

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q**

(Mark One)

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended December 31, 2025

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-36454



KIMBALL ELECTRONICS, INC.

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of
incorporation or organization)

1205 Kimball Boulevard, Jasper, Indiana
(Address of principal executive offices)

35-2047713

(I.R.S. Employer Identification No.)

47546

(Zip Code)

(812) 634-4000

Registrant's telephone number, including area code

Not Applicable

Former name, former address and former fiscal year, if changed since last report

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each Class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, no par value	KE	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒	Emerging growth company	☐
Non-accelerated filer	☐	Smaller reporting company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☒

The number of shares outstanding of the Registrant's common stock as of January 22, 2026 was 24,214,134 shares.

KIMBALL ELECTRONICS, INC.
FORM 10-Q
INDEX

Page No.

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Condensed Consolidated Balance Sheets

- December 31, 2025 (Unaudited) and June 30, 2025 3

Condensed Consolidated Statements of Income (Unaudited)

- Three and Six Months Ended December 31, 2025 and 2024 4

Condensed Consolidated Statements of Comprehensive Income (Unaudited)

- Three and Six Months Ended December 31, 2025 and 2024 5

Condensed Consolidated Statements of Cash Flows (Unaudited)

- Six Months Ended December 31, 2025 and 2024 6

Condensed Consolidated Statements of Share Owners' Equity (Unaudited)

- Three and Six Months Ended December 31, 2025 and 2024 7

Notes to Condensed Consolidated Financial Statements (Unaudited) 8

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

23

Item 3. Quantitative and Qualitative Disclosures About Market Risk

31

Item 4. Controls and Procedures

31

PART II OTHER INFORMATION

Item 1. Legal Proceedings

32

Item 1A. Risk Factors

32

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

32

Item 5. Other Information

32

Item 6. Exhibits

33

SIGNATURES

34

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements
KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except for Share Data)

	(Unaudited) December 31, 2025	June 30, 2025
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 77,853	\$ 88,781
Receivables, net of allowances of \$461 and \$102, respectively	213,994	222,623
Contract assets	79,521	71,812
Inventories	281,699	273,500
Prepaid expenses and other current assets	32,214	36,027
Assets held for sale	6,610	6,861
Total current assets	691,891	699,604
Property and Equipment, net of accumulated depreciation of \$346,022 and \$334,465, respectively	276,433	264,804
Goodwill	6,191	6,191
Other Intangible Assets, net of accumulated amortization of \$27,972 and \$28,227, respectively	2,182	2,427
Other Assets, net	106,774	104,286
Total Assets	\$ 1,083,471	\$ 1,077,312
LIABILITIES AND SHARE OWNERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 24,112	\$ 17,400
Accounts payable	218,830	218,805
Advances from customers	28,439	35,867
Accrued expenses	41,995	46,489
Total current liabilities	313,376	318,561
Other Liabilities:		
Long-term debt, less current portion	129,700	129,650
Other long-term liabilities	61,233	59,217
Total other liabilities	190,933	188,867
Share Owners' Equity:		
Preferred stock-no par value		
Shares authorized: 15,000,000		
Shares issued: None	—	—
Common stock-no par value		
Shares authorized: 150,000,000		
Shares issued: 29,430,000		
Shares outstanding: 24,209,500 and 24,218,500, respectively	—	—
Additional paid-in capital	321,823	323,309
Retained earnings	347,271	333,548
Accumulated other comprehensive loss	1,474	1,063
Treasury stock, at cost:		
Shares: 5,220,500 and 5,211,500, respectively	(91,406)	(88,036)
Total Share Owners' Equity	579,162	569,884
Total Liabilities and Share Owners' Equity	\$ 1,083,471	\$ 1,077,312

See [Notes to Condensed Consolidated Financial Statements](#).

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands, Except for Per Share Data)

(Unaudited)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Net Sales	\$ 341,280	\$ 357,392	\$ 706,883	\$ 731,648
Cost of Sales	313,412	333,965	650,179	684,621
Gross Profit	27,868	23,427	56,704	47,027
Selling and Administrative Expenses	14,862	10,526	27,952	23,953
Restructuring Expense	1,817	4,671	3,233	6,993
Asset Impairment (Gain on Disposal)	422	—	298	(1,264)
Operating Income	10,767	8,230	25,221	17,345
Other Income (Expense):				
Interest income	375	253	514	475
Interest expense	(2,095)	(4,241)	(4,448)	(9,033)
Non-operating income (expense), net	(2,063)	(768)	(3,304)	(2,429)
Other income (expense), net	(3,783)	(4,756)	(7,238)	(10,987)
Income Before Taxes on Income	6,984	3,474	17,983	6,358
Provision (Benefit) for Income Taxes	3,347	42	4,260	(228)
Net Income	<u>\$ 3,637</u>	<u>\$ 3,432</u>	<u>\$ 13,723</u>	<u>\$ 6,586</u>
Earnings Per Share of Common Stock:				
Basic	\$ 0.15	\$ 0.14	\$ 0.56	\$ 0.26
Diluted	\$ 0.15	\$ 0.14	\$ 0.55	\$ 0.26
Average Number of Shares Outstanding:				
Basic	24,606	24,870	24,603	24,924
Diluted	24,823	24,968	24,878	25,098

See [Notes to Condensed Consolidated Financial Statements](#).

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Amounts in Thousands)

(Unaudited)	Three Months Ended December 31, 2025			Three Months Ended December 31, 2024		
	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Net income			\$ 3,637			\$ 3,432
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$ 93	\$ 1	\$ 94	\$ (12,090)	\$ —	\$ (12,090)
Postemployment actuarial change	(141)	38	(103)	337	(103)	234
Derivative gain (loss)	1,663	(418)	1,245	(822)	241	(581)
Reclassification to (earnings) loss:						
Derivatives	(1,719)	456	(1,263)	1,034	(268)	766
Amortization of actuarial change	60	(14)	46	74	(17)	57
Other comprehensive income (loss)	\$ (44)	\$ 63	\$ 19	\$ (11,467)	\$ (147)	\$ (11,614)
Total comprehensive income			<u>\$ 3,656</u>			<u>\$ (8,182)</u>

(Unaudited)	Six Months Ended December 31, 2025			Six Months Ended December 31, 2024		
	Pre-tax	Tax	Net of Tax	Pre-tax	Tax	Net of Tax
Net income			\$ 13,723			\$ 6,586
Other comprehensive income (loss):						
Foreign currency translation adjustments	\$ 50	\$ 1	\$ 51	\$ (5,139)	\$ —	\$ (5,139)
Postemployment actuarial change	(163)	42	(121)	443	(138)	305
Derivative gain (loss)	2,307	(567)	1,740	(2,569)	686	(1,883)
Reclassification to (earnings) loss:						
Derivatives	(1,873)	523	(1,350)	1,418	(374)	1,044
Amortization of actuarial change	120	(29)	91	127	(30)	97
Other comprehensive income (loss)	\$ 441	\$ (30)	\$ 411	\$ (5,720)	\$ 144	\$ (5,576)
Total comprehensive income			<u>\$ 14,134</u>			<u>\$ 1,010</u>

See [Notes to Condensed Consolidated Financial Statements](#).

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

(Unaudited)	Six Months Ended December 31	
	2025	2024
Cash Flows From Operating Activities:		
Net income	\$ 13,723	\$ 6,586
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	18,369	18,261
Loss on sales of assets	370	8
Deferred income taxes	(1,972)	(100)
Asset impairment (gain on disposal)	298	(1,264)
Stock-based compensation	3,780	2,573
Other, net	(193)	2,030
Change in operating assets and liabilities:		
Receivables	4,545	45,451
Contract assets	(7,869)	(5,637)
Inventories	(6,978)	27,955
Prepaid expenses and other assets	2,214	13,719
Accounts payable	(1,899)	(8,992)
Advances from customers	(10,844)	1,423
Accrued expenses and taxes payable	1,399	(27,081)
Net cash provided by operating activities	14,943	74,932
Cash Flows From Investing Activities:		
Capital expenditures	(28,635)	(19,761)
Proceeds from sales of assets	3,923	264
Purchases of capitalized software	(113)	(261)
Net proceeds from disposal	431	18,507
Other, net	26	37
Net cash used for investing activities	(24,368)	(1,214)
Cash Flows From Financing Activities:		
Proceeds from credit facilities	15,000	100,000
Payments on credit facilities	(12,500)	(180,000)
Net change in revolving credit facilities	4,212	(9,830)
Repurchases of common stock	(5,633)	(6,034)
Payments related to tax withholding for stock-based compensation	(3,221)	(937)
Debt issuance costs	—	(454)
Net cash used for financing activities	(2,142)	(97,255)
Effect of Exchange Rate Change on Cash and Cash Equivalents	623	(722)
Net Decrease in Cash, Cash Equivalents, and Restricted Cash	(10,944)	(24,259)
Cash, Cash Equivalents, and Restricted Cash at Beginning of Period ⁽¹⁾	89,467	78,779
Cash, Cash Equivalents, and Restricted Cash at End of Period ⁽¹⁾	\$ 78,523	\$ 54,520
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for:		
Income taxes	\$ 7,041	\$ 5,842
Interest expense	\$ 4,561	\$ 13,495
Non-cash investing activity:		
Unpaid purchases of property and equipment at the end of the period	\$ 5,711	\$ 2,934
⁽¹⁾ The following table reconciles cash and cash equivalents in the balance sheets to cash, cash equivalents, and restricted cash per the statements of cash flows. The restricted cash included in Prepaid expenses and other current assets on the balance sheet represents funds held by the Company for a foreign subsidiary's employee savings plan.		
(Unaudited)	December 31, 2025	June 30, 2025
Cash and Cash Equivalents	\$ 77,853	\$ 88,781
Restricted Cash included in Prepaid expenses and other current assets	\$ 670	\$ 686
Total Cash, Cash Equivalents, and Restricted Cash at end of period	\$ 78,523	\$ 89,467

See [Notes to Condensed Consolidated Financial Statements](#).

KIMBALL ELECTRONICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF SHARE OWNERS' EQUITY
(Amounts in Thousands, Except for Share Data)

Three Months Ended					
(Unaudited)	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Share Owners' Equity
Amounts at September 30, 2025	\$ 319,437	\$ 343,634	\$ 1,455	\$ (87,387)	\$ 577,139
Net income		3,637			3,637
Other comprehensive income (loss)			19		19
Issuance of non-restricted stock (21,000 shares)	308			274	582
Compensation expense related to stock compensation plans	2,078				2,078
Repurchase of common stock (149,000 shares) (including excise tax)				(4,293)	(4,293)
Amounts at December 31, 2025	<u>\$ 321,823</u>	<u>\$ 347,271</u>	<u>\$ 1,474</u>	<u>\$ (91,406)</u>	<u>\$ 579,162</u>
Amounts at September 30, 2024	\$ 319,175	\$ 319,718	\$ (11,769)	\$ (79,366)	\$ 547,758
Net income		3,432			3,432
Other comprehensive income (loss)			(11,614)		(11,614)
Issuance of non-restricted stock (26,000 shares)	180			320	500
Compensation expense related to stock compensation plans	379				379
Charitable donation of common stock (2,000 shares)	10			20	30
Repurchase of Common Stock (156,000 shares)				(3,009)	(3,009)
Amounts at December 31, 2024	<u>\$ 319,744</u>	<u>\$ 323,150</u>	<u>\$ (23,383)</u>	<u>\$ (82,035)</u>	<u>\$ 537,476</u>
Six Months Ended					
(Unaudited)	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Share Owners' Equity
Amounts at June 30, 2025	\$ 323,309	\$ 333,548	\$ 1,063	\$ (88,036)	\$ 569,884
Net income		13,723			13,723
Other comprehensive income (loss)			411		411
Issuance of non-restricted stock (21,000 shares)	308			274	582
Compensation expense related to stock compensation plans	3,516				3,516
Performance and restricted share issuance (122,000 and 46,000 shares, respectively)	(5,327)			2,107	(3,220)
Charitable donation of common stock (1,000 shares)	17			13	30
Repurchase of common stock (198,000 shares)				(5,764)	(5,764)
Amounts at December 31, 2025	<u>\$ 321,823</u>	<u>\$ 347,271</u>	<u>\$ 1,474</u>	<u>\$ (91,406)</u>	<u>\$ 579,162</u>
Amounts at June 30, 2024	\$ 319,463	\$ 316,564	\$ (17,807)	\$ (77,759)	\$ 540,461
Net income		6,586			6,586
Other comprehensive income (loss)			(5,576)		(5,576)
Issuance of non-restricted stock (26,000 shares)	180			320	500
Compensation expense related to stock compensation plans	2,337				2,337
Performance and restricted share issuance (83,000 and 22,000 shares, respectively)	(2,246)			1,285	(961)
Charitable donation of common stock (2,000 shares)	10			20	30
Repurchase of Common Stock (315,000 shares)				(5,901)	(5,901)
Amounts at December 31, 2024	<u>\$ 319,744</u>	<u>\$ 323,150</u>	<u>\$ (23,383)</u>	<u>\$ (82,035)</u>	<u>\$ 537,476</u>

See [Notes to Condensed Consolidated Financial Statements](#).

