

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

KAGA ELECTRONICS CO., LTD.

TSE Prime Market 8154

November 8, 2022

KAGA ELECTRONICS CO., LTD.

Summary of Financial Results for FY2023/3 2Q

FY2023/3 1H results

- **Net sales increased by 75.7 billion yen or 34.0%, year on year to 298.7 billion yen.** In the core electronic components business, demand remained robust in a wide range of areas, particularly automotive and industrial equipment-related applications.
- **Operating income increased by 10.0 billion yen or 121.3%, year on year to 18.3 billion yen.** Improved gross profit margin attributable to higher sales and sales mix resulted in a substantial increase in gross profit.
- **All metrics from net sales to ordinary income for the quarter achieved record highs for a second quarter.**
- **Net sales and operating income both exceeded internal plans, by approximately 23.7 billion yen and 4.8 billion yen, respectively.**

FY2023/3 earnings forecast

- As the conditions in the semiconductor market, COVID-19, the conflict in Ukraine, and exchange rate volatility make it difficult to predict the outlook, **upward revisions only take into account the upward deviations in Q2. The initial forecasts for the period from Q3 have not been changed.**

(billion yen)	Net Sales	Operating income	Net income
Previous forecasts	540.0	24.0	16.0
Revised forecasts	570.0	28.0	20.0

Shareholder return

- The annual dividend was **revised to 200 yen per share, up 50 yen from the previous forecast of 150 yen** (100-yen interim dividend/100-yen year-end dividend).
- This amounts to **an increase of 80 yen in the annual dividend from the previous fiscal year's 120 yen per share.**

Financial Highlights for FY2023/3 2Q

(million yen)

	FY2022/3 2Q Results		FY2023/3 2Q Results		YoY	FY2023/3 Forecasts (Revised on August. 4, 2022)		Progress rate
Net sales	223,009		298,760		34.0%	540,000		55.3%
Gross Profit	27,133	12.2%	40,001	13.4%	47.4%	—	—	—
SG&A	18,832	8.4%	21,639	7.2%	14.9%	—	—	—
Operating income	8,300	3.7%	18,361	6.1%	121.2%	24,000	4.4%	76.5%
Ordinary income	8,452	3.8%	18,932	6.3%	124.0%	24,500	4.5%	77.3%
Profit attributable to owners of parent	5,624	2.5%	13,412	4.5%	138.5%	16,000	3.0%	83.8%
EPS (yen)	207.39		510.88		—	609.58		—
Exchange Rate yen / USD	109.80		133.97		—	116.00		—

Note: 1. The effect of exchange rates on the conversion into yen is approximately 19.4 billion yen on net sales and 0.9 billion yen on operating income.
 2. "x. x%" represents the profit margin.

Results by Business Segment for FY2023/3 2Q

(million yen)

		FY2022/3 2Q Results	FY2023/3 2Q Results	YoY	FY2023/3 Forecasts <small>(Revised on August. 4, 2022)</small>	Progress rate
Electronic Component	Net sales	194,406	268,464	38.1%	477,000	56.3%
	Segment income	7,123 <i>3.7%</i>	16,617 <i>6.2%</i>	133.3%	21,300 <i>4.5%</i>	78.0%
Information Equipment	Net sales	18,713	19,597	4.7%	39,000	50.2%
	Segment income	910 <i>4.9%</i>	965 <i>4.9%</i>	6.0%	2,000 <i>5.1%</i>	48.3%
Software	Net sales	1,237	1,307	5.6%	4,000	32.7%
	Segment income	-109 <i>-</i>	95 <i>7.3%</i>	-	100 <i>2.5%</i>	95.6%
Others	Net sales	8,651	9,392	8.6%	20,000	47.0%
	Segment income	320 <i>3.7%</i>	658 <i>7.0%</i>	105.2%	600 <i>3.0%</i>	109.7%
Total	Net sales	223,009	298,760	34.0%	540,000	55.3%
	Segment income	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	121.2%	24,000 <i>4.4%</i>	76.5%

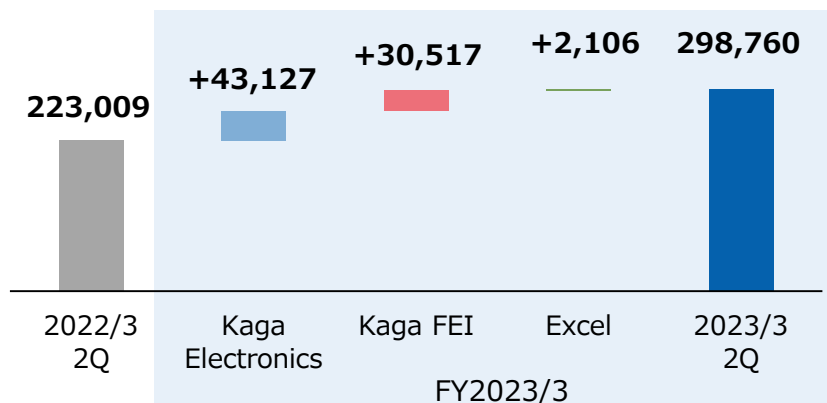
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).
2. "x. x%" represents the profit margin.

Effect of M&A for FY2023/3 2Q

(million yen)

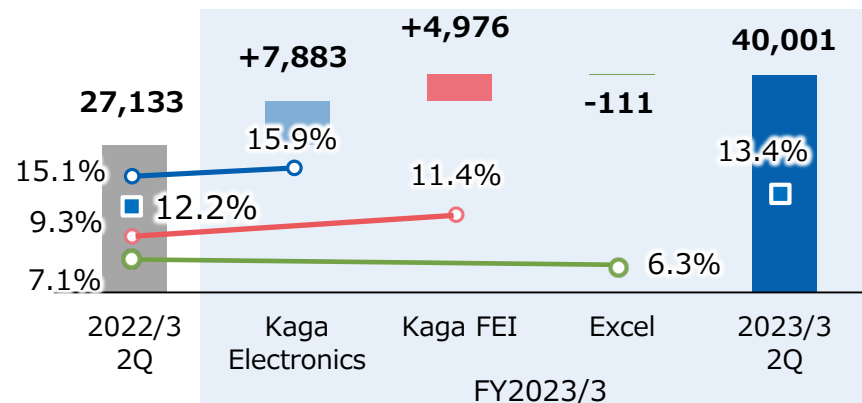
Net Sales

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



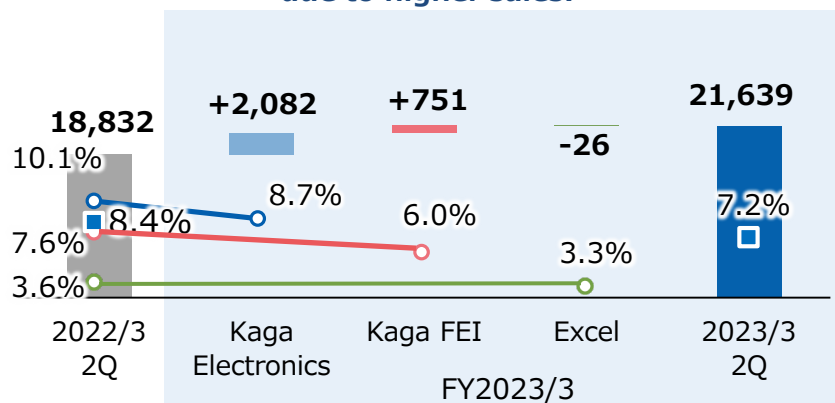
Gross profit / Gross profit margin

Kaga Electronics and Kaga FEI posted substantial increases in gross profit



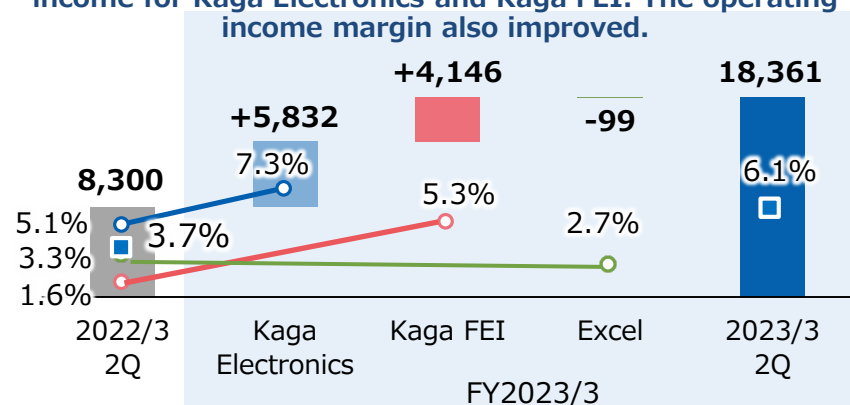
SG&A / SG&A ratio

The SG&A ratio fell, although SG&A expenses rose due to higher sales.



Operating income / Operating income margin

Higher gross profit absorbed an increase in operating expenses and resulted in a significant increase in operating income for Kaga Electronics and Kaga FEI. The operating income margin also improved.



