood at negative 0.14%, remaining in the negative as it did at the end of the previous fiscal year. We are working on strengthening our financial foundation in preparation for the next stage, to build a sound and stronger financial structure.

## Forecasts for FY2024/3

Forecasts for FY2024/3			
	(million yen)		
	FY2023/3 Results	FY2024/3 Forecasts (Announced on May 11, 2023)	YoY
Net sales	608,064	550,000	-9.5%
Operating income	32,249 5.3%	25,000 4.5%	-22.5%
Ordinary income	32,739 5.4%	25,000 4.5%	-23.6%
Profit attributable to owners of parent	23,070 3.8%	18,000 3.3%	-22.0%
EPS (yen)	878.65	685.42	-
ROE	19.6%	13.3%	-6.3pt
Annual dividend (yen)	220.00 Ordinary dividend 140.00 Commemorative dividend 10.00 Extraordinary dividend 70.00	220.00 Ordinary dividend 220.00	-

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

 KAGA ELECTRONICS

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## Full-year earnings forecasts for the fiscal year ending March 2024

As I mentioned at the opening of this session, in light of the progress made in the first half and the upward trend against the internal plan, we discussed and considered internally whether or not to revise the full-year earnings forecasts that we presented at the beginning of the current fiscal year, namely net sales of 550 billion yen, operating income and ordinary income of 25 billion yen, and profit of 18 billion yen, and decided to leave the earnings forecasts, as well as annual dividend of 220 yen, unchanged at this time in view of the ever-increasing uncertainty about the outlook and also as we would like to carefully assess the future demand trend.

Based on the full-year earnings forecasts, we anticipate ROE at the end of the current fiscal year to be 13.3%.

Page 24 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 do have a look.



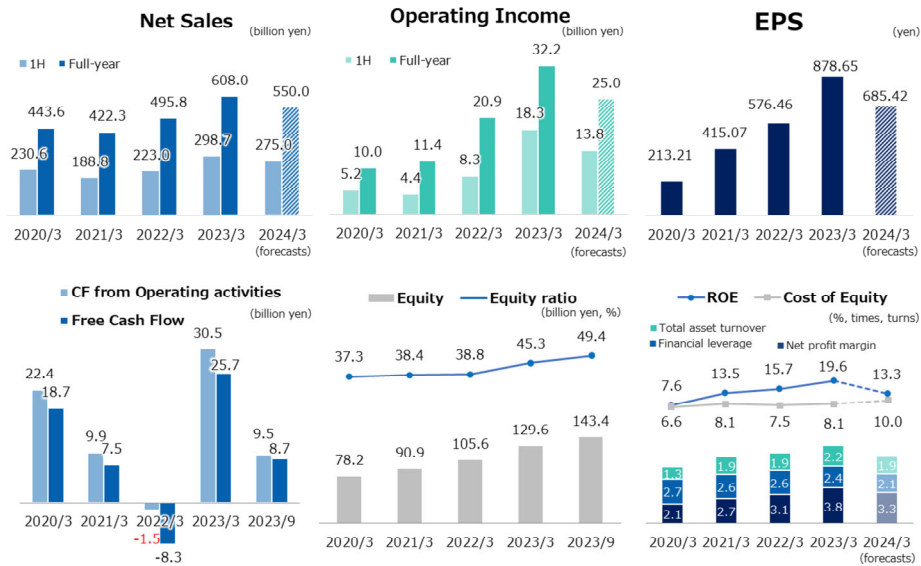
## Forecasts by Business Segment for FY2024/3

(million yen)

		FY2023/3 Results	FY2024/3 Forecasts (Announced on May11, 2023)	YoY
Electronic Component	Net sales	539,342	471,500	-12.6%
	Segment income	28,314 5.2%	20,700 4.4%	-26.9%
Information Equipment	Net sales	43,680	45,000	3.0%
	Segment income	2,449 5.6%	2,500 5.6%	2.1%
Software	Net sales	2,998	4,500	50.1%
	Segment income	286 9.6%	300 6.7%	4.6%
Others	Net sales	22,044	29,000	31.6%
	Segment income	1,101 5.0%	1,500 5.2%	36.1%
Total	Net sales	608,064	550,000	-9.5%
	Segment income	32,249 5.3%	25,000 4.5%	-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.

