

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

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

August 4, 2022

KAGA ELECTRONICS CO., LTD.

Summary of Financial Results for the First Quarter Ended June 30, 2022

FY2023/3 1Q Results

- **Net sales increased by 43.3 billion yen or 40.9% year on year to 149.3 billion yen, driven by the core electronic components business.** Sales expanded in a wide range of areas, led by automotive and industrial equipment related applications.
- **Operating income increased by 5.3 billion yen or 120.6% year on year to 9.8 billion yen.** Improved gross profit margin attributable to higher sales and sales mix resulted in substantial rise in gross profit.
- **All objectives from net sales to ordinary income for the quarter achieved record highs for a first quarter.**
- **Net sales and operating income both exceeded the internal plan, by approx. 27.0 billion yen and 4.6 billion yen respectively.**

FY2023/3 earnings Forecasts

- Given uncertainties in the outlook due to factors including COVID-19, the situation in Ukraine and exchange fluctuations, **upward revision was made factoring in the 1Q upside only. Forecasts for 2Q and beyond are unchanged from the initial forecasts.**

(billion yen)	Net Sales	Operating income	Net income
Previous forecasts	510.0	21.2	14.5
Revised forecasts	540.0	24.0	16.0

Effect of exchange rates

- Relative to the US dollar and other major currencies, the yen generally trended downward, weakening to below compared to the same period the previous year earlier levels and plan assumptions. The effect of exchange rates on the conversion into yen of the P&L of the Group's overseas companies is as follows.

(billion yen)	Net Sales	Operating income
YoY	approx 9.4	approx 0.4
vs Plan	approx 5.6	approx 0.3

Financial Highlights for FY2023/3 1Q

(million yen)

	FY2022/3 1Q Results		FY2023/3 1Q Results		YoY	FY2023/3 Forecasts <small>(announced on May. 12, 2022)</small>		Progress rate
Net sales	105,949		149,302		40.9%	510,000		29.3%
Gross Profit	13,550	12.8%	19,838	13.3%	46.4%	—	—	—
SG&A	9,098	8.6%	10,018	6.7%	10.1%	—	—	—
Operating income	4,452	4.2%	9,820	6.6%	120.6%	21,200	4.2%	46.3%
Ordinary income	4,566	4.3%	9,858	6.6%	115.9%	21,200	4.2%	46.5%
Profit attributable to owners of parent	2,872	2.7%	6,984	4.7%	143.2%	14,500	2.8%	48.2%
EPS (yen)	104.55	—	266.10	—	—	552.42	—	—
Exchange Rate yen / USD	109.49	—	129.57	—	—	116.00	—	—

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

Financial Results by Business Segment for FY2023/3 1Q

(million yen)

		FY2022/3 1Q Results	FY2023/3 1Q Results	YoY	FY2023/3 Forecasts <small>(announced on May. 12, 2022)</small>	Progress rate
Electronic Component	Net sales	90,624	133,477	47.3%	447,000	29.9%
	Segment income	3,699 <i>4.1%</i>	9,018 <i>6.8%</i>	143.7%	18,500 <i>4.1%</i>	48.7%
Information Equipment	Net sales	10,636	11,147	4.8%	39,000	28.6%
	Segment income	568 <i>5.3%</i>	564 <i>5.1%</i>	-0.6%	2,000 <i>5.1%</i>	28.2%
Software	Net sales	568	498	-12.3%	4,000	12.5%
	Segment income	-67 <i>-11.8%</i>	-33 <i>-6.7%</i>	—	100 <i>2.5%</i>	—
Others	Net sales	4,120	4,178	1.4%	20,000	20.9%
	Segment income	217 <i>5.3%</i>	249 <i>6.0%</i>	14.7%	600 <i>3.0%</i>	41.5%
Total	Net sales	105,949	149,302	40.9%	510,000	29.3%
	Segment income	4,452 <i>4.2%</i>	9,820 <i>6.6%</i>	120.6%	21,200 <i>4.2%</i>	46.3%

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

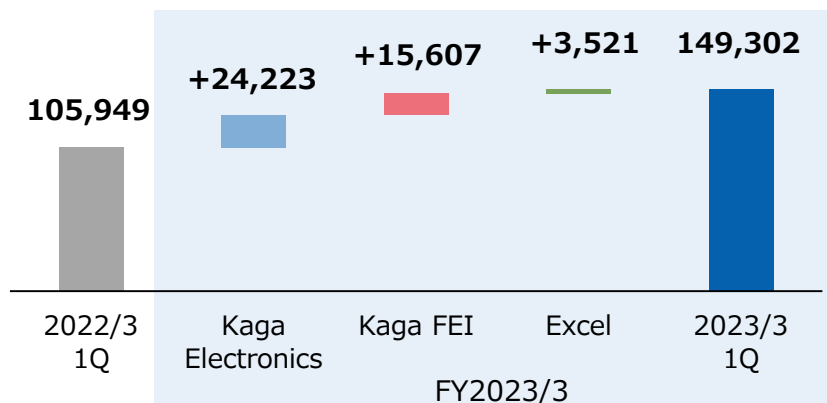
"x. x%" represents the profit margin.

Effect of M&A

(million yen)

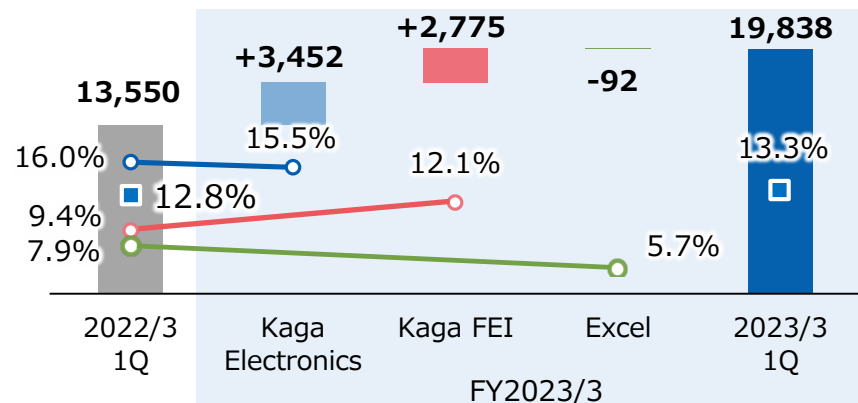
Net Sales

All three companies achieved significant increases in net sales driven by the electronic components business.



