

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2024

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

August 3, 2023

KAGA ELECTRONICS CO., LTD.

Summary of Financial Results for the First Quarter Ended June 30, 2023

FY2024/3
1Q Results

- Net sales decreased by 11.6 billion yen or 7.8% year on year to 137.7 billion yen. In the electronic components business, **spot demand disappeared**. Some impact of customers' inventory adjustments emerged. **All other business segments achieved sales growth.**
- Operating income decreased by 2.8 billion yen or 28.8% year on year to 7.0 billion yen.
Excluding **a decrease in gross profit due to the disappearance of spot demand and provision for loss associated with a business partner's filing for insolvency, income level was virtually in line with the previous year.**
- Net income decreased by 1.2 billion yen or 17.4% year on year to 5.8 billion yen. **Gain on sales of securities was posted as extraordinary income** in connection with sale of shares held for investment purposes.
- Year-on-year decrease in net sales and income notwithstanding, **1Q got off to a good start, with performance exceeding the internal plan.**

FY2024/3
earnings
Forecasts

- No revision made to the outlook based on careful consideration of future demand trends as well as uncertain management environment including concerns about rising inflation and prolonged geopolitical risks.

Earnings revisions to be determined appropriately with due consideration to progress in 2Q.

	Net Sales	Operating Income	Net Income
Previous forecasts	550.0 billion yen	25.0 billion yen	18.0 billion yen
Progress rate	25.0%	28.0%	32.0%

Financial Highlights for FY2024/3 1Q

(million yen)

	FY2023/3 1Q Results	FY2024/3 1Q Results	YoY	FY2024/3 Forecasts <small>(Announced on May11, 2023)</small>	Progress rate
Net sales	149,302	137,694	-7.8%	550,000	25.0%
Gross Profit	19,838 <i>13.3%</i>	17,553 <i>12.7%</i>	-11.5%	–	–
SG&A	10,018 <i>6.7%</i>	10,559 <i>7.7%</i>	5.4%	–	–
Operating Income	9,820 <i>6.6%</i>	6,994 <i>5.1%</i>	-28.8%	25,000 <i>4.5%</i>	28.0%
Ordinary income	9,858 <i>6.6%</i>	6,909 <i>5.0%</i>	-29.9%	25,000 <i>4.5%</i>	27.6%
Profit attributable to owners of parent	6,984 <i>4.7%</i>	5,767 <i>4.2%</i>	-17.4%	18,000 <i>3.3%</i>	32.0%
EPS (yen)	266.10	219.63	–	685.42	–
Exchange Rate yen/USD	129.57	137.37	–	135.00	–

- Note: 1. The effect of exchange rates on the conversion into yen is approximately 3,789 million yen on net sales and 136 million yen on operating income.
 2. "x. x%" represents the profit margin.

Results by Business Segment for FY2024/3 1Q

(million yen)

		FY2023/3 1Q Results	FY2024/3 1Q Results	YoY	FY2024/3 Forecasts (Announced on May11, 2023)	Progress rate
Electronic Component	Net sales	133,477	120,015	-10.1%	471,500	25.5%
	Segment income	9,018 <i>6.8%</i>	5,922 <i>4.9%</i>	-34.3%	20,700 <i>4.4%</i>	28.6%
Information Equipment	Net sales	11,147	12,050	8.1%	45,000	26.8%
	Segment income	564 <i>5.1%</i>	746 <i>6.2%</i>	32.2%	2,500 <i>5.6%</i>	29.9%
Software	Net sales	498	577	15.8%	4,500	12.8%
	Segment income	-33 <i>-6.7%</i>	-4 <i>-0.8%</i>	-	300 <i>6.7%</i>	-
Others	Net sales	4,178	5,050	20.9%	29,000	17.4%
	Segment income	249 <i>6.0%</i>	291 <i>5.8%</i>	17.0%	1,500 <i>5.2%</i>	19.4%
Total	Net sales	149,302	137,694	-7.8%	550,000	25.0%
	Segment income	9,820 <i>6.6%</i>	6,994 <i>5.1%</i>	-28.8%	25,000 <i>4.5%</i>	28.0%

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.

Results by Company for FY2024/3 1Q

(million yen)

		FY2022/3 1Q Results	FY2023/3 1Q Results	FY2024/3 1Q Results	YoY
Kaga Electronics	Net sales	60,115	84,339	78,615	-6.8%
	Gross Profit	9,588 <i>16.0%</i>	13,040 <i>15.5%</i>	12,146 <i>15.5%</i>	-6.9%
	Operating income	3,719 <i>6.2%</i>	6,251 <i>7.4%</i>	5,663 <i>7.2%</i>	-9.4%
Kaga FEI	Net sales	32,145	47,752	48,135	0.8%
	Gross Profit	3,009 <i>9.4%</i>	5,784 <i>12.1%</i>	4,379 <i>9.1%</i>	-24.3%
	Operating income	346 <i>1.1%</i>	3,040 <i>6.4%</i>	797 <i>1.7%</i>	-73.8%
Excel	Net sales	13,688	17,209	10,943	-36.4%
	Gross Profit	1,079 <i>7.9%</i>	986 <i>5.7%</i>	1,014 <i>9.3%</i>	2.8%
	Operating income	507 <i>3.7%</i>	462 <i>2.7%</i>	485 <i>4.4%</i>	5.0%
Total	Net sales	105,949	149,302	137,694	-7.8%
	Gross Profit	13,550 <i>12.8%</i>	19,838 <i>13.3%</i>	17,553 <i>12.7%</i>	-11.5%
	Operating income	4,452 <i>4.2%</i>	9,820 <i>6.6%</i>	6,994 <i>5.1%</i>	-28.8%

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 1Q

(million yen)