Results by Company for FY2023/3 2Q

(million yen)

		FY2022/3 2Q Results	FY2023/3 2Q Results	YoY
Kaga Electronics	Net sales	125,272	168,400	34.4%
	Gross Profit	18,850 <i>15.1%</i>	26,734 <i>15.9%</i>	41.8%
	Operating income	6,402 <i>5.1%</i>	12,235 <i>7.3%</i>	91.1%
Kaga FEI	Net sales	68,240	98,757	44.7%
	Gross Profit	6,325 <i>9.3%</i>	11,301 <i>11.4%</i>	78.7%
	Operating income	1,067 <i>1.6%</i>	5,214 <i>5.3%</i>	388.3%
Excel	Net sales	29,495	31,602	7.1%
	Gross Profit	2,103 <i>7.1%</i>	1,991 <i>6.3%</i>	-5.3%
	Operating income	966 <i>3.3%</i>	866 <i>2.7%</i>	-10.3%
Total	Net sales	223,009	298,760	34.0%
	Gross Profit	27,133 <i>12.2%</i>	40,001 <i>13.4%</i>	47.4%
	Operating income	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	121.2%

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

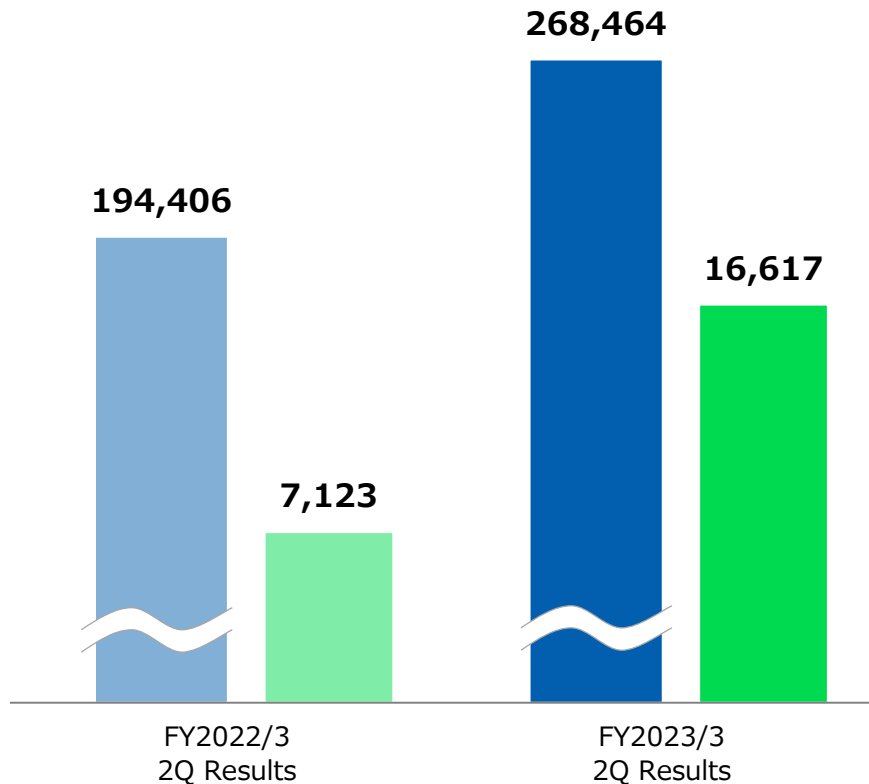
2. "x. x%" represents the profit margin.

Financial Highlights: Electronic Component Segment

Net sales/Segment income

(million yen)

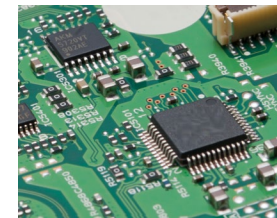
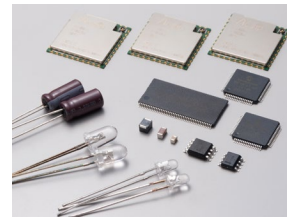
■/■ Net Sales
■/■ Segment income



YoY

- Net Sales ▶ **+74,057** million yen **38.1%Up**
- Segment income ▶ **+9,493** million yen **133.3%Up**

- In the component sales business, supply/demand conditions began to ease for some materials, and the Company was able to achieve significant growth in sales through early efforts to capture demand from customers in a broad range of industries.
 - Both Kaga Electronics and Kaga FEI worked on spot sales with automotive and industrial equipment-related customers still facing supply shortages, which also contributed to growth in sales/profit.
 - In parallel with these efforts, the Company proactively proposed alternative products.
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- The EMS business was a strong performer, especially in automotive and medical equipment applications.

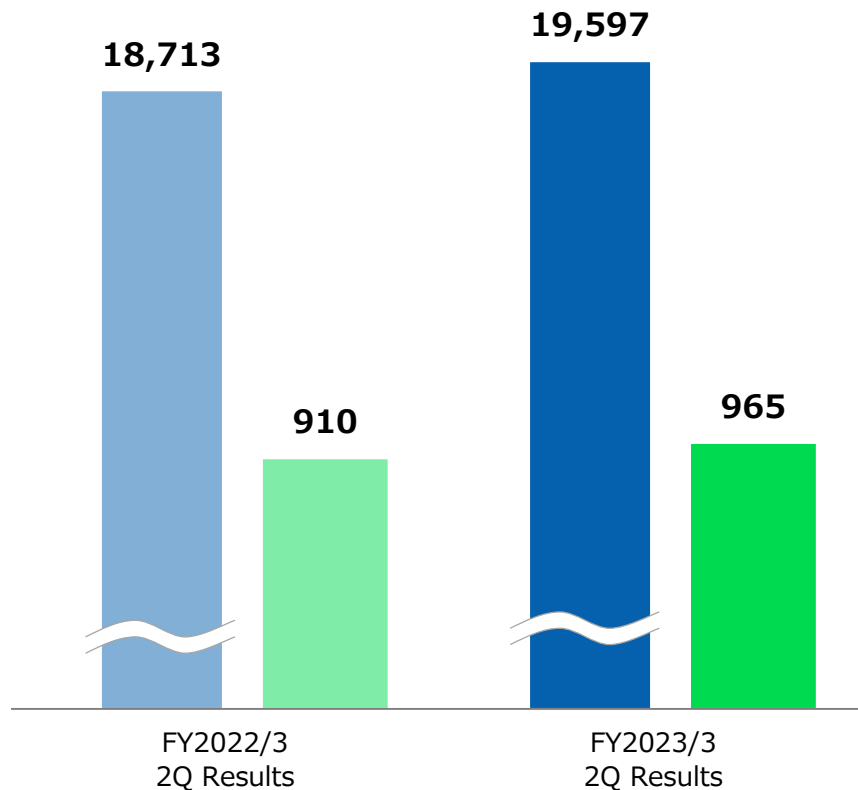


Financial Highlights: Information Equipment Segment

Net sales/Segment income

(million yen)

■/■ Net Sales
■/■ Segment income



YoY

● Net Sales ▶ **+883**million yen **4.7%Up**
● Segment income ▶ **+54**million yen **6.0%Up**

- Sales of PCs to corporations and educational institutions were solid, particularly high-priced products.
- Sales of PC peripherals such as security software remained strong.
- In the LED installation business, large projects that had been delayed due to shortages of materials resumed, which contributed to earnings.



Financial Highlights for FY2023/3 2Q (3 months)

Reference

(million yen)

	FY2022/3 2Q Results		FY2023/3 1Q Results		FY2023/3 2Q Results		YoY	QoQ
Net sales	117,059		149,302		149,458		27.7%	0.1%
Gross Profit	13,582	11.6%	19,838	13.3%	20,163	13.5%	48.5%	1.6%
SG&A	9,733	8.3%	10,018	6.7%	11,621	7.8%	19.4%	16.0%
Operating income	3,848	3.3%	9,820	6.6%	8,541	5.7%	121.9%	-13.0%
Ordinary income	3,885	3.3%	9,858	6.6%	9,073	6.1%	133.5%	-8.0%
Profit attributable to owners of parent	2,752	2.4%	6,984	4.7%	6,427	4.3%	133.5%	-8.0%
EPS (yen)	102.48	—	266.10	—	244.79	—	—	—

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

Results by Business Segment for FY2023/3 2Q (3 months)

Reference

(million yen)

		FY2022/3 2Q Results	FY2023/3 1Q Results	FY2023/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	103,782	133,477	134,986	30.1%	1.1%
	Segment income	3,423 <i>3.3%</i>	9,018 <i>6.8%</i>	7,599 <i>5.6%</i>	122.0%	-15.7%
Information Equipment	Net sales	8,077	11,147	8,449	4.6%	-24.2%
	Segment income	342 <i>4.2%</i>	564 <i>5.1%</i>	400 <i>4.7%</i>	17.0%	-29.1%
Software	Net sales	669	498	808	20.8%	62.3%
	Segment income	-42 <i>-6.3%</i>	-33 <i>-6.7%</i>	129 <i>16.0%</i>	-	-
Others	Net sales	4,530	4,178	5,213	15.1%	24.8%
	Segment income	103 <i>2.3%</i>	249 <i>6.0%</i>	408 <i>7.8%</i>	295.6%	64.1%
Total	Net sales	117,059	149,302	149,458	27.7%	0.1%
	Segment income	3,848 <i>3.3%</i>	9,820 <i>6.6%</i>	8,541 <i>5.7%</i>	121.9%	-13.0%

- 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.

