

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2025

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

August 8, 2024

KAGA ELECTRONICS CO., LTD.

Summary of Financial Results for the First Quarter Ended June 30, 2024

FY2025/3 1Q Results

- **Net sales:** decreased by 9.0 billion yen or 6.6% YoY to 128.6 billion yen. The electronic components business **was affected by the impact of inventory adjustments** at key customers which emerged from 3Q of FY2024/3 and **diminution of some transactions with a certain major customer**.
- **Gross profit:** decreased by 0.5 billion yen or 3.3% YoY to 16.9 billion yen. **Gross profit margin improved by 0.5 percentage points** due to improved sales mix resulting from a reduction in sale of lower-margin products.
- **Operating income:** decreased by 1.4 billion yen or 20.6% YoY to 5.5 billion yen. In addition to a gross profit decline resulting from lower sales, SG&A expenses increased **due partly to wage increases** implemented at the beginning of the period and **the impact of rises in logistics costs**.
- **Ordinary income:** decreased by 0.8 billion yen or 12.5% YoY to 6.0 billion yen. Income decrease narrowed due to foreign exchange gains/losses (with a net positive impact of 0.27 billion yen).
- **Net income:** decreased by 1.6 billion yen or 28.4% YoY to 4.1 billion yen. **Absence of the 1.06 billion yen gain on sale of investment securities** recorded in 1Q of FY2024/3.
- **Progress against the first-half plan:** made a good start with net sales achieving 50% and operating income also achieving 56% of the plan.

FY2025/3 earnings Forecasts

- **Maintaining full-year earnings forecasts** announced on May 9, 2024. No change in the outlook that projects continued impact of inventory adjustments in the first half, and demand to start recovering in the second half.

	Net Sales	Operating Income	Ordinary Income	Net Income
FY2025/3 Forecasts	555.0 bn	26.0 bn	26.0 bn	18.0 bn
YoY	2.3%	0.6%	0.1%	△11.5%

Financial Highlights for FY2025/3 1Q

(million yen)

	FY2024/3 1Q Results	FY2025/3 1Q Results	YoY	FY2025/3 Forecasts (Announced on May 9, 2024)	Progress rate
Net sales	137,694	128,638	-6.6%	555,000	23.2%
Gross Profit	17,553 12.7%	16,980 13.2%	-3.3%	— —	—
SG&A	10,559 7.7%	11,430 8.9%	8.3%	— —	—
Operating income	6,994 5.1%	5,550 4.3%	-20.6%	26,000 4.7%	21.3%
Ordinary income	6,909 5.0%	6,045 4.7%	-12.5%	26,000 4.7%	23.3%
Profit attributable to owners of parent	5,767 4.2%	4,127 3.2%	-28.4%	18,000 3.2%	22.9%
EPS (yen) *2	219.63 —	157.12 —	—	685.26 —	—
Exchange Rate yen / USD	137.37 —	155.88 —	—	145.00 —	—

- Note: 1. The effect of exchange rates on the conversion into yen is approximately 5,563 million yen on net sales and 162 million yen on operating income.
2. While a two-for-one stock split of the Company's common stock is planned effective October 1, 2024, the EPS forecasts for the fiscal year ending March 2025 presented above are the amounts pre-stock split.
3. "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2025/3 1Q

(million yen)

		FY2024/3 1Q Results	FY2025/3 1Q Results	YoY	FY2025/3 Forecasts (Announced on May 9, 2024)	Progress rate
Electronic Component	Net sales	120,015	111,320	-7.2%	482,500	23.1%
	Segment income	5,922 <i>4.9%</i>	4,331 <i>3.9%</i>	-26.9%	20,900 <i>4.3%</i>	20.7%
Information Equipment	Net sales	12,050	10,606	-12.0%	45,000	23.6%
	Segment income	746 <i>6.2%</i>	639 <i>6.0%</i>	-14.4%	3,000 <i>6.7%</i>	21.3%
Software	Net sales	577	631	9.4%	3,000	21.0%
	Segment income	-4 <i>-0.8%</i>	35 <i>5.6%</i>	—	400 <i>13.3%</i>	8.8%
Others	Net sales	5,050	6,079	20.4%	24,500	24.8%
	Segment income	291 <i>5.8%</i>	461 <i>7.6%</i>	58.3%	1,700 <i>6.9%</i>	27.1%
Total	Net sales	137,694	128,638	-6.6%	555,000	23.2%
	Segment income	6,994 <i>5.1%</i>	5,550 <i>4.3%</i>	-20.6%	26,000 <i>4.7%</i>	21.3%

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 FY2025/3 1Q

(million yen)

		FY2024/3 1Q Results	FY2025/3 1Q Results	YoY
Kaga Electronics	Net sales	78,615	73,621	-6.4%
	Gross Profit	12,146 <i>15.5%</i>	11,595 <i>15.8%</i>	-4.5%
	Operating income	5,663 <i>7.2%</i>	4,423 <i>6.0%</i>	-21.9%
Kaga FEI	Net sales	48,135	48,663	1.1%
	Gross Profit	4,379 <i>9.1%</i>	4,616 <i>9.5%</i>	5.4%
	Operating income	797 <i>1.7%</i>	831 <i>1.7%</i>	4.3%
Excel	Net sales	10,943	6,352	-41.9%
	Gross Profit	1,014 <i>9.3%</i>	785 <i>12.4%</i>	-22.5%
	Operating income	485 <i>4.4%</i>	268 <i>4.2%</i>	-44.7%
Total	Net sales	137,694	128,638	-6.6%
	Gross Profit	17,553 <i>12.7%</i>	16,980 <i>13.2%</i>	-3.3%
	Operating income	6,994 <i>5.1%</i>	5,550 <i>4.3%</i>	-20.6%

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

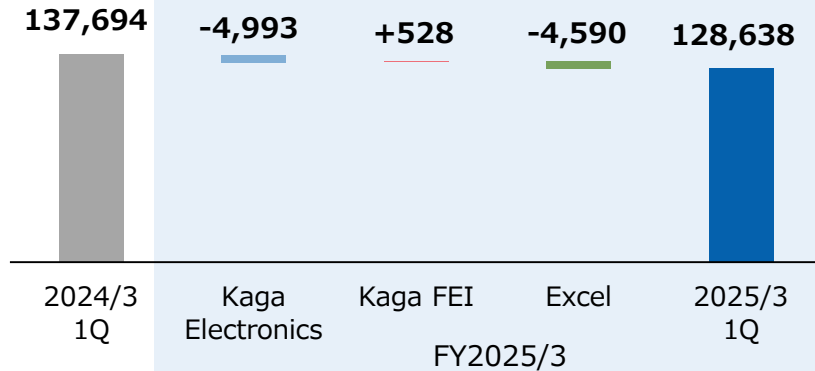
2. "x. x%" represents the profit margin.