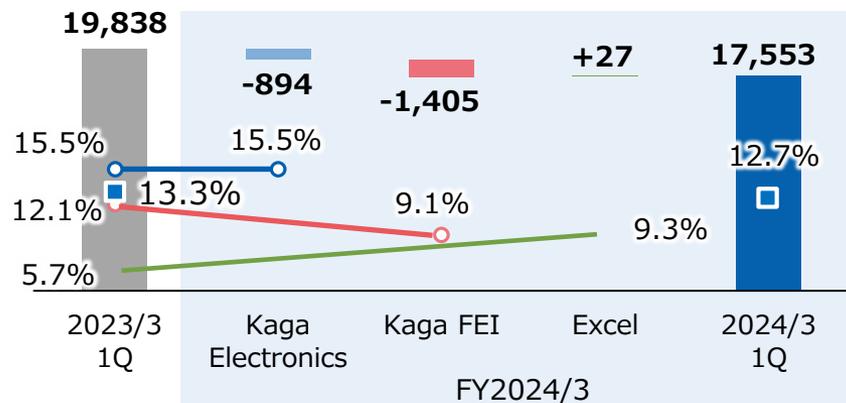
Net Sales

Kaga Electronics posted a sales decrease due partly to the disappearance of spot demand. Kaga FEI enjoyed robust sales of Socionext products. Excel saw a decrease in sales to a major customer.



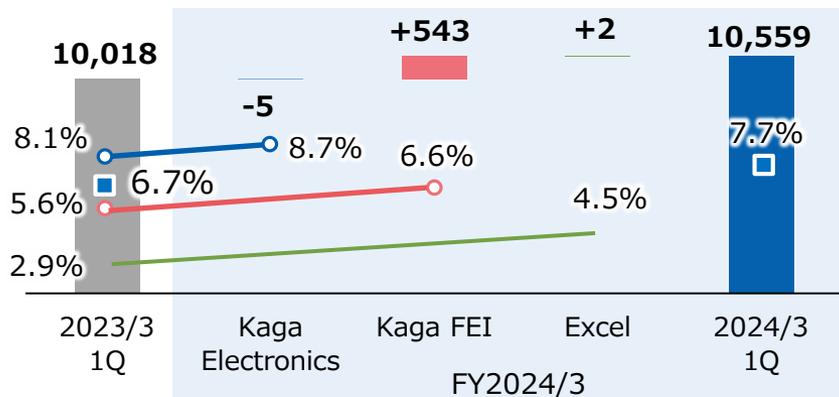
Gross profit / Gross profit margin

Kaga Electronics and Kaga FEI both recorded a gross profit decrease due to lower sales. Excel secured last year's profit level with an improved sales mix.



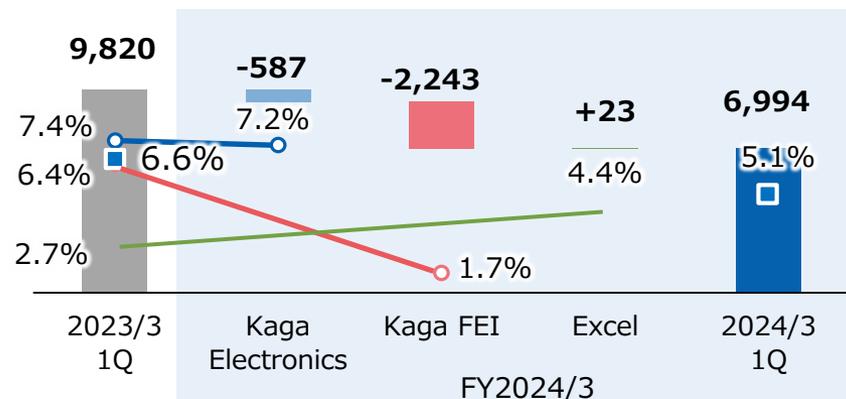
SG&A / SG&A ratio

Kaga FEI's expenses increased due partly to the provision of allowance for doubtful accounts and allocation of head office expenses.



Operating income / Operating income margin

Operating Income decreased due to the disappearance of spot demand and provision for allowance for doubtful accounts.

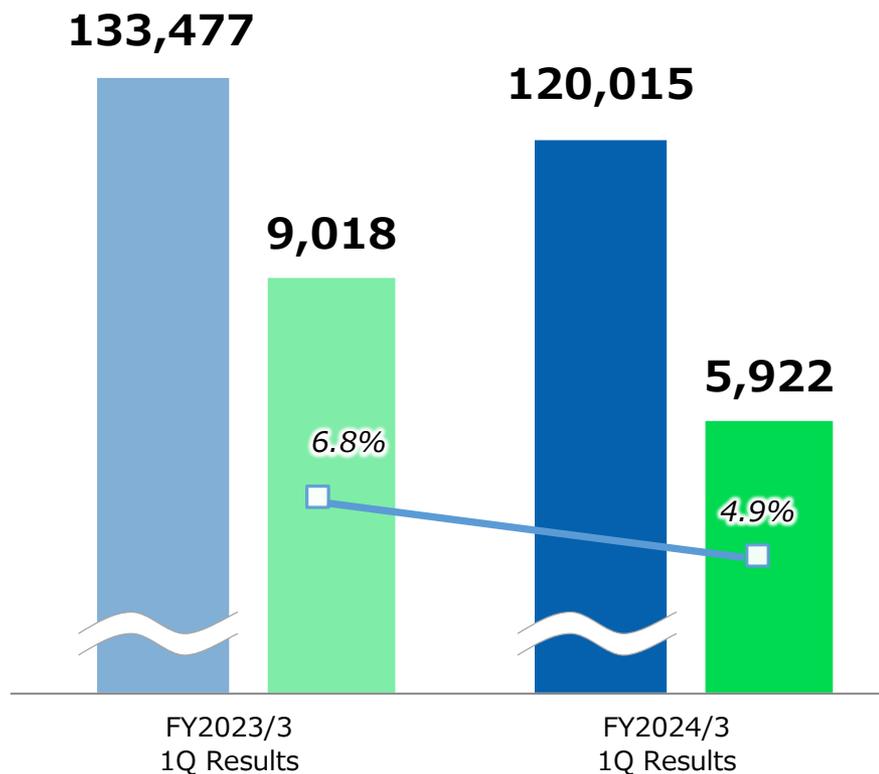


Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■ / ■ Net Sales
■ / ■ Segment income



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

YoY

- Net Sales ▶ **-13,461** million yen **10.1% Down**
- Segment income ▶ **-3,095** million yen **34.3% Down**

- Sales declined in the component sales business due to partial emergence of the impact of customers' inventory adjustments, in addition to the 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, sales in the automotive sector increased due to improved supply/demand of semiconductors and electronic components, while sales in applications related to medical and industrial equipment decreased due partly to inventory adjustments at some customers.