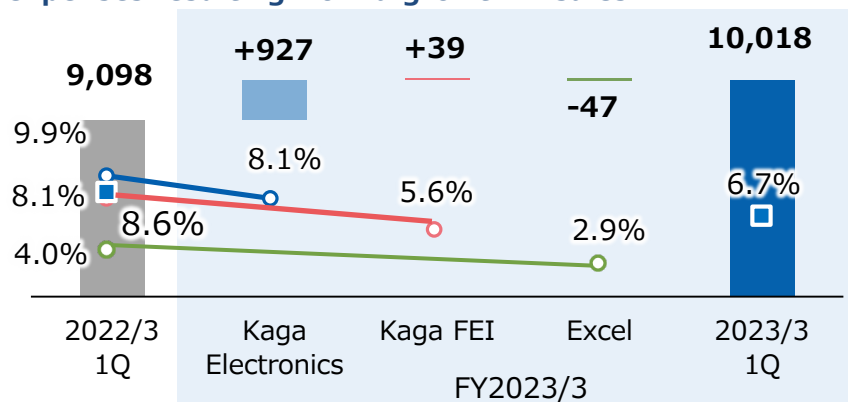
Gross profit / Gross profit margin

Kaga FEI achieved a significant increase in gross profit, reflecting higher sales and improved profit margin.



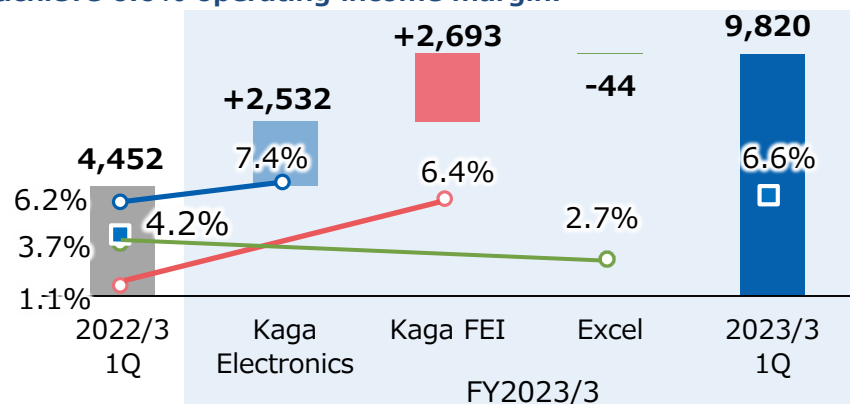
SG&A / SG&A ratio

SG&A ratio was kept down despite an increase in SG&A expenses resulting from a growth in sales.



Operating income / Operating income margin

Kaga Electronics and Kaga FEI contributed significantly to achieve 6.6% operating income margin.



FY2023/3 1Q Results by Company

(million yen)

		FY2022/3 1Q Results	FY2023/3 1Q Results	YoY
Kaga Electronics	Net sales	60,115	84,339	40.3%
	Gross Profit	9,588 <i>16.0%</i>	13,040 <i>15.5%</i>	36.0%
	Operating income	3,719 <i>6.2%</i>	6,251 <i>7.4%</i>	68.1%
Kaga FEI	Net sales	32,145	47,752	48.6%
	Gross Profit	3,009 <i>9.4%</i>	5,784 <i>12.1%</i>	92.2%
	Operating income	346 <i>1.1%</i>	3,040 <i>6.4%</i>	777.0%
Excel	Net sales	13,688	17,209	25.7%
	Gross Profit	1,079 <i>7.9%</i>	986 <i>5.7%</i>	-8.6%
	Operating income	507 <i>3.7%</i>	462 <i>2.7%</i>	-8.9%
Total	Net sales	105,949	149,302	40.9%
	Gross Profit	13,550 <i>12.8%</i>	19,838 <i>13.3%</i>	46.4%
	Operating income	4,452 <i>4.2%</i>	9,820 <i>6.6%</i>	120.6%

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

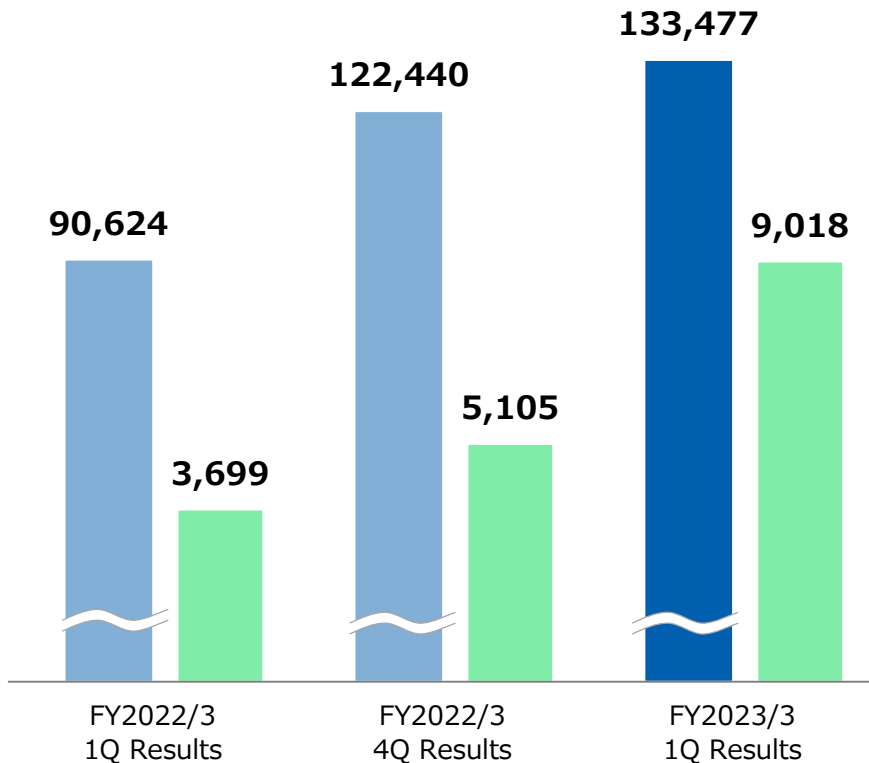
"x. x%" represents the profit margin.

Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income



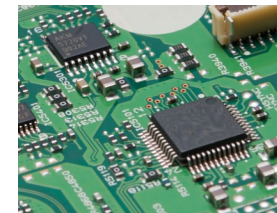
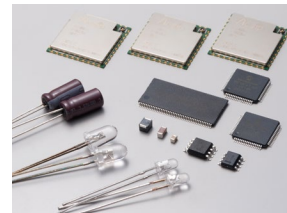
YoY

- Net Sales ▶ **+42,853**million yen **47.3%Up**
- Segment income ▶ **+5,318**million yen **143.7%Up**

- Despite protracted supply constraints of some materials, the components sales business was able to secure sales volume using the Company's strengths as an independent trading company, and achieved substantial growth in profit.
- Both Kaga Electronics and Kaga FEI saw spot sales making a larger than expected contribution to profit.
- Sales in the EMS business were solid, especially of in automotive and medical applications.
- To minimize the impact of lockdown in Shanghai, collaboration among Group companies in China and thorough process control were implemented to keep operations running.

