

Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 2023

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

February 7, 2024

KAGA ELECTRONICS CO., LTD.

Summary of Financial Results for FY2024/3 3Q

FY2024/3 3Q results

- Net sales decreased by 45.7 billion yen or 10.1% year on year to 406.4 billion yen. The decrease, despite sales growth in the information equipment business and the others business, **reflected inventory adjustments that have recently been taking place in the electronic components business, in addition to disappearance of spot demand and diminution of transactions with a major customer of a Group company.**
- Operating income decreased by 5.5 billion yen or 21.2% year on year to 20.4 billion yen. Despite a decrease in gross profit due to lower net sales, **operating income margin maintained the 2Q level, reflecting efforts to reduce SG&A expenses.**
- Net income decreased by 3.0 billion yen or 16.1% year on year to 15.9 billion yen. **The decrease in income was at a smaller rate thanks to the posting of 1.3 billion yen in gain on sales of investment securities and 0.4 billion yen in gain on bargain purchase associated with a corporate acquisition.**
- Performance continued to exceed the internal plan, although at a smaller rate due to the impact of inventory adjustments, **with net sales and operating income exceeding the internal plan by around 6.0 billion yen and around 2.0 billion yen, respectively.**

FY2024/3 earnings forecast

- Although progress was made, with performance exceeding the internal plan, **no revision is made to earnings forecasts** given current situation such as **expansion of investment adjustments** as well as **the impact of the Noto Peninsula Earthquake on the supply chain**, in addition to changes in the macro environment, including geopolitical risks, concerns of economic slowdown in Japan and globally, and exchange rate fluctuations, which are making it difficult to predict the future.

	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
3Q Progress rate	73.9%	82.0%	88.8%

Financial Highlights for FY2024/3 3Q

(million yen)

	FY2023/3 3Q Results	FY2024/3 3Q Results	YoY	FY2024/3 Forecasts <small>(Announced on May 11, 2023)</small>	Progress rate
Net sales	452,221	406,458	-10.1%	550,000	73.9%
Gross Profit	59,884 <i>13.2%</i>	52,252 <i>12.9%</i>	-12.7%	—	—
SG&A	33,877 <i>7.5%</i>	31,760 <i>7.8%</i>	-6.2%	—	—
Operating income	26,006 <i>5.8%</i>	20,491 <i>5.0%</i>	-21.2%	25,000 <i>4.5%</i>	82.0%
Ordinary income	26,618 <i>5.9%</i>	20,311 <i>5.0%</i>	-23.7%	25,000 <i>4.5%</i>	81.2%
Profit attributable to owners of parent	19,053 <i>4.2%</i>	15,992 <i>3.9%</i>	-16.1%	18,000 <i>3.3%</i>	88.8%
EPS (yen)	725.67	608.88	—	685.42	—
Exchange Rate yen / USD	136.51	143.29	—	135.00	—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 8,117 million yen on net sales and 280 million yen on operating income.
 2. "x. x%" represents the ratio to net sales.

Results by Business Segment for FY2024/3 3Q

(million yen)

		FY2023/3 3Q Results	FY2024/3 3Q Results	YoY	FY2024/3 Forecasts <small>(Announced on May 11, 2023)</small>	Progress rate
Electronic Component	Net sales	405,608	357,794	-11.8%	471,500	75.9%
	Segment income	23,341 <i>5.8%</i>	17,148 <i>4.8%</i>	-26.5%	20,700 <i>4.4%</i>	82.8%
Information Equipment	Net sales	29,139	30,266	3.9%	45,000	67.3%
	Segment income	1,499 <i>5.1%</i>	1,921 <i>6.3%</i>	28.1%	2,500 <i>5.6%</i>	76.9%
Software	Net sales	2,076	1,816	-12.5%	4,500	40.4%
	Segment income	135 <i>6.5%</i>	262 <i>14.5%</i>	94.1%	300 <i>6.7%</i>	87.6%
Others	Net sales	15,397	16,581	7.7%	29,000	57.2%
	Segment income	971 <i>6.3%</i>	1,059 <i>6.4%</i>	9.0%	1,500 <i>5.2%</i>	70.6%
Total	Net sales	452,221	406,458	-10.1%	550,000	73.9%
	Segment income	26,006 <i>5.8%</i>	20,491 <i>5.0%</i>	-21.2%	25,000 <i>4.5%</i>	82.0%

- 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 3Q

(million yen)

		FY2022/3 3Q Results	FY2023/3 3Q Results	FY2024/3 3Q Results	YoY	VS FY2022/3
Kaga Electronics	Net sales	199,021	254,474	234,925	-7.7%	18.0%
	Gross Profit	29,689 <i>14.9%</i>	40,221 <i>15.8%</i>	35,208 <i>15.0%</i>	-12.5%	18.6%
	Operating income	11,100 <i>5.6%</i>	17,578 <i>6.9%</i>	15,658 <i>6.7%</i>	-10.9%	41.1%
Kaga FEI	Net sales	106,117	153,293	143,127	-6.6%	34.9%
	Gross Profit	10,270 <i>9.7%</i>	16,612 <i>10.8%</i>	14,143 <i>9.9%</i>	-14.9%	37.7%
	Operating income	2,419 <i>2.3%</i>	7,010 <i>4.6%</i>	3,432 <i>2.4%</i>	-51.0%	41.9%
Excel	Net sales	47,546	44,453	28,405	-36.1%	-40.3%
	Gross Profit	2,953 <i>6.2%</i>	3,115 <i>7.0%</i>	2,918 <i>10.3%</i>	-6.3%	-1.2%
	Operating income	1,274 <i>2.7%</i>	1,377 <i>3.1%</i>	1,320 <i>4.6%</i>	-4.2%	3.6%
Total	Net sales	352,684	452,221	406,458	-10.1%	15.2%
	Gross Profit	42,761 <i>12.1%</i>	59,884 <i>13.2%</i>	52,252 <i>12.9%</i>	-12.7%	22.2%
	Operating income	14,658 <i>4.2%</i>	26,006 <i>5.8%</i>	20,491 <i>5.0%</i>	-21.2%	39.8%

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 3Q

(million yen)

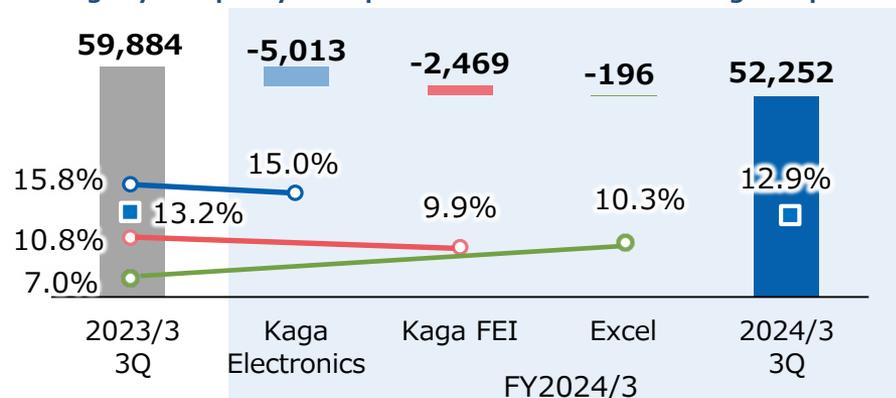
Net Sales

Net sales decreased both at Kaga Electronics and Kaga FEI due partly to disappearance of spot demand. Excel saw a decrease in sales to a major customer.



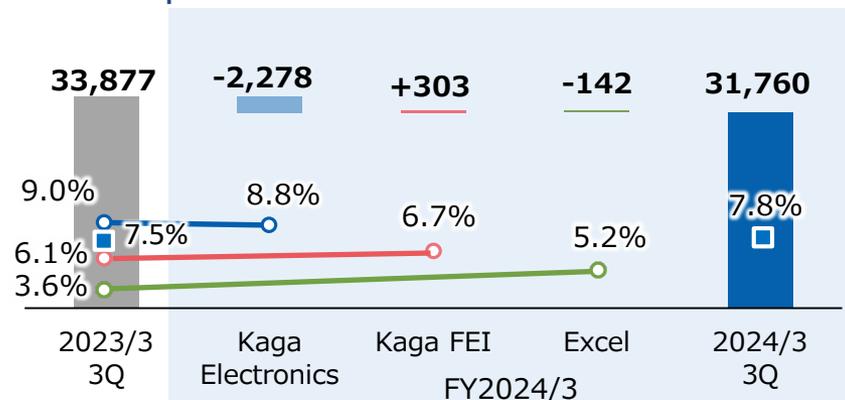
Gross profit / Gross profit margin

Kaga Electronics and Kaga FEI both recorded a gross profit decrease due to lower net sales. At Excel, gross profit decreased but only slightly due partly to improved sales mix. Profit margin improved.