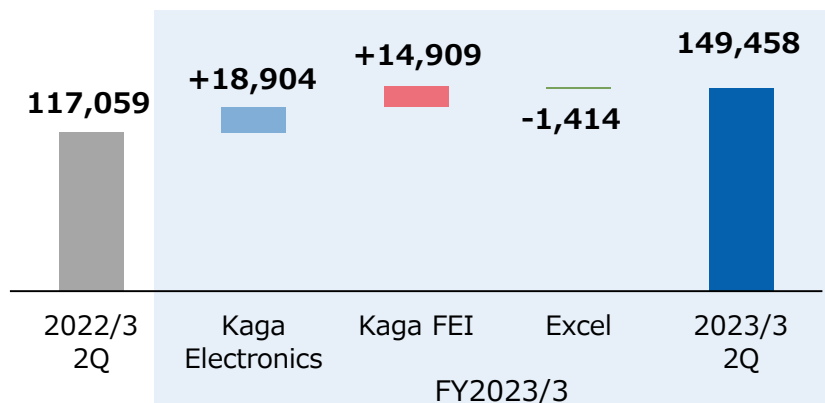
Effect of M&A for FY2023/3 2Q (3 months)

Reference

(million yen)

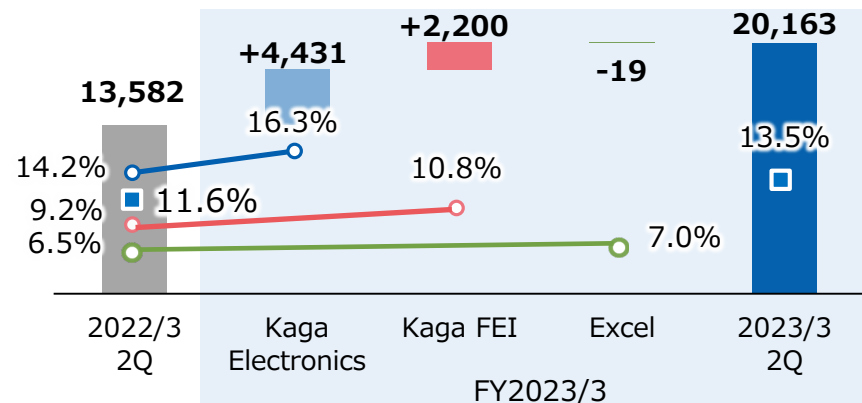
Net Sales

Kaga Electronics and Kaga FEI achieved significant increases in net sales, driven by the electronic components business.



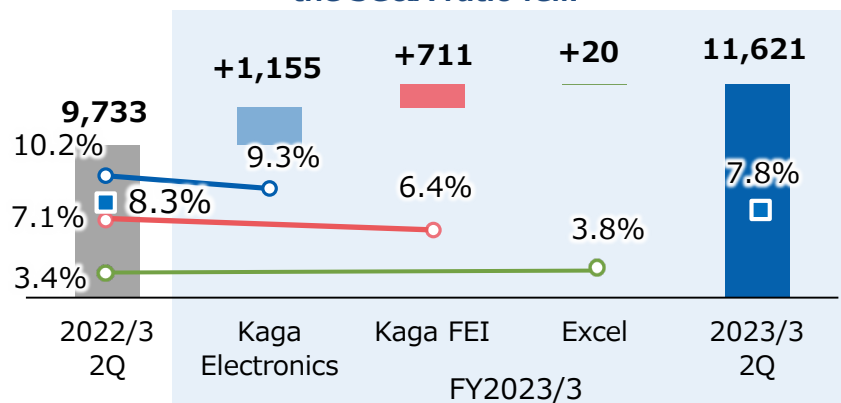
Gross profit / Gross profit margin

Gross profit increased significantly for Kaga Electronics and Kaga FEI. Profit margins also improved.



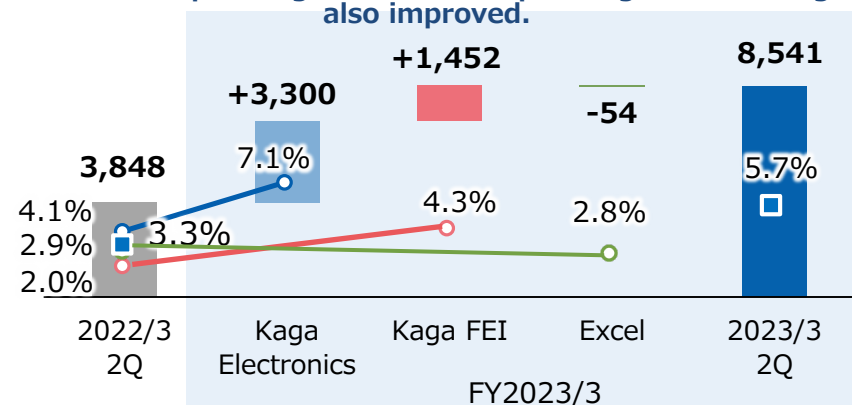
SG&A / SG&A ratio

Although SG&A expenses increased due to higher sales, the SG&A ratio fell.



Operating income / Operating income margin

Kaga Electronics and Kaga FEI contributed significantly to increases in operating income. The operating income margin also improved.



Results by Company for FY2023/3 2Q (3 months)

Reference

(million yen)

		FY2022/3 2Q Results	FY2023/3 1Q Results	FY2022/3 2Q Rwsults	YoY	QoQ
Kaga Electronics	Net sales	65,157	84,339	84,061	29.0%	-0.3%
	Gross Profit	9,261 <i>14.2%</i>	13,040 <i>15.5%</i>	13,693 <i>16.3%</i>	47.9%	5.0%
	Operating income	2,683 <i>4.1%</i>	6,251 <i>7.4%</i>	5,983 <i>7.1%</i>	123.0%	-4.3%
Kaga FEI	Net sales	36,095	47,752	51,005	41.3%	6.8%
	Gross Profit	3,316 <i>9.2%</i>	5,784 <i>12.1%</i>	5,516 <i>10.8%</i>	66.4%	-4.6%
	Operating income	721 <i>2.0%</i>	3,040 <i>6.4%</i>	2,173 <i>4.3%</i>	201.4%	-28.5%
Excel	Net sales	15,807	17,209	14,392	-9.0%	-16.4%
	Gross Profit	1,024 <i>6.5%</i>	986 <i>5.7%</i>	1,004 <i>7.0%</i>	-1.9%	1.9%
	Operating income	458 <i>2.9%</i>	462 <i>2.7%</i>	403 <i>2.8%</i>	-11.9%	-12.7%
Total	Net sales	117,059	149,302	149,458	27.7%	0.1%
	Gross Profit	13,582 <i>11.6%</i>	19,838 <i>13.3%</i>	20,163 <i>13.5%</i>	48.5%	1.6%
	Operating income	3,848 <i>3.3%</i>	9,820 <i>6.6%</i>	8,541 <i>5.7%</i>	121.9%	-13.0%

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.

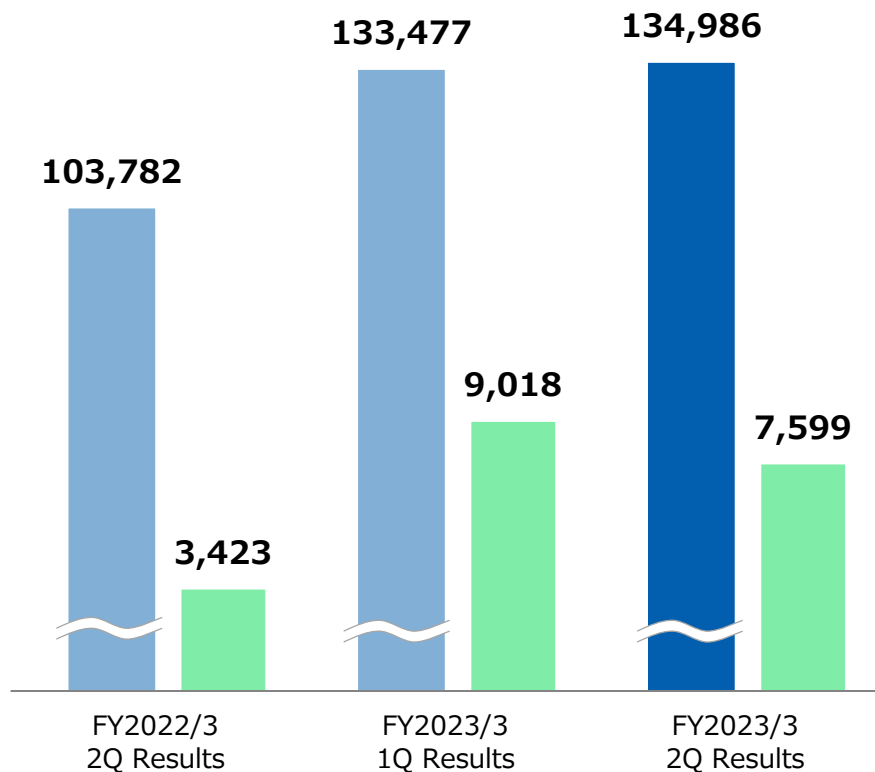
Financial Highlights: Electronic Component Segment (3 months)