QoQ

- Net Sales ▶ **+11,037**million yen **9.0%Up**
- Segment income ▶ **+3,912**million yen **76.6%Up**

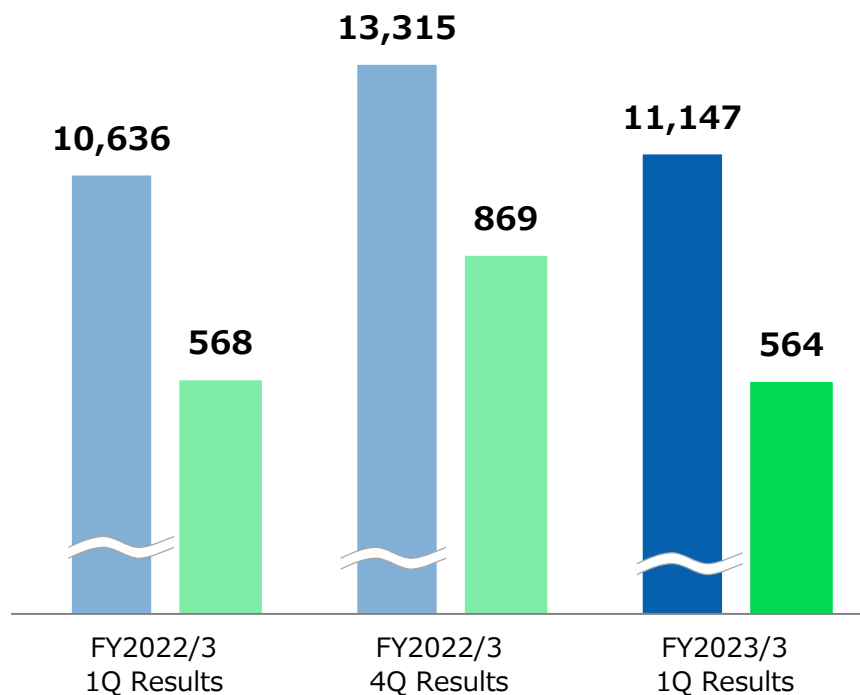


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income



YoY

- Net Sales ▶ **+511**million yen **4.8%Up**
- Segment income ▶ **-3**million yen **0.6%Down**

•Despite a downturn in sales of PCs for remote working, sales of PCs to educational institutions and sales of PC peripheral equipment such as security software remained solid.

•In the LED installation business, large projects that had been delayed due to shortages of materials resumed, contributing to earnings.

QoQ

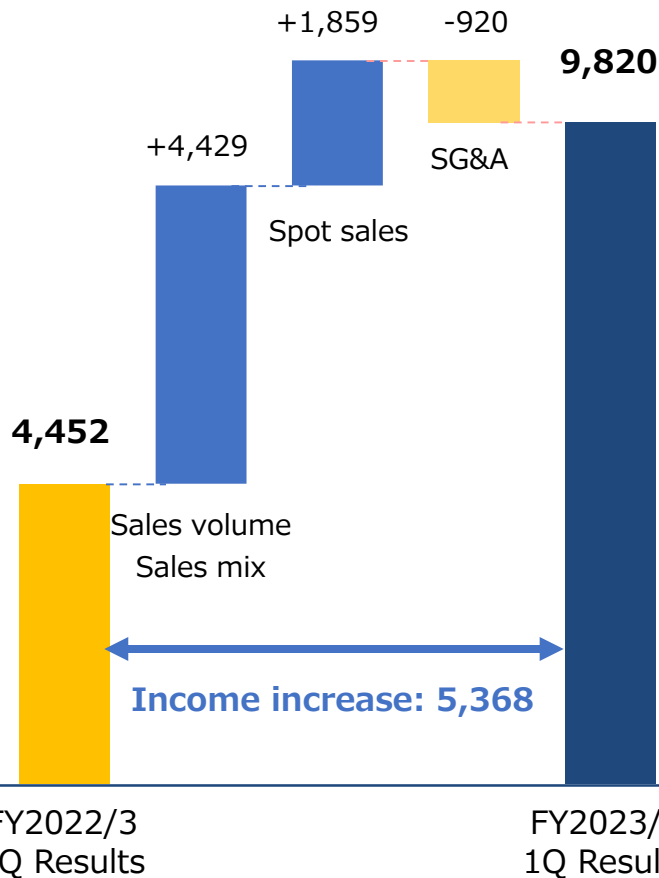
- Net Sales ▶ **-2,168**million yen **16.3%Down**
- Segment income ▶ **-304**million yen **35.0%Down**



Factors of Increase / Decrease in Operating Income

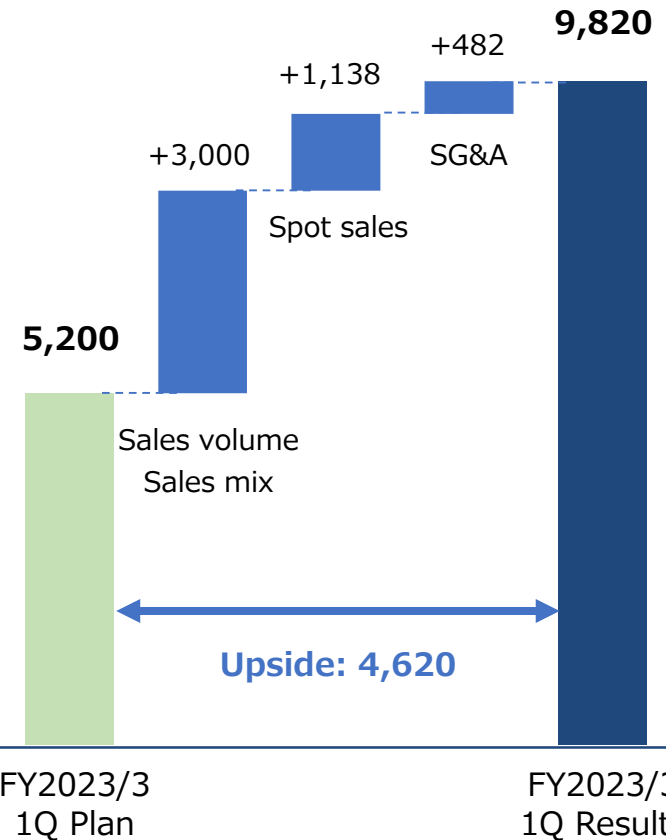
YoY

(million yen)