## Latest 5 years Financial Trends




## Management Topics

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

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

I would now like to present our management topics for the first half of the fiscal year ending March 2024.

There are three main topics, which are financial results, the EMS business, and human capital-related initiatives.

FY2024/3 2Q Financial Results: Review of the First Half and Outlook for the Second Half											
Initial forecast assumptions and progress up to 2Q	<p><b>Assumptions</b> Incorporated "impact of inventory adjustments" and "disappearance of spot demand" in the electronic components business</p> <p><b>Progress in 2Q</b> (1) Disappearance of spot demand: as anticipated (2) Impact of inventory adjustments: impact emerged partially but not as much as anticipated</p> <p>→ <b>Net sales and operating income decreased year on year, but both exceeded the internal plan, by 15.0 billion yen and 3.8 billion yen, respectively</b></p>										
Increase/decrease factors in 2Q in electronic components business	<p>● Main factors behind 2Q net sales decrease in electronic components business</p> <table> <tr> <th>FY2023/3</th><th>FY2024/3</th></tr> <tr> <td>268.4 billion yen</td><td>242.5 billion yen : (25.9) billion yen</td></tr> <tr> <td></td><td>(15.5) billion yen: Spot sales</td></tr> <tr> <td></td><td>(13.0) billion yen: Excel's sales to a major customer</td></tr> <tr> <td></td><td>+ 2.5 billion yen</td></tr> </table> <p>● Sales status with the top 20 customers by sales</p> <p>Group in adjustment process: industrial equipment, medical, air-conditioning, etc. ... (13.0) billion yen</p> <p>Group with solid sales: in-vehicle, amusement, consumer-related, etc. ... +17.0 billion yen</p>	FY2023/3	FY2024/3	268.4 billion yen	242.5 billion yen : (25.9) billion yen		(15.5) billion yen: Spot sales		(13.0) billion yen: Excel's sales to a major customer		+ 2.5 billion yen
FY2023/3	FY2024/3										
268.4 billion yen	242.5 billion yen : (25.9) billion yen										
	(15.5) billion yen: Spot sales										
	(13.0) billion yen: Excel's sales to a major customer										
	+ 2.5 billion yen										
FY 2024/3 2H outlook	<ul style="list-style-type: none"> <li>Upside: better-than-expected performance to be maintained as alternative sales and new transactions originating from spot sales continue</li> <li>Downside: possibility that impact of inventory adjustment would linger to the second half</li> <li>In addition, uncertainty is rising amid heightening geopolitical risks and other situations. In light of such management environment, upward revision to earnings forecast is held off at this time.</li> </ul>										
 <span>28</span>											

First, I would like to give you a summary of our financial results for the first half of the fiscal year ending March 2024, and our forecast for the full year.

For this fiscal year, we forecast decreases in net sales and income because in the assumption, we have factored in the two aspects of "impact of inventory adjustments" in the electronic components business resulting from easing of the supply and demand situation for semiconductors and electronic components, and "disappearance of spot demand," which contributed to earnings in the previous two fiscal years.