KIMBALL ELECTRONICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Business Description and Summary of Significant Accounting Policies

Business Description:

Kimball Electronics, Inc. (also referred to herein as “Kimball Electronics,” the “Company,” “we,” “us,” or “our”) is a global, multifaceted manufacturing solutions provider. We provide electronics manufacturing services (“EMS”), including engineering and supply chain support, to customers in the automotive, medical, and industrial end markets. We further produce higher level and final assemblies and offer contract manufacturing organization (“CMO”) solutions which include the production of medical disposables and drug delivery devices, from precision molded plastics and cold chain management to drug integration. Our design and manufacturing expertise coupled with robust processes and procedures help us ensure that we deliver the highest levels of quality, reliability, and service throughout the entire life cycle of our customers’ products. We deliver award-winning service across our highly integrated global footprint, which is enabled by our largely common operating system, procedures, and standardization. We are well recognized by customers and industry trade publications for our excellent quality, reliability, and innovative service.

Basis of Presentation:

The Condensed Consolidated Financial Statements presented herein reflect the consolidated financial position as of December 31, 2025 and June 30, 2025, results of operations for the three and six months ended December 31, 2025 and 2024, cash flows for the six months ended December 31, 2025 and 2024, and share owners’ equity for the three and six months ended December 31, 2025 and 2024. The financial data presented herein is unaudited and should be read in conjunction with the annual Consolidated Financial Statements as of and for the year ended June 30, 2025 and related notes thereto included in our Annual Report on Form 10-K. As such, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) have been condensed or omitted, although we believe that the disclosures are adequate to make the information presented not misleading. Intercompany transactions and balances have been eliminated. Management believes the financial statements include all adjustments (consisting only of normal recurring adjustments) considered necessary to present fairly the financial statements for the interim periods. The results of operations for the interim periods shown in this report are not necessarily indicative of results for any future interim period or for the entire fiscal year.

Revenue Recognition:

We recognize revenue in accordance with the standard issued by the Financial Accounting Standards Board (“FASB”), Revenue from Contracts with Customers and all the related amendments. Our revenue from contracts with customers is generated primarily from manufacturing services provided for the production of electronic assemblies, components, medical devices, medical disposables, and precision molded plastics built to customers’ specifications. Our customer agreements are generally not for a definitive term but continue for the relevant product’s life cycle. Typically, our customer agreements do not commit the customer to purchase our services until a purchase order or a contractually binding forecast is provided, which are generally short term in nature. Customer purchase orders and contractually binding forecasts primarily have a single performance obligation. Generally, the prices stated in the customer purchase orders or committed to in contractually binding forecasts are agreed upon prices for the manufactured product and do not vary over the term of the order or the contractually binding forecast period, and therefore, the majority of our contracts do not contain variable consideration. In limited circumstances, we may enter into a contract which contains minimum quantity thresholds to cover our capital costs, and we may offer our customer a rebate for specific volume thresholds or other incentives; in these cases, the rebates or incentives are accounted for as variable consideration.

The majority of our revenue is recognized over time as manufacturing services are performed as we manufacture a product to customer specifications with no alternative use and we have an enforceable right to payment for performance completed to date. The remaining revenue for manufacturing services is recognized when the customer obtains control of the product, typically either upon shipment or delivery of the product dependent on the terms of the contract, and the customer is able to direct the use of and obtain substantially all of the remaining benefits from the asset. We generally recognize revenue over time using costs based input methods, in which judgment is required to evaluate assumptions including anticipated margins to estimate the corresponding amount of revenue to recognize. Costs used as a basis for estimating anticipated margins include material, direct and indirect labor, and appropriate applied overheads. Anticipated margins are determined based on historical or quoted customer pricing. Costs based input methods are considered a faithful depiction of our efforts and progress toward satisfying our performance obligations for manufacturing services and for which we believe we are entitled to payment for performance completed to date. The cumulative effect of revisions to estimates related to net contract revenues or costs are recorded in the period in which the revisions to estimates are identified and the amounts can be reasonably estimated.

We have elected to account for shipping and handling activities related to contracts with customers as costs to fulfill our promise to transfer the associated services and products. Accordingly, we record customer payments of shipping and handling costs as a component of net sales and classify such costs as a component of cost of sales. We recognize sales net of applicable sales or value add taxes. Based on estimated product returns and price concessions, a reserve for returns and allowances is recorded at the time revenue is recognized, resulting in a reduction of net revenue.

Direct incremental costs to obtain and fulfill a contract are capitalized as a contract asset only if they are material, expected to be recovered, and are not accounted for in accordance with other guidance. Incidental items that are immaterial in the context of the contract are recognized as expense in the period incurred.

Trade Accounts Receivable:

The Company's trade accounts receivable are recorded per the terms of the agreement or sale, and accrued interest is recognized when earned. Our policy for estimating the allowance for credit losses on trade accounts receivable includes analysis of such items as aging, credit worthiness, payment history, and historical bad debt experience. Management uses these specific analyses in conjunction with an evaluation of the general economic and market conditions to estimate expected credit losses. Management believes that historical loss information generally provides a basis for its assessment of expected credit losses. Trade accounts receivable are written off after exhaustive collection efforts occur and the receivable is deemed uncollectible. Adjustments to the allowance for credit losses are recorded in Selling and Administrative Expenses on our Condensed Consolidated Statements of Income.

In the ordinary course of business, customers periodically negotiate extended payment terms on trade accounts receivable. Customary terms require payment within 30 to 45 days, with any terms beyond 45 days being considered extended payment terms. We participate in our customers' supply chain financing arrangements for certain of our accounts receivables in order to extend terms for the customer without negatively impacting our cash flow. These arrangements in all cases do not contain recourse provisions which would obligate us in the event of our customers' failure to pay. Receivables are considered sold when they are transferred beyond the reach of Kimball Electronics and its creditors, the purchaser has the right to pledge or exchange the receivables, and we have surrendered control over the transferred receivables. In the six months ended December 31, 2025 and 2024, we sold, without recourse, \$144.1 million and \$169.0 million of accounts receivable, respectively. For the three months ended December 31, 2025 and 2024, factoring fees were \$0.6 million and \$0.5 million, and \$1.3 million and \$1.1 million during the six months ended December 31, 2025 and 2024, respectively. Factoring fees are recorded in Non-operating income (expense), net on our Condensed Consolidated Statements of Income.

Beginning in the fourth quarter of fiscal year 2025, we are also a party to a Receivables Purchase Agreement (the "RPA") with a third-party banking institution for the sale of trade receivables generated from sales to certain customers, subject to acceptance by, and a funding commitment from, the bank that is a party to the RPA. Receivables sold pursuant to the RPA are serviced by us.

Under the program, we sell our entire interest in certain receivables at the invoice amount less a discount. Upon sale, these receivables are removed from the Condensed Consolidated Balance Sheets and cash received is presented as cash provided by operating activities in the Condensed Consolidated Statements of Cash Flows. We are required to remit amounts collected as a servicer under the RPA on a weekly basis to the financial institution that purchased the receivables. Our risks with respect to receivables we service include commercial disputes regarding such receivables and no greater than 5% of sold and outstanding receivables in the event of customer insolvency.

In the six months ended December 31, 2025, under this program, we sold \$57.4 million of receivables and incurred discount fees of \$0.4 million, recorded in Non-operating income (expense), net on our Condensed Consolidated Statements of Income. Receivables sold under the RPA and subject to our servicing that remained outstanding and uncollected as of December 31, 2025 and June 30, 2025 were \$19.6 million and \$19.4 million, respectively.

In fiscal year 2024, we recorded an allowance for credit losses of \$2.0 million related to a customer, not in bankruptcy, but the allowance was deemed necessary in consideration of the expected timing of payments and risk of default. We continue to pursue full recovery. The amount expected to be collected after twelve months is included in Other Assets, net on the Condensed Consolidated Balance Sheet. At December 31, 2025, the noncurrent receivable associated with this customer in Other Assets, net of allowance for expected credit losses, totaled \$2.4 million. The current portion of receivables from this customer is \$1.8 million at December 31, 2025.

In limited circumstances, our China operation may receive banker's acceptance drafts from customers as payment on account. The banker's acceptance drafts are non-interest bearing and primarily mature within six months from the origination date. The Company has the ability to sell the drafts at a discount or transfer the drafts in settlement of current accounts payable prior to

the scheduled maturity date. There are no drafts outstanding at December 31, 2025 and June 30, 2025. Drafts received and outstanding would be reflected in Receivables on the Condensed Consolidated Balance Sheets until the banker's drafts are sold at a discount, transferred in settlement of current accounts payable, or cash is received at maturity. Banker's acceptance drafts sold at a discount or transferred in settlement of current accounts payable during the six months ended December 31, 2025 were \$24.6 million. No banker's acceptance drafts were sold at a discount or transferred in settlement of current accounts payable during the six months ended December 31, 2024.

Property, Equipment, and Depreciation

Property and equipment are stated at cost less accumulated depreciation and depreciated over the estimated useful life of the assets using the straight-line method for most assets and units of production method for certain fully dedicated machinery and equipment. Generally, maintenance and repairs are expensed as incurred. Depreciation and expenses for maintenance and repairs are included in both Cost of Sales and Selling and Administrative Expense on the Condensed Consolidated Statements of Income.

Non-operating Income (Expense), net:

Non-operating income (expense), net includes the impact of such items as foreign currency rate movements and related derivative gain or loss, fair value adjustments on supplemental employee retirement plan ("SERP") investments, government subsidies, factoring fees, bank charges, and other miscellaneous non-operating income and expense items that are not directly related to operations. The gain (loss) on SERP investments is offset by a change in the SERP liability that is recognized in Selling and Administrative Expenses.

Components of Non-operating income (expense), net:

(Amounts in Thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Foreign currency/derivative gain (loss)	\$ (1,073)	\$ 243	\$ (1,218)	\$ (791)
Gain (loss) on SERP investments	85	(69)	310	276
Factoring fees	(813)	(517)	(1,729)	(1,053)
Credit facilities and bank fees	(213)	(267)	(444)	(530)
Other	(49)	(158)	(223)	(331)
Non-operating income (expense), net	<u>\$ (2,063)</u>	<u>\$ (768)</u>	<u>\$ (3,304)</u>	<u>\$ (2,429)</u>

Income Taxes:

In determining the quarterly provision for income taxes, we use an estimated annual effective tax rate which is based on expected annual income, statutory tax rates, and available tax planning opportunities in the various jurisdictions in which we operate. Unusual or infrequently occurring items are separately recognized in the quarter in which they occur.