Analysis of Changes in Net Sales through Operating Income by Corporate Group for FY2025/3 1Q

(million yen)

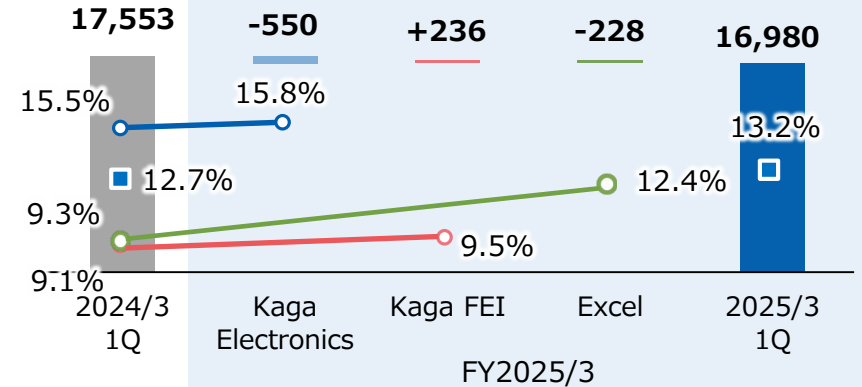
Net sales

Kaga Electronics posted sales decrease due partly to impact of inventory adjustments. Kaga FEI enjoyed robust sales of Socionext products. Excel saw a decrease in sales to a certain major customer.



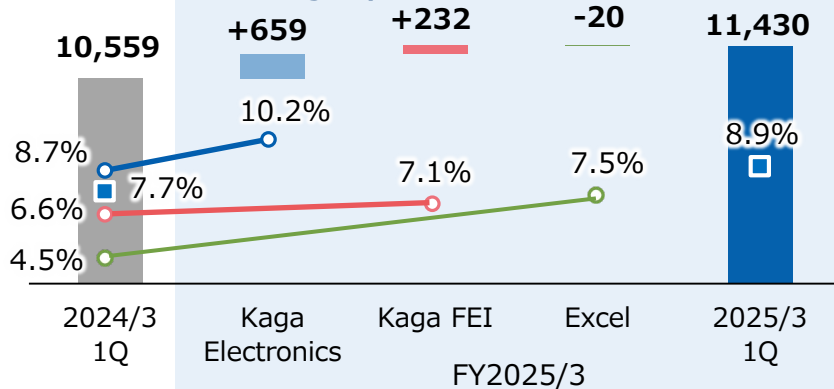
Gross profit / Gross profit margin

Kaga Electronics recorded gross profit decrease due to lower sales. Kaga FEI posted gross profit increase due to sales growth. Excel improved profit margin due to better sales mix.



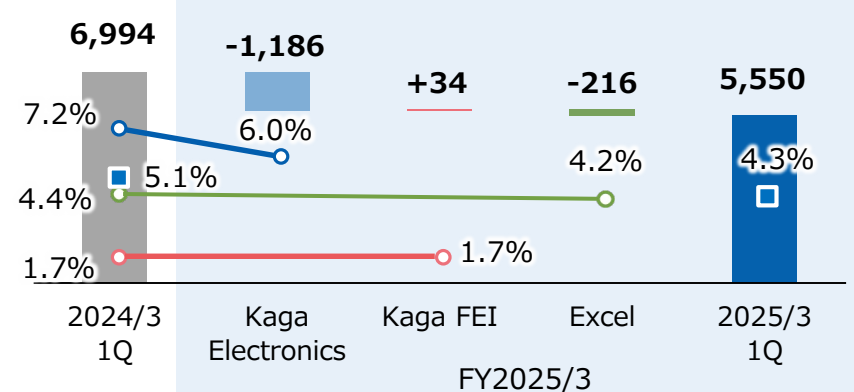
SG&A / SG&A ratio

Personnel expenses increased in all three companies due to implementation of wage increases. Despite the impact of wage increases, Excel's selling expenses decreased due to lower sales.



Operating income / Operating income margin

Kaga FEI secured increase in operating income. Kaga Electronics and Excel recorded income decrease due to gross profit decline and increase in SG&A expenses.

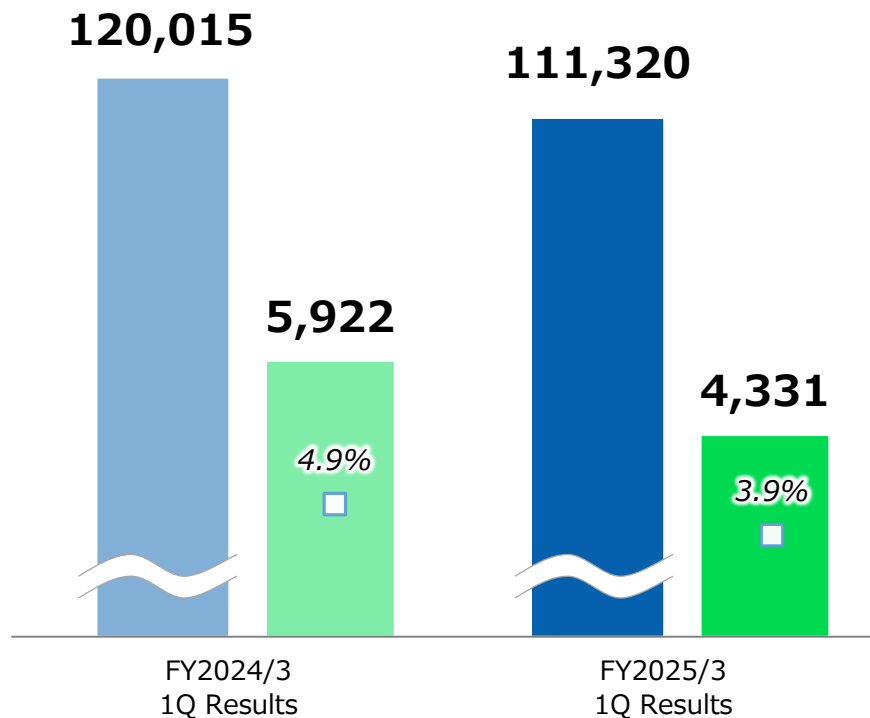


Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■ / ■ Net Sales
■ / ■ Segment Income

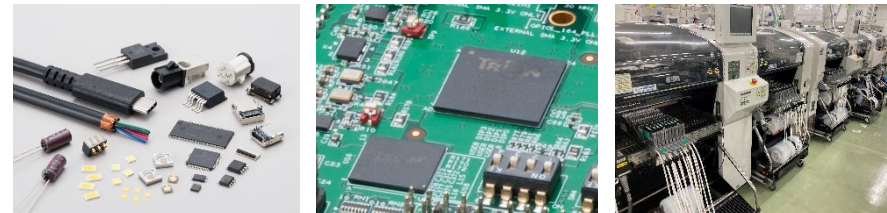


Note: "x.x%" represents the profit margin.