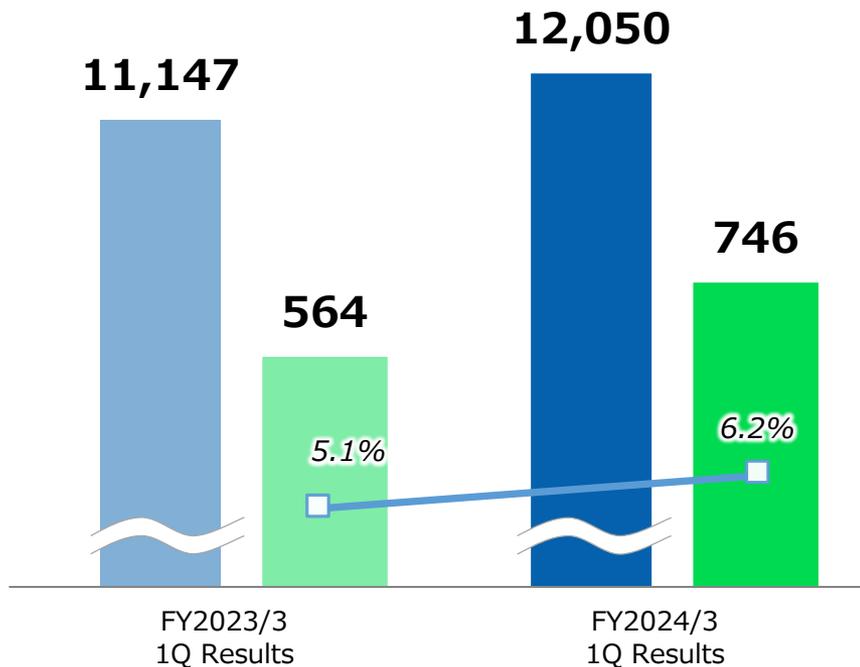


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■ / ■ Net Sales
■ / ■ Segment income



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

YoY

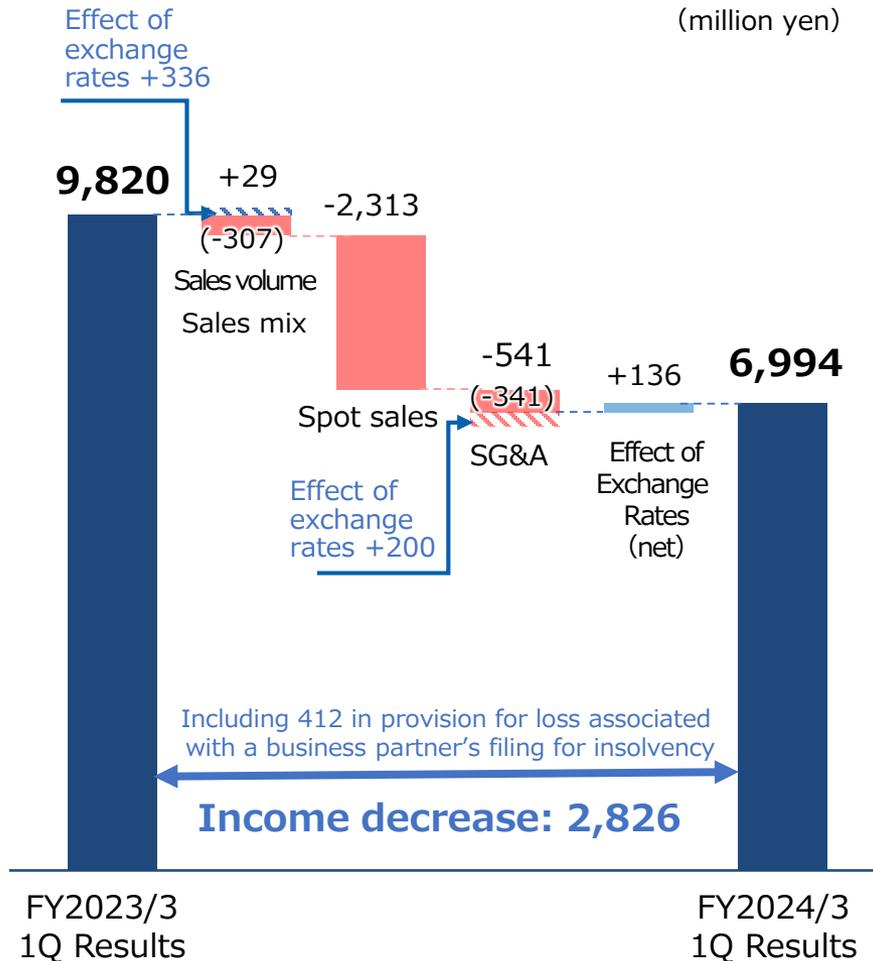
- Net Sales ▶ **+902**million yen **8.1% Up**
- Segment income ▶ **+181**million yen **32.2% Up**

- Amid the season of high demand related to new enrollment and promotion, sales of PCs to educational institutions were strong, with increase in the number of accounts.
- Sales of security software and PC peripheral products also remained solid.
- The LED installation business saw steady progress of large-scale projects that the Group has been pushing forward on a full scale since the previous fiscal year.