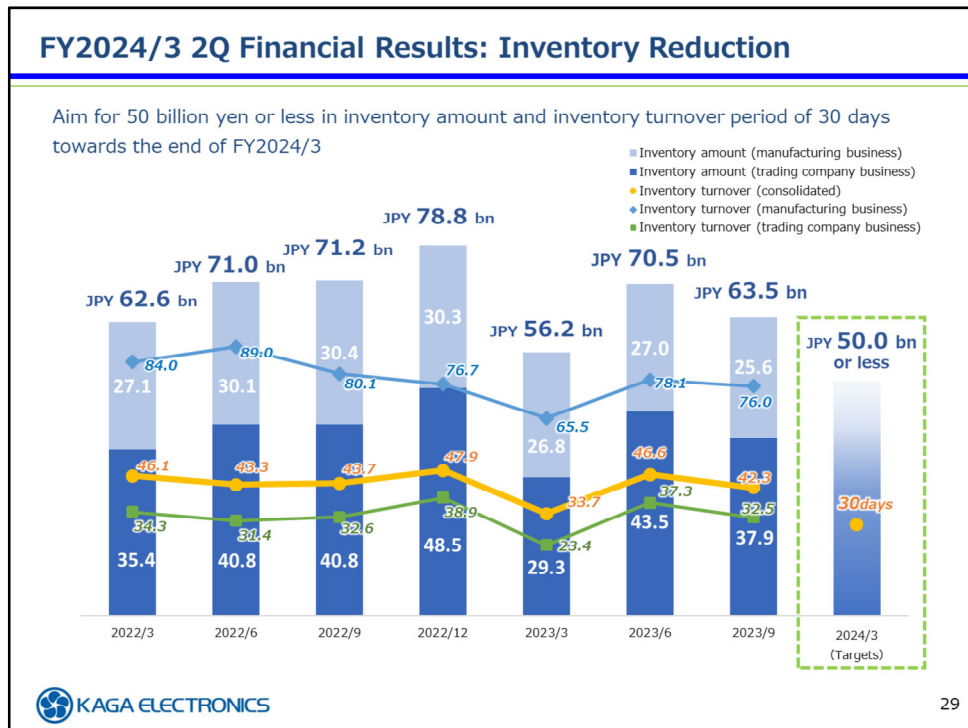
Looking at the progress made up to the second quarter, net sales in the electronic components business recorded a decrease of 25.9 billion yen year on year, but exceeded the internal plan by 17.0 billion yen. Overall, net sales exceeded the internal plan by 15.0 billion yen. Considering these results, we believe that disappearance of spot demand was as anticipated, while impact of inventory adjustments did not emerge as much as anticipated.

In addition, aside from disappearance of spot demand, another major factor behind lower net sales in the electronic components business was the decrease in sales to a major customer of Excel. Excluding these factors, net sales were almost flat year on year. Looking at year-on-year changes in sales

to the top 20 companies (in terms of sales), which our major customers, a decrease of approximately 13.0 billion yen was recorded in sales to the industrial equipment, medical, and air-conditioning industries due to emergence of the impact of inventory adjustments, in contrast to the strength of the robust sales group including in-vehicle, amusement, and consumer-related industries with sales increasing by approximately 17.0 billion yen.

With this situation in mind, if we look ahead at the second half, we see both positive and negative factors. Upside potential includes anticipation that better-than-expected performance of the “group with robust sales” would continue, supported partly by new transactions originating from alternative sales and spot sales. As for the downside, there is risk that impact of inventory adjustments by the “group in adjustment process” would linger to the second half. We would need to carefully assess these trends. In addition, the management environment is becoming increasingly uncertain due to heightening geopolitical risks and other situations.

Taking all these circumstances into consideration, we have decided to hold off on revising the earnings forecast at this time.



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The next topic is “inventory reduction”, which is one of our most important management issues that we pay constant attention.

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

As we mentioned in the previous briefing, we were able to bring down the inventory level, which had been gradually building up throughout FY2022, to the 50.0 billion yen range at the end of the fiscal year.

In particular, in the trading company business which requires very little follow-up work, we were able to rapidly reduce our inventory position. Although subsequently, we saw an increase to 70.5 billion yen as of the end of June, a downtrend phase then resumed, bringing inventory down to 63.5 billion yen at the end of September.

That said, we have yet to reach the level of the previous fiscal year-end, and recognize that further reduction is necessary.

We will try again to achieve our target of “50.0 billion yen or less” by the end of the current fiscal year, a target that we could not achieve in the previous fiscal year, and aim for inventory turnover of 30 days.

## EMS Business: Construction of a New Factory in Mexico

<Purposes>

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



TAXAN MEXICO S.A. DE C.V.

Outline of the New Factory

Location

: Parque Industrial Millenium, Arroyos, San Luis Potosí

Number of Employees

: 700 (at start)

Land area

: 80,000m<sup>2</sup>

Floor area

: 20,000m<sup>2</sup>

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



Next, I would like to talk about our EMS business.