Reference

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **+31,203** million yen **30.1%Up**
- Segment income ▶ **+4,175** million yen **122.0%Up**

QoQ

- Net Sales ▶ **+1,508** million yen **1.1%Up**
- Segment income ▶ **-1,418** million yen **15.7%Down**

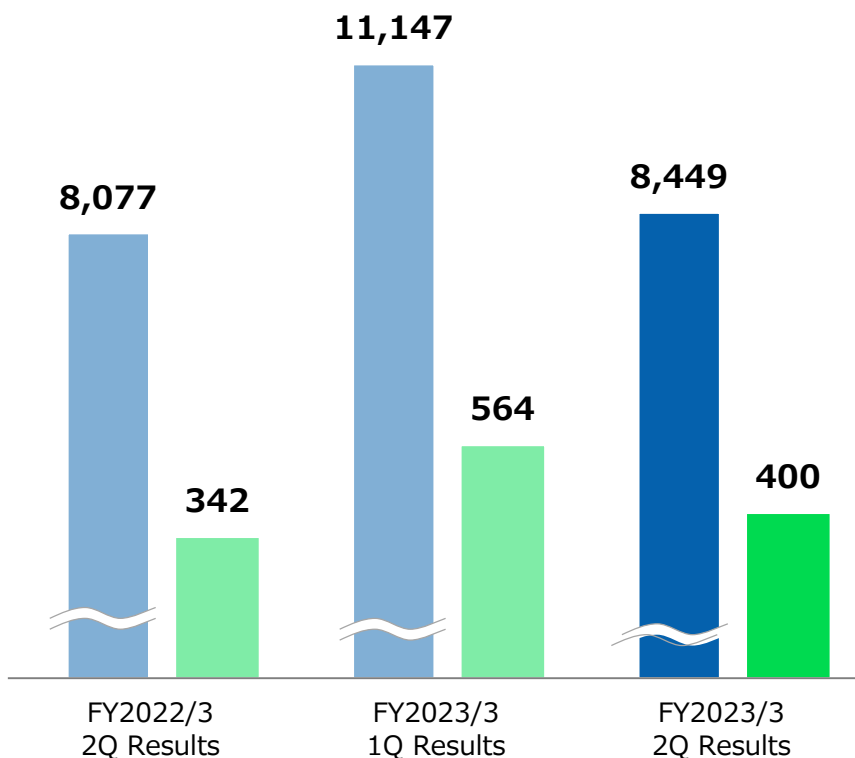
Financial Highlights: Information Equipment Segment (3 months)

Reference

Net sales/Segment income

(million yen)

- / ■ Net Sales
- / ■ Segment income



YoY

- Net Sales ▶ **+372**million yen **4.6%Up**
- Segment income ▶ **+58**million yen **17.0%Up**

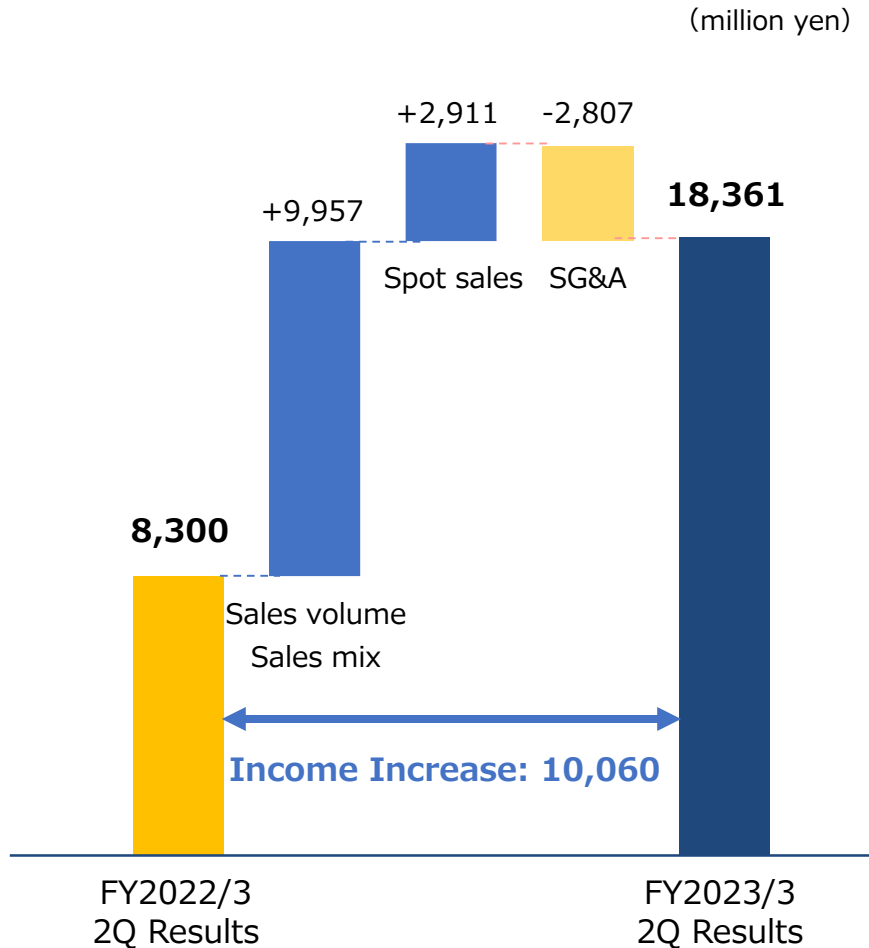
QoQ

- Net Sales ▶ **-2,697**million yen **24.2%Down**
- Segment income ▶ **-164**million yen **29.1%Down**

Factors of Increase / Decrease in Operating Income

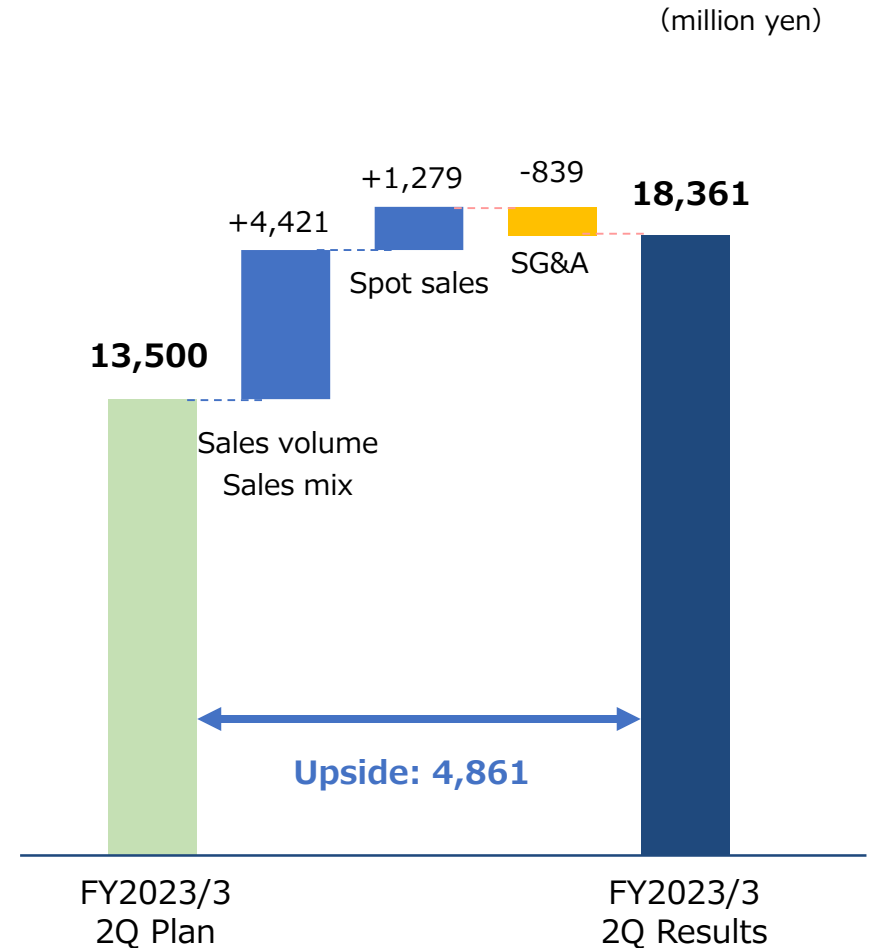
YoY

(million yen)