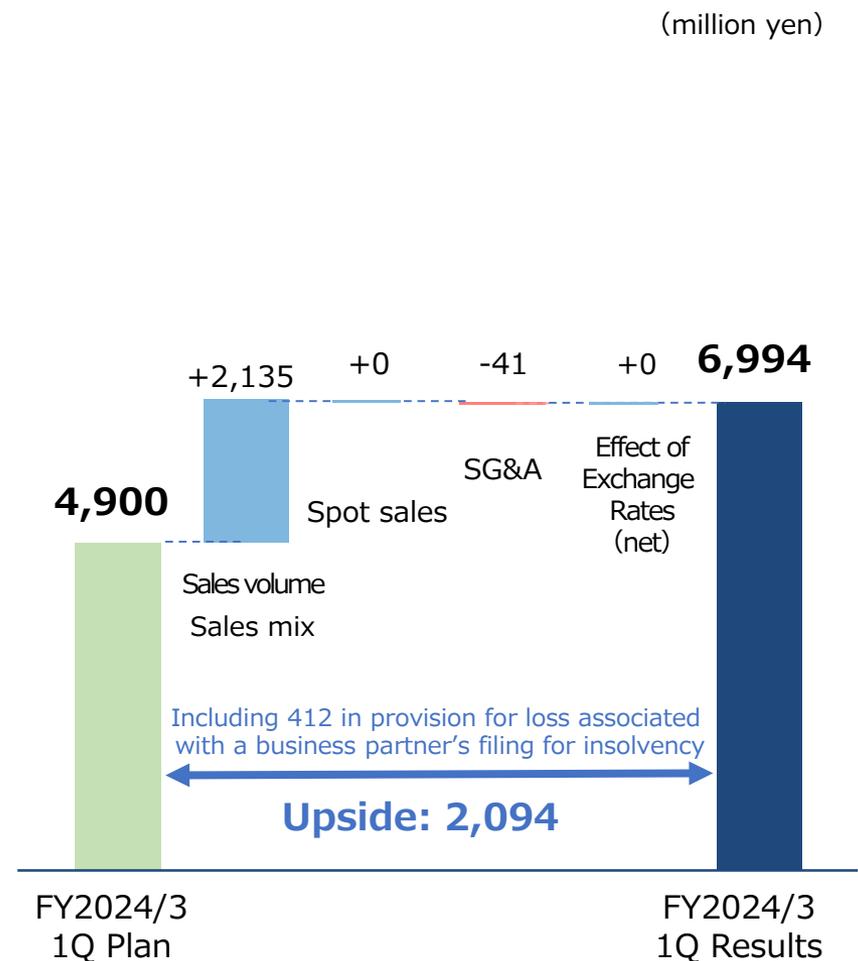


Factors of Increase / Decrease in Operating Income

YoY



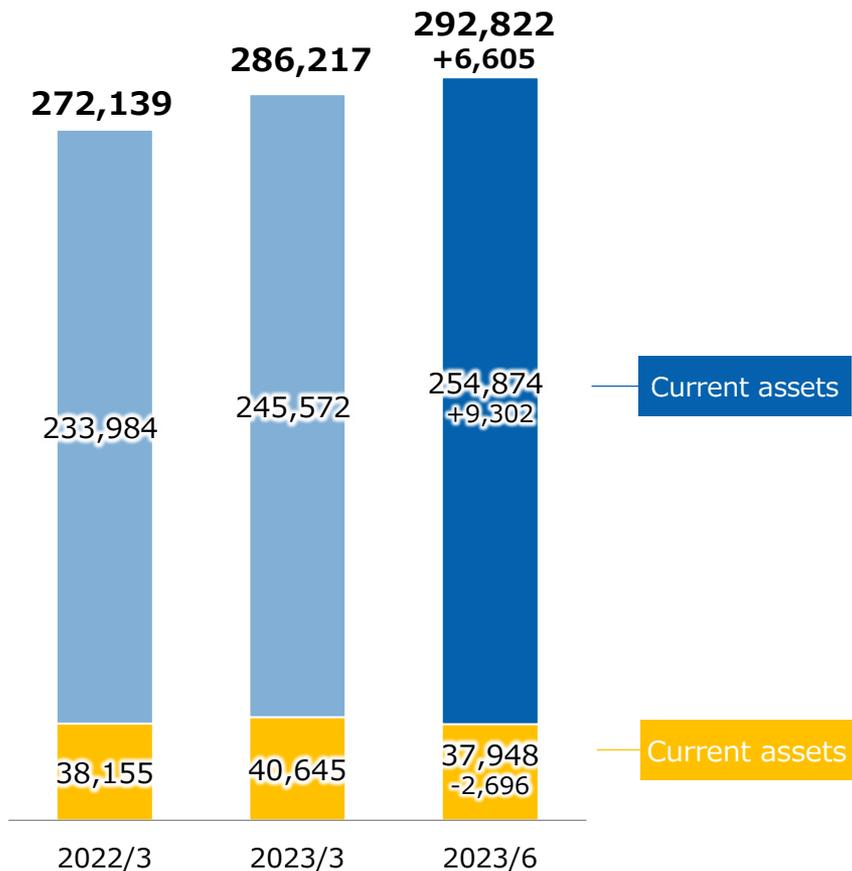
vs Internal Plan



Balance Sheet Main Items

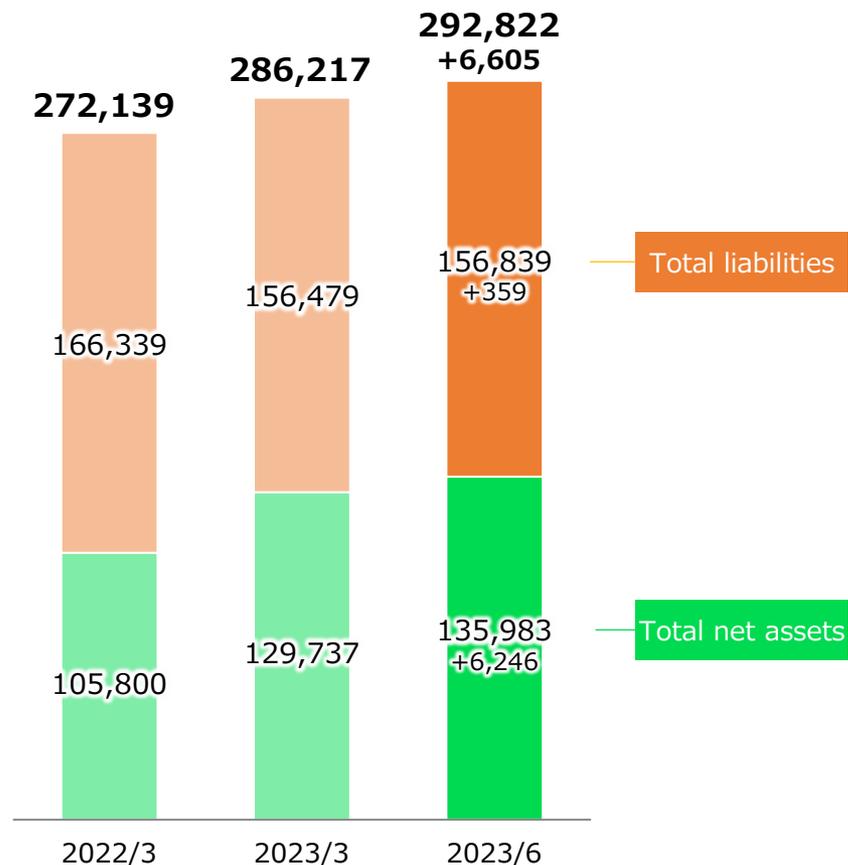
Total assets

(million yen)



Total liabilities and net assets

(million yen)



Balance Sheet Main Items

Inventories

(million Yen, day)



62,607

56,205

70,557
+14,352

Inventories

2022/3

2023/3

2023/6

Note : Inventory turnover = Inventories ÷ Net Sales × 91 (day)

Accounts receivable/Accounts payable

(million Yen, day)



120,948

86,493

129,099

79,232

115,890
-13,208

88,374
+9,141

Notes and A/R

Notes and A/P

2022/3

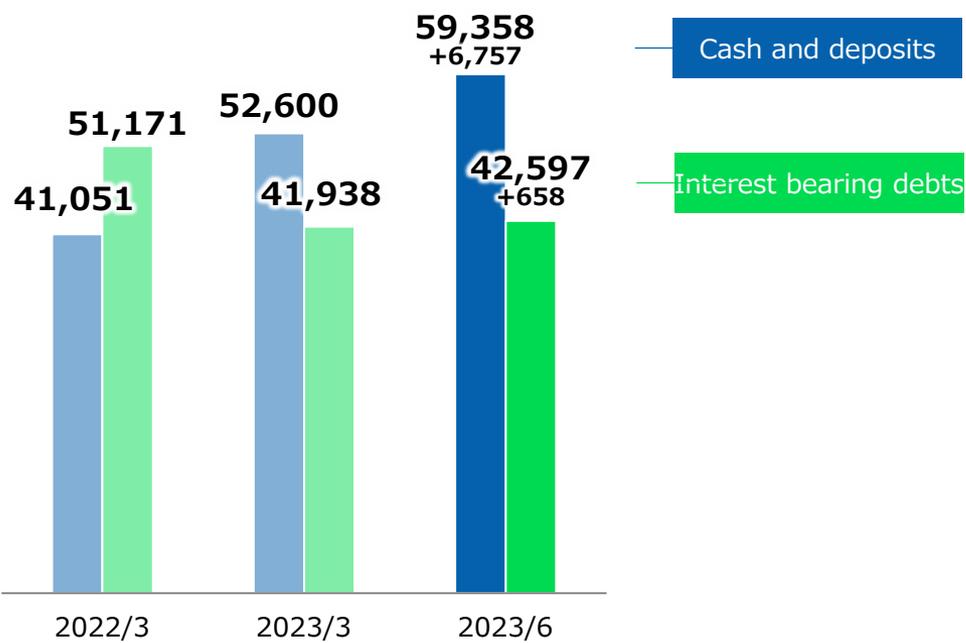
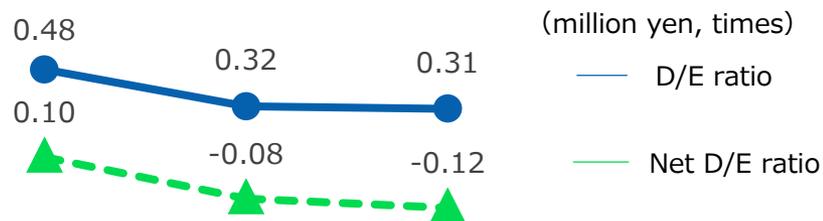
2023/3

2023/6

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 (day)
 •A/P turnover = Notes and A/P ÷ Total purchase of goods × 91 (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 FY2024/3

Forecasts for FY2024/3

(million yen)

	FY2024/3 1Q Results		FY2024/3 Forecasts (Announced on May11, 2023)		Progress rate
Net sales	608,064		550,000		-9.5%
Operating Income	32,249	5.1%	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		220.00		—
	Ordinary dividend 140.00 Commemorative dividend 10.00 Extraordinary dividend 70.00		Ordinary dividend 220.00		

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

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 <i>5.2%</i>	20,700 <i>4.4%</i>	-26.9%
Information Equipment	Net sales	43,680	45,000	3.0%
	Segment income	2,449 <i>5.6%</i>	2,500 <i>5.6%</i>	2.1%
Software	Net sales	2,998	4,500	50.1%
	Segment income	286 <i>9.6%</i>	300 <i>6.7%</i>	4.6%
Others	Net sales	22,044	29,000	31.6%
	Segment income	1,101 <i>5.0%</i>	1,500 <i>5.2%</i>	36.1%
Total	Net sales	608,064	550,000	-9.5%
	Segment income	32,249 <i>5.3%</i>	25,000 <i>4.5%</i>	-22.5%