On July 4, 2025, the One Big Beautiful Bill Act ("2025 U.S. tax reform") was enacted into law. The 2025 U.S. tax reform contains several key tax laws, including extensions and modifications of the Tax Cuts and Jobs Act. In accordance with ASC 740, Income Taxes, the Company is required to recognize the effect of the tax law changes in the period of enactment, such as remeasuring the estimated U.S. deferred tax assets and liabilities, as well as potential impacts to previously existing valuation allowances. The legislation has multiple effective dates, with certain provisions effective in fiscal year 2026 and others implemented through fiscal year 2028. The impact from this legislation has resulted in a partial release of the valuation allowance against the business interest limitation deferred tax asset in the six months ended December 31, 2025. The Company will continue to monitor and assess future impacts from the 2025 U.S. tax reform.

Deferred income tax assets and liabilities, recorded in Other Assets, net and Other long-term liabilities, respectively, in the Condensed Consolidated Balance Sheets, are recognized for the estimated future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. These assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to reverse. We evaluate the recoverability of deferred tax assets each quarter by assessing the likelihood of future taxable income and available tax planning strategies that could be implemented to realize our deferred tax assets. If recovery is not likely, we provide a valuation allowance based on our best estimate of future taxable income in the various taxing jurisdictions and the amount of deferred taxes ultimately realizable. Future events could change management's assessment.

We operate within multiple taxing jurisdictions and are subject to tax audits in these jurisdictions. These audits can involve complex uncertain tax positions, which may require an extended period of time to resolve. A tax benefit from an uncertain tax position may be recognized only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. We maintain a liability for uncertain income tax and other tax positions, including accrued interest and penalties on those positions. As tax positions are effectively settled, the tax liability is adjusted accordingly. We recognize interest and penalties related to unrecognized tax benefits in Provision for Income Taxes on the Condensed Consolidated Statements of Income.

New Accounting Standards:

Not Yet Adopted:

In December 2025, Financial Accounting Standards Board (FASB) issued guidance on Interim Reporting, intended to improve the navigability of the guidance in ASC 270, Interim Reporting, and clarify when it applies. The guidance is effective for interim reporting periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted, and the guidance can be applied prospectively or retrospectively. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In September 2025, the FASB issued guidance on Accounting for Internal-Use Software, intended to modernize the accounting for software costs and changing the requirements for capitalization of software costs. The guidance is effective for fiscal years beginning after December 15, 2027 and for interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of an annual reporting period, and the guidance can be applied prospectively, retrospectively, or on a modified transition approach. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In November 2024, the FASB issued guidance on Expense Disaggregation Disclosures, requiring more disclosure about the types of expenses presented in our expense captions. The guidance is effective for fiscal years beginning after December 15, 2026 and for interim periods within annual reporting periods beginning after December 15, 2027. Early adoption is permitted, and the guidance can be applied prospectively or retrospectively. We are currently evaluating the impact of the adoption of this guidance on our consolidated financial statements.

In December 2023, the FASB issued guidance on Improvements to Income Tax Disclosures, intended to enhance the transparency and decision usefulness of income tax disclosures. The guidance is effective for fiscal years beginning after December 15, 2024. Early adoption is permitted, and the guidance is to be adopted prospectively with the option to adopt retrospectively. The Company plans to adopt the standard for the year ending June 30, 2026 using a prospective approach and will include the required additional disclosures in its Annual Report on Form 10-K for the fiscal year.

Note 2. Revenue from Contracts with Customers

Our revenue from contracts with customers is generated primarily from manufacturing services provided for the production of electronic assemblies, electronic and non-electronic components, medical devices, medical disposables, and precision molded plastics in automotive, medical, and industrial applications, to the specifications and designs of our customers. Beginning in the first quarter of fiscal year 2026, sales to certain customers previously included in the automotive vertical, specifically those customers more aligned with commercial vehicle applications versus passenger vehicles, are now reflected in the industrial vertical to better reflect the nature of the programs. Prior periods have been recast to conform to current period presentation.

The following table disaggregates our revenue by end market vertical for the three and six months ended December 31, 2025 and 2024.

(Amounts in Millions)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Vertical Markets:				
Automotive ⁽¹⁾	\$ 162.3	\$ 186.3	\$ 326.7	\$ 368.0
Medical	96.3	84.0	197.9	173.8
Industrial ⁽¹⁾	82.7	87.1	182.3	189.8
Total net sales	<u>\$ 341.3</u>	<u>\$ 357.4</u>	<u>\$ 706.9</u>	<u>\$ 731.6</u>

(1) For the three and six months ended December 31, 2024, \$6.5 million and \$13.1 million of the industrial net sales were previously categorized as automotive.

For both the three months ended December 31, 2025 and 2024, approximately 99% of our net sales were recognized over time as manufacturing services were performed under a customer contract on a product with no alternative use and we have an enforceable right to payment for performance completed to date. For the six months ended December 31, 2025 and 2024, approximately 99% and 98% of our net sales were recognized over time. The remaining sales revenues were recognized at a point in time when the customer obtained control of the products.

The timing differences of revenue recognition, billings to our customers, and cash collections from our customers result in billed accounts receivable and unbilled accounts receivable. Contract assets on the Condensed Consolidated Balance Sheets relate to unbilled accounts receivable and occur when revenue is recognized over time as manufacturing services are provided and the billing to the customer has not yet occurred as of the balance sheet date, which are generally transferred to receivables in the next fiscal quarter due to the short-term nature of the manufacturing cycle. Contract assets were \$79.5 million and \$71.8 million as of December 31, 2025 and June 30, 2025, respectively.

The Company may receive payments from customers in advance of the satisfaction of performance obligations primarily for material price variances, inventory purchases, tooling, or other miscellaneous services or costs. These payments are recognized as contract liabilities until the performance obligations are completed and are included in Advances from customers, if inventory related, and Accrued expenses, if not inventory related, on the Condensed Consolidated Balance Sheets, which amounted to \$34.1 million and \$41.5 million as of December 31, 2025 and June 30, 2025, respectively. Other than deposits associated with inventory purchases classified as long term, our performance obligations are short term in nature and therefore our contract liabilities are all expected to be settled within twelve months. See [Note 5 - Inventories](#) for further discussion.

Note 3. Sale of GES

Following approval by our Board of Directors, on July 31, 2024, we entered into a definitive agreement and closed on the sale of 100% of the equity interests in GES to Avera Test Systems, Inc., resulting in cash proceeds after costs to sell of \$18.5 million.

The following table summarizes net sales and income (loss) before taxes on income for the disposal group:

(Amounts in Thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Net Sales	\$ —	\$ —	\$ —	\$ 2,075
Income (Loss) Before Taxes on Income ⁽¹⁾	\$ (387)	\$ —	\$ (387)	\$ 985

(1) Amounts Include gain (loss) on sale adjustments following the close of the sale on July 31, 2024: \$(0.4) million in the three and six months periods ended December 31, 2025 and \$1.3 million for the six months ended December 31, 2024. The six months ended December 31, 2024 also includes allocated corporate overhead expenses.

Note 4. Restructuring Activities

In the three and six months ended December 31, 2025, we continued our restructuring efforts to align our cost structure with reduced end market demand levels, including resizing our workforce and taking specific cost actions, and recorded restructuring expense of \$1.6 million and \$1.9 million, respectively, which were primarily employee-related costs. The cumulative amount incurred since inception of these efforts beginning in fiscal year 2024 through December 31, 2025 was \$10.0 million. As we are seeing additional end market demand pressures, and as we monitor the progression of tariffs, reciprocal tariffs, and the geopolitical economic environment broadly, we expect to incur additional restructuring costs over the course of the fiscal year and beyond as necessary.

Additionally, on November 4, 2024, the Company announced that its Board of Directors has approved a plan to cease operations at our Tampa facility (“Tampa Closure Plan”). The decision was made to leverage capacity within our global footprint and streamline the operating structure. These costs are predominantly cash expenditures. We recorded restructuring expense of \$0.3 million and \$1.3 million, respectively, in the three and six months ended December 31, 2025 for the Tampa Closure Plan. The cumulative amount incurred since inception of the Tampa Closure Plan during fiscal year 2025 through December 31, 2025 was \$6.6 million. The restructuring charges are considered substantially complete at December 31, 2025. We do not expect significant additional restructuring charges relating to these previously announced restructuring efforts.

Accrued restructuring is recorded in Accrued expenses in the Condensed Consolidated Balance Sheet. The changes in the Company's accrued restructuring costs under the Tampa Closure Plan were as follows:

(Amounts in Thousands)	Severance and Termination Benefits	Other Exit Costs	Total
Balance at June 30, 2025	\$ 2,018	\$ —	\$ 2,018
Restructuring charges	164	1,160	1,324
Payments	(2,182)	(1,160)	(3,342)
Non-cash activity	—	—	—
Balance at December 31, 2025	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>

As Tampa's operations ceased in the fourth quarter of fiscal year 2025, their land, building, and certain equipment meet the criteria to be classified as Assets Held for Sale. The total carrying value of Assets Held for Sale at December 31, 2025 of \$6.6 million includes land of \$5.1 million and buildings of \$1.5 million. We expect the Assets Held for Sale to be disposed of in fiscal year 2026. We anticipate the proceeds will exceed the combined amount of the total expected restructuring costs and the carrying value of the Assets Held for Sale, and as such no impairment was recorded.

Note 5. Inventories

Inventories were valued using the lower of first-in, first-out ("FIFO") cost and net realizable value. Inventory components were as follows:

(Amounts in Thousands)	December 31, 2025	June 30, 2025
Finished products	\$ 399	\$ 111
Work-in-process	1,067	628
Raw materials	280,233	272,761
Total inventory	<u>\$ 281,699</u>	<u>\$ 273,500</u>

Additionally, as of December 31 and June 30, 2025, we have raw materials inventory totaling \$38.0 million and \$39.4 million, respectively, classified as long-term included in Other Assets, net in our Condensed Consolidated Balance Sheets. A majority of this inventory is associated with a customer who is remediating a recall and we do not expect the inventory to be consumed within the next twelve months. The remaining inventory classified as long term is primarily related to other excess raw materials inventory we do not expect to consume or sell within twelve months. For a majority of these, we have arrangements with our customers to pay us carrying costs. As of December 31, 2025 and June 30, 2025, we have received deposits for long-term inventory totaling \$23.6 million and \$27.0 million, respectively, which is included in Other long-term liabilities in our Condensed Consolidated Balance Sheets.