YoY

- Net Sales ▶ **-8,694**million yen **7.2%Down**
- Segment Income ▶ **-1,591**million yen **26.9%Down**

- Both net sales and income decreased in the component sales business due largely to the impact of inventory adjustments at customers which emerged from 3Q of FY2024/3, and diminution of transactions with a certain major customer of Excel.
- Kaga FEI's SoC (System on Chip) products continued to enjoy robust sales.
- In the EMS business, although sales in the air-conditioning equipment sector were affected by inventory adjustments at key customers, net sales turned upward on the back of recovery in sales in the industrial equipment sector, in addition to continued strong sales in the automotive sector.

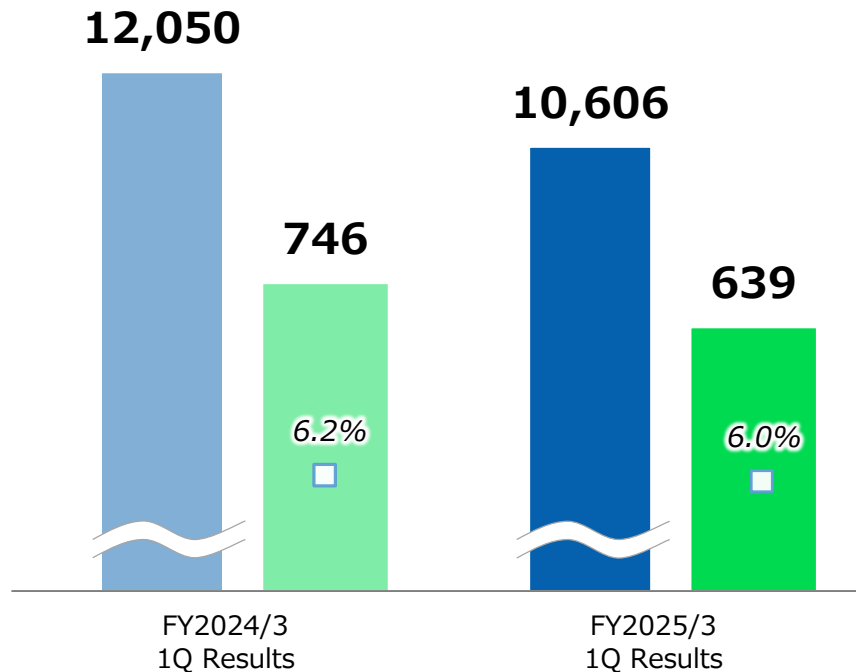


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■ / ■ Net Sales
■ / ■ Segment Income



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

YoY

- Net Sales ▶ **-1,443**million yen **12.0%Down**
- Segment Income ▶ **-107**million yen **14.4%Down**

- The PC sales business saw continued strong sales of PCs for educational institutions amid the season of high demand for newly enrolled students, in contrast to sluggish sales of PCs for mass retailers due to a reduction in product lines by a major PC supplier.
- The LED installation business recorded lower net sales given completion of the large-scale project that the Group had been pushing forward on a full sale since FY2023/3.

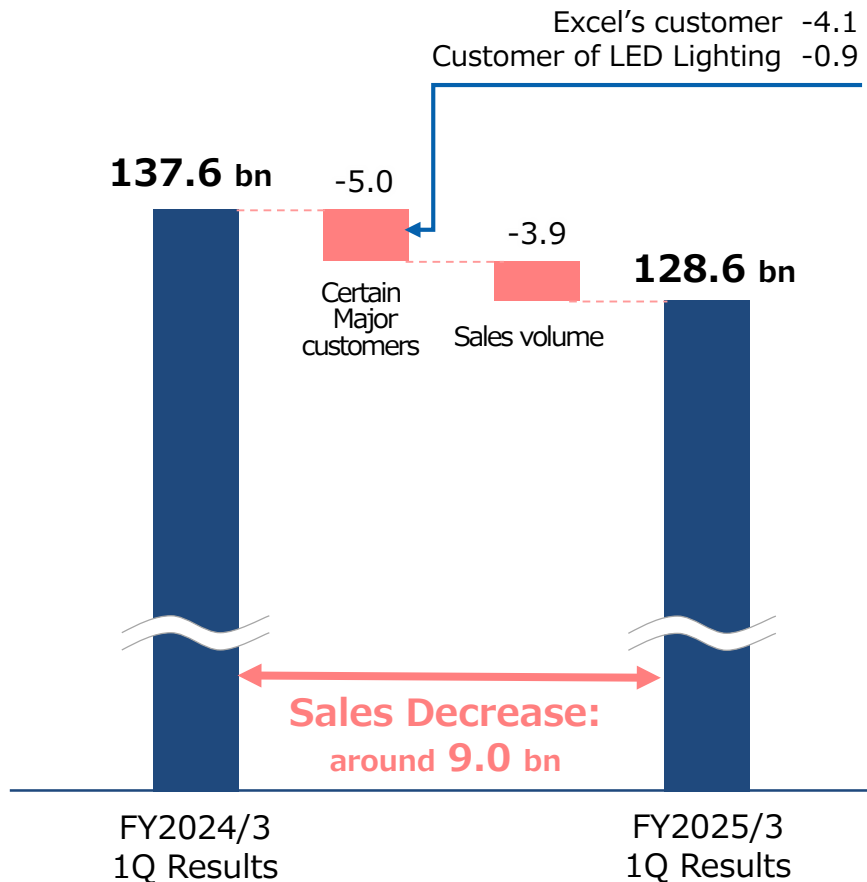


Analysis of Changes in Net Sales and Operating Income for FY2025/3 1Q

Reference

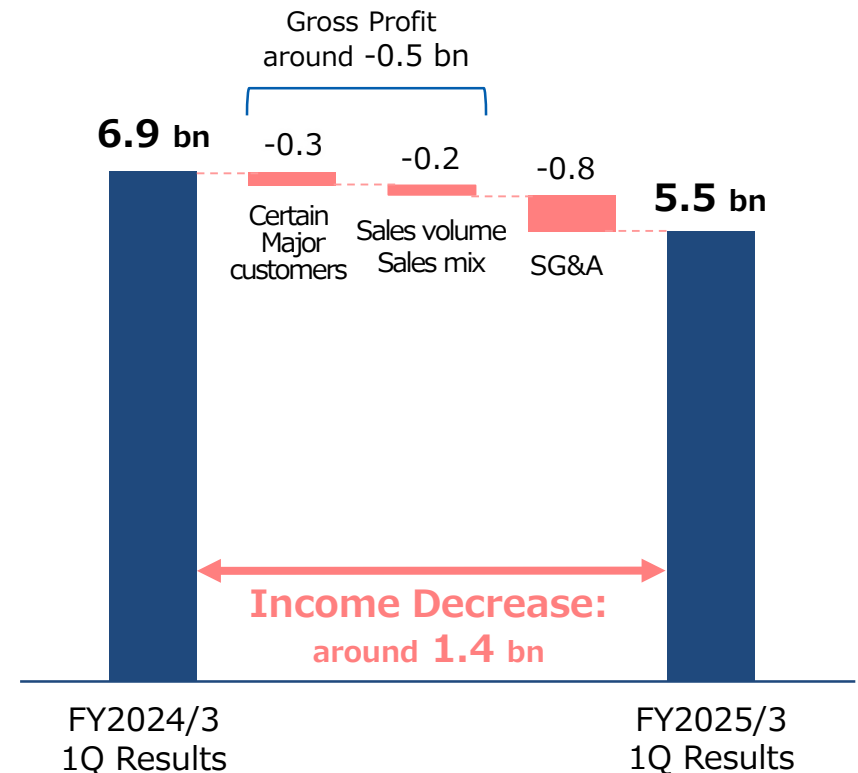
Net sales

(billion yen)