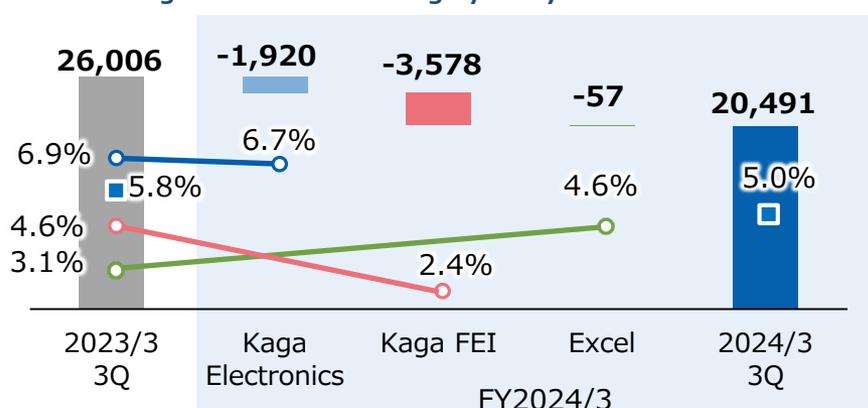
SG&A / SG&A ratio

SG&A expenses declined in Kaga Electronics and Excel, reflecting cost-cutting efforts. 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. An improved sales mix helped Excel to improve income margin and maintain roughly last year's income level.

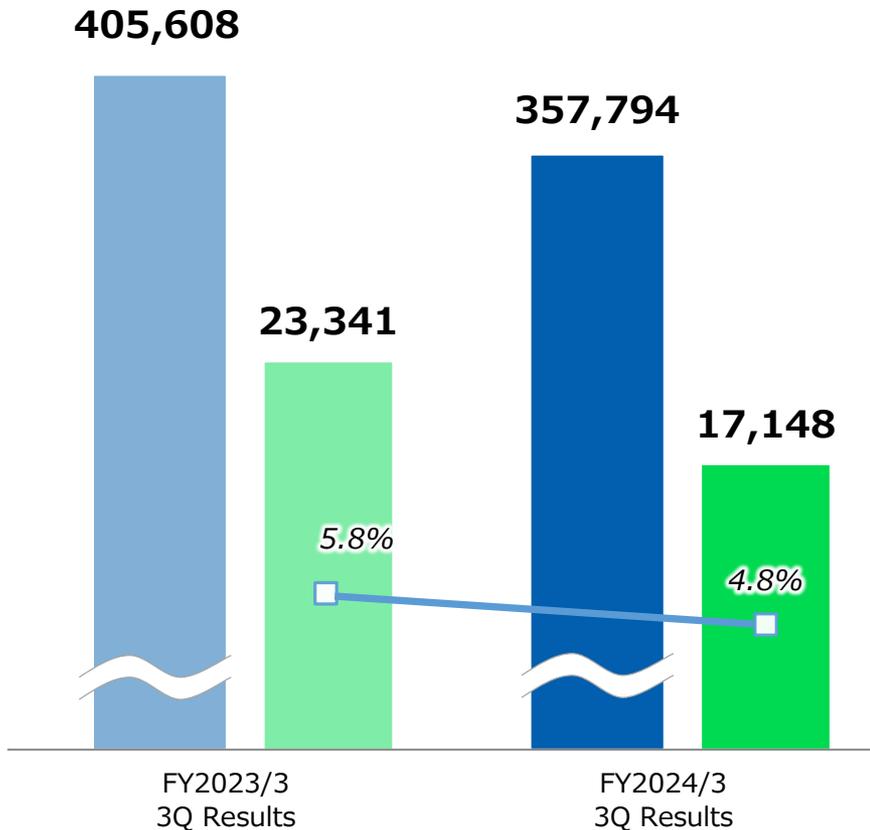


Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income



YoY

- Net Sales ▶ **-47,814**million yen **11.8% Down**
- Segment income ▶ **-6,193**million yen **26.5% Down**

- Both net sales and income decreased in the component sales business due to the impact of a recent move to full-scale 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, and diminution of transactions with a certain Excel client.
- Kaga FEI's SoC (System on a Chip) products continued to enjoy robust sales.
- 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.

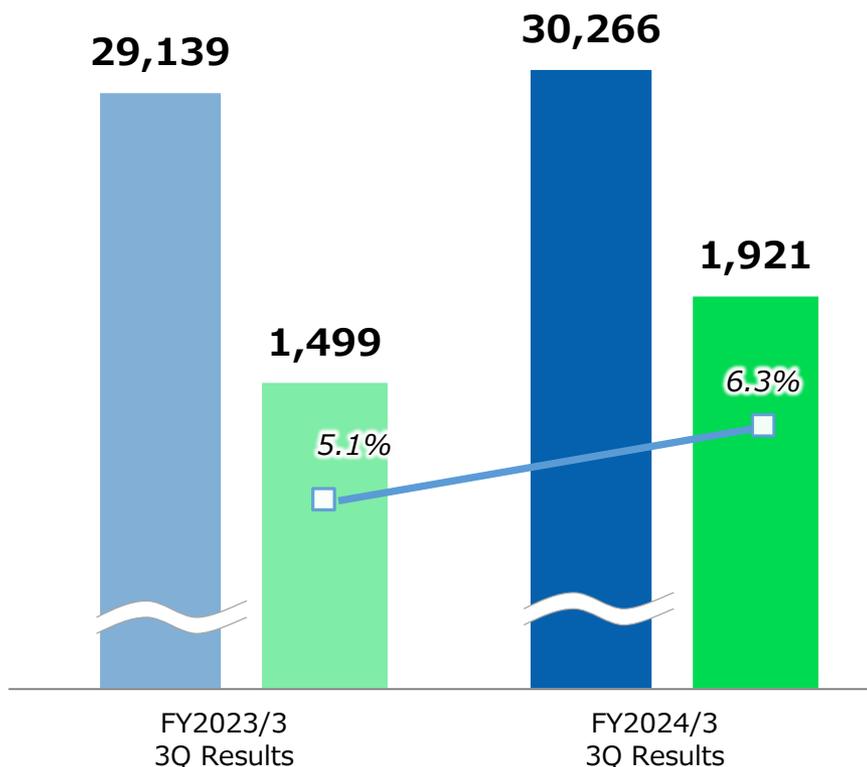


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■ Net Sales
■ Segment income



YoY

- Net Sales ▶ **+1,126**million yen **3.9%Up**
- Segment income ▶ **+421**million yen **28.1%Up**

- Although sales of PCs for mass retailers struggled due to weak demand, sales of PCs for 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 3Q (3 months)

(million yen)

	FY2023/3 3Q Results	FY2024/3 2Q Results	FY2024/3 3Q Results	YoY	QoQ
Net sales	153,460	137,350	131,413	-14.4%	-4.3%
Gross Profit	19,882 <i>13.0%</i>	17,607 <i>12.8%</i>	17,091 <i>13.0%</i>	-14.0%	-2.9%
SG&A	12,237 <i>8.0%</i>	10,725 <i>7.8%</i>	10,475 <i>8.0%</i>	-14.4%	-2.3%
Operating income	7,645 <i>5.0%</i>	6,882 <i>5.0%</i>	6,615 <i>5.0%</i>	-13.5%	-3.9%
Ordinary income	7,685 <i>5.0%</i>	7,035 <i>5.1%</i>	6,365 <i>4.8%</i>	-17.2%	-9.5%
Profit attributable to owners of parent	5,640 <i>3.7%</i>	5,636 <i>4.1%</i>	4,587 <i>3.5%</i>	-18.7%	-18.6%
EPS (yen)	214.80 –	214.60 –	174.65 –	–	–

Note: 1. The effect of exchange rates on the conversion into yen is approximately 2,441 million yen on net sales and 105 million yen on operating income.

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

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

(million yen)

		FY2023/3 3Q Results	FY2024/3 2Q Results	FY2024/3 3Q Results	YoY	QoQ
Electronic Component	Net sales	137,144	122,549	115,229	-16.0%	-6.0%
	Segment income	6,724 <i>4.9%</i>	5,862 <i>4.8%</i>	5,363 <i>4.7%</i>	-20.2%	-8.5%
Information Equipment	Net sales	9,542	8,664	9,551	0.1%	10.2%
	Segment income	534 <i>5.6%</i>	533 <i>6.2%</i>	641 <i>6.7%</i>	20.0%	20.2%
Software	Net sales	768	647	591	-23.1%	-8.7%
	Segment income	39 <i>5.2%</i>	117 <i>18.1%</i>	149 <i>25.3%</i>	276.6%	27.4%
Others	Net sales	6,004	5,488	6,041	0.6%	10.1%
	Segment income	313 <i>5.2%</i>	331 <i>6.0%</i>	436 <i>7.2%</i>	39.0%	31.6%
Total	Net sales	153,460	137,350	131,413	-14.4%	-4.3%
	Segment income	7,645 <i>5.0%</i>	6,882 <i>5.0%</i>	6,615 <i>5.0%</i>	-13.5%	-3.9%

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.