vs Internal Plan

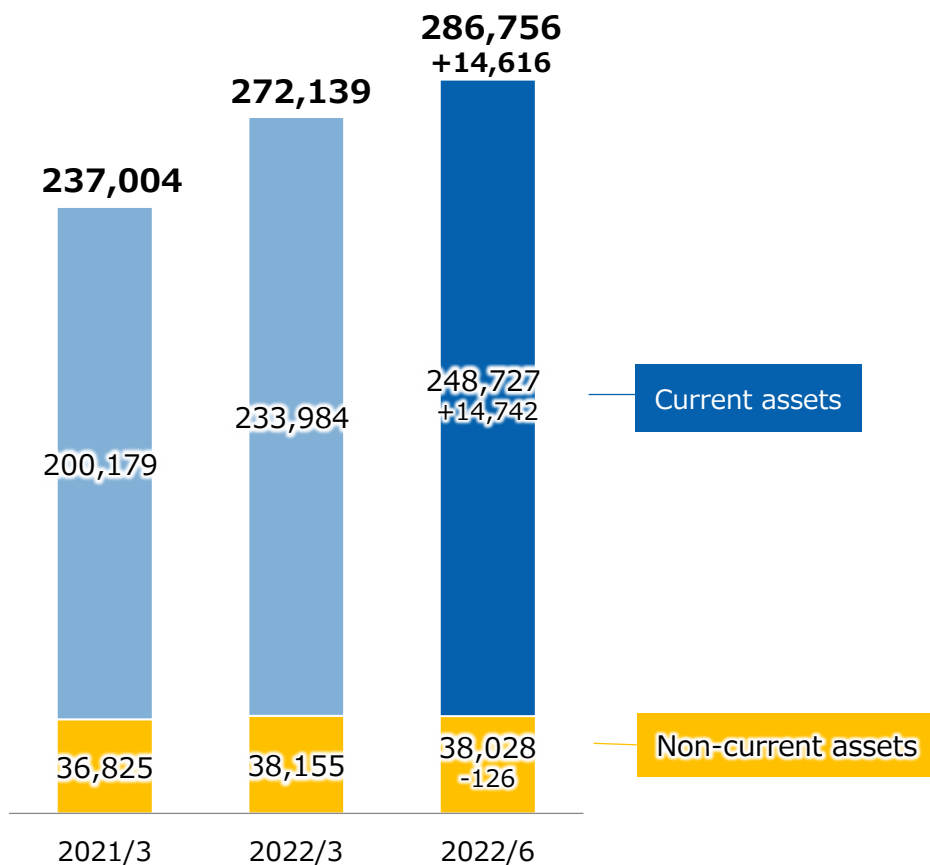
(million yen)



Balance Sheet Main Items

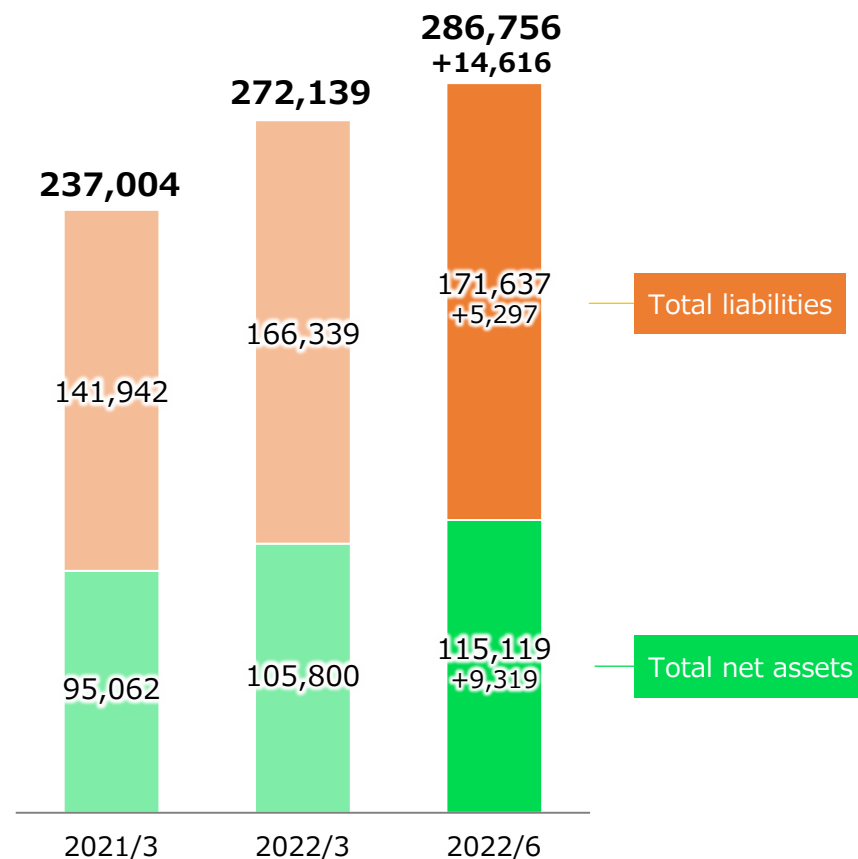
Total assets

(million yen)



Total liabilities and net assets

(million yen)