vs Internal Plan

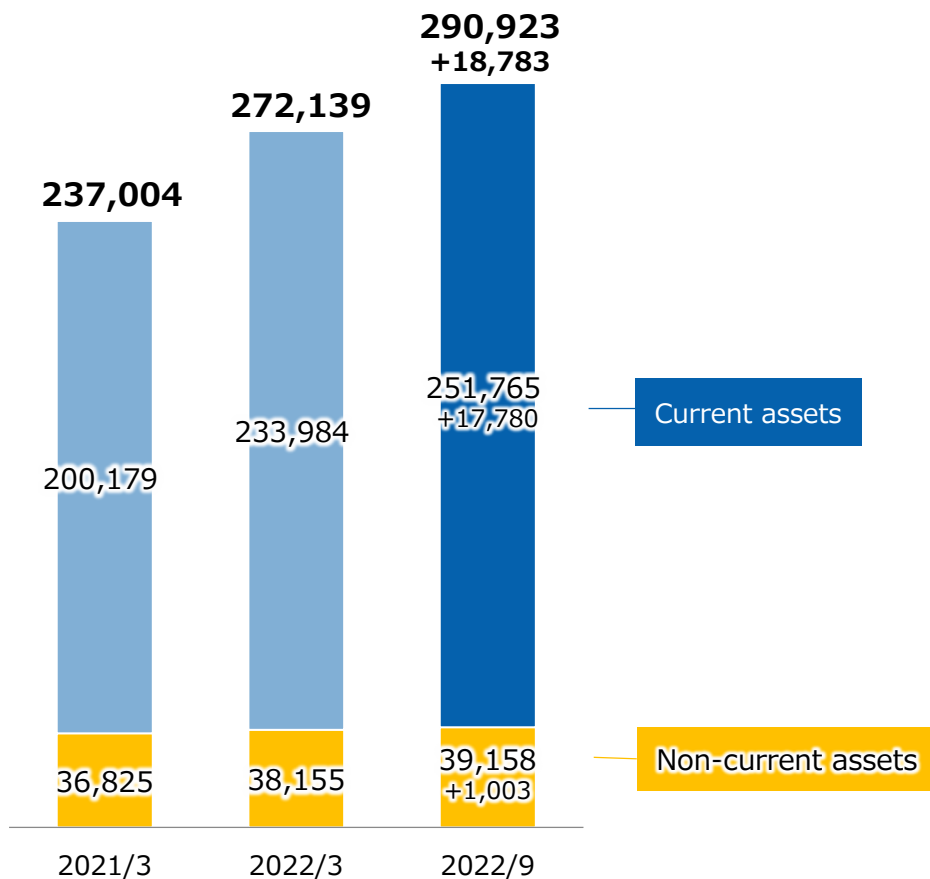
(million yen)



Balance Sheet Main Items

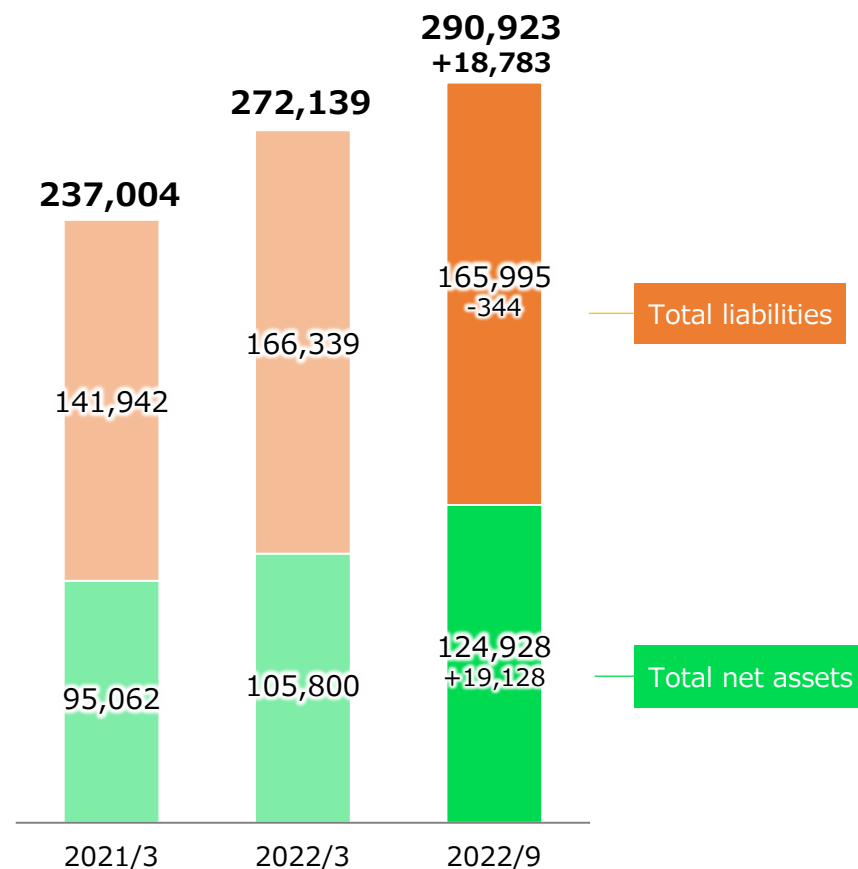
Total assets

(million yen)



Total liabilities and net assets

(million yen)

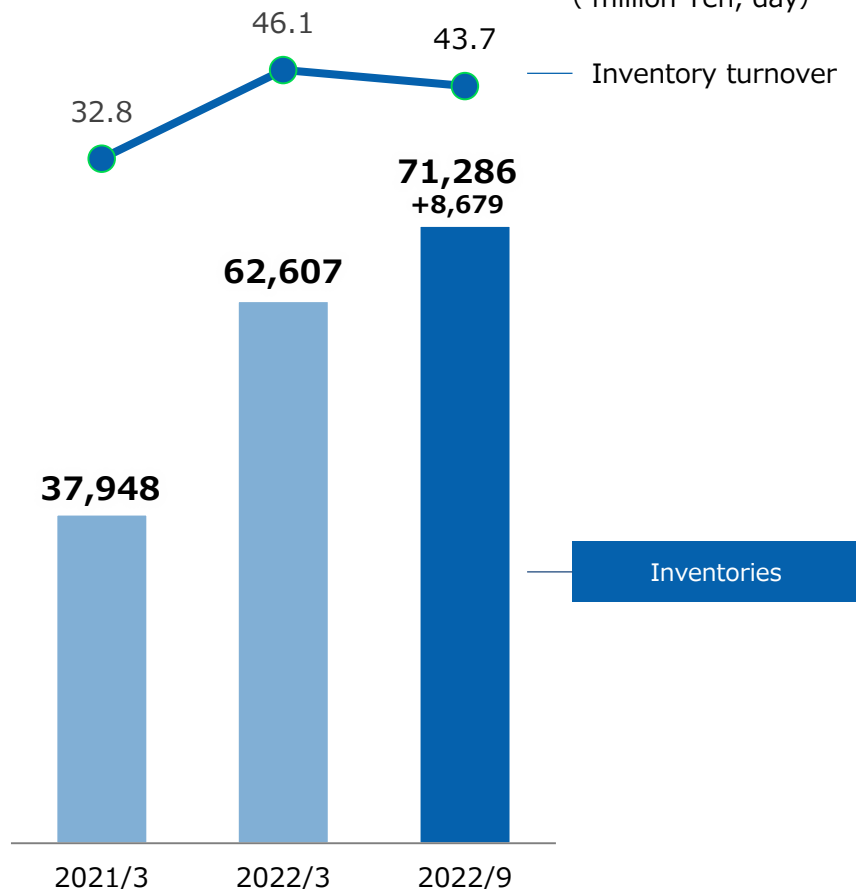


Balance Sheet Main Items

Inventories

(million Yen, day)

— Inventory turnover

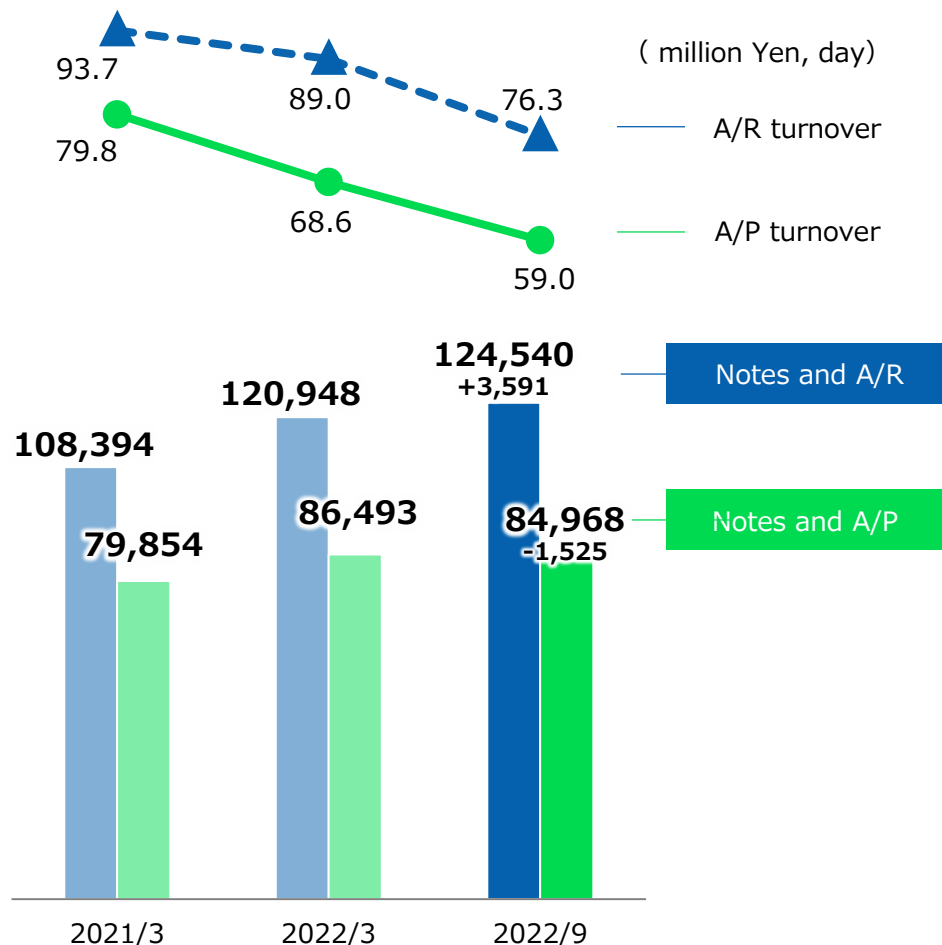


Accounts receivable/Accounts payable

(million Yen, day)