The first subject is construction of a new factory in Mexico. As already announced in a news release, we are expanding our production system through our wholly owned subsidiary TAXAN MEXICO to meet the growing EMS demand in Mexico.

Since its establishment in 2017, TAXAN MEXICO has been engaged in the EMS business, focusing on assembly of lighting units for four-wheelers for the U.S. market. The ongoing construction of a new factory in Mexico is intended to meet the growing production demand that is expected for North and Latin American markets. It is also an initiative to further promote highly efficient and environmentally friendly manufacturing operation by introducing the latest energy-saving equipment. Additionally, in future, we are considering setting up an integrated production base that includes component molding, sheet metal processing, and finished product assembly, in addition to unit assembly and circuit board assembly.

We will use the new factory in Mexico as a base to promote local production and production close to the markets, thereby shortening shipping time and

reducing logistics costs, and build a structure for the stable supply of products to the markets.



## EMS Business: Strengthen Competitive Strength & Increase Production Capacity

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

### Malaysia Factory (Relocation)



**Business Content**

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

**Enhancement details**

Addition of SMT and DIP lines, expansion of floor area

### Turkey Factory (Relocation)



**Business Content**

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

**Enhancement details**

Addition of assembly line 2024: Installation of new SMT line

### KAGA EMS TOWADA (Facility enhancement)



**Business Content**

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

**Enhancement details**

Addition of SMT line and automatic assembly line

### Kyokuto Electric (Facility enhancement)



**Business Content**

Automotive related, PCBA for Consumer product and industrial equipment related

**Enhancement details**

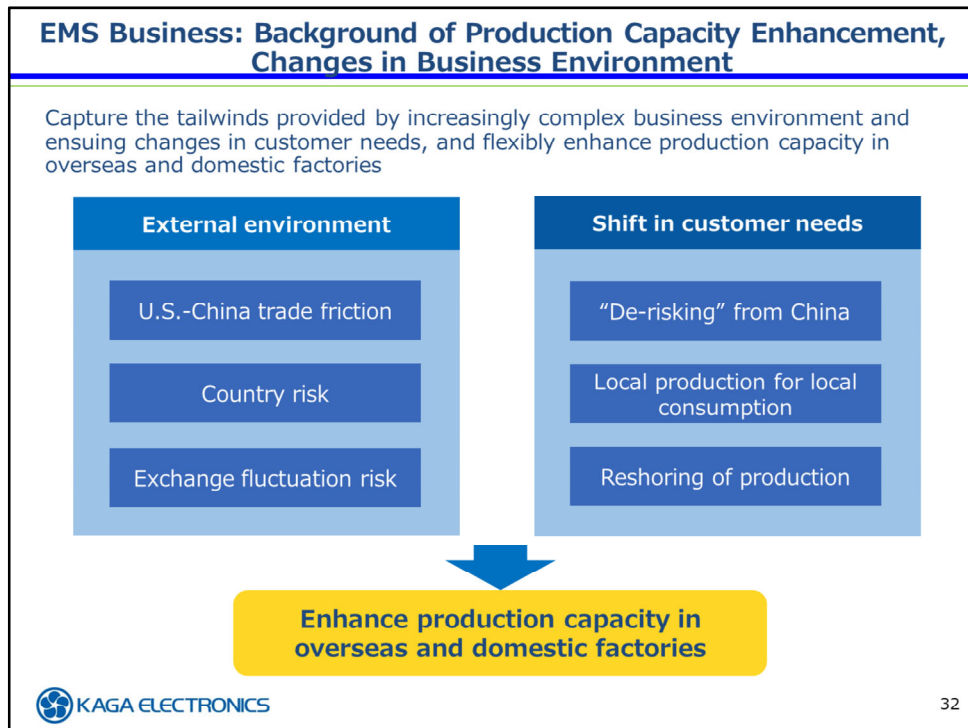
Addition of 2 SMT lines


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Aside from Mexico, production capacity expansion is also pursued elsewhere, in Japan and overseas. The four factories on this slide are bases that underwent facility enhancement in the past two years.