Operating income

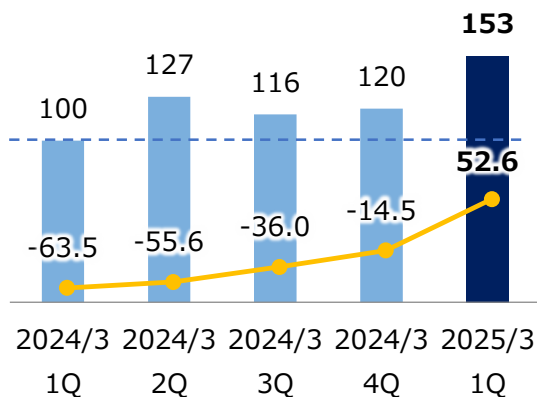
(billion yen)



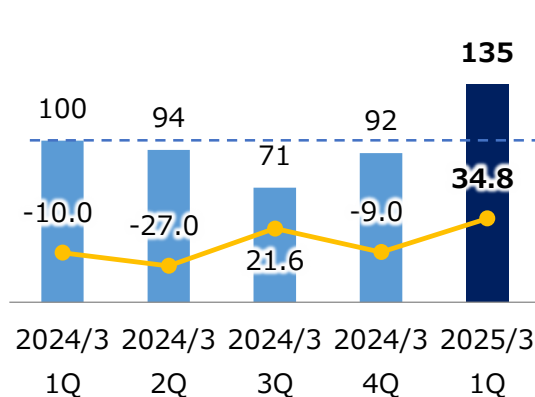
Trends in Sales to Key Customers

Reference

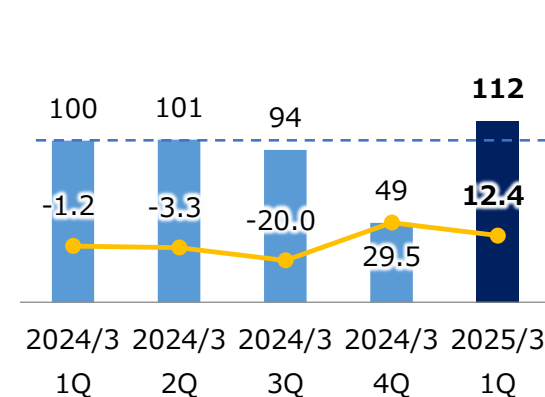
Company A
in industrial-equipment sector



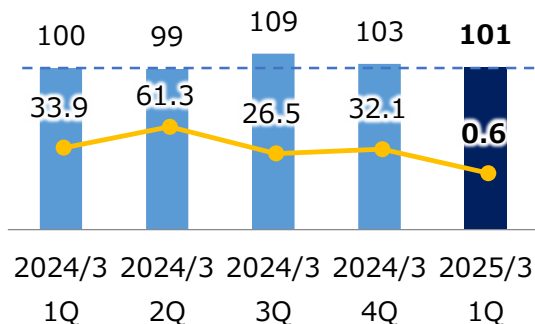
Company B
in consumer-electronics sector