— A/R turnover

— A/P turnover



Note : Inventory turnover = Inventories ÷ Net Sales × 183 (day)

Notes : 1. ·Notes and A/R are amounts including Electronically recorded monetary claims-operating

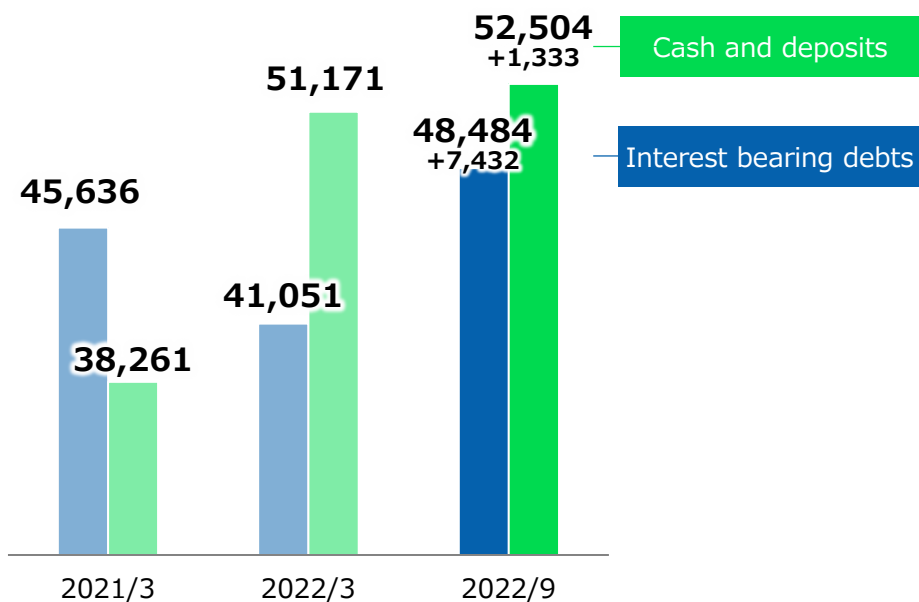
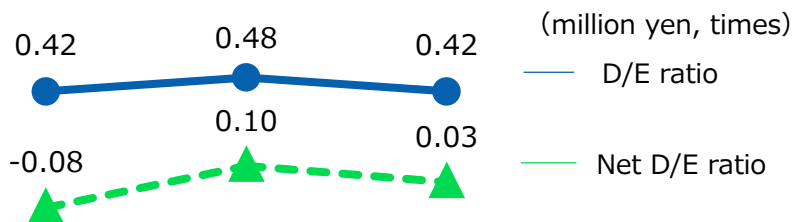
2. ·Notes and A/P are amounts including Electronically recorded obligations - operating

3. ·A/R turnover = Notes and A/R ÷ Net sales × 183 (day)

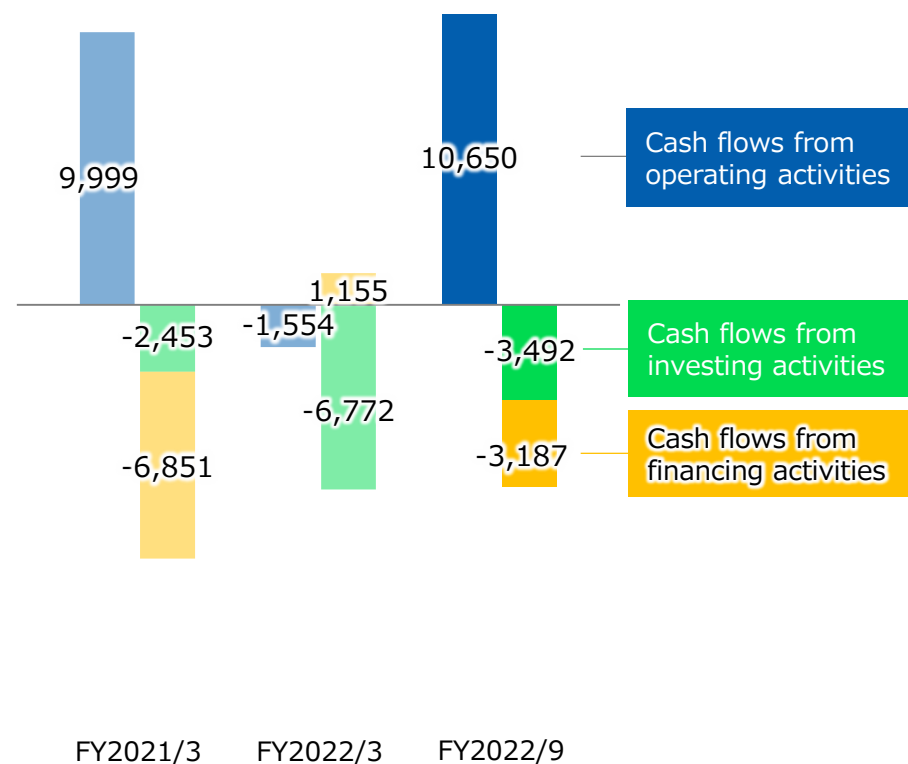
4. ·A/P turnover = Notes and A/P ÷ Total purchase of goods × 183 (day)

Balance Sheet Main Items

Cash and Deposits/Interest Bearing Debt



Cash flows



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 FY2023/3

Forecasts for FY2023/3

(announced on August 4, 2022)

(million yen)

	FY2022/3 Results	FY2023/3 Previous forecasts	FY2023/3 Current forecasts	Diff. from previous forecasts	YoY
Net sales	495,827	540,000	570,000	5.6%	15.0%
Operating income	20,915 <i>4.2%</i>	24,000 <i>4.4%</i>	28,000 <i>4.9%</i>	16.7%	33.9%
Ordinary income	21,456 <i>4.3%</i>	24,500 <i>4.5%</i>	29,000 <i>5.1%</i>	18.4%	35.2%
Profit attributable to owners of parent	15,401 <i>3.1%</i>	16,000 <i>3.0%</i>	20,000 <i>3.5%</i>	25.0%	29.9%
EPS (yen)	576.46	609.58	761.70	—	185.24
ROE	15.7%	14.0%	17.0%	—	1.3pt
Annual dividend (yen)	120.00 Ordinary dividend 80.00 Extraordinary dividend 40.00	150.00 Ordinary dividend 140.00 Commemorative dividend 10.00	200.00 Ordinary dividend 140.00 Commemorative dividend 10.00 Extraordinary dividend 50.00	50.00	80.00

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

Forecasts by Business Segment for FY2023/3

(announced on August 4, 2022)

(million yen)

		FY2022/3 Results	FY2023/3 Previous Forecasts	FY2023/3 Current forecasts	Diff. from previous forecasts	YoY
Electronic Component	Net sales	433,852	477,000	507,000	6.3%	16.9%
	Segment income	18,107 4.2%	21,300 4.5%	24,800 5.0%	18.8%	37.0%
Information Equipment	Net sales	39,616	39,000	39,000	—	-1.6%
	Segment income	2,085 5.3%	2,000 5.1%	2,000 5.1%	—	-4.1%
Software	Net sales	2,767	4,000	4,000	—	44.5%
	Segment income	-26 -1.0%	100 2.5%	200 2.5%	—	—
Others	Net sales	19,590	20,000	20,000	—	2.1%
	Segment income	626 3.2%	600 3.0%	1,000 3.0%	—	59.7%
Total	Net sales	495,827	540,000	570,000	5.6%	15.0%
	Segment income	20,915 4.2%	24,000 4.4%	28,000 4.9%	16.7%	33.9%