Note 6. Accumulated Other Comprehensive Income (Loss)

During the six months ended December 31, 2025 and 2024, the changes in the balances of each component of Accumulated Other Comprehensive Income (Loss), net of tax, were as follows:

Accumulated Other Comprehensive Income (Loss)

(Amounts in Thousands)	Foreign Currency Translation Adjustments	Derivative Gain (Loss)	Post Employment Benefits Net Actuarial Gain (Loss)	Accumulated Other Comprehensive Income (Loss)
Balance at June 30, 2025	\$ 2,263	\$ (261)	\$ (939)	\$ 1,063
Other comprehensive income (loss) before reclassifications	51	1,740	(121)	1,670
Reclassification to (earnings) loss	—	(1,350)	91	(1,259)
Net current-period other comprehensive income (loss)	51	390	(30)	411
Balance at December 31, 2025	\$ 2,314	\$ 129	\$ (969)	\$ 1,474
Balance at June 30, 2024	\$ (14,260)	\$ (2,395)	\$ (1,152)	\$ (17,807)
Other comprehensive income (loss) before reclassifications	(5,139)	(1,883)	305	(6,717)
Reclassification to (earnings) loss	—	1,044	97	1,141
Net current-period other comprehensive income (loss)	(5,139)	(839)	402	(5,576)
Balance at December 31, 2024	\$ (19,399)	\$ (3,234)	\$ (750)	\$ (23,383)

The following reclassifications were made from Accumulated Other Comprehensive Income (Loss) to the Condensed Consolidated Statements of Income:

Reclassifications from Accumulated Other Comprehensive Income (Loss)	Three Months Ended December 31		Six Months Ended December 31		Affected Line Item in the Condensed Consolidated Statements of Income
	2025	2024	2025	2024	
(Amounts in Thousands)					
Derivative gain (loss) ⁽¹⁾	\$ 1,719	\$ (1,034)	\$ 1,873	\$ (1,418)	Cost of Sales
	(456)	268	(523)	374	Benefit (Provision) for Income Taxes
	\$ 1,263	\$ (766)	\$ 1,350	\$ (1,044)	Net of Tax
Postemployment Benefits:					
Amortization of actuarial gain (loss) ⁽²⁾	(60)	(74)	(120)	(127)	Non-operating income (expense), net
	14	17	29	30	Benefit (Provision) for Income Taxes
	\$ (46)	\$ (57)	\$ (91)	\$ (97)	Net of Tax
Total reclassifications for the period	\$ 1,217	\$ (823)	\$ 1,259	\$ (1,141)	Net of Tax

Amounts in parentheses indicate reductions to income.

(1) See [Note 10 - Derivative Instruments](#) for further information on derivative instruments.

(2) See [Note 11 - Employee Benefit Plans](#) for further information on postemployment benefit plans.

Note 7. Commitments and Contingent Liabilities

The Company typically provides only assurance-type warranties for a limited time period, which cover workmanship and assures the product complies with specifications provided by or agreed upon with the customer. We maintain a provision for limited warranty repair or replacement of products manufactured and sold, which has been established in specific manufacturing contract agreements. We estimate product warranty liability at the time of sale based on historical repair or replacement cost trends in conjunction with the length of the warranty offered. Management refines the warranty liability regularly based on changes in historical cost trends and in certain cases where specific warranty issues become known. This product warranty liability and expense were immaterial as of and during the six months ended December 31, 2025 and 2024, respectively.

Note 8. Credit Facilities

Credit facilities consisted of the following:

(Amounts in Millions, in U.S. Dollar Equivalents)	Available Borrowing Capacity at December 31, 2025	Borrowings Outstanding at December 31, 2025	Borrowings Outstanding at June 30, 2025
Primary credit facility, revolving ⁽¹⁾	\$ 241.1	\$ 58.5	\$ 50.0
Primary credit facility, term ⁽¹⁾	5.0	95.0	97.5
Thailand overdraft credit facility ⁽²⁾	10.1	—	—
China revolving credit facility ⁽²⁾	6.4	0.7	—
Netherlands revolving credit facility ⁽²⁾	10.8	—	—
Poland revolving credit facility ⁽²⁾	11.7	—	—
Total credit facilities	<u>\$ 285.1</u>	<u>\$ 154.2</u>	<u>\$ 147.5</u>
Unamortized deferred debt financing fees		\$ (0.4)	\$ (0.4)
Total long-term debt		<u>\$ 153.8</u>	<u>\$ 147.1</u>
Less: current portion		\$ (24.1)	\$ (17.4)
Long-term debt under credit facilities, less current portion ⁽³⁾		<u>\$ 129.7</u>	<u>\$ 129.7</u>

- (1) The Company maintained a U.S. primary credit facility which was scheduled to mature on May 4, 2027 that provided for \$300 million in borrowings, and the Company had utilized this facility for revolving borrowings. On December 20, 2024, the Company entered into an amended and restated credit agreement (the “restated primary credit facility”) among the Company, the lenders party thereto, and JPMorgan Chase Bank, N. A., as Administrative Agent, and Bank of America, N.A., as Documentation Agent. The restated primary credit facility adds a term loan borrowing facility that provides for term loan borrowings (“term borrowings”) of \$100 million repayable in scheduled quarterly installments, scheduled to mature December 20, 2029. The terms for the revolving borrowings remain largely unchanged with a maturity date of May 4, 2027 and continue to provide for \$300 million in borrowings, with an option to increase the amount available for borrowing to \$450 million upon request, subject to the consent of each lender participating in such increase.

This facility is maintained for working capital and general corporate purposes of the Company, and pursuant to the restated primary credit facility, the Company is permitted to use the proceeds to refinance existing indebtedness. A commitment fee is payable on the unused portion of the credit facility at a rate that ranges from 10.0 to 25.0 basis points per annum as determined by the Company’s ratio of consolidated total indebtedness to adjusted consolidated EBITDA, as defined in the restated primary credit facility. Types of borrowings available on the restated primary credit facility include term loans, revolving loans, multi-currency term loans, and swingline loans.

At December 31, 2025, the Company had \$55.0 million Term Benchmark and \$3.5 million ABR, both denominated in U.S. dollars, outstanding borrowings under the primary credit facility. At June 30, 2025, all outstanding borrowings under the primary credit facility were Term Benchmark borrowings denominated in U.S. dollars.

The interest rate on borrowings is dependent on the class, type and currencies of borrowings and will be one of the following options:

- any Term Benchmark borrowing denominated in U.S. Dollars will utilize the Secured Overnight Financing Rate (“SOFR”) for one, three, or six-month tenors as elected, which is a rate per annum equal to the secured overnight financing rate for such business day published by the SOFR Administrator, the Federal Reserve Bank of New York, on the immediately succeeding business day, plus ten hundredths percent (0.10%), plus the Revolving Commitment Term Benchmark spread or Term Loan Benchmark spread which can range from 100.0 to 175.0 basis points based on the Company’s ratio of consolidated total indebtedness to adjusted consolidated EBITDA;
- any Term Benchmark borrowing denominated in Euros will utilize the Euro Interbank Offered Rate (“EURIBOR”) in effect two target days prior to the advance (adjusted upwards to reflect bank reserve costs) for such interest period as defined in the agreement, plus the Revolving Commitment Term Benchmark spread or Term Loan Term Benchmark spread which can range from 100.0 to 175.0 basis points based on the Company’s ratio of consolidated total indebtedness to adjusted consolidated EBITDA; or

- the Alternate Base Rate (“ABR”), which is defined as the highest of the fluctuating rate per annum equal to the higher of:
 - a. Prime Rate in the U.S. last quoted by the Wall Street Journal, and if this is ceased to be quoted, the highest bank prime loan rate or similar loan rate quoted by the Federal Reserve Board;
 - b. 1/2 of 1% per annum above the Federal Reserve Bank of New York (NYFRB) Rate (as defined under the restated primary credit facility); or
 - c. 1% per annum above the Adjusted SOFR Rate (as defined under the restated primary credit facility);

plus the Revolving Commitment ABR spread which can range from 0.0 to 75.0 basis points based on the Company’s ratio of consolidated total indebtedness to adjusted consolidated EBITDA. Under the restated primary credit facility, the ABR Spread and Benchmark Spread for term borrowings are the same as for revolving borrowings.

The Company’s financial covenants under the amended primary credit facility require:

- a ratio of consolidated total indebtedness minus unencumbered U.S. cash on hand in the United States in excess of \$15 million to adjusted consolidated EBITDA, determined as of the end of each of its fiscal quarters for the then most recently ended four fiscal quarters, to not be greater than 3.0 to 1.0, provided, however, that for each fiscal quarter end during the four quarter period following a material permitted acquisition, as defined in the Credit Agreement, the Company will not permit this financial covenant to be greater than 3.5 to 1.0 for each such fiscal quarter end, and,
- an interest coverage ratio, defined as that ratio of consolidated EBITDA for such period to cash interest expense for such period, for any period of four consecutive fiscal quarters, to not be less than 3.5 to 1.0.

We were in compliance with the financial covenants of the primary credit facility as of December 31, 2025. The Company had \$0.4 million in letters of credit contingently committed against the primary credit facility at both December 31, 2025 and June 30, 2025.

- (2) The Company also maintains foreign credit facilities for working capital and general corporate purposes at specific foreign locations rather than utilizing funding from intercompany sources. These foreign credit facilities can be canceled at any time by either the bank or us and generally include renewal clauses. Interest on borrowing under these facilities is charged at a rate as defined under the respective foreign credit facility. During the current fiscal year, the Company entered into a foreign credit facility for its operation in China, which allows for borrowings up to 50 million RMB (approximately \$7.1 million at December 31, 2025 exchange rates).
- (3) The amount of long-term debt under credit facilities, less current maturities, reflects the revolving borrowings on the primary credit facility that the Company intends, and has the ability, to refinance for a period longer than twelve months in addition to the long-term portion of the term borrowings. The revolving borrowings on the primary credit facility mature on May 4, 2027.

As of December 31, 2025, the contractual maturities of the term borrowings on the primary credit facility were as follows:

(Amounts in Millions)	Contractual Maturities
Fiscal year:	
Remaining 2026	2.50
2027	6.25
2028	7.50
2029	8.75
Thereafter	70.00
Total	\$ 95.00

The weighted-average interest rate on borrowings outstanding under the credit facilities at December 31, 2025 and June 30, 2025 were 5.2% and 5.9%, respectively.

Note 9. Fair Value

The Company categorizes assets and liabilities measured at fair value into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas level 3 generally requires significant management judgment. The three levels are defined as follows:

- Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.
- Level 2: Observable inputs other than those included in level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.
- Level 3: Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

There were no changes in the inputs or valuation techniques used to measure fair values during the six months ended December 31, 2025. For more information on inputs and fair valuation techniques used, refer to our Annual Report on Form 10-K for the year ended June 30, 2025.

Recurring Fair Value Measurements:

As of December 31, 2025 and June 30, 2025, the fair values of financial assets and liabilities that are measured at fair value on a recurring basis using the market approach are categorized as follows:

(Amounts in Thousands)	December 31, 2025		
	Level 1	Level 2	Total
Assets			
Derivatives: foreign exchange contracts	\$ —	\$ 1,834	\$ 1,834
Trading securities: mutual funds held in nonqualified SERP	4,388	—	4,388
Total assets at fair value	\$ 4,388	\$ 1,834	\$ 6,222
Liabilities			
Derivatives: foreign exchange contracts	\$ —	\$ 753	\$ 753
Total liabilities at fair value	\$ —	\$ 753	\$ 753
(Amounts in Thousands)	June 30, 2025		
	Level 1	Level 2	Total
Assets			
Derivatives: foreign exchange contracts	\$ —	\$ 3,017	\$ 3,017
Trading securities: mutual funds held in nonqualified SERP	4,114	—	4,114
Total assets at fair value	\$ 4,114	\$ 3,017	\$ 7,131
Liabilities			
Derivatives: foreign exchange contracts	\$ —	\$ 1,910	\$ 1,910
Total liabilities at fair value	\$ —	\$ 1,910	\$ 1,910

We had no level 3 assets or liabilities at December 31, 2025 and June 30, 2025, or any activity in Level 3 assets or liabilities during the six months ended December 31, 2025.

The nonqualified supplemental employee retirement plan ("SERP") assets consist primarily of equity funds, balanced funds, bond funds, and a money market fund. The SERP investment assets are offset by a SERP liability which represents the Company's obligation to distribute SERP funds to participants. See [Note 11 - Employee Benefit Plans](#) for further information regarding the SERP.