Results by Company for FY2024/3 3Q (3 months)

(million yen)

		FY2023/3 3Q Results	FY2024/3 2Q Results	FY2024/3 3Q Results	YoY	QoQ
Kaga Electronics	Net sales	86,074	77,792	78,517	-8.8%	0.9%
	Gross Profit	13,486 <i>15.7%</i>	11,504 <i>14.8%</i>	11,556 <i>14.7%</i>	-14.3%	0.5%
	Operating income	5,342 <i>6.2%</i>	4,905 <i>6.3%</i>	5,089 <i>6.5%</i>	-4.8%	3.8%
Kaga FEI	Net sales	54,535	50,631	44,360	-18.7%	-12.4%
	Gross Profit	5,310 <i>9.7%</i>	5,252 <i>10.4%</i>	4,510 <i>10.2%</i>	-15.1%	-14.1%
	Operating income	1,796 <i>3.3%</i>	1,625 <i>3.2%</i>	1,009 <i>2.3%</i>	-43.8%	-37.9%
Excel	Net sales	12,851	8,925	8,535	-33.6%	-4.4%
	Gross Profit	1,124 <i>8.7%</i>	910 <i>10.2%</i>	993 <i>11.6%</i>	-11.6%	9.1%
	Operating income	511 <i>4.0%</i>	379 <i>4.3%</i>	455 <i>5.3%</i>	-11.0%	20.0%
Total	Net sales	153,460	137,350	131,413	-14.4%	-4.3%
	Gross Profit	19,882 <i>13.0%</i>	17,607 <i>12.8%</i>	17,091 <i>13.0%</i>	-14.0%	-2.9%
	Operating income	7,645 <i>5.0%</i>	6,882 <i>5.0%</i>	6,615 <i>5.0%</i>	-13.5%	-3.9%

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 3Q (3 months)

(million yen)

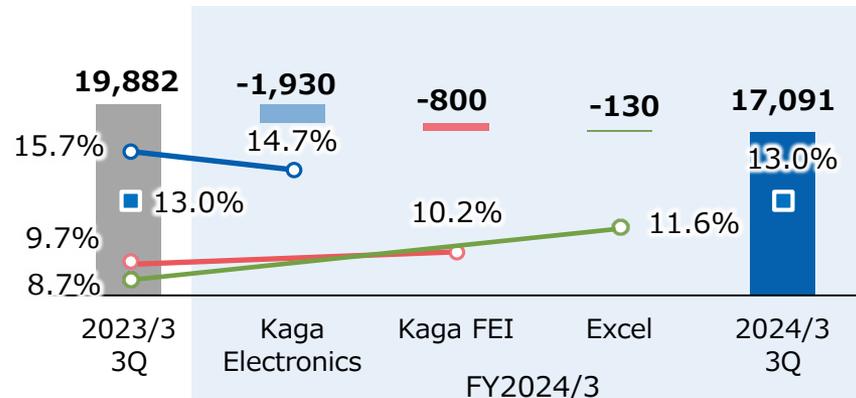
Net Sales

Net sales decreased in the electronic components business due to expanded impact of inventory adjustments.



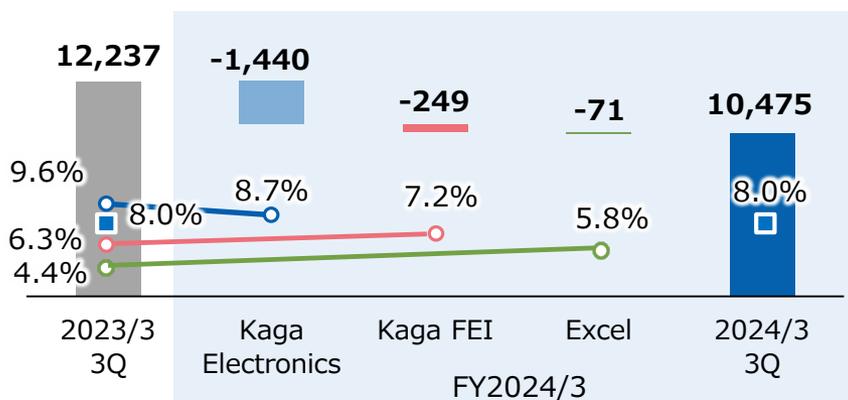
Gross profit / Gross profit margin

Gross profit decreased due to lower net sales. Income margin improved at Excel due to improved product mix.



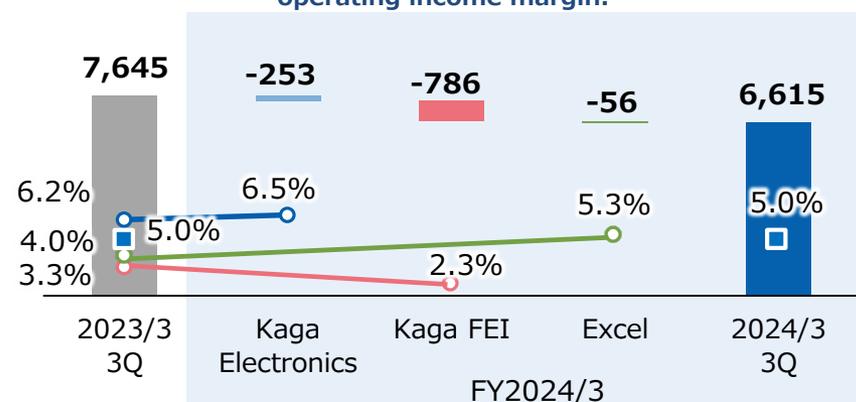
SG&A / SG&A ratio

SG&A expenses were curtailed due to a decrease in gross profit.



Operating income / Operating income margin

Operating income decreased at both Kaga Electronics and Kaga FEI. Excel maintained roughly last year's income level with improved operating income margin.

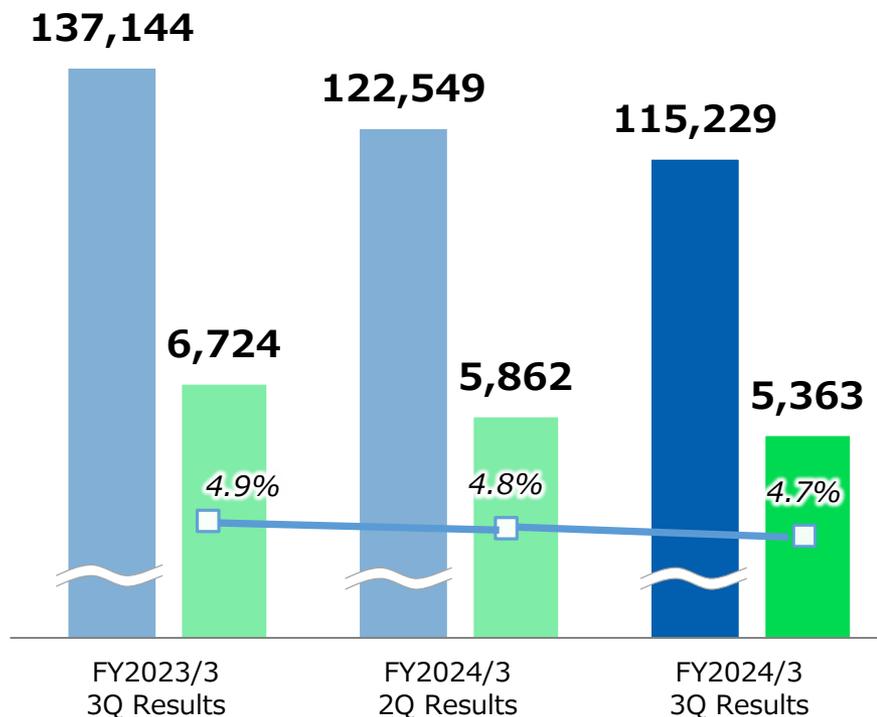


Financial Highlights: Electronic Component Segment (3 months)

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **-21,915**million yen **16.0%Down**
- Segment income ▶ **-1,361**million yen **20.2%Down**

QoQ

- Net Sales ▶ **-7,319**million yen **6.0%Down**
- Segment income ▶ **-499**million yen **8.5%Down**

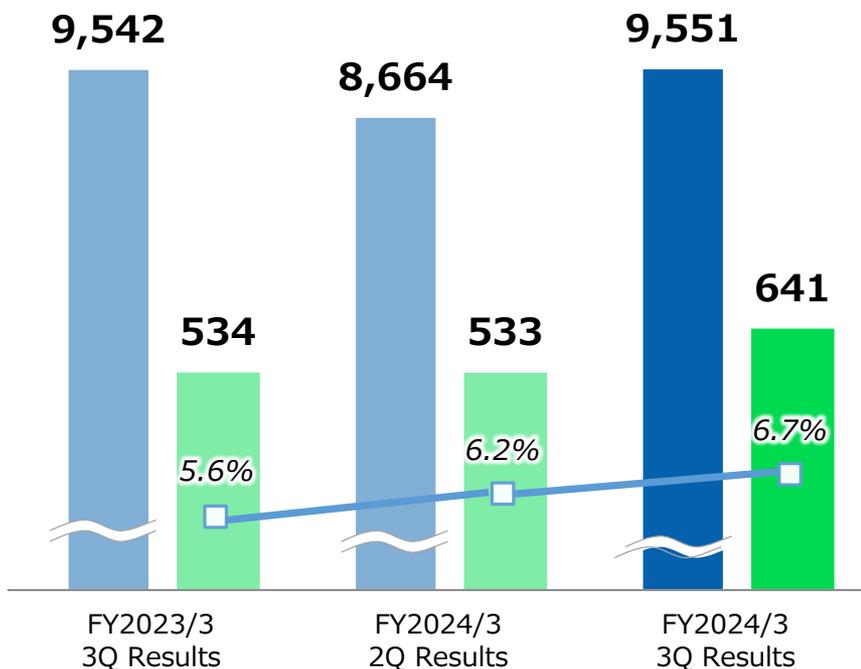
Note: "x. x%" represents the profit margin.