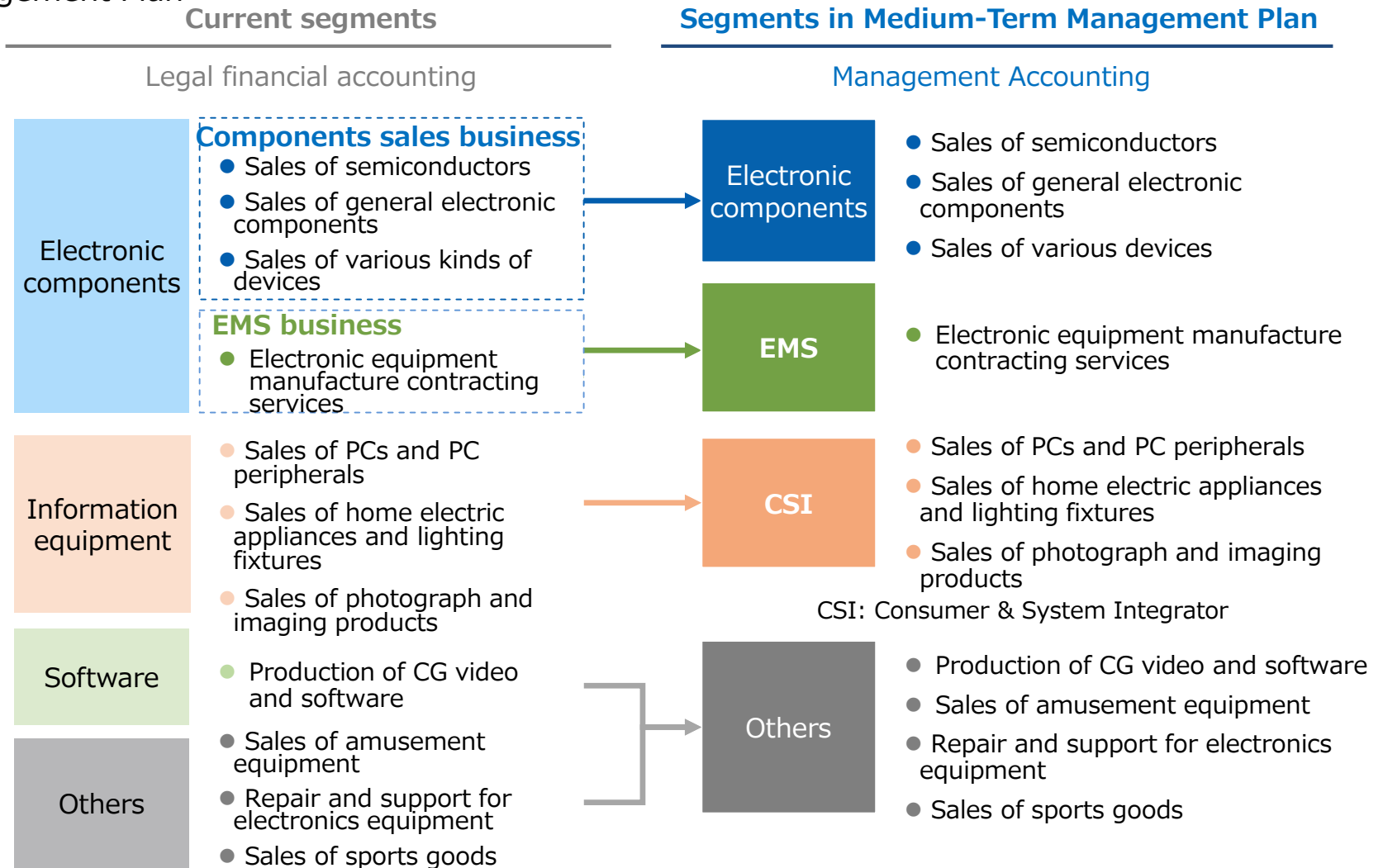
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

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)

		FY2021/3 2Q Results	FY2022/3 2Q Results	FY2023/3 2Q Results	YOY
Electronic Component	Net sales	117,287	144,790	202,867	40.1%
	Segment income	851 <i>0.7%</i>	3,948 <i>2.7%</i>	11,689 <i>5.8%</i>	196.1%
EMS	Net sales	42,940	53,453	69,486	30.0%
	Segment income	2,265 <i>5.3%</i>	3,322 <i>6.2%</i>	5,311 <i>7.6%</i>	59.9%
CSI	Net sales	23,192	18,713	19,597	4.7%
	Segment income	1,160 <i>5.0%</i>	910 <i>4.9%</i>	965 <i>4.9%</i>	6.0%
Others	Net sales	5,438	6,052	6,809	12.5%
	Segment income	88 <i>1.6%</i>	64 <i>1.1%</i>	369 <i>5.4%</i>	473.2%
Total	Net sales	188,859	223,009	298,760	34.0%
	Segment income	4,434 <i>2.3%</i>	8,300 <i>3.7%</i>	18,361 <i>6.1%</i>	121.2%

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	FY2023/3 1Q Results	FY2023/3 2Q Results	YoY	QoQ
Electronic Component	Net sales	78,665	101,444	101,422	28.9%	-0.0%
	Segment income	2,172 <i>2.8%</i>	6,541 <i>6.4%</i>	5,148 <i>5.1%</i>	137.0%	-21.3%
EMS	Net sales	27,118	33,867	35,619	31.3%	5.2%
	Segment income	1,262 <i>4.7%</i>	2,612 <i>7.7%</i>	2,698 <i>7.6%</i>	113.8%	3.3%
CSI	Net sales	8,077	11,147	8,449	4.6%	-24.2%
	Segment income	342 <i>4.2%</i>	564 <i>5.1%</i>	400 <i>4.7%</i>	17.0%	-29.2%
Others	Net sales	3,198	2,842	3,967	24.1%	39.6%
	Segment income	49 <i>1.6%</i>	79 <i>2.8%</i>	289 <i>7.3%</i>	479.4%	262.4%
Total	Net sales	117,059	149,302	149,458	27.7%	0.1%
	Segment income	3,848 <i>3.3%</i>	9,820 <i>6.6%</i>	8,541 <i>5.7%</i>	121.9%	-13.0%

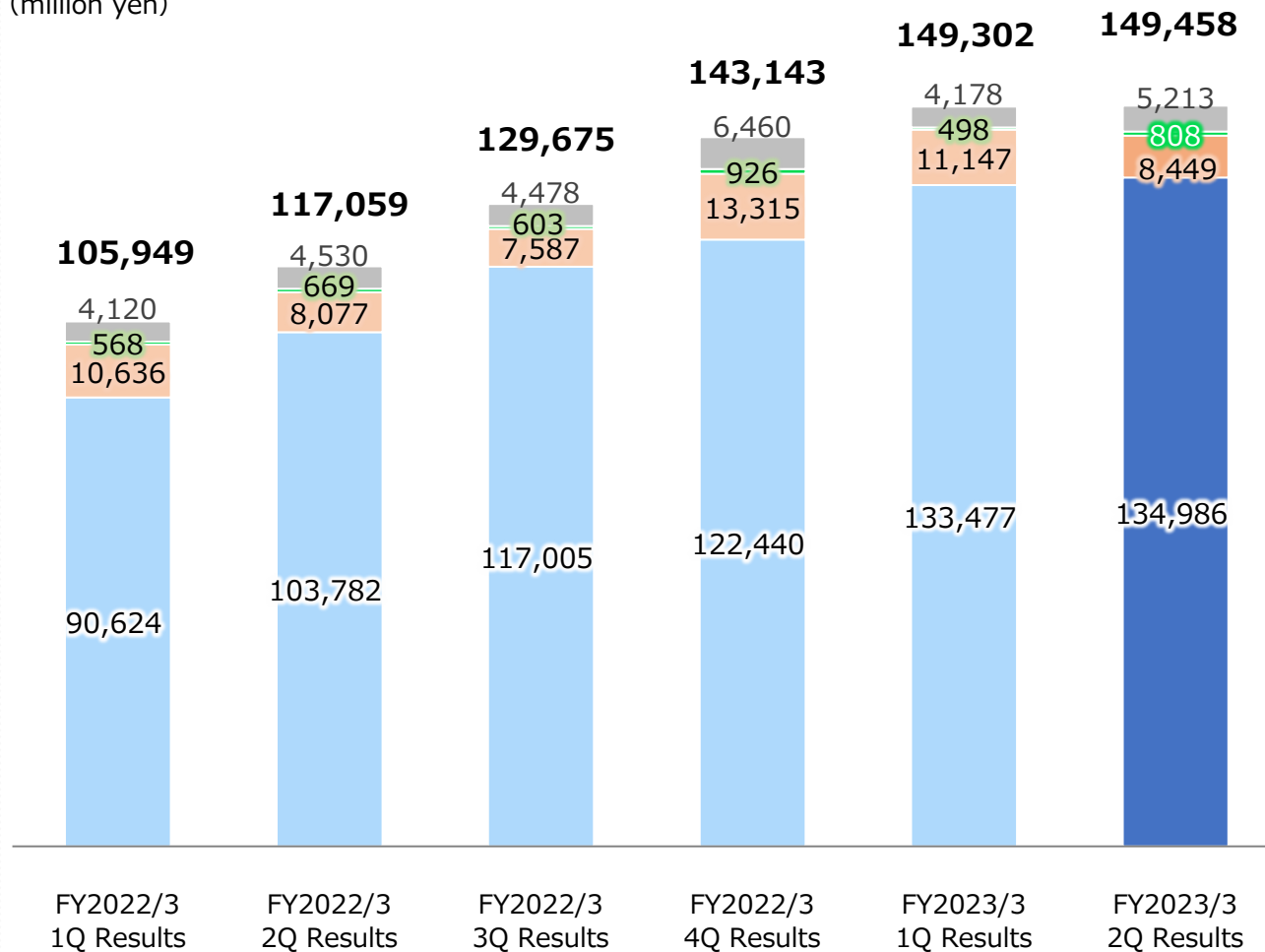
Note: 1. Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