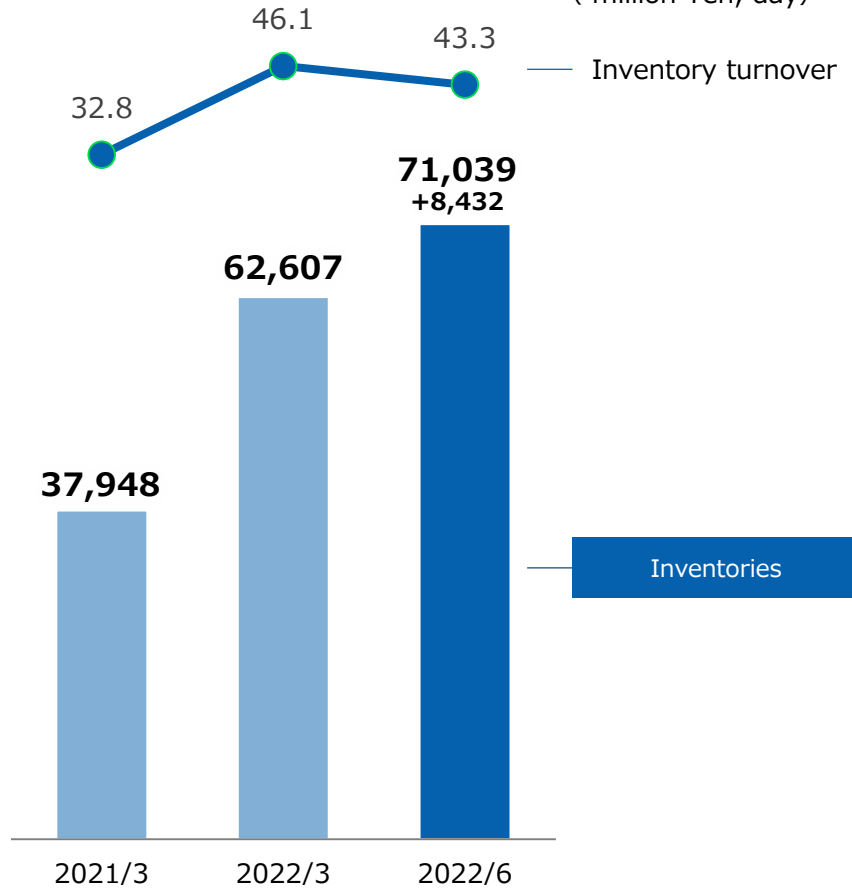


Balance Sheet Main Items

Inventories

(million Yen, day)

— Inventory turnover

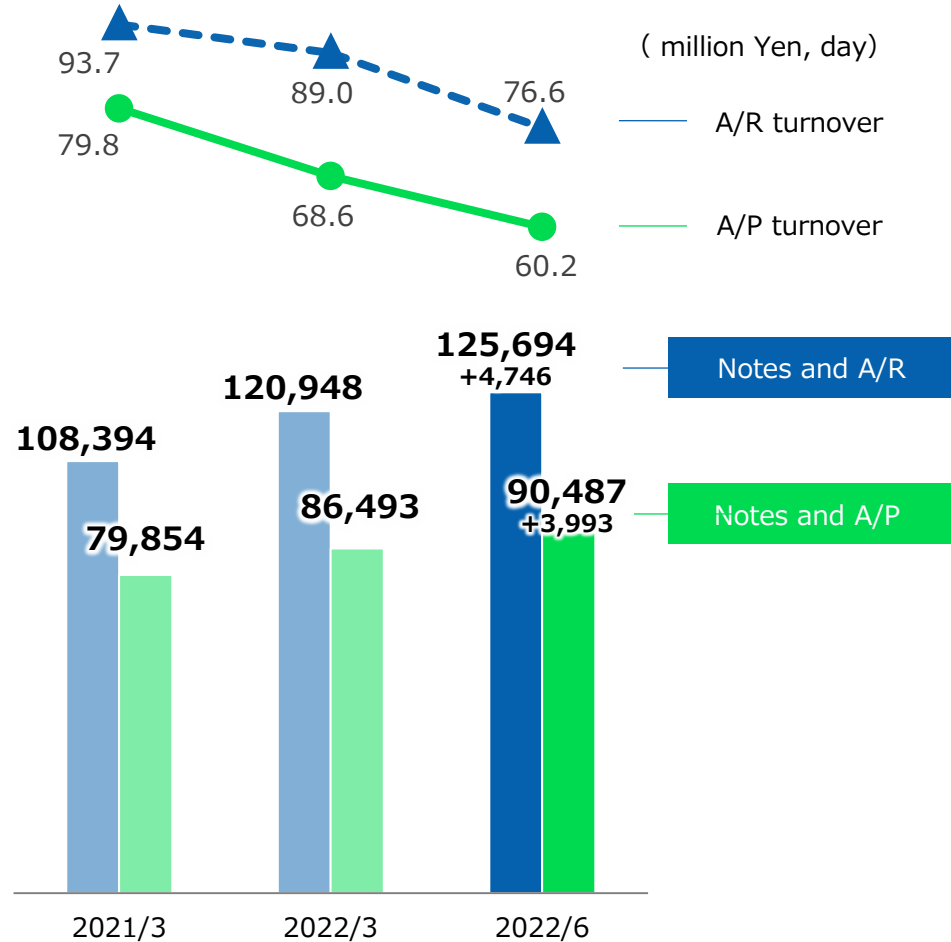


Accounts receivable/Accounts payable

(million Yen, day)

— A/R turnover

— A/P turnover



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

Notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating

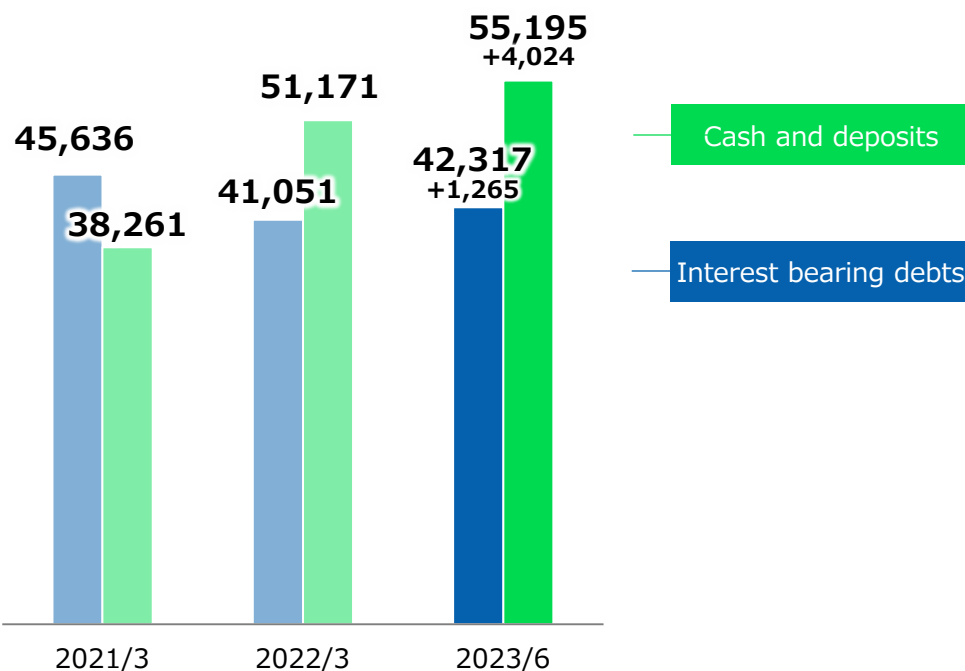
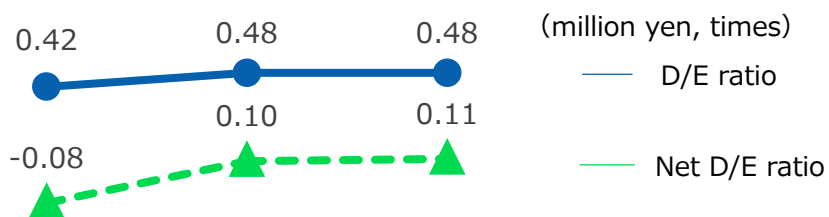
•Notes and A/P are amounts including Electronically recorded obligations - operating