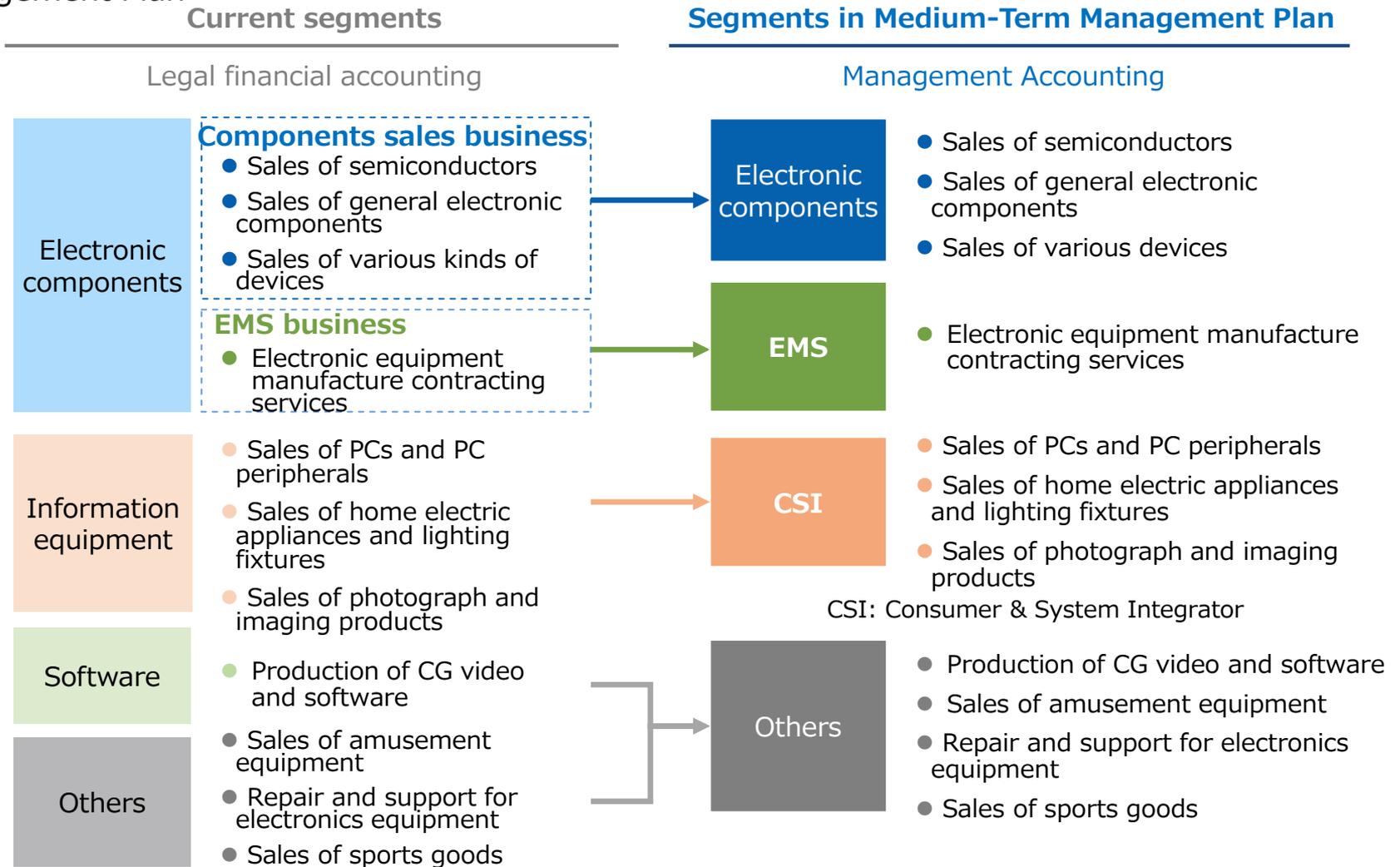
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Reference

Segment disclosure associated with the Medium-Term Management Plan

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



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

Reference

(million yen)

		FY2022/3 1Q Results	FY2023/3 1Q Results	FY2024/3 1Q Results	YoY
Electronic Component	Net sales	66,124	101,444	90,115	-11.2%
	Segment income	1,775 <i>2.7%</i>	6,541 <i>6.4%</i>	3,695 <i>4.1%</i>	-43.5%
EMS	Net sales	26,334	33,867	31,773	-6.2%
	Segment income	2,060 <i>7.8%</i>	2,612 <i>7.7%</i>	2,433 <i>7.7%</i>	-6.8%
CSI	Net sales	10,636	11,147	12,050	8.1%
	Segment income	568 <i>5.3%</i>	564 <i>5.1%</i>	746 <i>6.2%</i>	32.2%
Others	Net sales	2,854	2,842	3,754	32.1%
	Segment income	14 <i>0.5%</i>	79 <i>2.8%</i>	81 <i>2.2%</i>	1.5%
Total	Net sales	105,949	149,302	137,694	-7.8%
	Segment income	4,452 <i>4.2%</i>	9,820 <i>6.6%</i>	6,994 <i>5.1%</i>	-28.8%