Financial Highlights: Information Equipment Segment (3months)

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **+8**million yen **0.1%Up**
- Segment income ▶ **+106**million yen **20.0%Up**

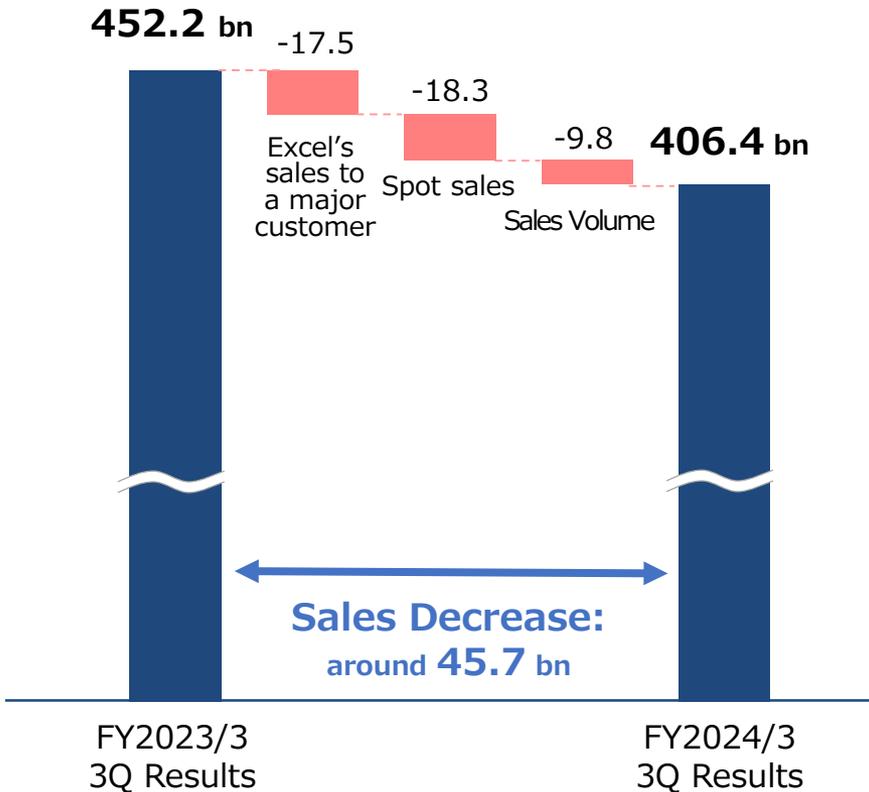
QoQ

- Net Sales ▶ **+886**million yen **10.2%Up**
- Segment income ▶ **+107**million yen **20.2%Up**

Factors of Increase / Decrease in Net Sales

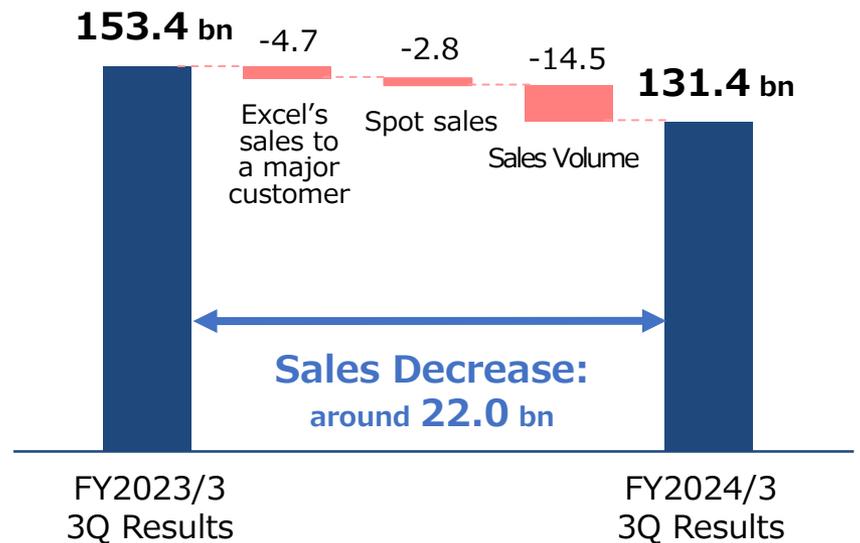
YoY (Including Effect of Exchange Rates)

(billion yen)



YoY (3 months, Including Effect of Exchange Rates)

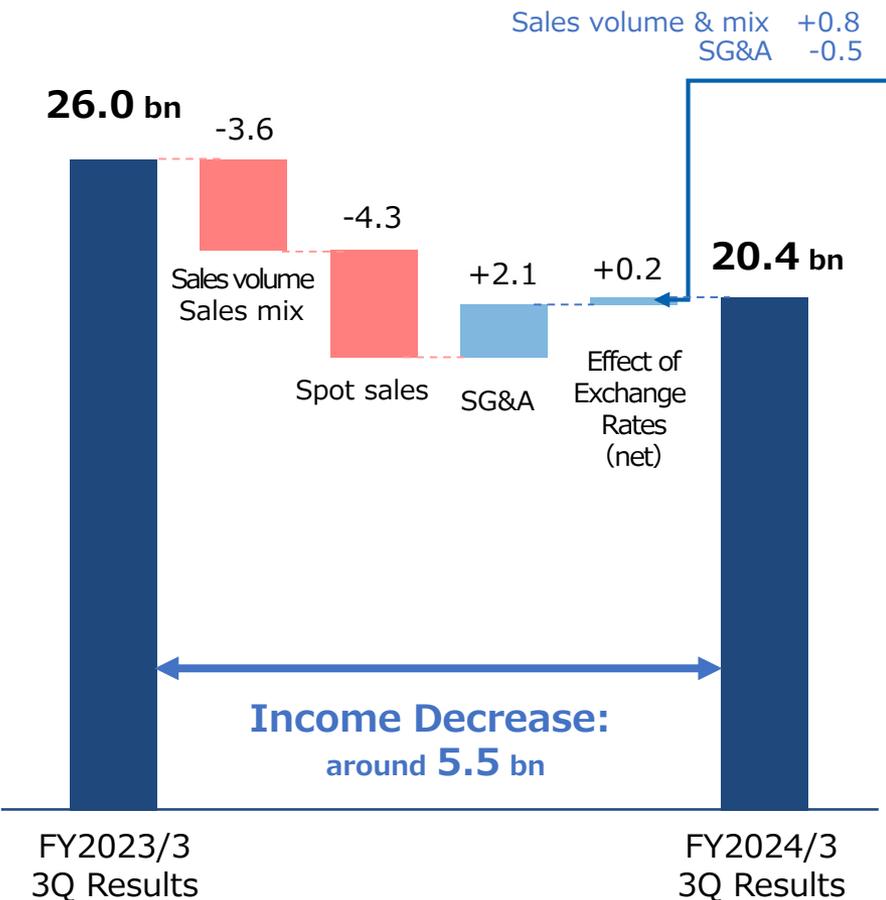
(billion yen)



Factors of Increase / Decrease in Operating Income

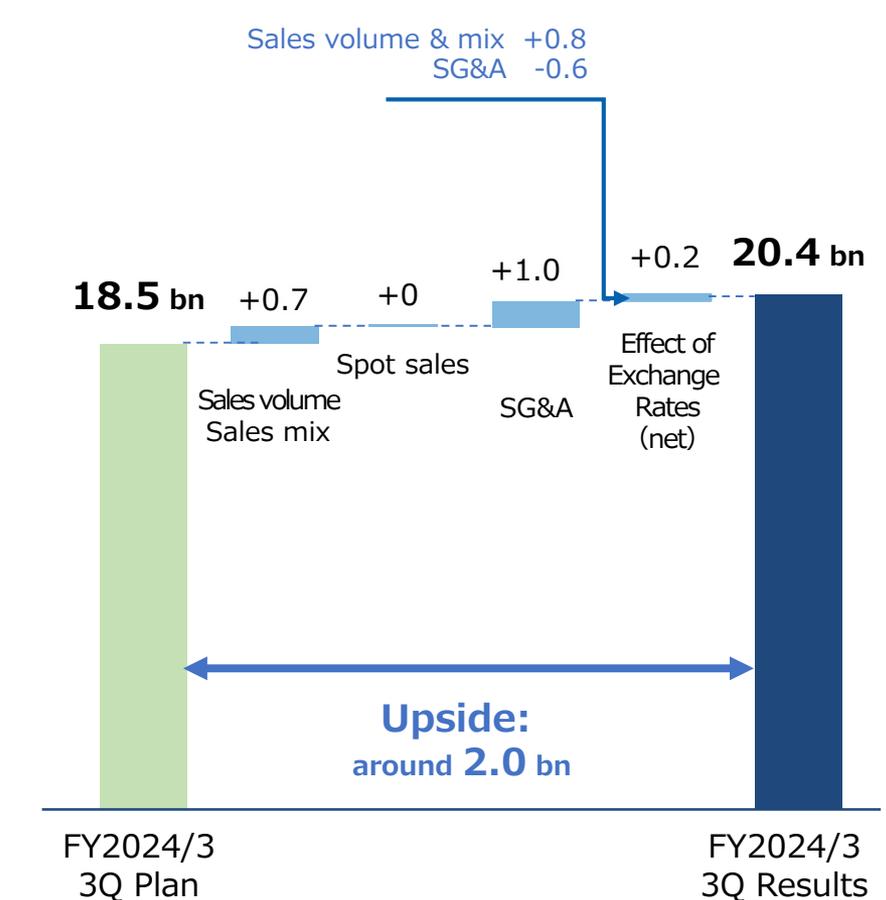
YoY

(billion yen)