In order to respond to the growth of orders from existing customers, production lines were increased through factory relocation and expansion in Malaysia in October 2022, and in Turkey in June 2023. Our Turkish factory, which is currently conducting assembly of electrical units for air conditioners, will also be able to handle circuit board mounting once a new SMT line is installed.

In Japan, one assembly line and one SMT line have been added at KagaEMS TOWADA, and two SMT lines have been added at Kyokuto Electric. Through such measures, we are expanding our production capacity in accordance with the situation in each region, both in Japan and overseas, to respond to the diversifying needs of our customers.

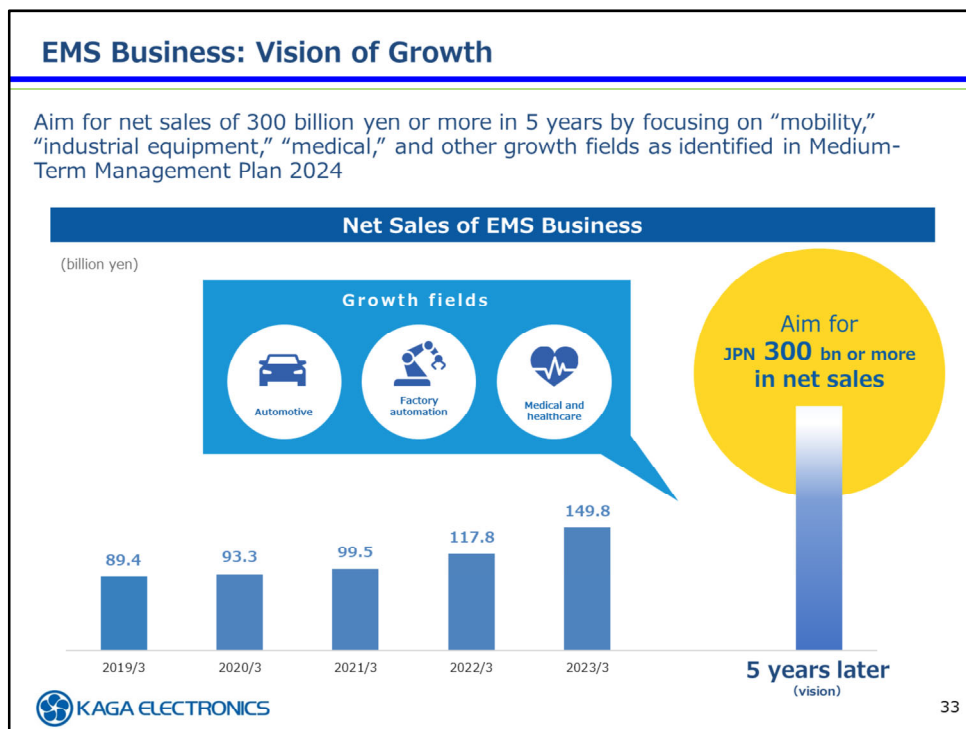


In the background of production capacity enhancement is U.S.–China trade friction within the recent economic context and other factors that are making the external environment increasingly complex, including country risk and exchange fluctuation risk, bringing about significant changes in customer needs.

Specifically, we are seeing a shift to “local production for local consumption” by customers whose manufacturing of finished products was heavily concentrated in China, and who are now moving their production back to Japan or to ASEAN countries, the U.S., Europe and other areas close to where their products are consumed.

What we are seeking therefore is to capture the tailwinds provided by the increasingly complex business environment and ensuing changes in customer needs as I have just described, and flexibly enhance production capacity in overseas and domestic factories.