•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 FY2023/3

Forecasts for the FY2023/3

(Announced on May 12, 2022)

(million yen)

	FY2022/3 Results		FY2023/3 Previous forecasts		FY2023/3 Current forecasts		Diff. from previous forecasts	YoY	
Net sales	495,827		510,000		540,000		5.9%	8.9%	
Operating income	20,915	4.2%	21,200	4.2%	24,000	4.4%	13.2%	14.7%	
Ordinary income	21,456	4.3%	21,200	4.2%	24,500	4.5%	15.6%	14.2%	
Profit attributable to owners of parent	15,401	3.1%	14,500	2.8%	16,000	3.0%	10.3%	3.9%	
EPS (yen)	576.46		552.42		609.58		—	57.16	33.12
ROE	15.7%		13.0%		14.0%		—	1.0pt	-1.7pt
Annual dividend (yen)	120.00		150.00		150.00		—	30.00	
	Ordinary dividend 80.00 Special dividend 40.00		Ordinary dividend 140.00 Commemorative dividend 10.00		Ordinary dividend 140.00 Commemorative dividend 10.00				

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

Forecasts for FY2023/3 by Segment

(million yen)

		FY2022/3 Results	FY2023/3 Forecasts	YoY
Electronic Component	Net sales	433,852	477,000	9.9%
	Segment income	18,107 <i>4.2%</i>	21,300 <i>4.5%</i>	17.6%
Information Equipment	Net sales	39,616	39,000	-1.6%
	Segment income	2,085 <i>5.3%</i>	2,000 <i>5.1%</i>	-4.1%
Software	Net sales	2,767	4,000	44.5%
	Segment income	-26 <i>-1.0%</i>	100 <i>2.5%</i>	-
Others	Net sales	19,590	20,000	2.1%
	Segment income	626 <i>3.2%</i>	600 <i>3.0%</i>	-4.2%
Total	Net sales	495,827	540,000	8.9%
	Segment income	20,915 <i>4.2%</i>	24,000 <i>4.4%</i>	14.7%

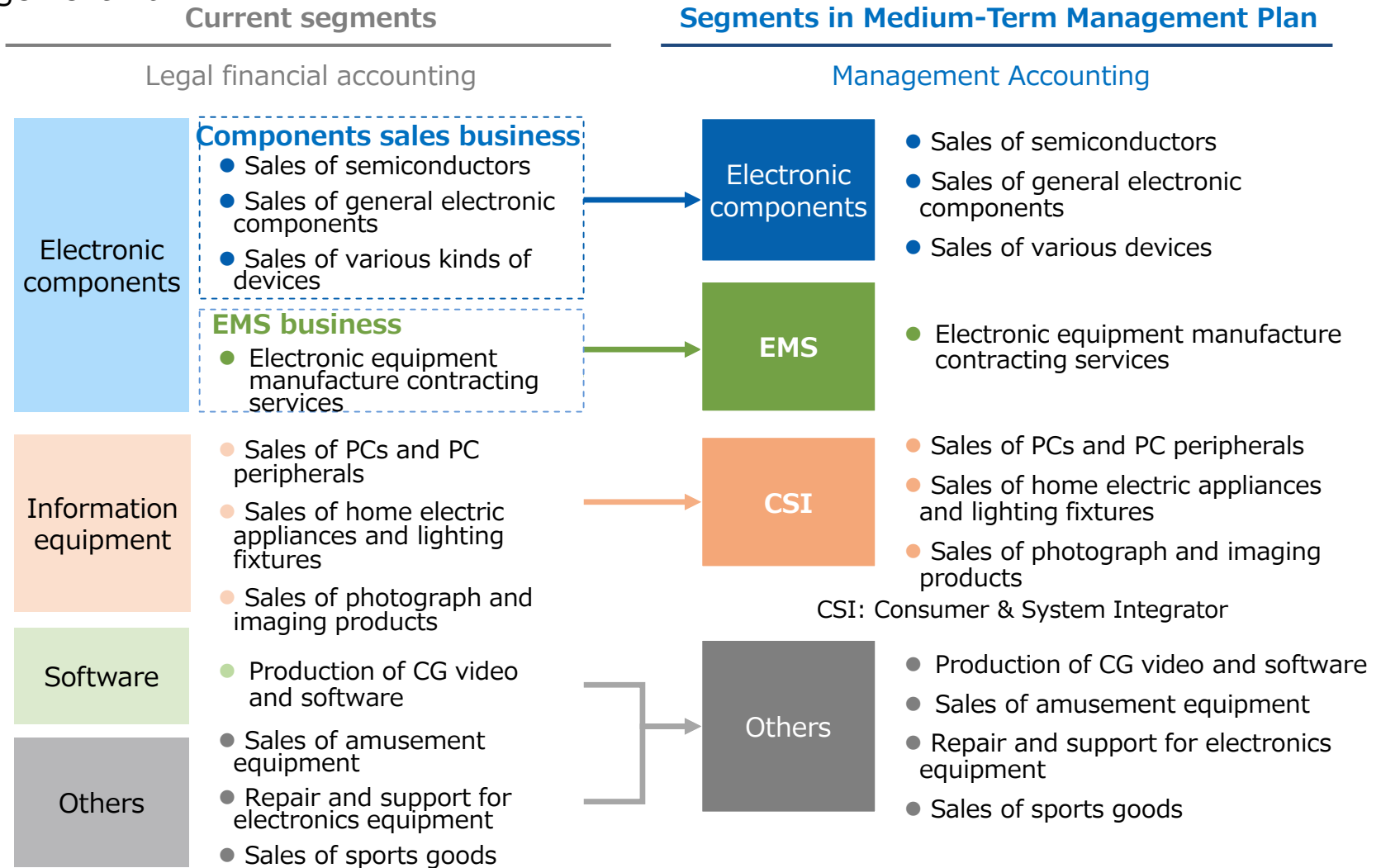
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

"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

(million yen)