vs Internal Plan

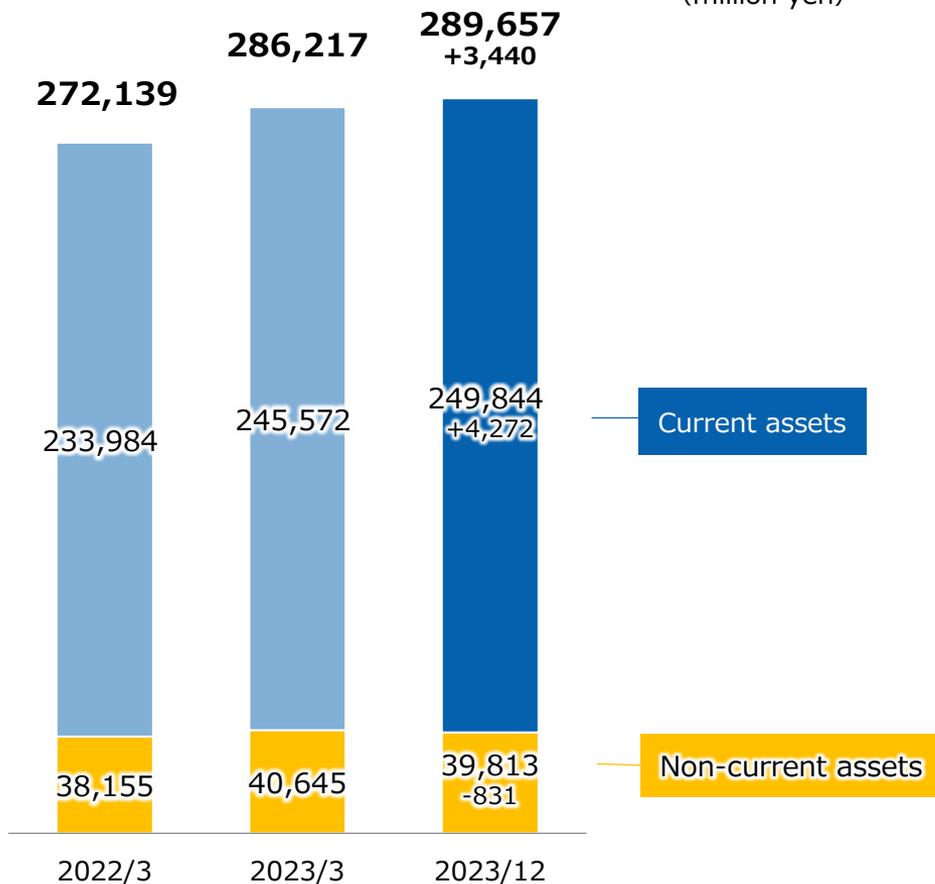
(billion yen)



Balance Sheet Main Items

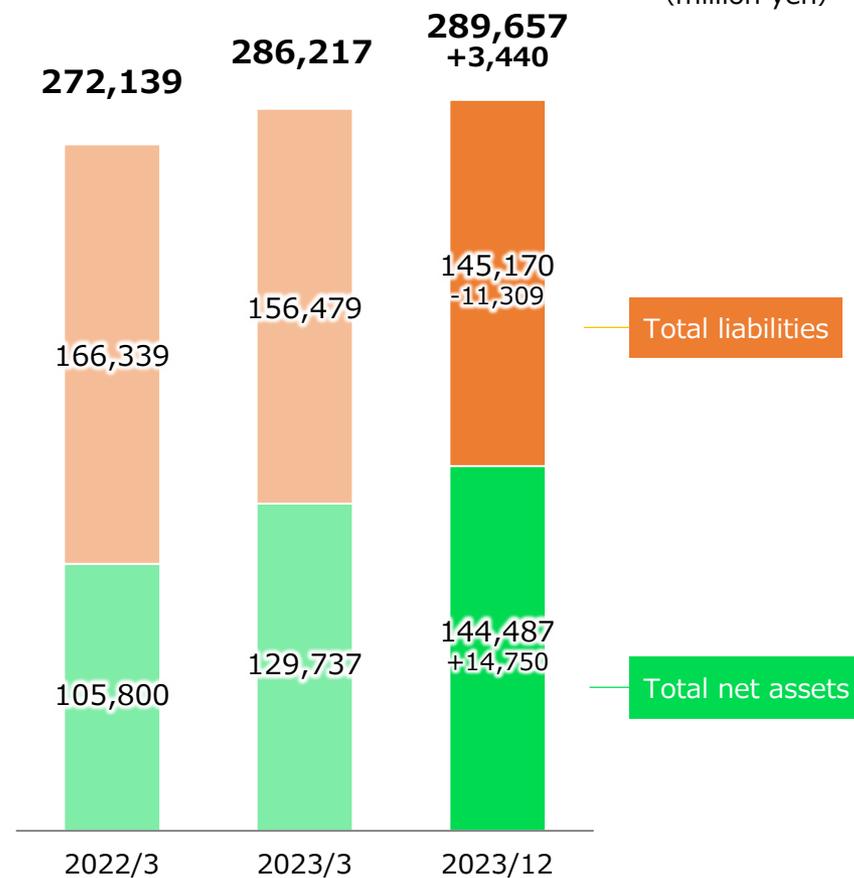
Total assets

(million yen)



Total liabilities and net assets

(million yen)



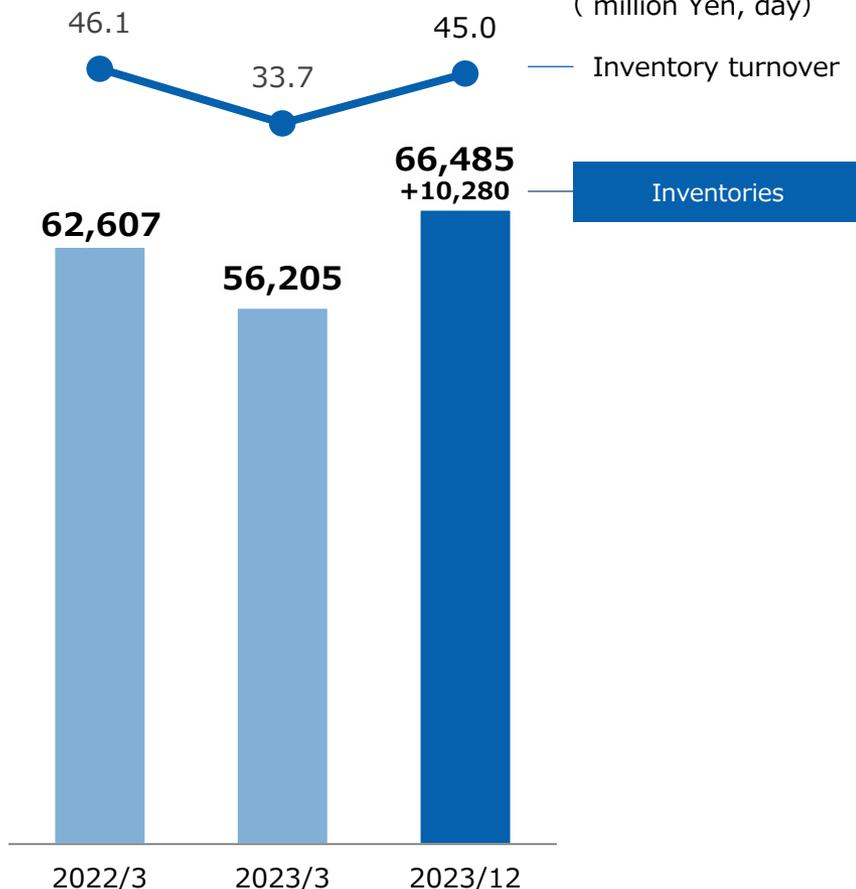
Balance Sheet Main Items

Inventories

(million Yen, day)

— Inventory turnover

Inventories



Note : Inventory turnover = Inventories ÷ Net Sales × 275 (day)

Accounts receivable/Accounts payable

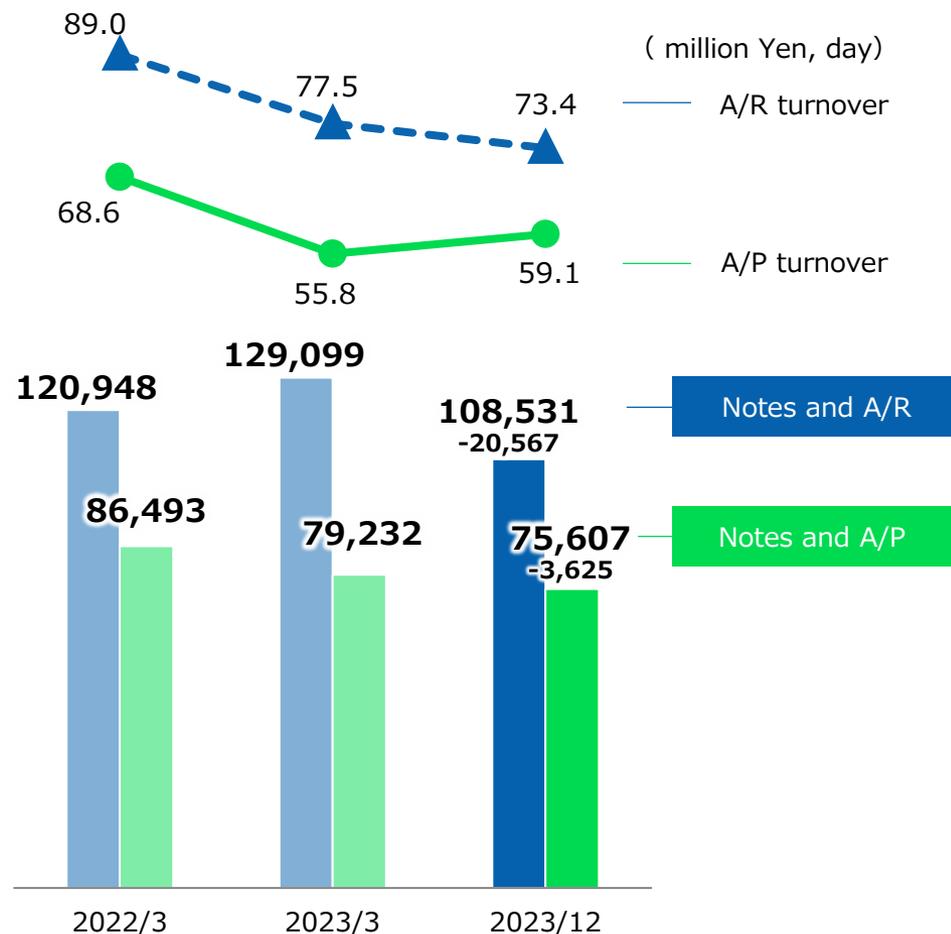
(million Yen, day)