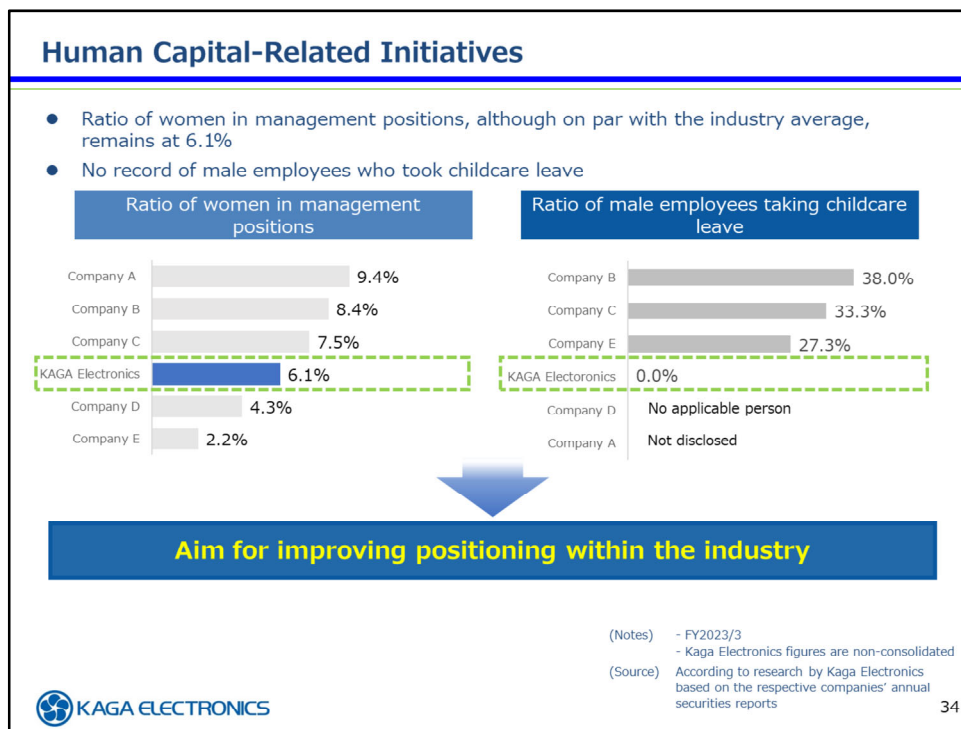
We believe that the three years starting from the current fiscal year will be a period of investment to achieve rapid expansion of our EMS business.



So far, I have explained the measures that will contribute to strengthening the EMS business. I would also like to share with you our vision of future growth.

In our Medium-Term Management Plan 2024, we have set forth a basic strategy of “connecting expansion of the trading company business to growth of the EMS business.” This is a mechanism that allows us to leverage our strengths by using our procurement capabilities in the component sales business to expand volume, and realizing higher value addition and maximizing profit generation while supporting customers in their manufacturing.

Specifically, through expansion of production capacity at the factories that I have just mentioned, we will focus particularly on the growth fields as identified in the Medium-Term Management Plan, such as “mobility,” “industrial equipment,” and “medical,” with the aim of achieving net sales of 300 billion yen or more in about 5 years (this is not a commitment but my personal vision of growth).



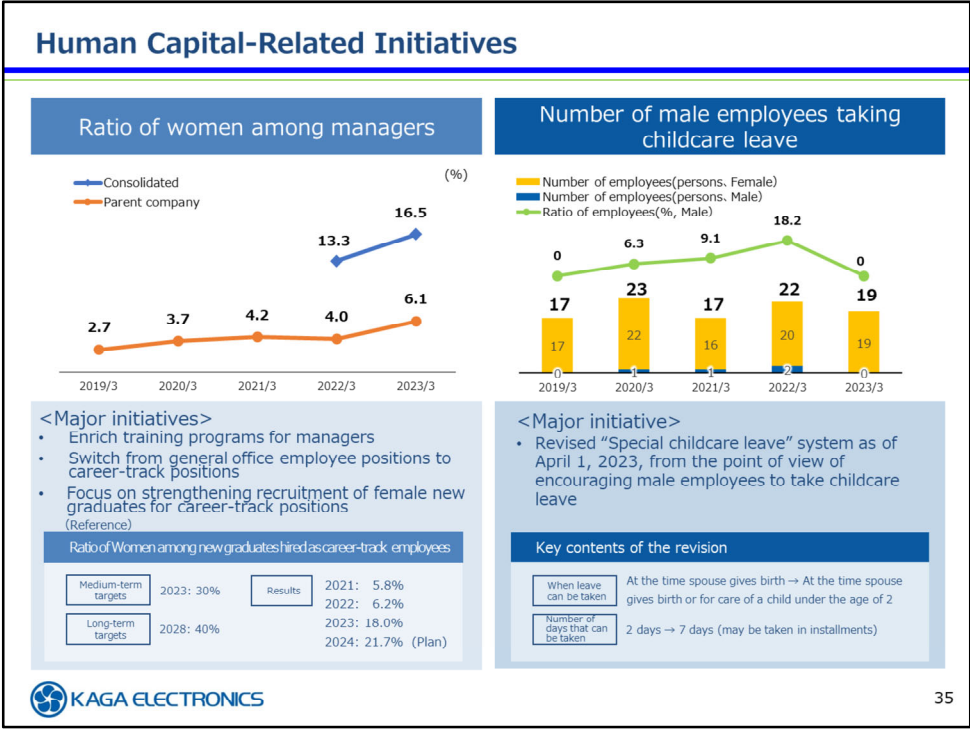
Lastly, I would like to talk about our human capital-related initiatives with a focus on diversity to facilitate diverse work styles.