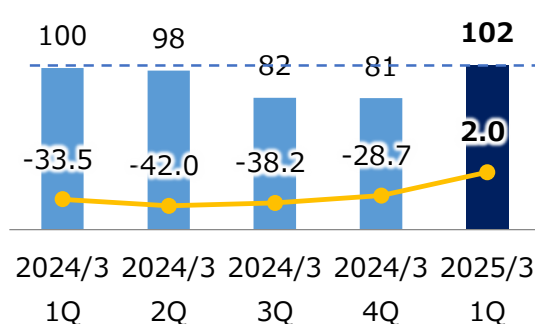
Company C
In office-equipment sector



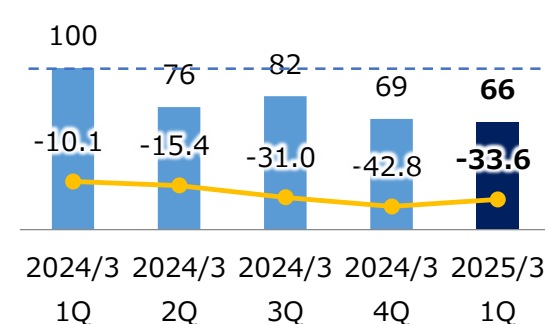
Company D
in automotive sector



Company E
in medical-equipment sector



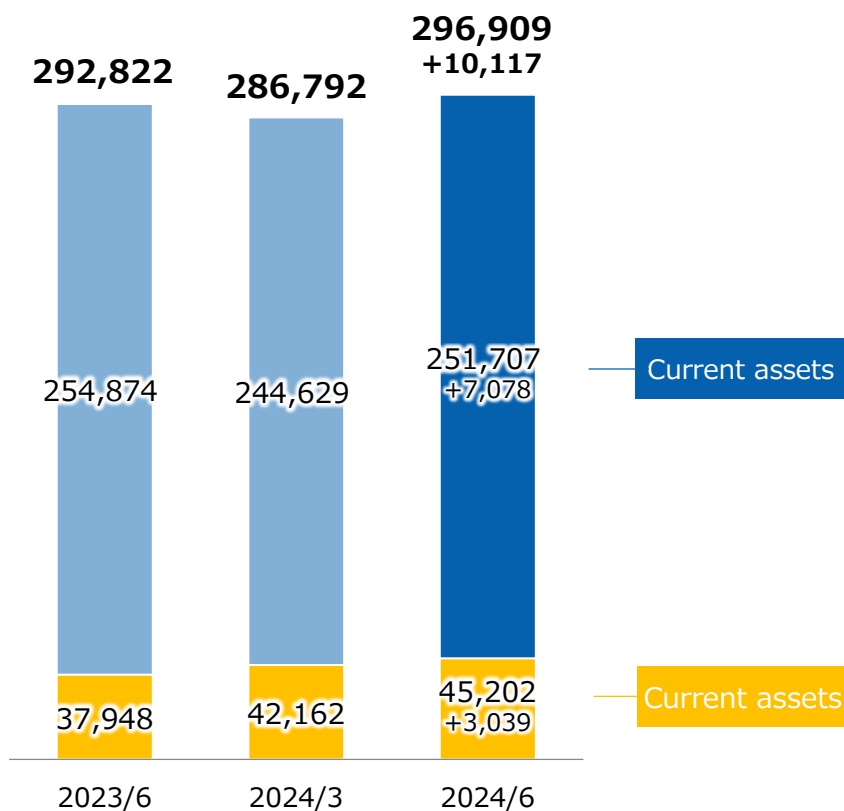
Company F
in air-conditioner sector



Balance Sheet Main Items

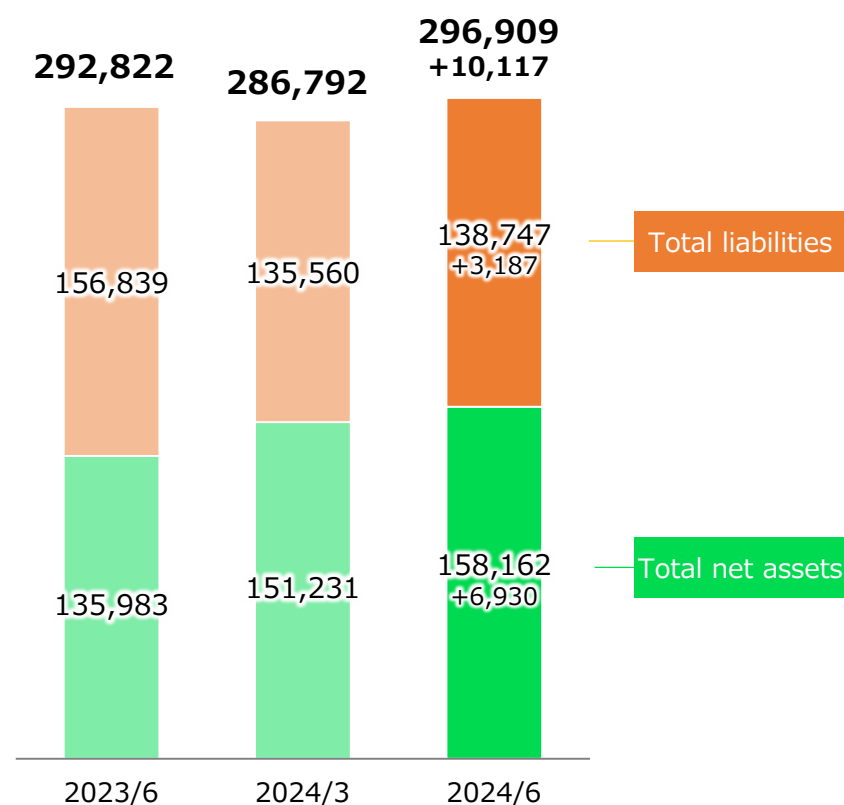
Total assets

(million yen)



Total liabilities and net assets

(million yen)



Balance Sheet Main Items

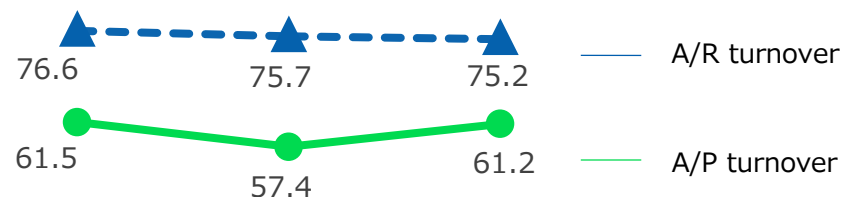
Inventories

(million Yen, day)



Accounts receivable/Accounts payable

(million Yen, day)



70,557

54,739

61,304
+6,565

Inventories

2023/6

2024/3

2024/6

Note : Inventory turnover = Inventories ÷ Net Sales × 91(2024/3:365) (day)

115,890

88,374

112,574

71,392

106,236
-6,338

76,231
+4,838

Notes and A/R

Notes and A/P

2023/6

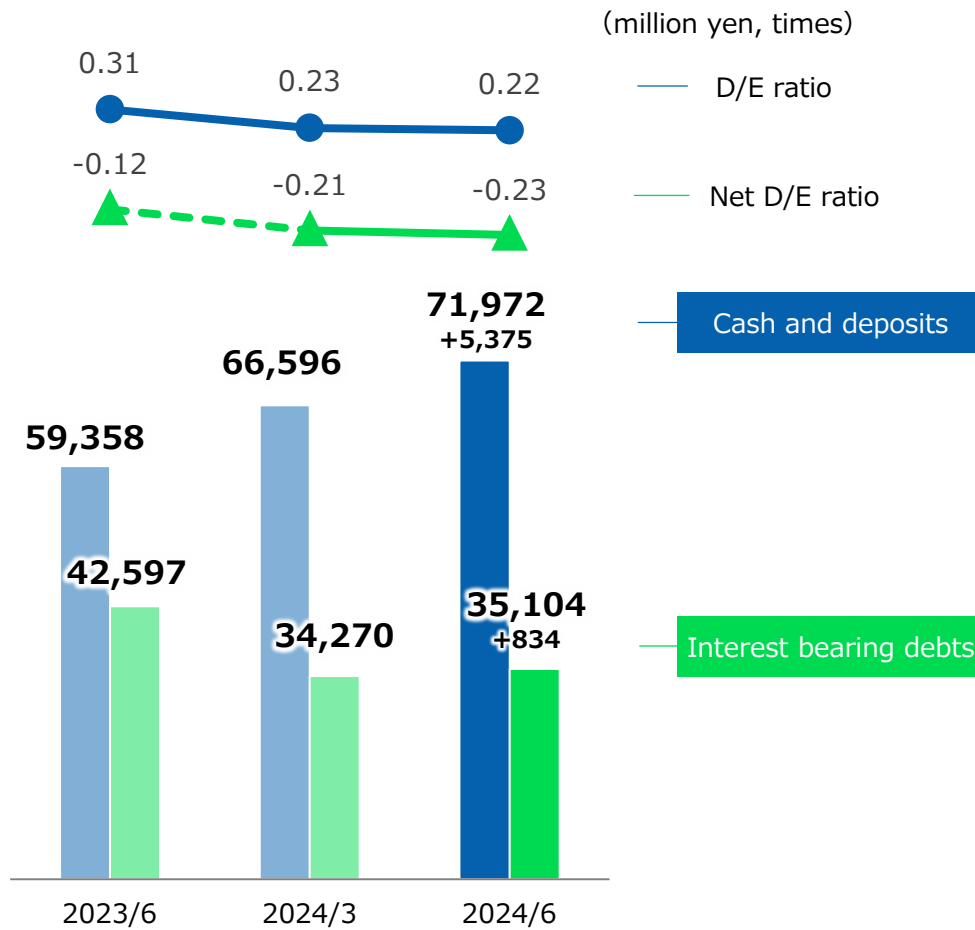
2024/3

2024/6

Notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating
 •Notes and A/P are amounts including Electronically recorded obligations - operating
 •A/R turnover = Notes and A/R ÷ Net sales × 91(2024/3:365) (day)
 •A/P turnover = Notes and A/P ÷ Total purchase of goods × 91(2024/3:365) (day)