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

Quarterly Net Sales Trends

Net Sales

(million yen)



Total	
YoY	: +32,398
QoQ	: +156

Other	
YoY	: +683
QoQ	: +1,035

Software	
YoY	: +139
QoQ	: +310

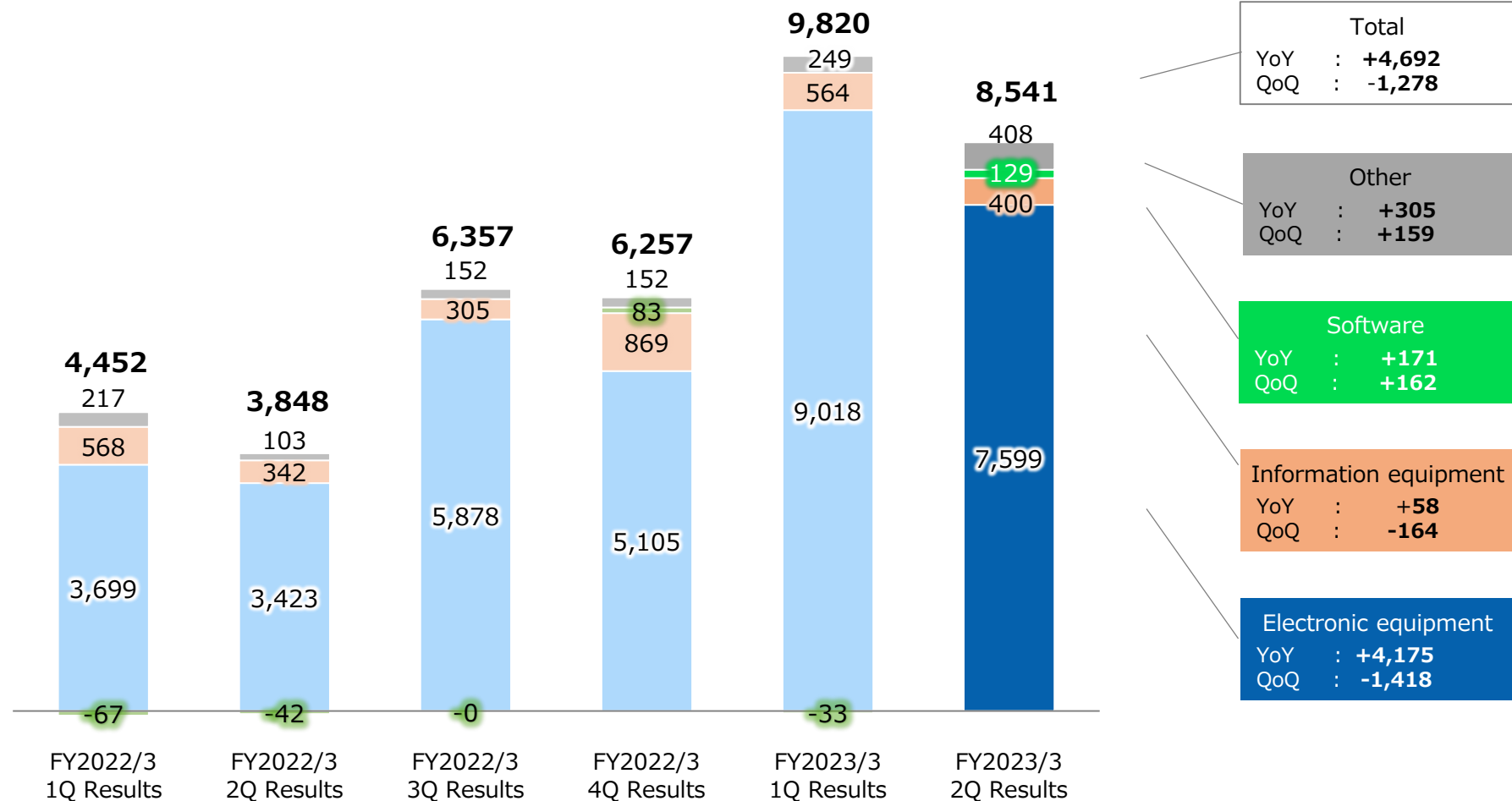
Information equipment	
YoY	: +372
QoQ	: -2,697

Electronic equipment	
YoY	: +31,203
QoQ	: +1,508

Quarterly Segment Income Trends

Segment Income

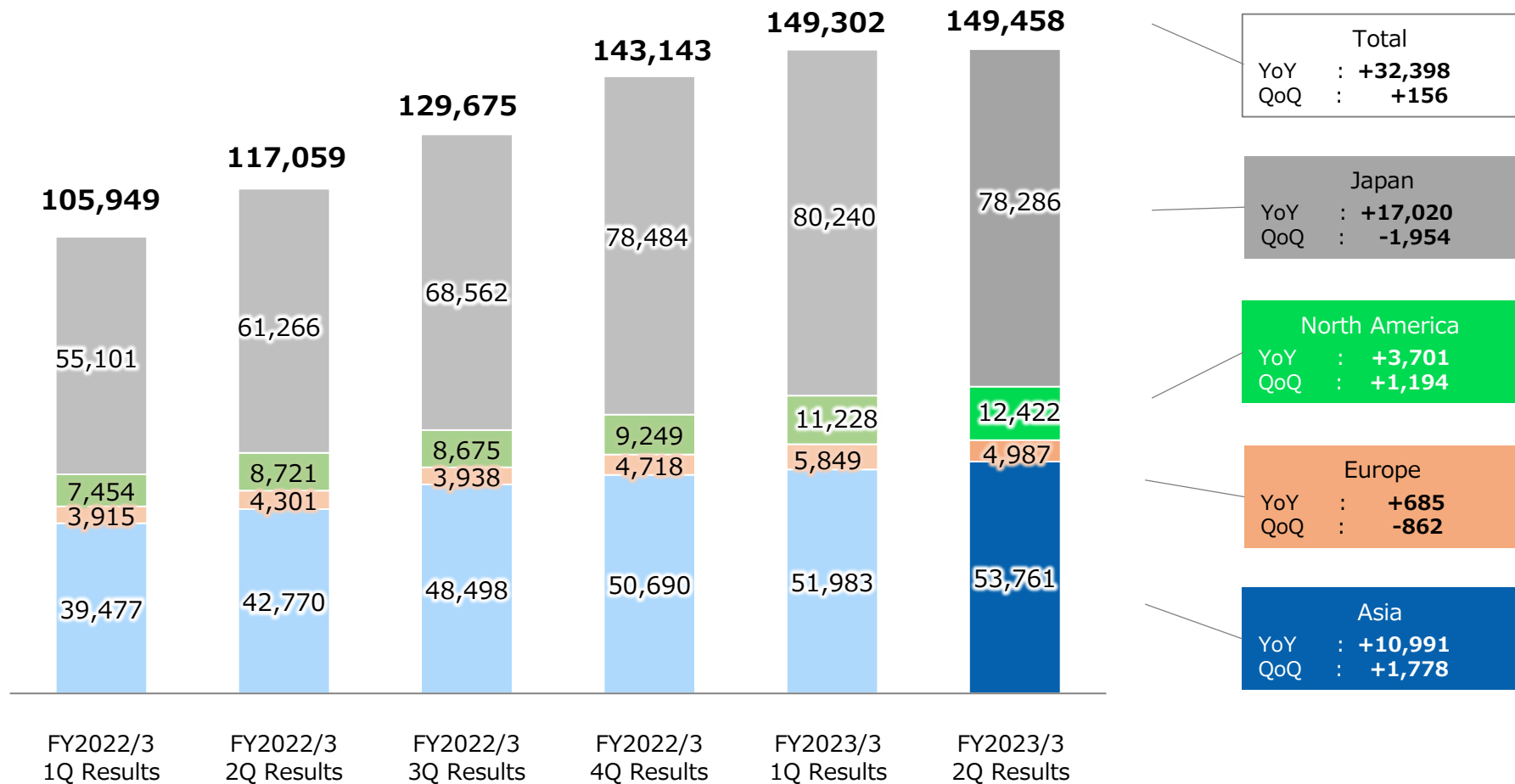
(million yen)



Net Sales by Region

Net Sales

(million yen)



Exchange Rate/FOREX Sensitivity

	FY2022/3 2Q Results (Yen)	FY2023/3 2Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2023/3(yen)
			Net sales	Operating income	
USD	109.80	133.97	584	27	130.00
RMB	16.66	18.94	147	4	20.00
THB	3.42	3.79	145	8	3.50
HKD	14.13	17.07	98	3	16.50
EUR	130.90	138.73	5	0	135.00

Note: Forex assumption for
2023/3 3Q onwards

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



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL: +81-3-5657-0106

FAX: +81-3-3254-7133

E-mail : webmaster@taxan.co.jp

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

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