These graphs show the percentage of women in management positions and the percentage of male employees who took childcare leave in the fiscal year ended March 2023, compared with our peer companies. All figures are based on disclosed data of the top five companies in terms of operating income, taken from their annual securities reports disclosed in June this year.

As you can see, the percentage of women in management positions at KagaElectronics is 6.1%. While we recognize that this is on a par with the industry average, we believe it is by no means high.

As for childcare leave of male employees, the number of childcare leave takers last year was zero.

We will actively invest in and work on improving our position in the industry, which would also be conducive to maximizing the value of human resources and increasing the competitiveness of the company.



Let me explain our achievements in a little more detail, in chronological order.

On a consolidated basis, the percentage of women in management positions was 16.5% as of the end of the previous fiscal year, which was driven by overseas subsidiaries.

As set forth in the Medium-to Long-Term Sustainability Management Plan, the target for 2024 is 15%, which means that we were able to achieve our target ahead of schedule.

However, we believe that for KagaElectronics on a non-consolidated basis, there is still room for upside, and thus we are working on rolling out various initiatives, such as enriching training programs for managers.

Regarding childcare leave for male employees, we implemented a system revision on April 1 this year to create an environment that facilitates men to take childcare leave.

Going forward, we will continue to promote diverse work styles to suit employees' individual circumstances and maximize the value of each employee, through which we will seek to maintain and improve our competitiveness and increase our corporate value.