Balance Sheet Main Items

Cash and Deposits/Interest Bearing Debt



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

Forecasts for FY2025/3

Forecasts for FY2025/3

(million yen)

	FY2024/3 Results	FY2025/3 Forecasts	YoY
Net sales	542,697	555,000	2.3%
Operating income	25,845 4.8%	26,000 4.7%	0.6%
Ordinary income	25,976 4.8%	26,000 4.7%	0.1%
Profit attributable to owners of parent	20,345 3.7%	18,000 3.2%	-11.5%
EPS (yen) *1	774.61 —	685.26 —	—
ROE	14.5% —	11.5% —	-3.0pt
Annual dividend (yen) *1	220.00	220.00	—

Note: 1. While a two-for-one stock split of the Company's common stock is planned effective October 1, 2024, the EPS and the annual dividend forecasts for the fiscal year ending March 2025 presented above are the amounts pre-stock split.

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

Forecasts by Business Segment for FY2025/3

(million yen)

		FY2024/3 Results	FY2025/3 Forecasts	YoY
Electronic Component	Net sales	472,583	482,500	2.1%
	Segment income	20,887 <i>4.4%</i>	20,900 <i>4.3%</i>	0.1%
Information Equipment	Net sales	44,305	45,000	1.6%
	Segment income	2,924 <i>6.6%</i>	3,000 <i>6.7%</i>	2.6%
Software	Net sales	2,567	3,000	16.8%
	Segment income	370 <i>14.4%</i>	400 <i>13.3%</i>	8.1%
Others	Net sales	23,241	24,500	5.4%
	Segment income	1,555 <i>6.7%</i>	1,700 <i>6.9%</i>	9.3%
Total	Net sales	542,697	555,000	2.3%
	Segment income	25,845 <i>4.8%</i>	26,000 <i>4.7%</i>	0.6%

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.

Reference

Financial Highlights by Business Segment of the Medium-Term Management Plan for FY2025/3 1Q

(million yen)

		FY2024/3 1Q Results	FY2025/3 1Q Results	YoY
Electronic Component	Net sales	90,115	80,696	-10.5%
	Segment income	3,695 4.1%	2,497 3.1%	-32.4%
EMS	Net sales	31,773	32,930	3.6%
	Segment income	2,433 7.7%	2,069 6.3%	-15.0%
CSI	Net sales	12,050	10,606	-12.0%
	Segment income	746 6.2%	639 6.0%	-14.4%
Others	Net sales	3,754	4,404	17.3%
	Segment income	81 2.2%	260 5.9%	221.0%
Total	Net sales	137,694	128,638	-6.6%
	Segment income	6,994 5.1%	5,550 4.3%	-20.6%

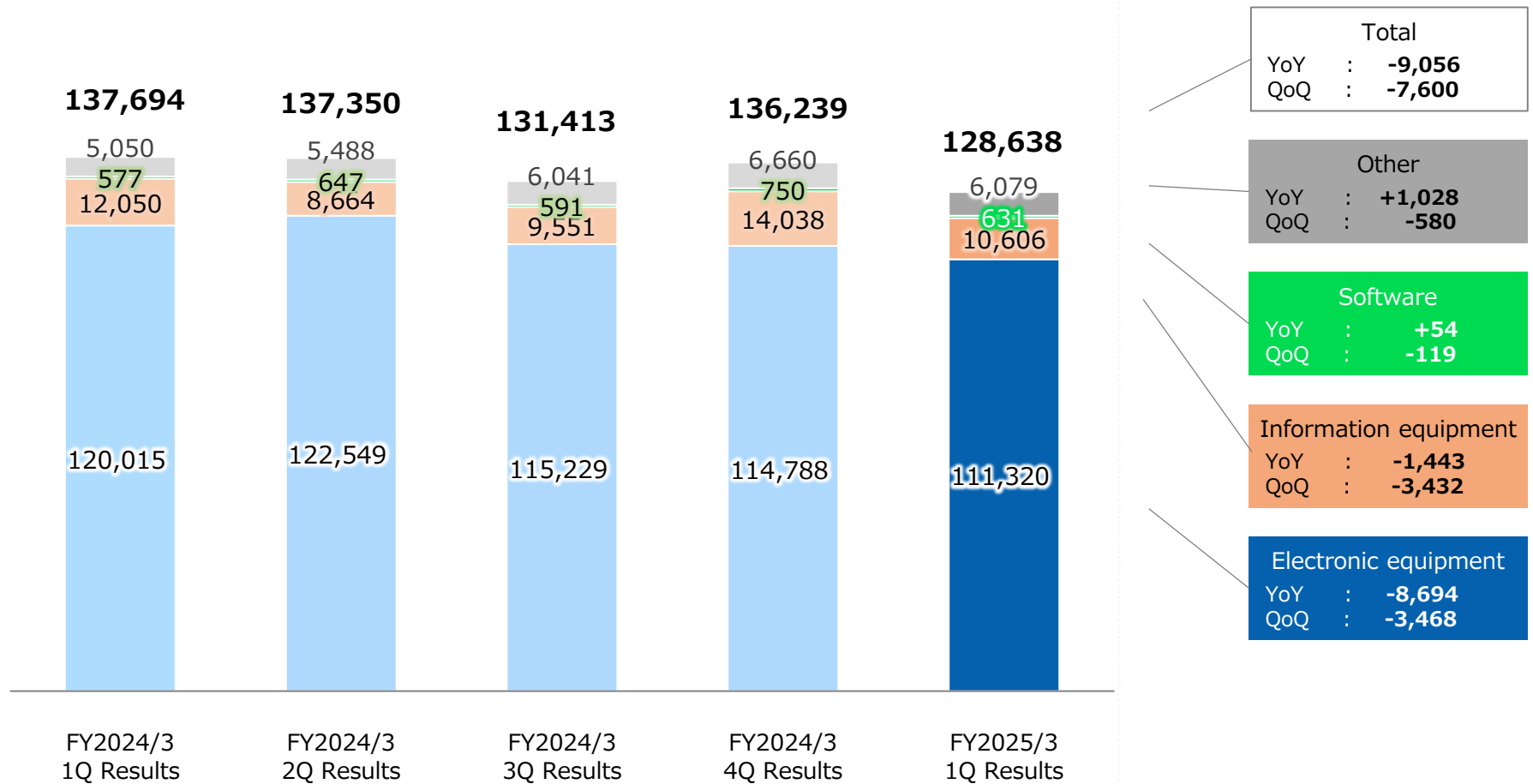
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Quarterly Net Sales Trends