Financial Instruments Not Carried At Fair Value:

Financial instruments that are not reflected in the Condensed Consolidated Balance Sheets at fair value that have carrying amounts which approximate fair value include notes receivable and borrowings under credit facilities. There were no changes to the inputs and valuation techniques used to assess the fair value of these financial instruments during the six months ended December 31, 2025. For more information on inputs and fair valuation techniques used, refer to our Annual Report on Form 10-K for the year ended June 30, 2025.

The carrying values of our cash deposit accounts, trade accounts receivable, and trade accounts payable approximate fair value due to the relatively short maturity and immaterial non-performance risk.

Note 10. Derivative Instruments

Foreign Exchange Contracts:

We operate internationally and are therefore exposed to foreign currency exchange rate fluctuations in the normal course of business. Our primary means of managing this exposure is to utilize natural hedges, such as aligning currencies used in the supply chain with the sale currency. To the extent natural hedging techniques do not fully offset currency risk, we use derivative instruments with the objective of reducing the residual exposure to certain foreign currency rate movements. Factors considered in the decision to hedge an underlying market exposure include the materiality of the risk, the volatility of the market, the duration of the hedge, the degree to which the underlying exposure is committed to, and the availability, effectiveness, and cost of derivative instruments. Derivative instruments are only utilized for risk management purposes and are not used for speculative or trading purposes.

We use forward contracts designated as cash flow hedges to protect against foreign currency exchange rate risks inherent in forecasted transactions denominated in a foreign currency. Non-designated foreign exchange contracts are also used to hedge against foreign currency exchange rate risks related to intercompany balances and other balance sheet positions denominated in currencies other than the functional currencies. As of December 31, 2025, we had outstanding foreign exchange contracts to hedge currencies against the U.S. dollar in the aggregate notional amount of \$9.6 million and to hedge currencies against the Euro in the aggregate notional amount of 40.8 million Euro. The notional amounts are indicators of the volume of derivative activities but may not be indicators of the potential gain or loss on the derivatives.

In limited cases due to unexpected changes in forecasted transactions, cash flow hedges may cease to meet the criteria to be designated as cash flow hedges. Depending on the type of exposure hedged, we may either purchase a derivative contract in the opposite position of the undesignated hedge or may retain the hedge until it matures if the hedge continues to provide an adequate offset in earnings against the currency revaluation impact of foreign currency denominated liabilities.

The fair value of outstanding derivative instruments is recognized on the Condensed Consolidated Balance Sheets as a derivative asset or liability and presented with Prepaid expenses and other current assets and Accrued expenses, respectively. When derivatives are settled with the counterparty, the derivative asset or liability is relieved and cash flow is impacted for the net settlement. For derivative instruments that meet the criteria of hedging instruments under FASB guidance, the gain or loss on the derivative instrument is initially recorded net of related tax effect in Accumulated Other Comprehensive Income (Loss), a component of Share Owners' Equity, and is subsequently reclassified into earnings in the period or periods during which the hedged transaction is recognized in earnings. The gain or loss associated with derivative instruments that are not designated as hedging instruments or that cease to meet the criteria for hedging under FASB guidance is reported immediately in Non-operating income (expense), net on the Condensed Consolidated Statements of Income.

Based on fair values as of December 31, 2025, we estimate that approximately \$1.8 million of pre-tax derivative gain deferred in Accumulated Other Comprehensive Loss will be reclassified into earnings, along with the earnings effects of related forecasted transactions, within the next 12 months. Gains on foreign exchange contracts are generally offset by losses in operating income in the income statement when the underlying hedged transaction is recognized in earnings. Because gains or losses on foreign exchange contracts fluctuate partially based on currency spot rates, the future effect on earnings of the cash flow hedges alone is not determinable, but in conjunction with the underlying hedged transactions, the result is expected to be a decline in currency risk. The maximum length of time we had hedged our exposure to the variability in future cash flows was 12 months as of both December 31, 2025 and June 30, 2025.

See [Note 9 - Fair Value](#) for further information regarding the fair value of derivative assets and liabilities and [Note 6 - Accumulated Other Comprehensive Income \(Loss\)](#) for the changes in deferred derivative gains and losses.

Information on the location and amounts of derivative fair values in the Condensed Consolidated Balance Sheets and derivative gains and losses in the Condensed Consolidated Statements of Income are presented below.

Fair Value of Derivative Instruments on the Condensed Consolidated Balance Sheets

(Amounts in Thousands)	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		Fair Value As of		Fair Value As of	
		December 31, 2025	June 30, 2025	December 31, 2025	June 30, 2025
Derivatives Designated as Hedging Instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	\$ 1,834	\$ 2,540	Accrued expenses	\$ 33 \$ 927
Derivatives Not Designated as Hedging Instruments:					
Foreign exchange contracts	Prepaid expenses and other current assets	—	477	Accrued expenses	720 983
Total derivatives		<u>\$ 1,834</u>	<u>\$ 3,017</u>		<u>\$ 753</u> <u>\$ 1,910</u>

The Effect of Derivative Instruments on Other Comprehensive Income (Loss)

(Amounts in Thousands)	Three Months Ended		Six Months Ended	
	December 31		December 31	
	2025	2024	2025	2024
Amount of Pre-Tax Gain or (Loss) Recognized in Other Comprehensive Income (Loss) (OCI) on Derivatives:				
Foreign exchange contracts	\$ 1,663	\$ (822)	\$ 2,307	\$ (2,569)

The Effect of Derivative Instruments on Condensed Consolidated Statements of Income

(Amounts in Thousands)	Location of Gain or (Loss)	Three Months Ended		Six Months Ended	
		December 31		December 31	
		2025	2024	2025	2024
Derivatives in Cash Flow Hedging Relationships					
Amount of Pre-Tax Gain or (Loss) Reclassified from Accumulated OCI into Income:					
Foreign exchange contracts	Cost of Sales	\$ 1,719	\$ (1,034)	\$ 1,873	\$ (1,418)
Derivatives Not Designated as Hedging Instruments					
Amount of Pre-Tax Gain or (Loss) Recognized in Income on Derivatives:					
Foreign exchange contracts	Non-operating income (expense)	\$ (1,223)	\$ 2,237	\$ (1,457)	\$ 692
Total Derivative Pre-Tax Gain (Loss) Recognized in Income		<u>\$ 496</u>	<u>\$ 1,203</u>	<u>\$ 416</u>	<u>\$ (726)</u>

Note 11. Employee Benefit Plans

Defined Contribution Retirement Plan:

The Company maintains a trustee defined contribution retirement plan which is in effect for substantially all domestic employees meeting the eligibility requirements. The Company matches 50% of eligible employee contributions up to 6%. The Company may also provide a discretionary contribution, to be authorized and determined annually by the Talent, Culture, and Compensation Committee of the Company's Board of Directors. Total expense related to employer contributions to the domestic retirement plans was \$1.0 million for both the six months ended December 31, 2025 and December 31, 2024, respectively.

The Company also maintains a supplemental employee retirement plan ("SERP") for executives and other key employees which enables them to defer cash compensation on a pre-tax basis and restore amounts that would otherwise be payable under our tax-qualified retirement plans if the IRS did not have limits on includable compensation and maximum benefits. The SERP is structured as a rabbi trust, and therefore, assets in the SERP portfolio are subject to creditor claims in the event of bankruptcy. We recognize SERP investment assets on the balance sheet at current fair value. A SERP liability of the same amount is recorded on the balance sheet representing an obligation to distribute SERP funds to participants. As of December 31, 2025, both total investments and obligations under SERP were \$4.4 million, of which \$0.6 million were short term and \$3.8 million were long term. As of June 30, 2025, both total investments and obligations under SERP were \$4.1 million, of which \$0.5 million were short term and \$3.6 million were long term. The SERP investment assets are classified as trading, and accordingly, realized and unrealized gains and losses are recognized in the Other Income (Expense) category on our Condensed Consolidated Statements of Income. Adjustments made to revalue the SERP liability are also recognized in

income as selling and administrative expenses and offset valuation adjustments on SERP investment assets. The change in net unrealized holding (losses) gains for the six months ended December 31, 2025 and 2024 was approximately \$0.3 million and \$0.1 million, respectively.

Defined Benefit Postemployment Plan:

The Company established and maintains severance plans for all domestic employees and other postemployment plans for certain foreign subsidiaries. There are no statutory requirements for us to contribute to the plans, nor do employees contribute to the plans. The plans hold no assets. Benefits are paid using available cash on hand when eligible employees meet plan qualifications for payment. As of December 31, 2025, total obligations under these plans were \$9.0 million of which \$8.0 million were long term and \$1.0 million were short term. As of June 30, 2025, total obligations under these plans were \$8.2 million of which \$7.3 million were long term and \$0.9 million were short term. Net periodic benefit costs were not material for the six months ended December 31, 2025 and 2024.

Note 12. Stock Compensation Plans

A stock compensation plan was created and adopted by the Company's Board of Directors (the "Board") on September 20, 2023 and approved by our Share Owners at our 2023 Annual Meeting on November 17, 2023. The 2023 Plan allows for the issuance of up to 2.0 million shares and replaced our former 2014 plan. The shares under the 2023 Plan may be granted in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted awards, performance share awards, cash awards, and other equity awards. The Plan is a ten-year plan that terminates automatically on November 17, 2033. No award shall be granted pursuant to the Plan after such date, but awards theretofore granted may extend beyond that date.

On October 20, 2016, the Board approved a nonqualified deferred stock compensation plan, the Kimball Electronics, Inc. Non-Employee Directors Stock Compensation Deferral Plan (the "Deferral Plan"), which allows Non-Employee Directors to elect to defer all, or a portion of, their retainer fees in stock until retirement or termination from the Board or death. The Deferral Plan allows for issuance of up to 1.0 million shares of the Company's common stock. For more information on the 2023 Plan and the Deferral Plan, refer to our Annual Report on Form 10-K for the year ended June 30, 2025.

During the first six months of fiscal year 2026, the following stock compensation was granted under the 2023 Plan and the Deferral Plan.

Stock Compensation Granted	Quarter Granted	Shares/Units	Grant Date Fair Value ⁽⁶⁾
Long-Term Performance Shares ⁽¹⁾	1st Quarter	29,335	\$28.35
Long-Term Performance Shares ⁽²⁾	1st Quarter	153,212	\$36.41
Restricted Shares ⁽³⁾	1st Quarter	169,851	\$28.35
Unrestricted Shares ⁽⁴⁾	2nd Quarter	20,555	\$28.34
Deferred Share Units ⁽⁵⁾	2nd Quarter	16,232	\$28.34

- (1) Long-term performance share awards were granted to key employees. These annual performance share awards were approved by the Talent, Culture, and Compensation Committee of the Board. These awards granted in fiscal year 2026 will cliff vest at the third anniversary of the award date in fiscal year 2029.

For these key employee awards, a number of shares will be issued to each participant based upon a combination of the Company's profitability based on its operating income over the performance period as defined in the Company's operating business plans for the applicable fiscal years and the Company's growth based on a comparison of its three-year compounded annual growth rate ("CAGR") with the Electronics Manufacturing Services Industry's three-year CAGR. The number of shares issued could be zero if minimum thresholds are not met up to a maximum of 125% if results on both measures exceed targets under the formula.

- (2) Long-term performance shares were granted to leadership team members. These annual performance share awards were approved by the Talent, Culture, and Compensation Committee of the Board. The awards granted in fiscal year 2026 will cliff vest in fiscal year 2029.

Under these awards, a number of shares will be issued to each participant based upon a combination of the Company's economic profit for fiscal years 2026, 2027, and 2028 as compared to the Board approved plan and the Company's relative total shareholder return (rTSR) for the performance period as compared to a group of peer companies selected by the Talent, Culture, and Compensation Committee of the Board. The number of shares issued could be zero if minimum thresholds are not met up to a maximum of 200% if results on both measures exceed targets under the formula.