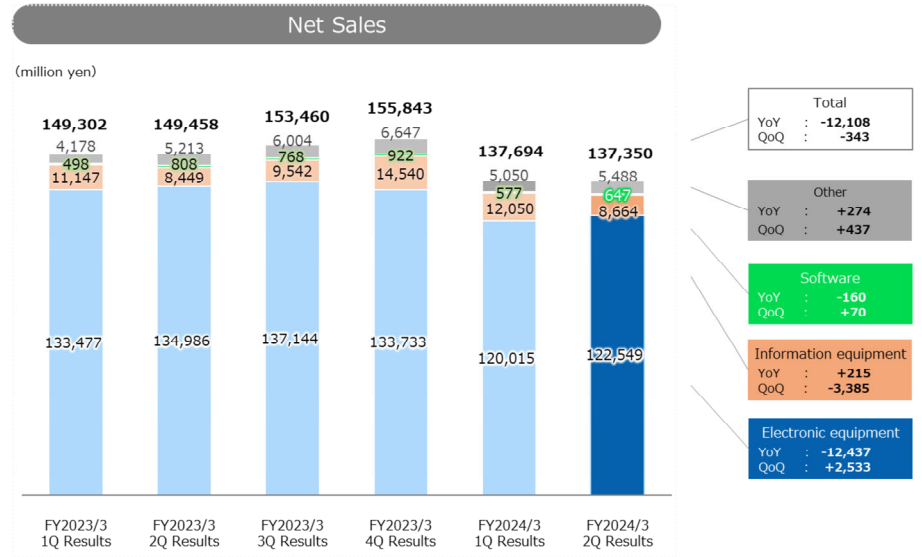


## Reference

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

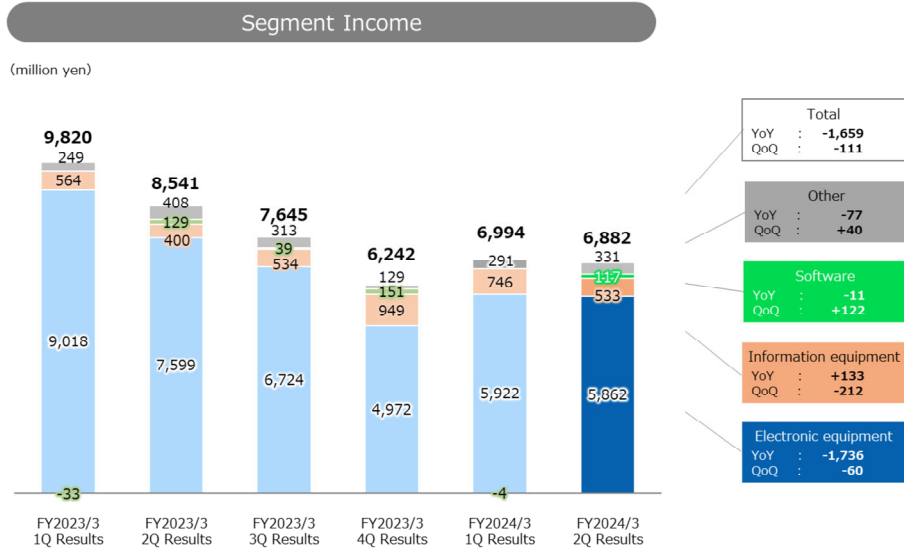
Quarterly Net Sales Trends (3months)

Reference



## Quarterly Segment Income Trends (3months)

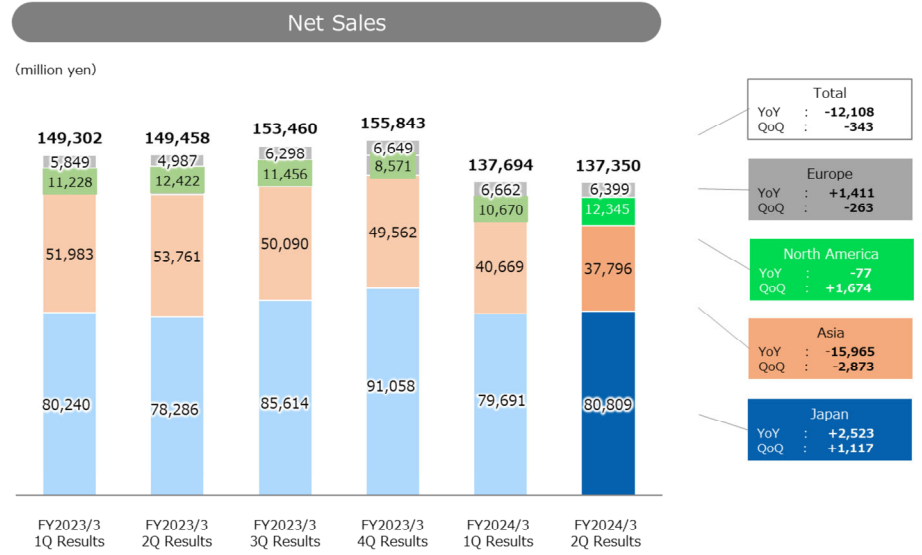
Reference





Net Sales by Region (3months)

Reference



## Exchange Rate/FOREX Sensitivity

	FY2023/3 2Q Results (Yen)	FY2024/3 2Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2024/3(yen)
			Net sales	Operating income	
USD	133.97	141.00	1,088	17	135.00
RMB	18.94	19.45	151	12	19.50
THB	3.79	4.05	140	9	3.80
HKD	17.07	18.00	92	2	17.00
EUR	138.73	153.39	4	0.1	140.00



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



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This concludes my presentation of our financial results for the first half.  
Thank you very much for listening.



- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.
- Display method in this material  
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