— A/R turnover

— A/P turnover

Notes and A/R

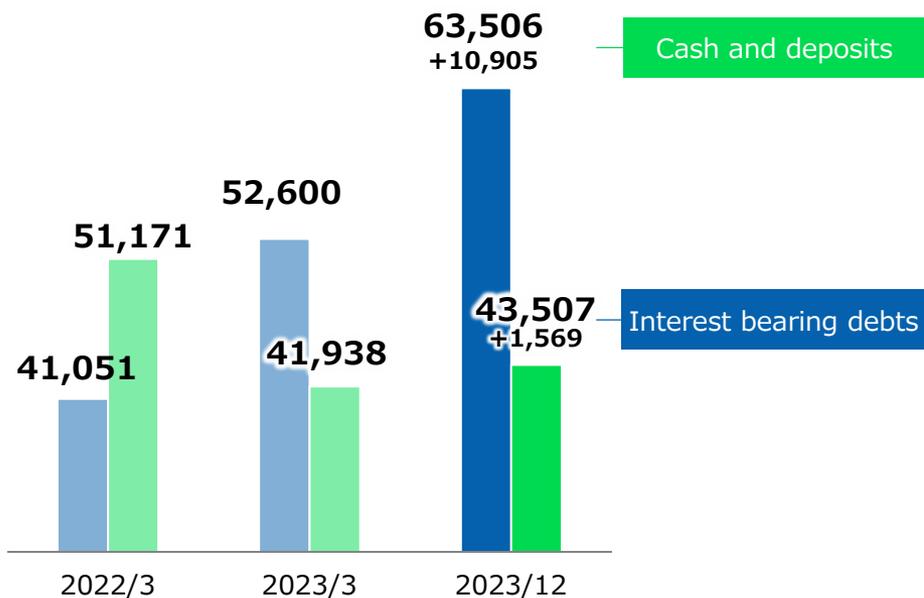
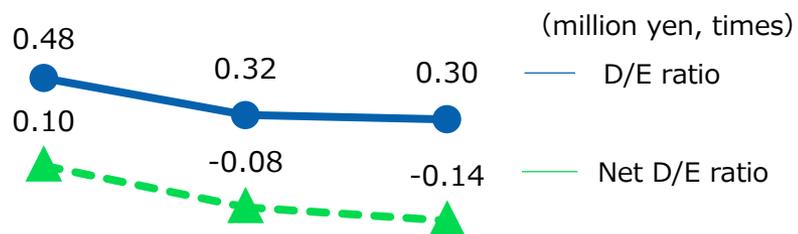
Notes and A/P



Notes : 1. •Notes and A/R are amounts including Electronically recorded monetary claims-operating
 2. •Notes and A/P are amounts including Electronically recorded obligations - operating
 3. •A/R turnover = Notes and A/R ÷ Net sales × 275 (day)
 4. •A/P turnover = Notes and A/P ÷ Total purchase of goods × 275 (day)

Balance Sheet Main Items

Cash and Deposits/Interest Bearing Debt



Note : 1. D/E ratio = Interest bearing debts ÷ Shareholder's equity

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

Forecasts for FY2024/3

Forecasts for FY2024/3

(million yen)

	FY2023/3 Results		FY2024/3 Forecasts (Announced on May11, 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.

Forecasts by Business Segment for FY2024/3

(million yen)

		FY2023/3 Results	FY2024/3 Forecasts <small>(Announced on May11, 2023)</small>	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%

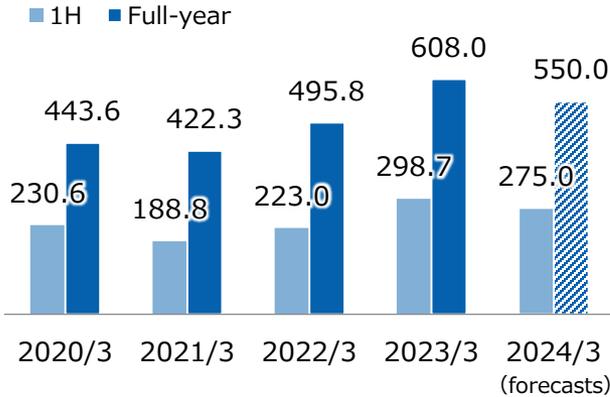
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Latest 5 years Financial Trends

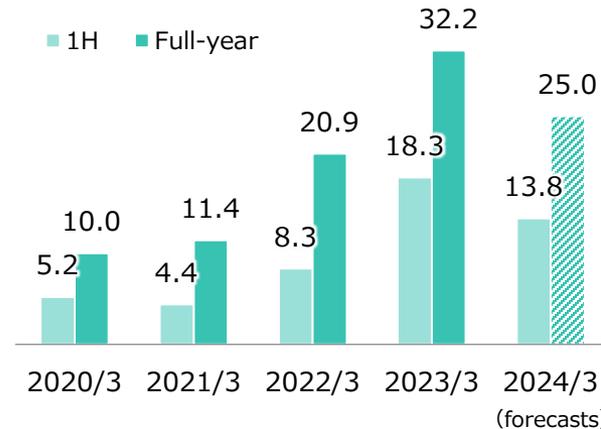
Net Sales

(billion yen)



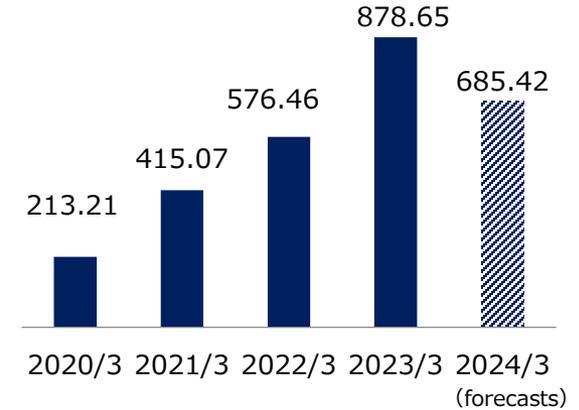
Operating Income

(billion yen)



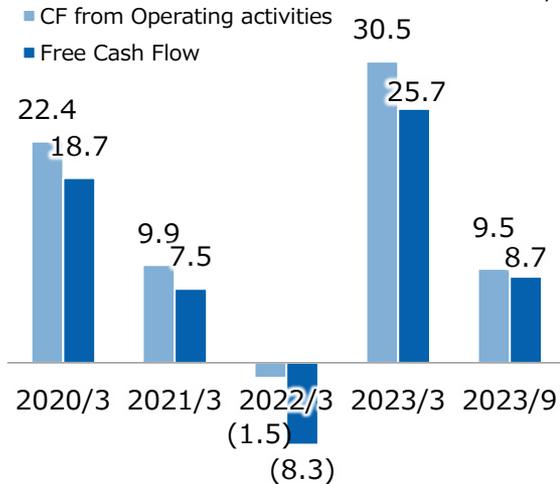
EPS

(yen)



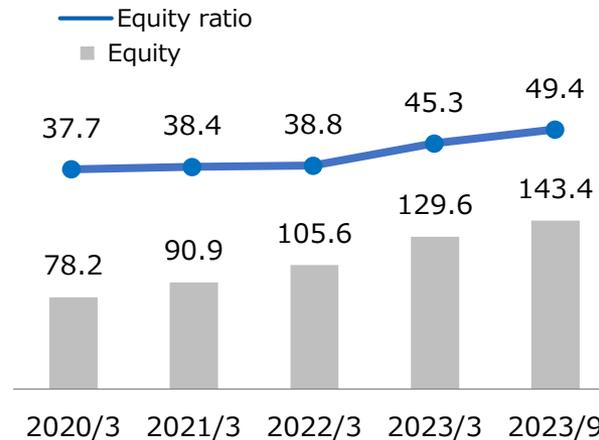
Cash Flow

(billion yen)



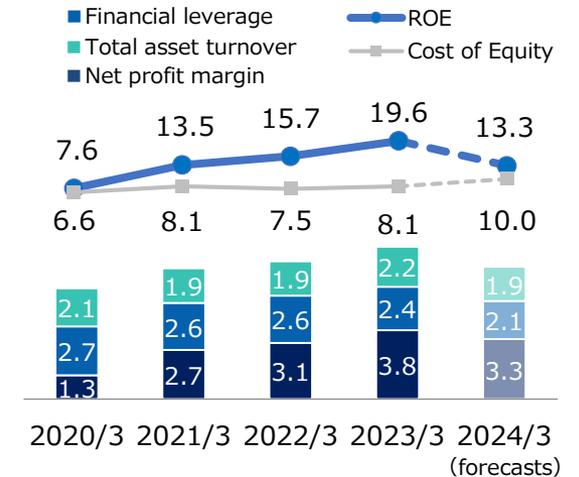
Equity Ratio

(%, billion yen)