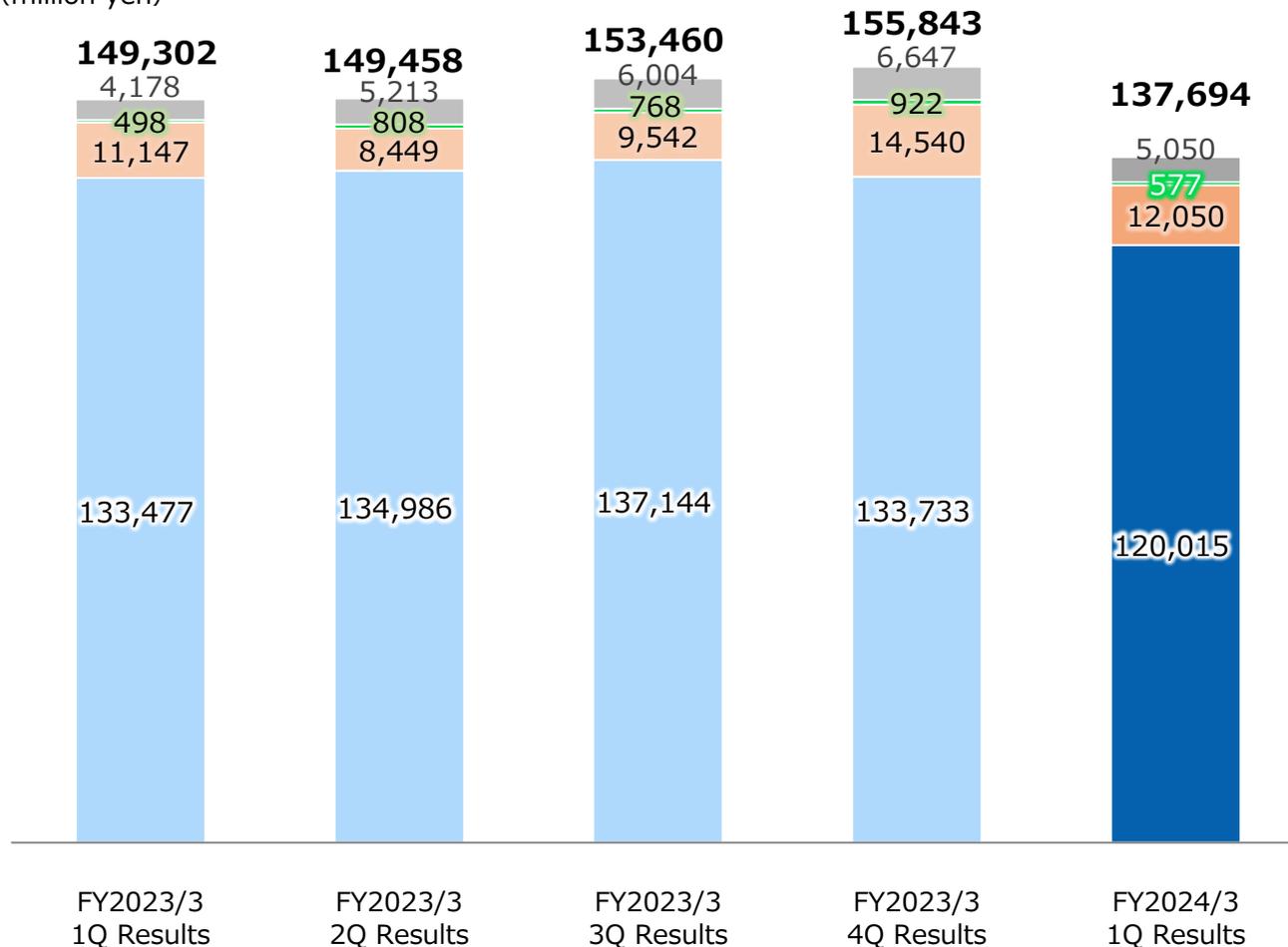
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Quarterly Net Sales Trends

Net Sales

(million yen)