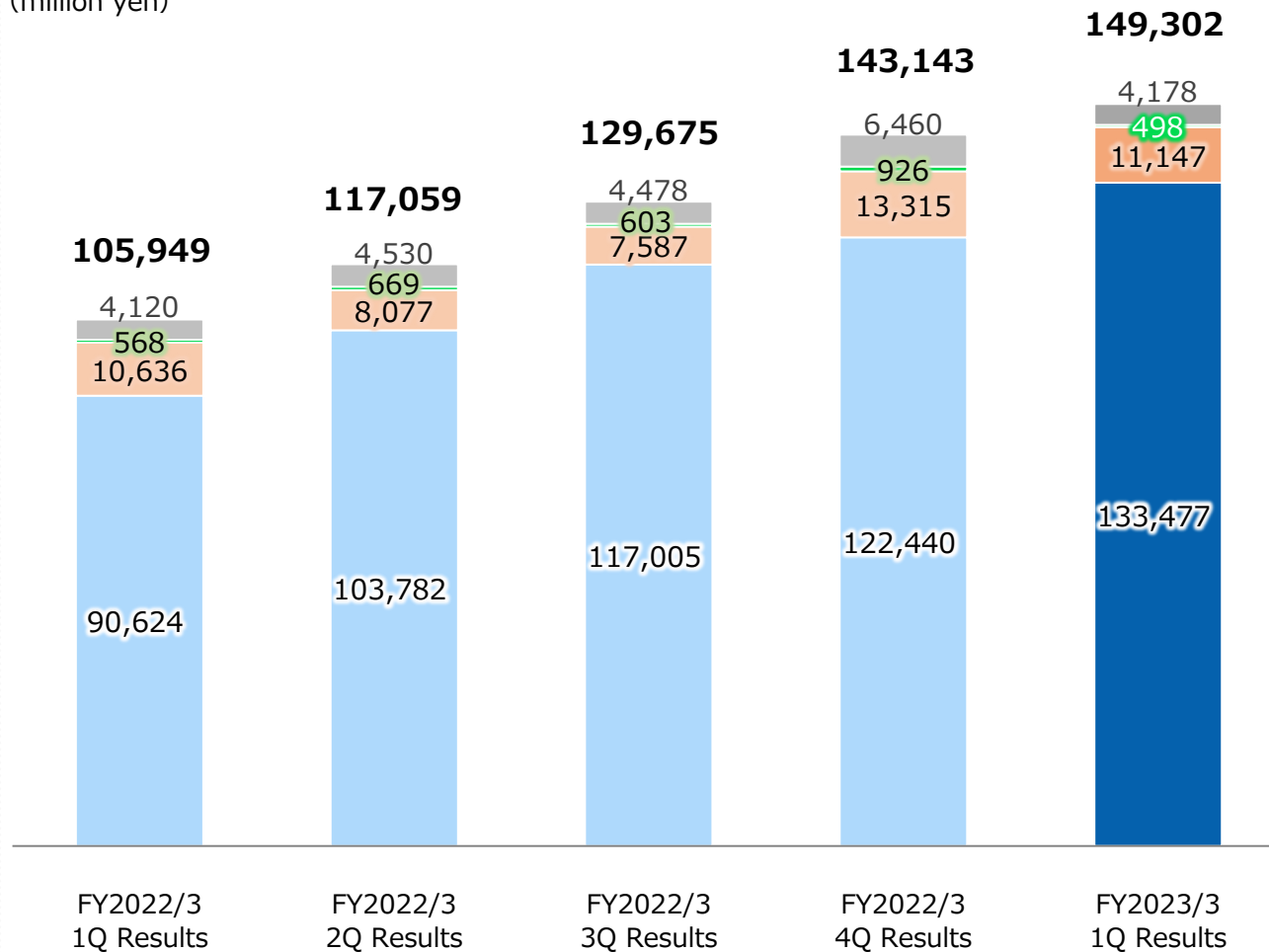
		FY2021/3 1Q Results	FY2022/3 1Q Results	FY2022/3 1Q Results	YOY
Electronic Component	Net sales	49,740	66,124	101,444	53.4%
	Segment income	44	1,775	6,541	268.4%
EMS	Net sales	19,820	26,334	33,867	28.6%
	Segment income	1,083	2,060	2,612	26.8%
CSI	Net sales	12,537	10,636	11,147	4.8%
	Segment income	583	568	564	-0.6%
Others	Net sales	2,031	2,854	2,842	-0.4%
	Segment income	-89	14	79	451.6%
Total	Net sales	84,130	105,949	149,302	40.9%
	Segment income	1,656	4,452	9,820	120.6%

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

Quarterly Net Sales Trends

Net Sales

(million yen)