ROE

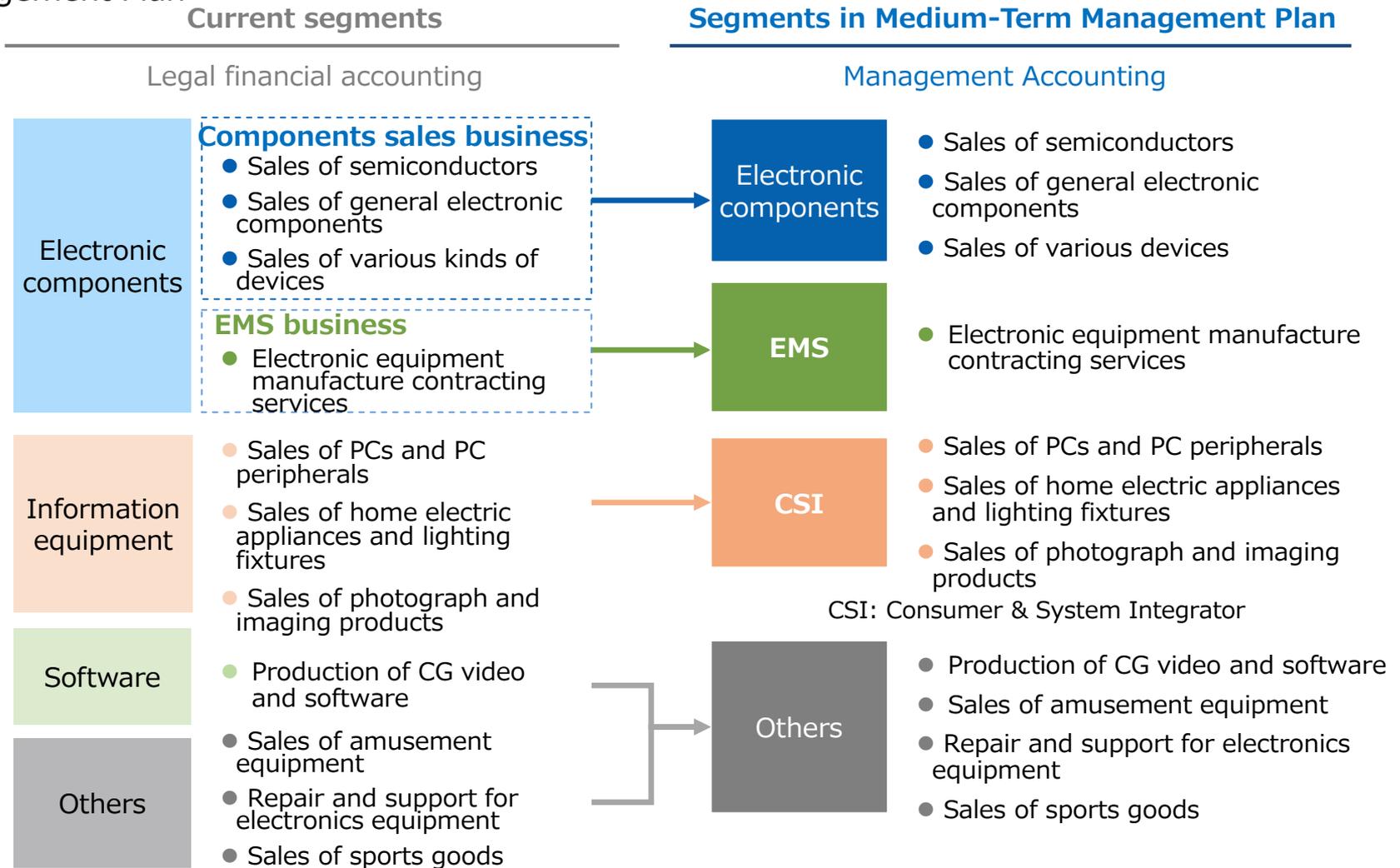
(%, times, turns)



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

(million yen)

		FY2022/3 3Q Results	FY2023/3 3Q Results	FY2024/3 3Q Results	YoY	vs FY2022/3
Electronic Component	Net sales	232,869	303,213	271,037	-10.6%	16.4%
	Segment income	7,772 <i>3.3%</i>	15,901 <i>5.2%</i>	11,756 <i>4.3%</i>	-26.1%	51.2%
EMS	Net sales	84,595	108,610	93,122	-14.3%	10.1%
	Segment income	5,463 <i>6.5%</i>	7,926 <i>7.3%</i>	5,941 <i>6.4%</i>	-25.0%	8.8%
CSI	Net sales	26,301	29,139	30,266	3.9%	15.1%
	Segment income	1,216 <i>4.6%</i>	1,499 <i>5.1%</i>	1,921 <i>6.3%</i>	28.1%	58.0%
Others	Net sales	8,918	11,258	12,031	6.9%	34.9%
	Segment income	129 <i>1.5%</i>	620 <i>5.5%</i>	772 <i>6.4%</i>	24.4%	497.3%
Total	Net sales	352,684	452,221	406,458	-10.1%	15.2%
	Segment income	14,658 <i>4.2%</i>	26,006 <i>5.8%</i>	20,491 <i>5.0%</i>	-21.2%	39.8%

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.

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

(million yen)

		FY2023/3 3Q Results		FY2024/3 2Q Results		FY2024/3 3Q Results		YoY	QoQ
Electronic Component	Net sales	100,346	0	94,253		86,668		-13.6%	-8.0%
	Segment income	4,211	4.2%	4,307	4.6%	3,753	4.3%	-10.9%	-12.9%
EMS	Net sales	39,123		30,348		31,000		-20.8%	2.1%
	Segment income	2,614	6.7%	1,709	5.6%	1,798	5.8%	-31.2%	5.2%
CSI	Net sales	9,542		8,664		9,551		0.1%	10.2%
	Segment income	534	5.6%	533	6.2%	641	6.7%	20.0%	20.2%
Others	Net sales	4,448		4,083		4,193		-5.7%	2.7%
	Segment income	251	5.7%	294	7.2%	396	9.5%	57.9%	34.8%
Total	Net sales	153,460		137,350		131,413		-14.4%	-4.3%
	Segment income	7,645	5.0%	6,882	5.0%	6,615	5.0%	-13.5%	-3.9%

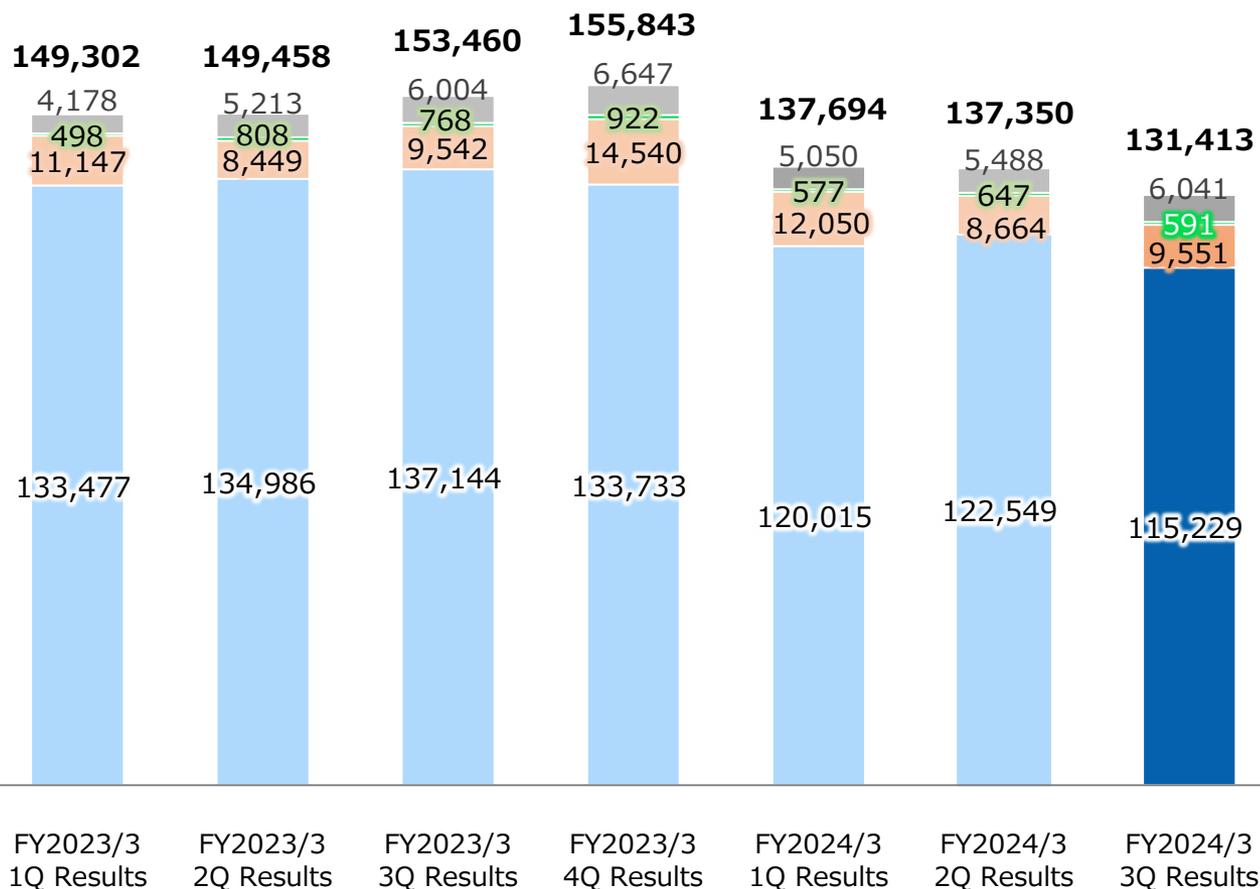
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Quarterly Net Sales Trends (3months)