- (3) Restricted shares were granted to leadership team members and other key employees. These restricted shares were approved by the Talent, Culture, and Compensation Committee of the Board. The contractual life of the restricted shares is three years, with one-third of the interest in the restricted shares vested after year one of the grant, another one-third after year two of the grant, and the final one-third after year three of the grant. Restricted shares are expensed over the contractual vesting period as earned. If the employment of a holder of restricted shares terminates before the RSU has vested for any reason other than death, retirement, or disability, the restricted shares not yet vested will be forfeited.
- (4) Unrestricted shares were awarded to non-employee members of the Board as compensation for the portion of their annual retainer fees resulting from their elections to be paid in unrestricted shares in lieu of cash payment or deferred share units. Director's fees are expensed over the period that directors earn the compensation. Unrestricted shares do not have vesting periods, holding periods, restrictions on sales, or other restrictions.
- (5) Deferred share units were awarded to non-employee members of the Board as compensation for the portion of their annual retainer fees resulting from their elections to receive deferred share units in lieu of cash payment or unrestricted shares. Director's fees are expensed over the period that directors earn the compensation. Deferred share units are participating securities and are payable in common stock in a lump sum or installments in accordance with deferral elections upon a Director's retirement or termination from the Board or death.
- (6) The grant date fair value is the weighted average stock price based on the dates of the grants for all grants, with the exception of the portion of the long-term performance shares based on rTSR, the fair value of which is determined by a Monte Carlo simulation completed by a third party.

Note 13. Leases

The Company leases certain office, manufacturing, and warehouse facilities and equipment under operating leases, in addition to land on which certain office and manufacturing facilities reside. These operating leases expire from fiscal year 2027 to 2056. The Company determines if a contract is or contains a lease at inception.

The lease assets and liabilities, which exclude leases with terms of 12 months or less, as of December 31, 2025 and June 30, 2025, were as follows:

(Amounts in Thousands)	December 31, 2025	June 30, 2025
Operating lease right-of-use assets (included in Other Assets)	\$ 11,686	\$ 11,779
Operating lease liability, current (included in Accrued expenses)	\$ 1,957	\$ 520
Operating lease liability, noncurrent (included in Other long-term liabilities)	\$ 15,227	\$ 11,386

During the three months ended December 31, 2025, the Company received the \$4.6 million tenant allowance associated with the Indiana manufacturing facility lease, which increased the operating lease liability as of December 31, 2025.

Note 14. Share Owners' Equity

The Company has a Board-authorized stock repurchase plan (the "Plan") allowing the repurchase of up to \$120 million of our common stock. Purchases may be made under various programs, including in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions, all in accordance with applicable securities laws and regulations. The Plan has no expiration date but may be suspended or discontinued at any time.

During the six months ended December 31, 2025 and 2024, the Company repurchased \$5.8 million and \$5.9 million, respectively, of common stock under the Plan at an average price of \$29.08 per share and \$18.60 per share, respectively, which was recorded in Treasury stock, at cost in the Consolidated Balance Sheets. Since the inception of the Plan, the Company has repurchased \$109.5 million of common stock at an average cost of \$16.09 per share.

Note 15. Earnings Per Share

Basic and diluted earnings per share were calculated as follows under the two-class method:

(Amounts in thousands, except per share data)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Basic and Diluted Earnings Per Share:				
Net Income	\$ 3,637	\$ 3,432	\$ 13,723	\$ 6,586
Less: Net Income allocated to participating securities	3	4	14	7
Net Income allocated to common Share Owners	<u>\$ 3,634</u>	<u>\$ 3,428</u>	<u>\$ 13,709</u>	<u>\$ 6,579</u>
Basic weighted average common shares outstanding	24,606	24,870	24,603	24,924
Dilutive effect of average outstanding stock compensation awards	217	98	275	174
Dilutive weighted average shares outstanding	<u>24,823</u>	<u>24,968</u>	<u>24,878</u>	<u>25,098</u>
Earnings Per Share of Common Stock:				
Basic	\$ 0.15	\$ 0.14	\$ 0.56	\$ 0.26
Diluted	\$ 0.15	\$ 0.14	\$ 0.55	\$ 0.26

Note 16. Segment Reporting

The Company's operations are managed by its Chief Executive Officer, who has been identified as our chief operating decision maker ("CODM.") The CODM evaluates the performance of multiple business units domestically and globally, and each of these business units qualify as operating segments, providing contract manufacturing services, including engineering and supply chain support, for the production of electronic assemblies and other products including medical devices, medical disposables, precision molded plastics, and complete device assembly primarily in automotive, medical, and industrial applications, to the specifications and designs of our customers. These operating segments are aggregated into one reportable segment, Business Unit Operations, due to similarities in the nature of the products, the production process, the type of customer, the methods used to distribute the products, and long-term economic characteristics. The accounting policies for the Business Unit Operations segment are consistent with those described in Part II, Item 8, Note 1 - Business Description and Summary of Significant Accounting Policies of our Annual Report on Form 10-K for the year ended June 30, 2025.

The CODM uses operating income as the measure of profitability to evaluate income or loss generated from each operating segment and to guide decisions on capital investments and assess performance. These decisions may include capital expenditures and/or acquisitions. Expenditures for long-lived assets for the six months ended December 31, 2025 and 2024 \$28.7 million and \$20.0 million, respectively. The measure of segment assets is reported on the Consolidated Balance Sheet as Total Assets; however, it should be noted the discrete balance sheet information is not utilized by the CODM in assessing performance and allocating resources.

Certain corporate administrative expenses have been allocated to the Business Unit Operations Segment based upon the nature of the expenses.

The following table presents significant operations segment net sales and expenses:

(Amounts in Thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Net Sales				
Business Unit Operations	\$ 344,879	\$ 353,407	\$ 713,403	\$ 728,991
Corporate/Eliminations	(3,599)	3,985	(6,520)	2,657
Total Net Sales	\$ 341,280	\$ 357,392	\$ 706,883	\$ 731,648
Cost of Sales (Excluding Depreciation and Amortization)	304,251	324,980	631,990	666,558
Selling and Administrative (Excluding Depreciation and Amortization)	14,771	10,445	27,772	23,755
Depreciation and Amortization	9,252	9,066	18,369	18,261
Restructuring Expense	1,817	4,671	3,233	6,993
(Gain on Disposal) Asset Impairment	422	—	298	(1,264)
Total Operating Income	\$ 10,767	\$ 8,230	\$ 25,221	\$ 17,345

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained within this document are considered forward-looking under the Private Securities Litigation Reform Act of 1995. The statements may be identified by the use of words such as “believes,” “anticipates,” “expects,” “intends,” “plans,” “projects,” “estimates,” “forecasts,” “likely,” “future,” “may,” “should,” “would,” “could,” “will,” “can,” “potentially,” and similar expressions. These forward-looking statements are subject to risks and uncertainties including, but not limited to, global economic conditions, geopolitical environment and conflicts such as the war in Ukraine, global health emergencies, availability or cost of raw materials and components, tariffs and other trade barriers, foreign exchange fluctuations, and our ability to convert new business opportunities into customers and revenue. Additional cautionary statements regarding other risk factors that could have an effect on the future performance of Kimball Electronics are contained in our Annual Report on Form 10-K for the year ended June 30, 2025.

Business Overview

We are a global, multifaceted manufacturing solutions provider. We provide electronics manufacturing services (“EMS”), including engineering and supply chain support, to customers in the automotive, medical, and industrial end markets. We further produce higher level and final assemblies and offer contract manufacturing organization (“CMO”) solutions which include the production of medical disposables and drug delivery devices, from precision molded plastics and cold chain management to drug integration. Our manufacturing services, including engineering and supply chain support, utilize common production and support capabilities globally. We are well recognized by our customers and the industry for our excellent quality, reliability, and innovative service. We have participated in the CIRCUITS ASSEMBLY Service Excellence Awards for the past twelve consecutive years, winning awards for excellence each year of participation and recently receiving top honors in all seven award categories. CIRCUITS ASSEMBLY is a leading brand and technical publication for electronics manufacturers worldwide.

The contract manufacturing services industry is very competitive. As a mid-sized player, we can expect to be challenged by the agility and flexibility of the smaller, regional players, and we can expect to be challenged by the scale and price competitiveness of the larger, global players. We enjoy a unique market position between these extremes which allows us to compete with the larger scale players for high-volume projects but also maintain our competitive position in the generally lower volume durable electronics market space. We expect to continue to effectively operate in this market space; however, one significant challenge will be maintaining our profit margins. Pricing is competitive in the market as production efficiencies and material pricing advantages for most projects drive costs and prices down over the life of the projects. This characteristic of the contract electronics marketplace is expected to continue.

The Worldwide Manufacturing Services Market - 2025 Edition, a comprehensive study on the worldwide EMS market published by New Venture Research (“NVR”), provided worldwide forecast trends through 2029. NVR projects the worldwide assembly market for electronics products to grow at a compound annual growth rate (“CAGR”) of 6.3% over the next five years.

We continue to monitor the current economic and industry conditions for uncertainties that may pose a threat to our future growth or cause disruption in business strategy, execution, and timing in the markets in which we compete.

Beginning in February 2025, the U.S. implemented tariffs on a variety of countries and commodities. In response, certain countries have imposed, or are considering, retaliatory tariffs on U.S. exports. The global tariff landscape is evolving at a rapid pace, with changes impacting businesses and markets around the world. While these increased tariffs have and may continue to impact end customer demand, we expect that we will recover the tariff costs by passing them on to our customers. If we are unable to fully recover these costs, our results of operations and cash flows could be adversely impacted.

Net sales in the second quarter of the current fiscal year decreased 5% compared to the prior fiscal year second quarter, most significantly in our automotive end market vertical.

We have a strong focus on cost control balanced with managing the future growth prospects of our business. We expect to make investments that will strengthen or add new capabilities to our package of value as a multifaceted manufacturing solutions company, including through entering into a lease on a new facility for our Indianapolis operations, and our recently completed capacity expansions. Managing working capital in conjunction with fluctuating demand levels is likewise key. In addition, a long-standing component of our profit-sharing incentive bonus plan is its link to our financial performance, which results in varying amounts of compensation expense as profits change.

In fiscal year 2025, the Company announced that its Board of Directors had approved a plan to cease operations at our Tampa facility, which was completed by the end of the fiscal year 2025. The decision was another important step towards sharpening our strategic focus, while leveraging our global footprint and streamlining the operating structure. Production activities on existing customer programs were transferred out of Tampa, with the majority of the work going to our plants in North America, primarily our newly expanded facility in Mexico and Jasper. As we continue to monitor the progression of tariffs and the geopolitical economic environment, additional restructuring efforts may be necessary. We continue to work with our customers to optimize our global footprint.

We continue to maintain a strong balance sheet, which included a current ratio of 2.2, a debt-to-equity ratio of 0.3, and Share Owners' equity of \$579 million at December 31, 2025. Refer to the Future Liquidity section of Liquidity and Capital Resources below for further discussion of our liquidity.

The continuing success of our business is dependent upon our ability to replace expiring customers/programs with new customers/programs. We monitor our success in this area by tracking the number of customers and the percentage of our net sales generated from them by years of service as depicted in the table below. While variation in the size of program awards makes it difficult to directly correlate this data to our sales trends, we believe it does provide useful information regarding our customer loyalty and new business growth.

	Six Months Ended December 31	
	2025	2024
Customer Service Years		
More than 10 Years		
% of Net Sales	77%	77%
# of Customers	26	36
5 to 10 Years		
% of Net Sales	17%	16%
# of Customers	12	12
Less than 5 Years		
% of Net Sales	6%	7%
# of Customers	12	10
Total		
% of Net Sales	100%	100%
# of Customers	50	58

Our total number of customers declined by eight when comparing December 31, 2025 to December 31, 2024 all of which accounted for approximately 1% of our consolidated net sales in the first six months of fiscal year 2025.