Total	
YoY	: +43,352
QoQ	: +6,159

Other	
YoY	: +57
QoQ	: -2,281

Software	
YoY	: -69
QoQ	: -428

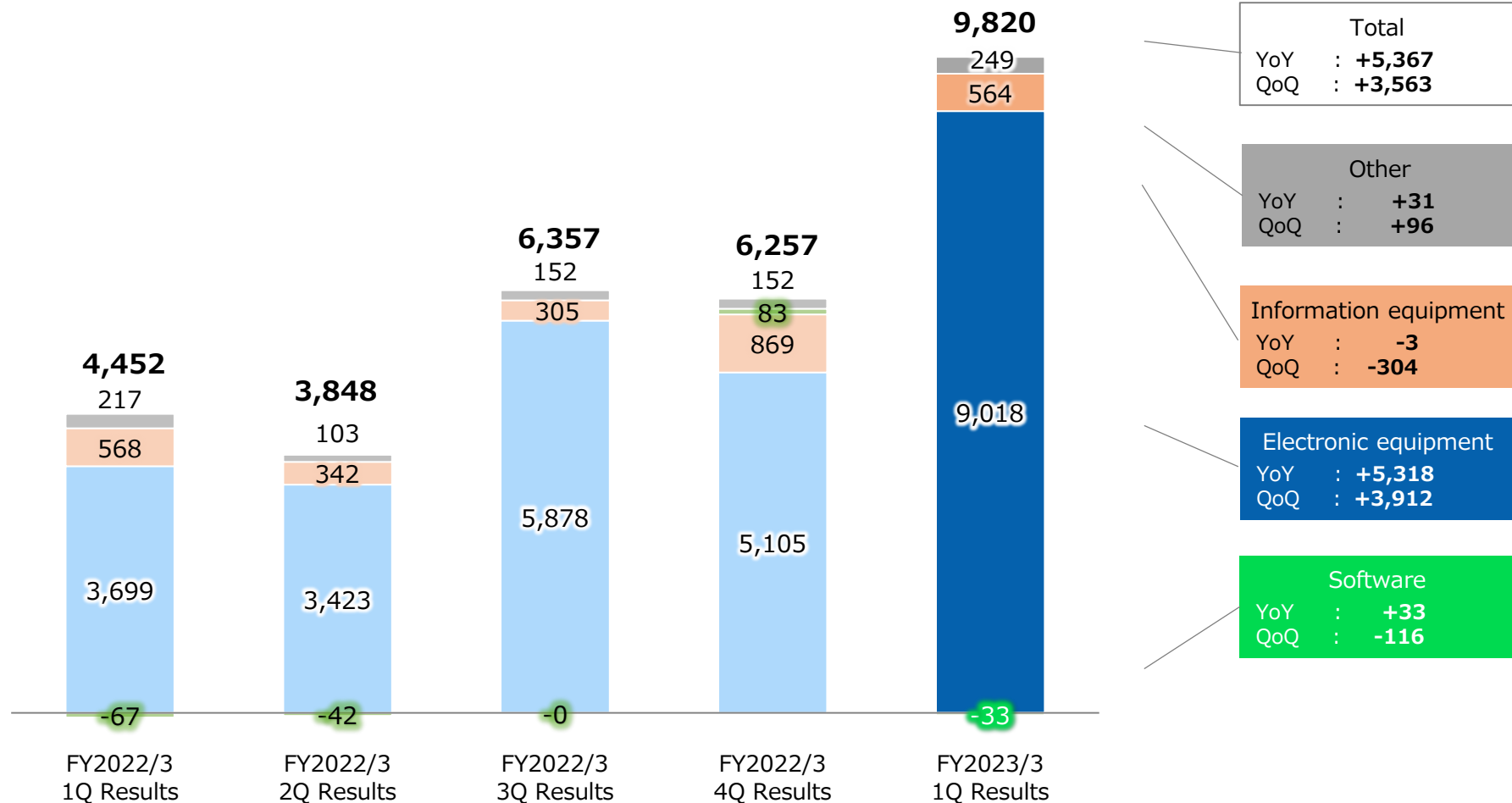
Information equipment	
YoY	: +511
QoQ	: -2,168

Electronic equipment	
YoY	: +42,853
QoQ	: +11,037

Quarterly Segment Income Trends

Segment Income

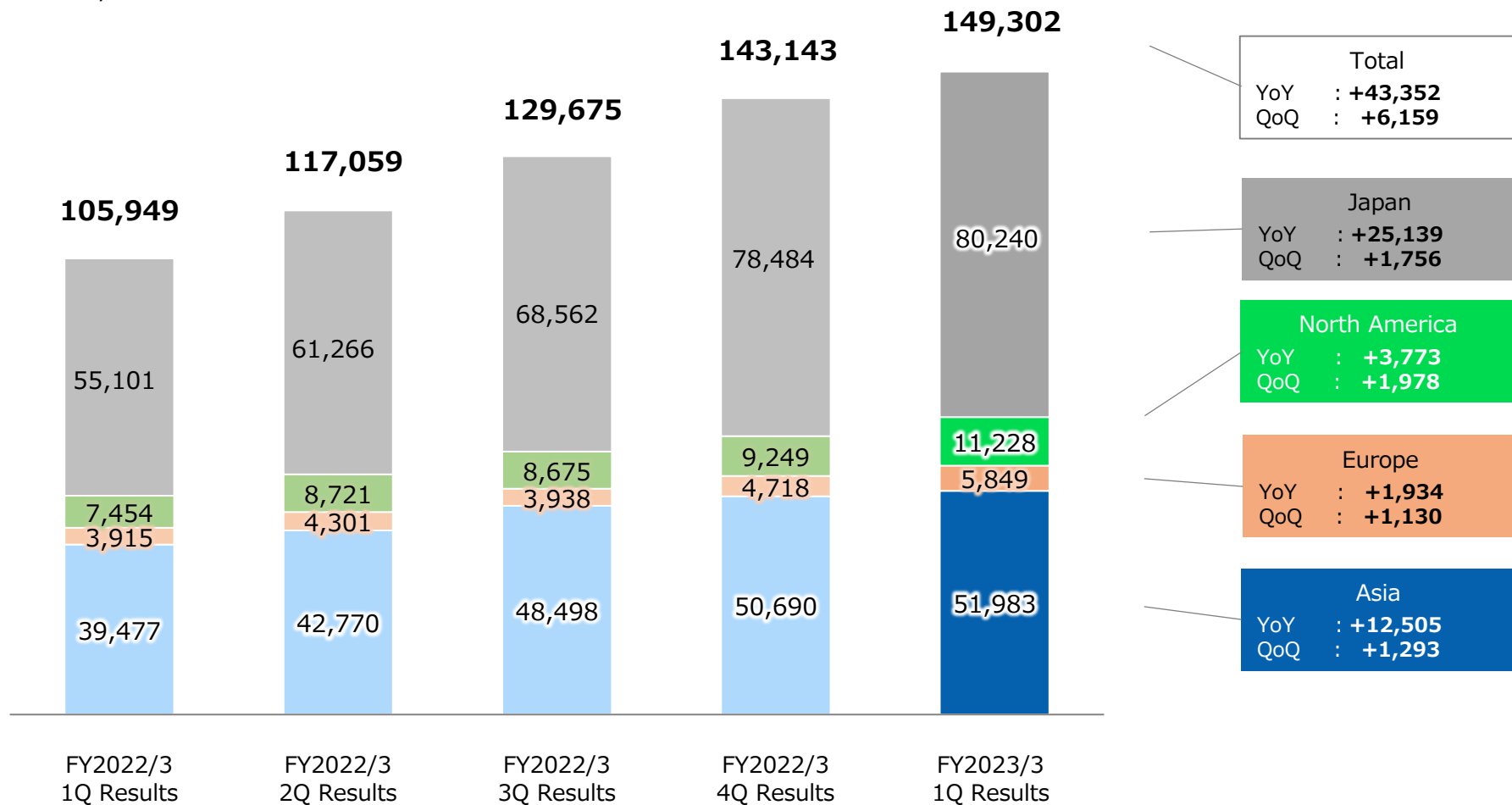
(million yen)



Net Sales by Region

Net Sales

(million yen)



Exchange Rate/FOREX Sensitivity

	FY2022/3 1Q Results (Yen)	FY2023/3 1Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2023/3(yen)
			Net sales	Operating income	
USD	109.49	129.57	457	16	116.00
RMB	16.36	18.29	81	3	18.00
THB	3.50	3.77	64	3	3.50
HKD	14.10	16.51	49	2	14.50
EUR	131.96	138.12	3	0	130.00

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