Net Sales

(million yen)



Total
 YoY : -22,047
 QoQ : -5,936

Other
 YoY : +36
 QoQ : +553

Software
 YoY : -177
 QoQ : -56

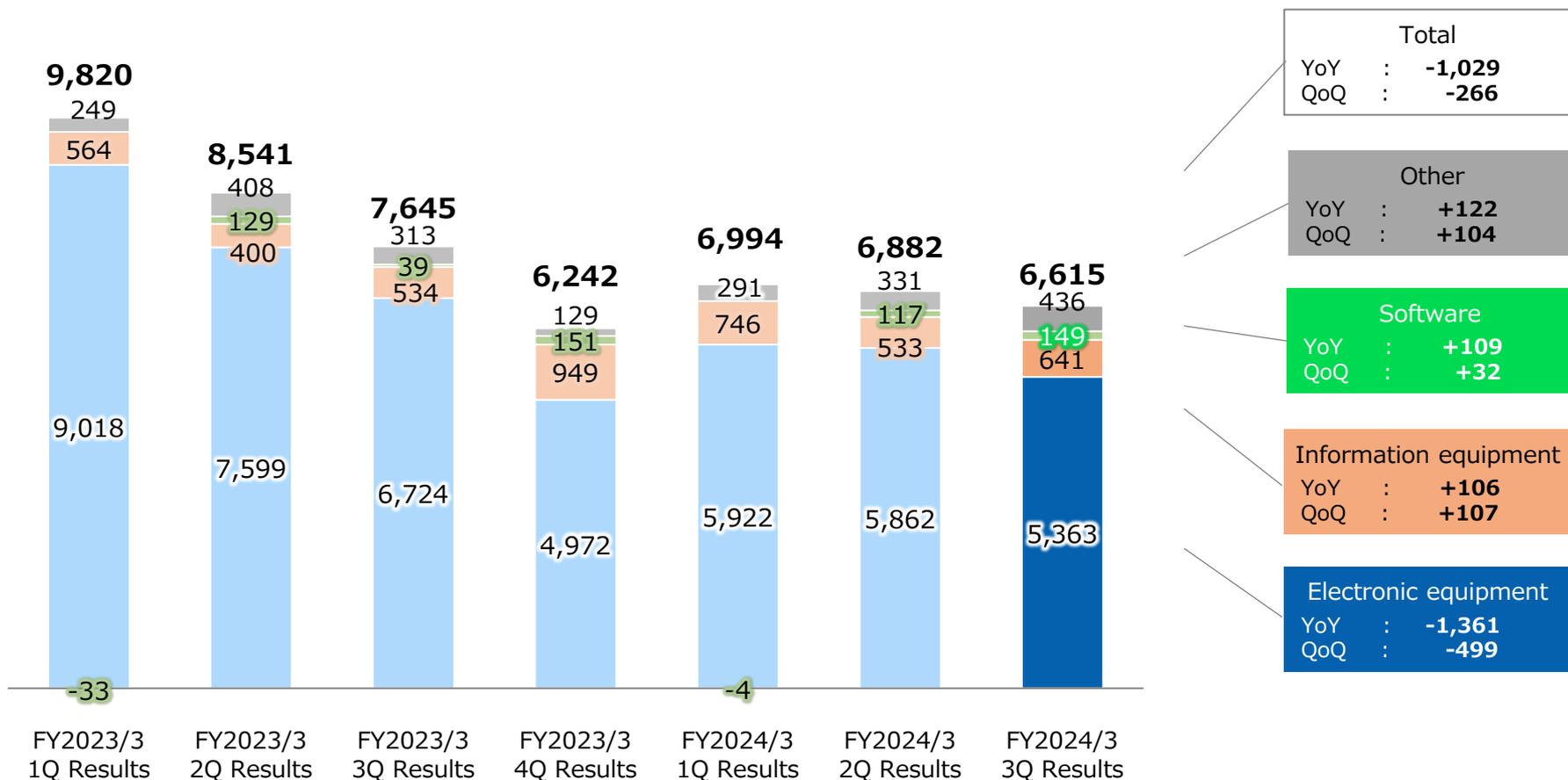
Information equipment
 YoY : +8
 QoQ : +886

Electronic equipment
 YoY : -21,915
 QoQ : -7,319

Quarterly Segment Income Trends (3months)

Segment Income

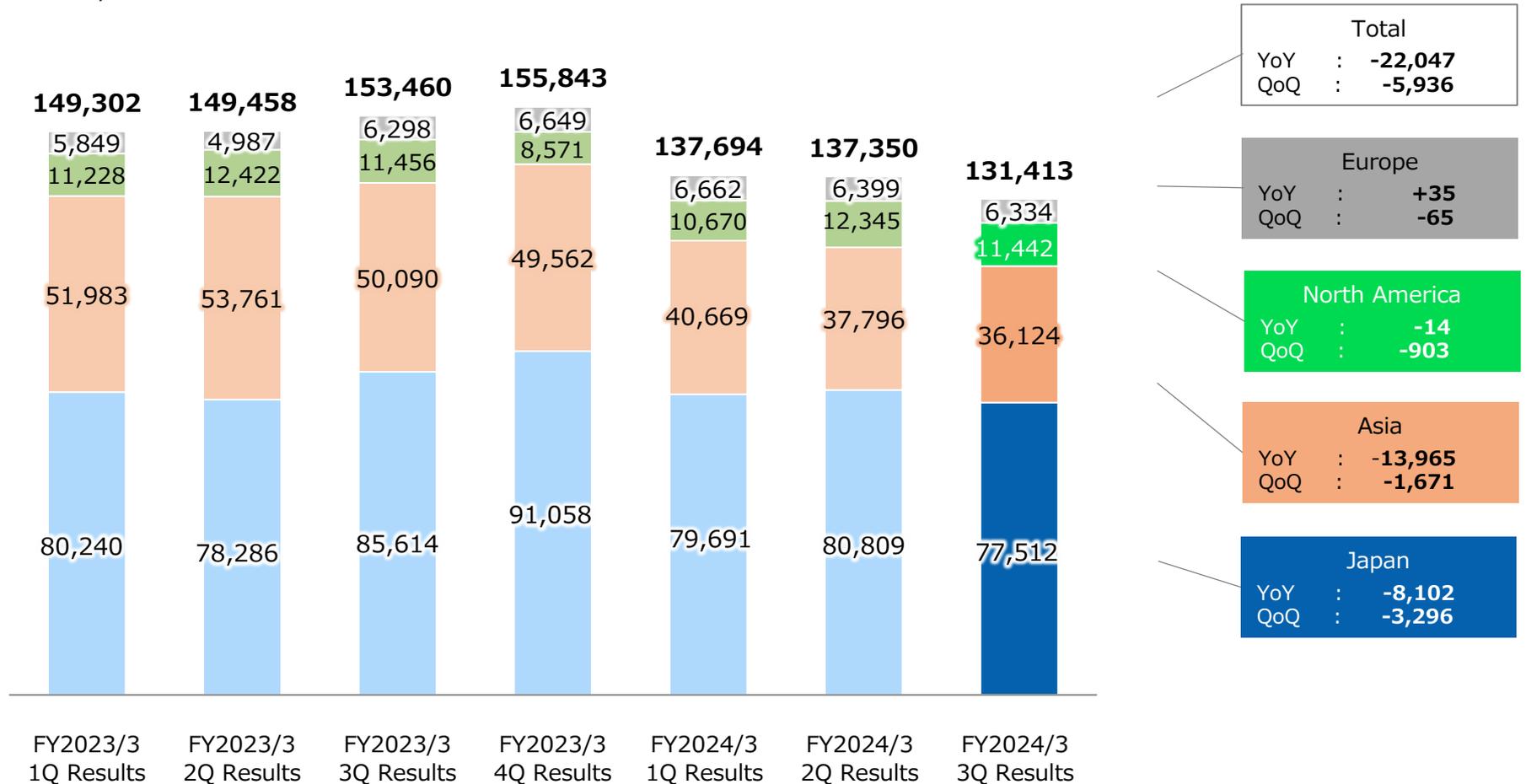
(million yen)



Net Sales by Region (3months)

Net Sales

(million yen)



Exchange Rate/FOREX Sensitivity

	FY2023/3 3Q Results (Yen)	FY2024/3 3Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2024/3(yen)
			Net sales	Operating income	
USD	136.51	143.29	1,531	25	135.00
RMB	19.35	19.61	242	17	19.50
THB	3.82	4.09	204	14	3.80
HKD	17.41	18.31	133	3	17.00
EUR	140.59	155.29	6	0	140.00

“Everything we do is for our customers



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- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.
- Display method in this material
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 - Ratio : After calculation in yen units, Round down one digit of Display unit.