Net Sales

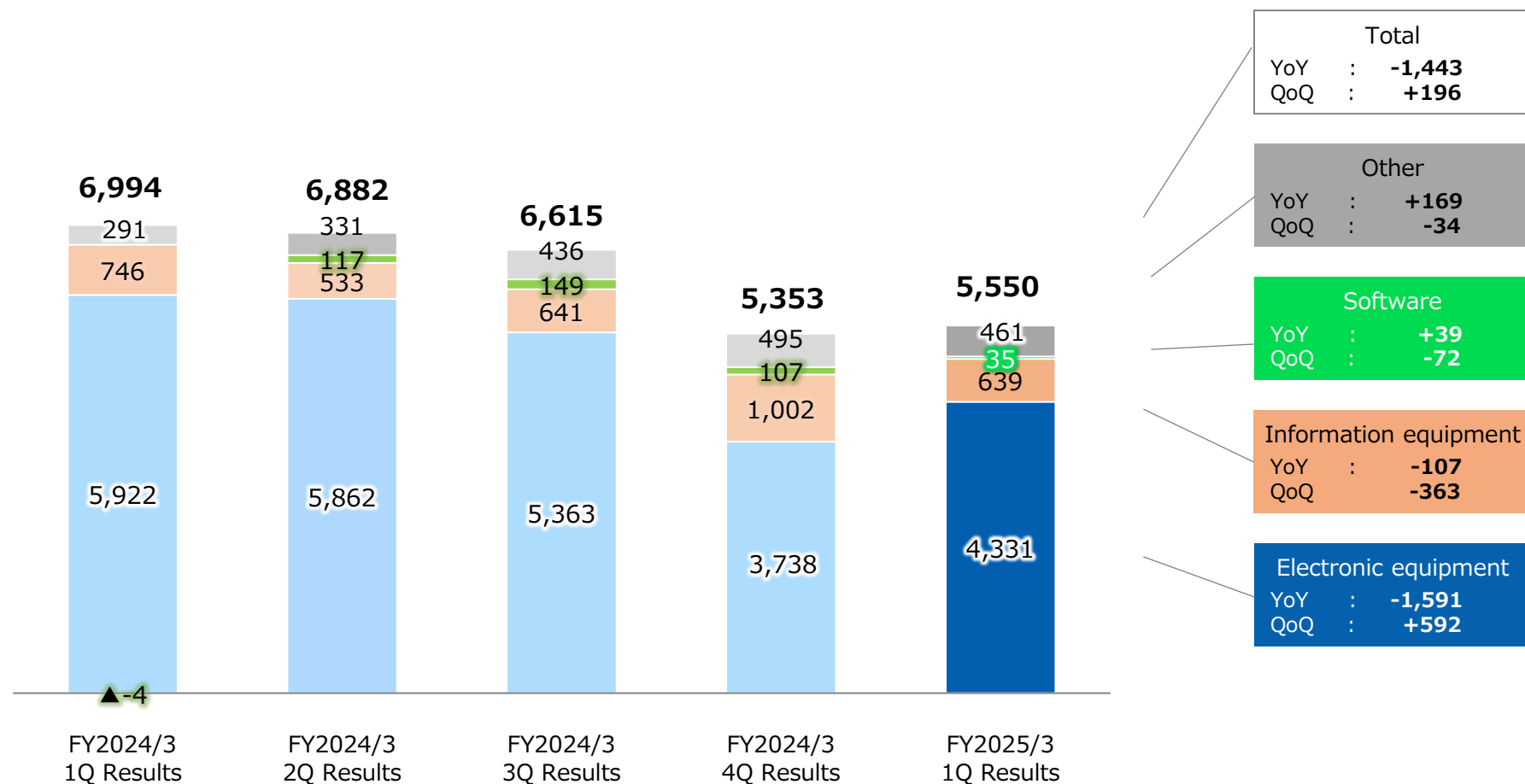
(million yen)



Quarterly Segment Income Trends

Segment Income

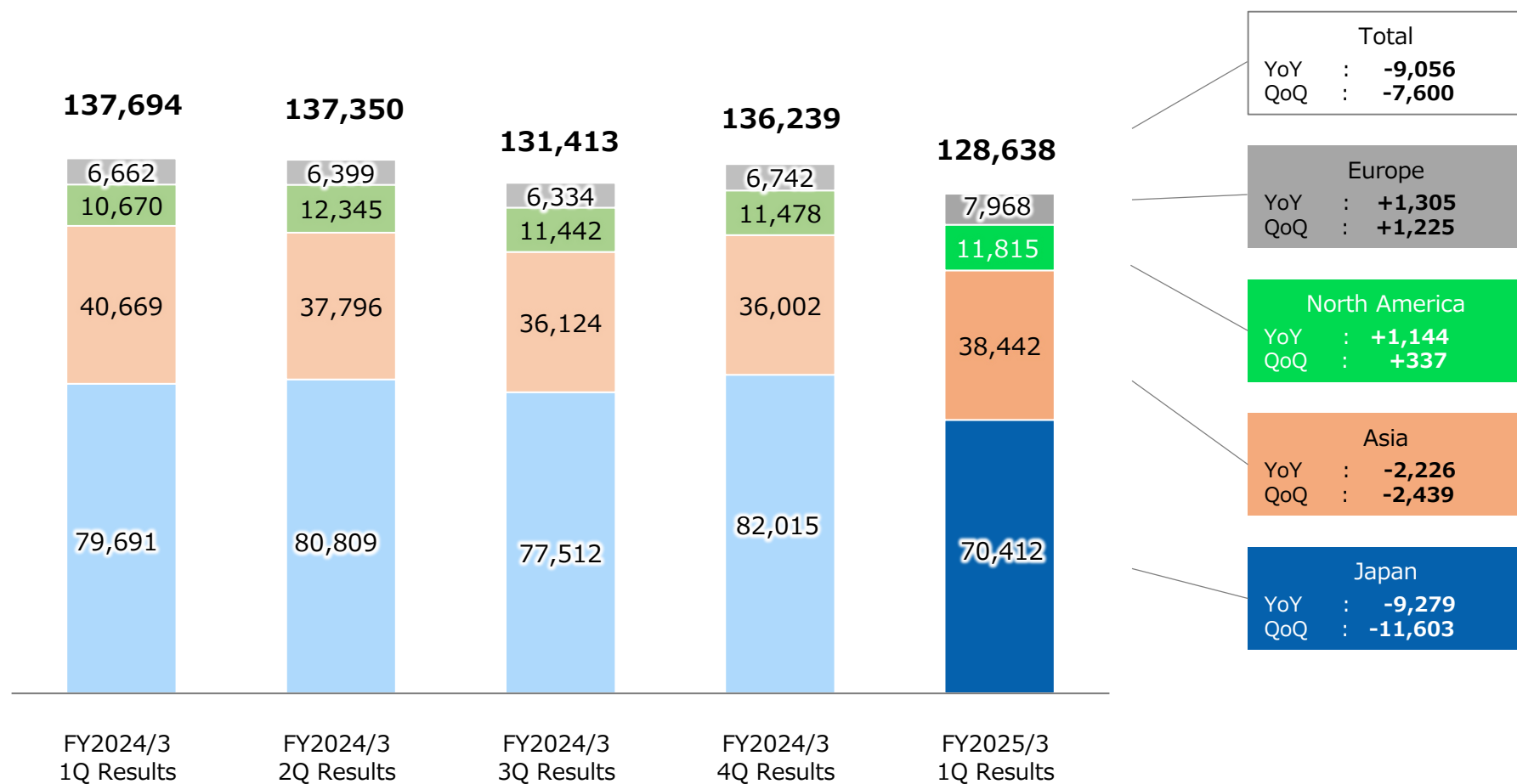
(million yen)