A detailed discussion of risk factors and uncertainties that could have an effect on our performance are located within the "Risk Factors" section of our Annual Report on Form 10-K for the year ended June 30, 2025.

Results of Operations

At or for the Three Months Ended December 31

(Amounts in Millions, Except for Per Share Data)	2025	as a % of Net Sales	2024	as a % of Net Sales	% Change
Net Sales	\$ 341.3		\$ 357.4		(5)%
Gross Profit	\$ 27.9	8.2%	\$ 23.4	6.6%	19%
Selling and Administrative Expenses	14.9	4.4%	10.5	3.0%	41%
Restructuring Expense	1.8	0.5%	4.7	1.3%	
Asset Impairment (Gain on Disposal)	0.4	0.1%	—	—%	
Operating Income	10.8	3.2%	8.2	2.3%	31%
Other Income (Expense)	(3.9)		(4.8)		
Provision (Benefit) for Income Taxes	3.3		—		7,869%
Net Income	\$ 3.6		\$ 3.4		6%
Diluted Earnings per Share	\$ 0.15		\$ 0.14		7%
Open Orders	\$ 557		\$ 564		(1)%

For the Six Months Ended December 31

(Amounts in Millions, Except for Per Share Data)	2025	as a % of Net Sales	2024	as a % of Net Sales	% Change
Net Sales	\$ 706.9		\$ 731.6		(3)%
Gross Profit	\$ 56.7	8.0%	\$ 47.0	6.4%	21%
Selling and Administrative Expenses	28.0	3.9%	24.0	3.2%	17%
Restructuring Expense	3.2	0.5%	7.0	1.0%	
Asset Impairment (Gain on Disposal)	0.3	—%	(1.3)	(0.2)%	
Operating Income	25.2	3.6%	17.3	2.4%	45%
Other Income (Expense)	(7.2)		(10.9)		
Provision (Benefit) for Income Taxes	4.3		(0.2)		1,968%
Net Income	\$ 13.7		\$ 6.6		108%
Diluted Earnings per Share	\$ 0.55		\$ 0.26		112%

Net Sales by Vertical Market

(Amounts in Millions)	Three Months Ended December 31			Six Months Ended December 31		
	2025	2024	% Change	2025	2024	% Change
Automotive	\$ 162.3	\$ 186.3	(13)%	\$ 326.7	\$ 368.0	(11)%
Medical	96.3	84.0	15%	197.9	173.8	14%
Industrial	82.7	87.1	(5)%	182.3	189.8	(4)%
Total Net Sales	\$ 341.3	\$ 357.4	(5)%	\$ 706.9	\$ 731.6	(3)%

Beginning in the first quarter of fiscal year 2026, sales to certain customers previously included in the automotive vertical, specifically those customers more aligned with commercial vehicle applications versus passenger vehicles, are now reflected in the industrial vertical to better reflect the nature of the programs. Prior periods have been recast to conform to current period presentation. For the three and six months ended December 31, 2024, \$6.5 million and \$13.1 million of the industrial net sales were previously categorized as automotive.

Second quarter fiscal year 2026 consolidated net sales decreased 5% compared to the second quarter of fiscal year 2025, and the year-to-date fiscal year 2026 consolidated net sales decreased 3% compared to the year-to-date period of fiscal year 2025.

Foreign currency fluctuations had a favorable 2% impact on net sales in the current quarter compared to the second quarter and year-to-date period of fiscal year 2025.

- In the automotive end market vertical, sales to customers decreased for both the quarter over quarter and year-to-date periods driven by the loss of a major automotive program that was unrelated to Kimball and the continued pressure on customer demand as a result of tariffs primarily impacting North America.
- Sales to the medical end market vertical increased for both the quarter over quarter and year-to-date periods driven by a step-up in sales with our largest medical customer in addition to some new program wins.
- In the industrial end market vertical, sales to customers decreased quarter over quarter as a result of declines in climate controls. The year-to-date period remained relatively flat when compared to prior year-to-date.

Sales to Nexteer Automotive, Philips, and ZF accounted for the following portions of our net sales:

	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Nexteer Automotive	20%	20%	19%	19%
Philips	11%	*	11%	*
ZF	11%	12%	10%	12%

* amount is less than 10% of total

Gross profit as a percent of net sales in the second quarter of fiscal year 2026 improved when compared to the second quarter of fiscal year 2025 as well as in the first half of the fiscal year. The improvement was a result of efficiencies driven by our restructuring efforts, including the Tampa closure, and favorable exchange rates.

Selling and administrative expenses increased both as a percent of net sales and in absolute dollars in the second quarter of fiscal year 2026 when compared to the second quarter of fiscal year 2025 as well as in the first half of the fiscal year. The increased expenses were primarily driven by higher wages and benefits in addition to increased profit-sharing bonus expense and stock compensation driven by improved performance. The year-to-date period also included a \$2.0 million recovery received during the first three months of fiscal year 2026 resulting from a customer terminating a program.

In the three and six months ended December 31, 2025, we recorded pre-tax restructuring expense of \$1.8 million and \$3.2 million for employee-related costs as we undertook restructuring efforts to align our cost structure with reduced end market demand levels and incurred costs related to the Tampa closure. In the three and six months ended December 31, 2024, we recorded pre-tax restructuring expense of \$4.7 million and \$7.0 million for employee-related costs for cost structure alignment and incurred costs related to the Tampa closure in the second quarter.

Other Income (Expense) consisted of the following:

(Amounts in Thousands)	Three Months Ended December 31		Six Months Ended December 31	
	2025	2024	2025	2024
Interest income	\$ 375	\$ 253	\$ 514	\$ 475
Interest expense	(2,095)	(4,241)	(4,448)	(9,033)
Foreign currency/derivative gain (loss)	(1,073)	243	(1,218)	(791)
Gain (loss) on SERP investments	85	(69)	310	276
Factoring fees	(813)	(517)	(1,729)	(1,053)
Credit facilities fees and bank charges	(213)	(267)	(444)	(530)
Other	(49)	(158)	(223)	(331)
Other income (expense), net	<u>\$ (3,783)</u>	<u>\$ (4,756)</u>	<u>\$ (7,238)</u>	<u>\$ (10,987)</u>

Interest expense has decreased in the three and six months ended December 31, 2025 compared to the three and six months ended December 31, 2024 due to lower borrowings on credit facilities and lower interest rates. Foreign currency/derivative gains (losses) result from net foreign currency exchange rate movements during the periods. The revaluation to fair value of the SERP investments recorded in Other Income (Expense) is offset by the revaluation of the SERP liability recorded in Selling and Administrative Expenses, and thus there is no effect on net income.

Our provision (benefit) for income taxes for the six months ended December 31, 2025 and December 31, 2024 was \$4.3 million, or 23.7% of income before taxes on income, and \$(0.2) million, or (3.6)% of income before taxes on income, respectively. The tax benefit in the six months ended December 31, 2024 is primarily the result of the valuation allowance reversal recorded in period associated with the expected capital gains from the sale of the Tampa property.

Open orders were relatively flat when comparing December 31, 2025 to December 31, 2024. Open orders at a point in time may not be indicative of future sales trends due to the contract nature of our business.

Liquidity and Capital Resources

Working capital at December 31, 2025 was \$378.5 million compared to working capital of \$381.0 million at June 30, 2025. The current ratio was 2.2 at December 31, 2025 and 2.2 at June 30, 2025. The debt-to-equity ratio was 0.3 at December 31, 2025 and 0.3 at June 30, 2025. Our short-term liquidity available, represented as cash and cash equivalents plus the unused amount of our credit facilities, some of which are uncommitted, totaled \$363.0 million at December 31, 2025 and \$373.5 million at June 30, 2025.

Cash Conversion Days (“CCD”) are calculated as the sum of Days Sales Outstanding (“DSO”) plus Contract Asset Days (“CAD”) plus Production Days Supply on Hand (“PDSOH”) less Accounts Payable Days (“APD”) and less Advances from Customers Days (“ACD”). CCD, or a similar metric, is used in our industry and by our management to measure the efficiency of managing working capital. The following table summarizes our CCD for the quarterly periods indicated.

	Three Months Ended		
	December 31, 2025	September 30, 2025	December 31, 2024
Days Sales Outstanding	59	54	65
Contract Asset Days	20	18	19
Production Days Supply on Hand	92	85	98
Accounts Payable Days	65	59	57
Advances from Customers Days	15	15	18
Cash Conversion Days	91	83	107

We define Days Sales Outstanding as the average of monthly trade accounts and notes receivable divided by an average day’s net sales, Contract Asset Days as the average monthly contract assets divided by an average day’s net sales, Production Days Supply on Hand as the average of monthly gross inventory divided by an average day’s cost of sales, Accounts Payable Days as the average of monthly accounts payable divided by an average day’s cost of sales, and Advances from Customers Days as the average of monthly customer deposits divided by an average day’s cost of sales. Over the past several quarters, we have improved our CCD metrics by better aligning our working capital with the lower sales levels.

Cash Flows

The following table reflects the major categories of cash flows for the first six months of fiscal years 2026 and 2025.

(Amounts in Millions)	Six Months Ended	
	December 31	
	2025	2024
Net cash provided by operating activities	\$ 14.9	\$ 74.9
Net cash used for investing activities	\$ (24.4)	\$ (1.2)
Net cash used for financing activities	\$ (2.1)	\$ (97.3)

Cash Flows from Operating Activities

Net cash provided by operating activities for the first six months of fiscal year 2026 was driven by net income adjusted for non-cash items, partially offset by changes in operating assets and liabilities. Net cash provided by operating activities for the first six months of the prior year was driven by net income adjusted for non-cash items and changes in operating assets and liabilities.

Net income adjusted for non-cash items provided cash of \$34.4 million in the first six months of fiscal year 2026, while changes in operating assets and liabilities used \$19.4 million of cash in the first six months of fiscal year 2026, largely due to a decrease in advances from customers, which used cash of \$10.8 million and an increase in contract assets, which used cash of \$7.9 million.

Net income adjusted for non-cash items provided cash of \$28.1 million in the first six months of fiscal year 2025, while changes in operating assets and liabilities provided \$46.8 million of cash in the first six months of fiscal year 2025, largely due to a decrease of accounts receivable, which provided cash of \$45.5 million, and a decrease of inventory, which provided cash of \$28.0 million. Partially offsetting cash provided by accounts receivable and inventory was a decrease in accrued expenses and taxes payable, which used cash of \$27.1 million primarily driven by timing of profit-sharing incentive bonus and income tax payments.

Cash Flows from Investing Activities

Net cash used by investing activities of \$24.4 million in the first six months of fiscal year 2026 was largely due to capital investments of \$28.7 million. The capital investments were primarily for the new medical facility in Indianapolis as well as to support new business awards and replacement of older machinery and equipment.

Net cash used by investing activities of \$1.2 million in the first six months of fiscal year 2025 was largely due to capital investments of \$20.0 million primarily to support new business awards and replacement of older machinery and equipment, partially offset by the \$18.5 million of proceeds from the sale of GES. See [Note 3 - Sale of GES](#) of Notes to Consolidated Financial Statements for more information on the divestiture of GES.

Cash Flows from Financing Activities

For the first six months of fiscal year 2026, net cash used for financing activities of \$2.1 million resulted largely from repurchases of our common stock under an authorized repurchase plan and the remittance of tax withholdings on share-based payments partially offset by net borrowings on our credit facilities of \$6.7 million. For the first six months of fiscal year 2025, net cash used for financing activities of \$97.3 million resulted largely from net payments on our credit facilities of \$89.8 million.