Total	
YoY	: -11,608
QoQ	: -18,148

Other	
YoY	: +872
QoQ	: -1,596

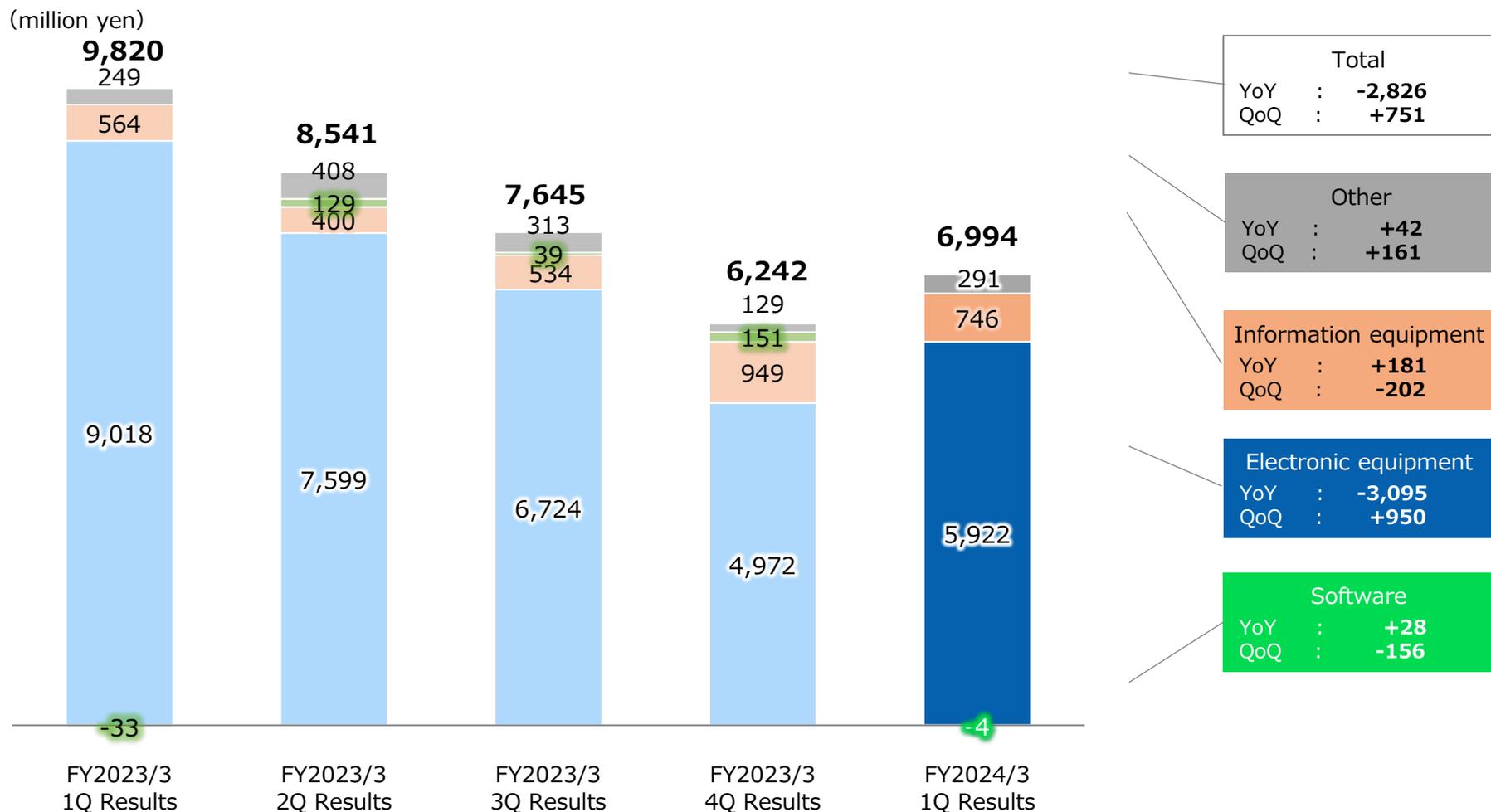
Software	
YoY	: +78
QoQ	: -345

Information equipment	
YoY	: +902
QoQ	: -2,489

Electronic equipment	
YoY	: -13,461
QoQ	: -13,717

Quarterly Segment Income Trends

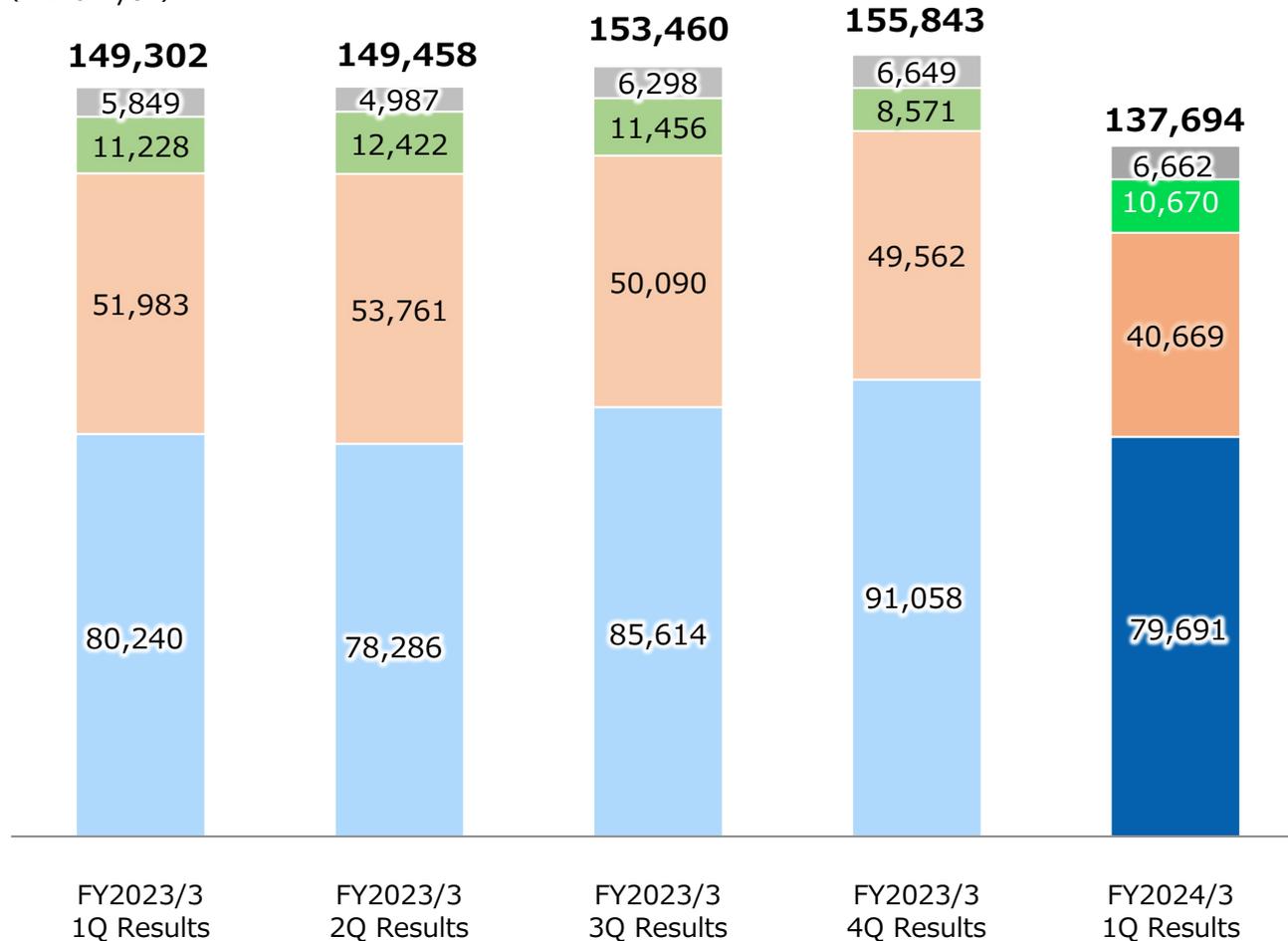
Segment Income



Net Sales by Region

Net Sales

(million yen)



Total	
YoY	: -11,608
QoQ	: -18,148

Europe	
YoY	: +812
QoQ	: +12

North America	
YoY	: -557
QoQ	: +2,099

Asia	
YoY	: -11,314
QoQ	: -8,893

Japan	
YoY	: -549
QoQ	: -11,367

Exchange Rate/FOREX Sensitivity

	FY2023/3 1Q Results (Yen)	FY2024/3 1Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2024/3(yen)
			Net sales	Operating income	
USD	129.57	137.37	579	11	135.00
RMB	18.29	19.34	78	7	19.50
THB	3.77	3.99	79	5	3.80
HKD	16.51	17.52	46	1	17.00
EUR	138.12	149.47	2	0	140.00

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



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