Net Sales by Region

Net Sales

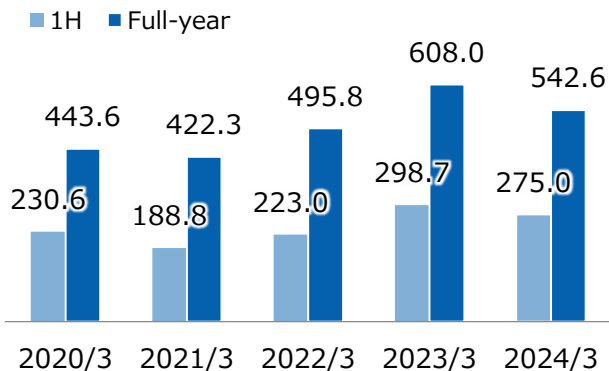
(million yen)



Latest 5 years Financial Trends

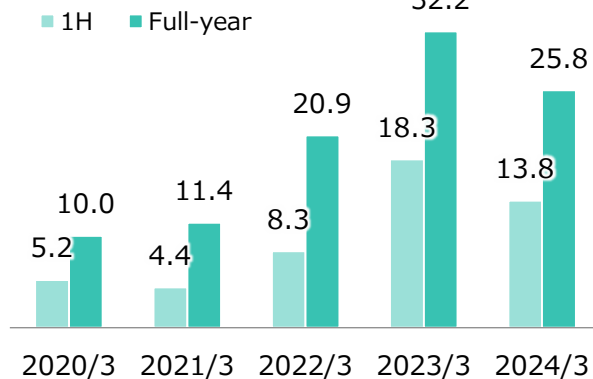
Net Sales

(billion yen)



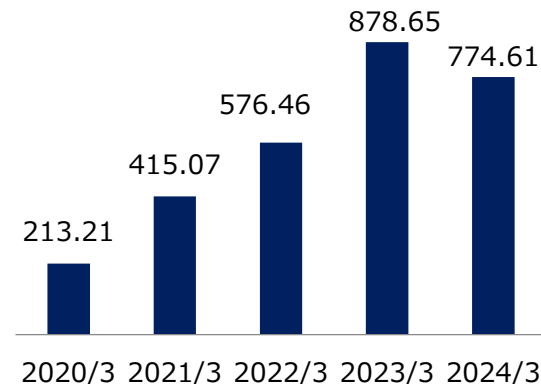
Operating Income

(billion yen)



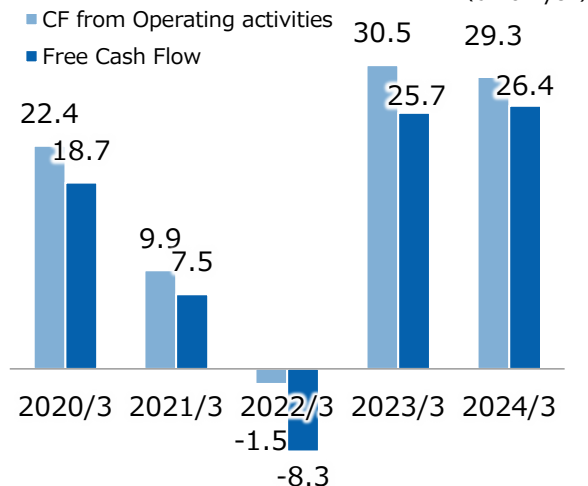
EPS

(yen)



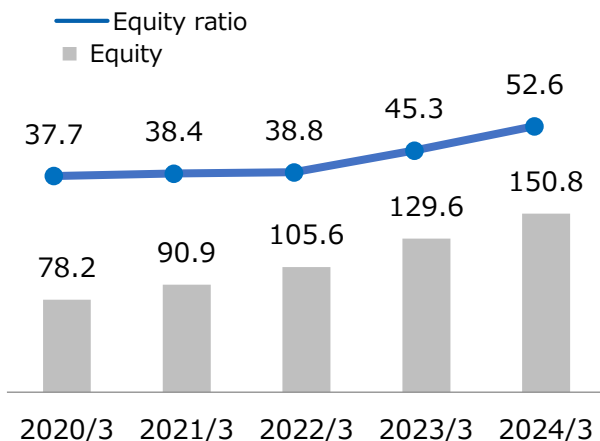
Cash Flow

(billion yen)



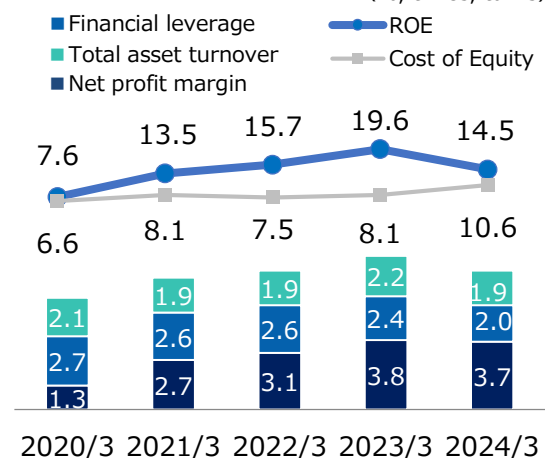
Equity ratio

(%, billion yen)



ROE

(%, times, turns)



Exchange Rate/FOREX Sensitivity

	FY2024/3 1Q Results (yen)	FY2025/3 1Q Results (yen)	(Reference) Effect of 1% change (Million yen)		Forex Assumption for 2025/3(yen)
			Net sales	Operating income	
USD	137.37	155.88	441	5	145.00
RMB	19.34	20.63	72	5	19.50
THB	3.99	4.25	73	4	4.00
HKD	17.52	19.94	49	1	18.50
EUR	149.47	167.88	2	0	155.00

“Everything we do is for our customers



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<https://www.taxan.co.jp/en/>

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Number : Truncated less than the display unit.
Ratio : After calculation in yen units, Round down one digit of Display unit.