Credit Facilities

The Company maintains a U.S. primary credit facility (the “primary credit facility”) scheduled to mature May 4, 2027. The primary credit facility provides for \$300 million in revolving borrowings, with an option to increase the amount available for borrowing to \$450 million at the Company’s request, subject to the consent of each lender participating in such increase. On December 20, 2024, the Company entered into an amended and restated credit agreement which resulted in the addition of a term loan borrowing, allowing for term loan borrowings of \$100 million repayable in scheduled quarterly installments, and is scheduled to mature on December 20, 2029. This facility is maintained for working capital and general corporate purposes of the Company. We were in compliance with the financial covenants of the primary credit facility as of December 31, 2025.

We also maintain foreign credit facilities for working capital and general corporate purposes at specific foreign locations rather than utilizing funding from intercompany sources. These foreign credit facilities can be canceled at any time by either the bank or us and generally include renewal clauses. As of December 31, 2025, we maintained foreign credit facilities at our Thailand operation, our China operation, our Netherlands subsidiary, and our Poland operation.

See [Note 8 - Credit Facilities](#) of Notes to Consolidated Financial Statements for more information on our credit facilities, including the terms of the credit facilities such as interest, commitment fees, and debt covenants.

Factoring Arrangements

We participate in our customers’ supply chain financing arrangements in order to extend terms for the customer without negatively impacting our cash flow. These arrangements in all cases do not contain recourse provisions which would obligate us in the event of our customers’ failure to pay. Receivables are considered sold when they are transferred beyond the reach of Kimball Electronics and its creditors, the purchaser has the right to pledge or exchange the receivables, and we have surrendered control over the transferred receivables. In the six months ended December 31, 2025 and 2024, we sold, without recourse, \$144.1 million and \$169.0 million of accounts receivable, respectively.

During the fourth quarter of fiscal year 2025, we entered into an accounts receivable factoring program with a financial institution for certain domestic receivables. We sell our entire interest in certain receivables for 100% of face value, less a discount. We are required to remit amounts collected as a servicer under the Receivables Purchase Agreement (the “RPA”) on a weekly basis to the financial institution that purchased the receivables. Our risks with respect to receivables we service include commercial disputes regarding such receivables and no greater than 5% of sold and outstanding receivables in the event of customer insolvency. In the six months ended December 31, 2025, under this program, we sold \$57.4 million of receivables. See [Note 1 - Business Description and Summary of Significant Accounting Policies](#) of Notes to Condensed Consolidated Financial Statements for more information regarding the factoring arrangements.

Future Liquidity

As of December 31, 2025, following several quarters of strong cash generated from operating activities and debt reduction, we are in a much improved liquidity position with \$77.9 million in cash and unused borrowings in USD equivalent under all of our credit facilities of \$285.1 million. Additionally, considering expected future sources of liquidity from cash generated from operations and proceeds from the sale of the Tampa facility, we are positioned to meet our working capital and other operating needs for at least the next twelve months.

We expect to continue to prudently invest in capital expenditures, including for capacity expansions and potential acquisitions, that would help us continue our growth as a multifaceted manufacturing solutions company. At December 31, 2025, our capital expenditure commitments were approximately \$16.0 million, consisting primarily of capital related to new program wins and leasehold improvements on our new medical facility. We anticipate our available liquidity will be sufficient to fund these capital expenditures.

Now that Tampa's operations have ceased, we expect to sell the building and land, with the proceeds from the sale anticipated to exceed the combined amount of the total expected restructuring costs and the carrying value of the Assets Held for Sale.

We have purchase obligations that arise in the normal course of business for items such as raw materials, services, and software acquisitions/license commitments. In certain instances, such as when lead times dictate, we enter into contractual agreements for material in excess of the levels required to fulfill customer orders. In turn, material authorization agreements with customers cover a portion of the exposure for material that we must purchase prior to having a firm order.

At December 31, 2025, our foreign operations held cash totaling \$77.5 million. Most of our accumulated unremitted foreign earnings have been invested in active non-U.S. business operations. The Company continually evaluates its global cash needs. If such funds were repatriated or we determined that all or a portion of such foreign earnings are no longer permanently reinvested, we may be subject to applicable non-U.S. income and withholding taxes. Determination of the amount of any potential future unrecognized deferred tax liability on such unremitted earnings is not practicable and is recorded in the period when any foreign earnings are determined to be no longer permanently reinvested. The Company asserts permanent reinvestment of foreign earnings in all our foreign jurisdictions with the exception of earnings from our China operation beginning in 2025 and thereafter.

The Company's Repurchase Plan allows the repurchase of up to \$120 million of our common stock. Purchases may be made under various programs, including in open-market transactions, block transactions on or off an exchange, or in privately negotiated transactions, all in accordance with applicable securities laws and regulations. The Repurchase Plan has no expiration date but may be suspended or discontinued at any time. The extent to which the Company repurchases its shares, and the timing of such repurchases, will depend upon a variety of factors, including market conditions, regulatory requirements, and other corporate considerations, as determined by the Company's management team. The Company expects to finance the purchases with existing liquidity. The Company has repurchased \$109.5 million of common stock under the Repurchase Plan through December 31, 2025.

Our ability to generate cash from operations to meet our liquidity obligations could be adversely affected in the future by factors such as general economic and market conditions, lack of availability of raw material components in the supply chain, a decline in demand for our services, loss of key contract customers, unsuccessful integration of acquisitions and new operations, global health emergencies, and the related uncertainties around the financial impact, and other unforeseen circumstances. In particular, should demand for our customers' products and, in turn, our services decrease significantly over the next 12 months, the available cash provided by operations could be adversely impacted. Additional cautionary statements regarding our risk factors are contained in our Annual Report on Form 10-K for the year ended June 30, 2025.

Fair Value

During the second quarter of fiscal year 2026, no level 1 or level 2 financial instruments were affected by a lack of market liquidity. For level 1 financial assets, readily available market pricing was used to value the financial instruments. Our foreign currency derivative assets and liabilities, which were classified as level 2, were independently valued using observable market inputs such as forward interest rate yield curves, current spot rates, and time value calculations. To verify the reasonableness of the independently determined fair values, these derivative fair values were compared to fair values calculated by the counterparty banks. Our own credit risk and counterparty credit risk had an immaterial impact on the valuation of the foreign currency derivatives. See [Note 9 - Fair Value](#) of Notes to Condensed Consolidated Financial Statements for additional information.

Off-Balance Sheet Arrangements

As of December 31, 2025, we do not have any material off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Kimball Electronics' Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These principles require the use of estimates and assumptions that affect amounts reported and disclosed in the Condensed Consolidated Financial Statements and related notes. Actual results could differ from these estimates and assumptions. Management uses its best judgment in the assumptions used to value these estimates, which are based on current facts and circumstances, prior experience, and other assumptions that are believed to be reasonable.

There have been no material changes to our critical accounting policies and estimates since our Annual Report on Form 10-K for the year ended June 30, 2025. For further information regarding our critical accounting policies, refer to "Note 1 - Business Description and Summary of Significant Accounting Policies" of Notes to Consolidated Financial Statements and "Critical Accounting Policies" in the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended June 30, 2025.

New Accounting Standards

See [Note 1 - Business Description and Summary of Significant Accounting Policies](#) of Notes to Condensed Consolidated Financial Statements for information regarding New Accounting Standards.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes in our exposure to market risks for changes in foreign currency exchange rates and interest rates as compared to the fiscal year ended June 30, 2025.

Comprehensive disclosures of quantitative and qualitative market risk can be found in our Annual Report on Form 10-K for the year ended June 30, 2025.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures.

Kimball Electronics maintains controls and procedures designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. Based upon their evaluation of those controls and procedures performed, the Chief Executive Officer and Chief Financial Officer of the Company concluded that the disclosure controls and procedures were effective as of December 31, 2025.

(b) Changes in internal control over financial reporting.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2025 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries are not parties to any pending legal proceedings, other than ordinary routine litigation incidental to the business. The outcome of current routine pending litigation and claims, individually and in the aggregate, is not expected to have a material adverse impact on our business or financial condition.

Item 1A. Risk Factors

We are subject to various risks and uncertainties in the course of our business. A comprehensive disclosure of risk factors related to Kimball Electronics can be found in our Annual Report on Form 10-K for the year ended June 30, 2025.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On October 21, 2015, our Board approved an 18-month stock repurchase plan (the “Plan”), authorizing the repurchase of up to \$20 million worth of our common stock. Then, separately on each of September 29, 2016, August 23, 2017, November 8, 2018, November 10, 2020, and November 15, 2024 the Board extended and increased the Plan to allow the repurchase of up to an additional \$20 million worth of common stock with no expiration date, which brought the total authorized stock repurchases under the Plan to \$120 million.

During the three months ended December 31, 2025, the Company repurchased \$4.3 million of common stock under the Plan. The following table contains information about our purchases of equity securities during the three months ended December 31, 2025.

Period	Total Number of Shares Purchased	Average Price Paid per Share ⁽¹⁾	Total Number of Shares Purchased as Part of Publicly Announced Plan	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plan ⁽¹⁾
October 1, 2025 - October 31, 2025	—	\$ —	—	\$ 14,819,171
November 1, 2025 - November 30, 2025	56,756	\$ 27.89	56,756	\$ 13,236,026
December 1, 2025 - December 31, 2025	92,405	\$ 29.32	92,405	\$ 10,526,898
Total	<u>149,161</u>	<u>\$ 28.78</u>	<u>149,161</u>	

(1) Excludes 1% U.S. excise tax on share repurchases which is recognized as part of the cost basis of the shares acquired in the Consolidated Statements of Share Owners’ Equity.

Item 5. Other Information

During the three months ended December 31, 2025, no officers or directors adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement.”

Item 6. Exhibits

Exhibits (numbered in accordance with Item 601 of Regulation S-K)

Exhibit No.	Description	Incorporated by Reference		
		Form	Period Ending Exhibit	Filing Date
3.1	Amended and Restated Articles of Incorporation of the Company	8-K	3.1	2/18/2021
3.2	Amended and Restated By-Laws of the Company	8-K	3.2	9/23/2024
31.1	Certification filed by Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith		
31.2	Certification filed by Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	Filed Herewith		
32.1 ^(a)	Certification furnished by the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith		
32.2 ^(a)	Certification furnished by the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	Furnished Herewith		
101.INS	Inline XBRL Instance Document - The instance document does not appear in the Interactive Data File because its Inline XBRL tags are embedded within the Inline XBRL document	Filed Herewith		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed Herewith		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed Herewith		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed Herewith		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed Herewith		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed Herewith		
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101)	Filed Herewith		

^(a) In accordance with Item 601(b)(32)(ii) of Regulation S-K, the certifications furnished in Exhibit 32.1 and 32.2 will not be deemed “filed” for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KIMBALL ELECTRONICS, INC.

By: /s/ RICHARD D. PHILLIPS

Richard D. Phillips
Chief Executive Officer
February 5, 2026

By: /s/ JANA T. CROOM

Jana T. Croom
Chief Financial Officer
February 5, 2026

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Richard D. Phillips, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kimball Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2026

/s/ RICHARD D. PHILLIPS

RICHARD D. PHILLIPS
Chief Executive Officer and Director

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jana T. Croom, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Kimball Electronics, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 5, 2026

/s/ JANA T. CROOM

JANA T. CROOM
Chief Financial Officer

Exhibit 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kimball Electronics, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard D. Phillips, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2026

/s/ RICHARD D. PHILLIPS

RICHARD D. PHILLIPS
Chief Executive Officer and Director

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Kimball Electronics, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2025 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jana T. Croom, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: February 5, 2026

/s/ JANA T. CROOM

JANA T. CROOM
Chief Financial Officer