

Kaga Electronics Co., Ltd.
Financial Results Discussion
for the Third Quarter of the Fiscal Year ending March 2026
Main Questions and Answers

Date of earnings announcement: Thursday, February 12, 2026

<Points to note>

Kaga Electronics does not hold a financial results briefing for the third quarter, but we have summarized questions and answers from IR interviews with analysts and investors after financial results were announced, in the form of "Main Questions and Answers." Please be aware that it is not a transcription of all matters discussed, but rather a brief summary created at Kaga Electronics' discretion.

Please also note that the statements contained in this document that relate to the future, such as results forecasts, are based on information currently available to Kaga Electronics and certain assumptions that have been judged to be reasonable. Actual performance, etc. may differ substantially due to a range of factors.

Results for the third quarter

Q: Can you provide us with an overview of 3Q financial results?

A: In the third quarter of the fiscal year ending March 31, 2026, we delivered strong results, with net sales and income at all levels of profit, through profit attributable to owners of parent, increasing year on year. In particular, the EMS business in the electronic components business segment and PC and software sales in the information equipment business segment performed well. Reflecting this steady progress and recent spot demand, we revised our earnings forecast upward for the third time this fiscal year.

Q: Inventories have increased significantly. What factors are behind the increase, and are they likely to continue increasing?

A: At the end of the third quarter of the fiscal year ending March 31, 2026, inventories stood at approximately 74.8 billion yen, up 23.0 billion yen from the previous fiscal year-end (a year-on-year increase of 9.5 billion yen). The increase from the previous fiscal year-end was mainly in the trading business, primarily reflecting the addition of approximately 7.3 billion yen in inventories held by Kyoei Sangyo, which was included in the scope of consolidation in July 2025. Inventories in the manufacturing business also increased by 2.3 billion yen, reflecting higher net sales in the EMS business. We will take further steps to reduce inventories through fiscal year-end.

Q: Are geopolitical risks in the Middle East having any impact on your business?

A: We have seen no significant impact to date. Looking ahead, however, rising fuel costs, material shortages, and similar factors could lead our customers to adjust production or take other measures, indirectly affecting our performance. We will therefore continue to monitor developments closely.

Q: What has driven the strong performance of the EMS business?

A: Capital investments centered on our overseas sites, including the establishment of our factory in Mexico and our third factory in Thailand, have proved effective. In particular, business serving the medical and air-conditioning equipment sectors performed well, contributing to stronger results.

Q: What has driven the strong performance of the Information equipment business?

A: PC sales to mass retailers and educational institutions were strong, as were sales of security software. While PC sales to educational institutions tend to increase during the peak enrollment season in the first and fourth quarters, orders for GIGA School Program PCs were also a factor behind the strong performance in the third quarter under review.

Q: Why did the others business segment post year-on-year and quarter-on-quarter declines in both net sales and income for the most recent three-month period?

A: In the amusement equipment sales business, front-loaded shipments in response to U.S. tariffs boosted results from the second half of the previous fiscal year through the first half of the current fiscal year. However, the business began to level off in the second half after the planned delivery volume was reached.

Others

Q: What is the purpose of the new Singapore factory, and why did you choose Singapore as its location?

A: At our Singapore factory, we have installed automated circuit board mounting systems that we developed in-house in collaboration with a leading Chinese equipment manufacturer, with “automation and labor savings” as the guiding concept. The factory’s primary purpose is to meet growing demand across ASEAN for high-mix, low-volume production. It also serves as a multifunctional facility, combining a showroom to support sales of the production equipment to external customers with a training center for operators at companies that purchase the equipment.

Other factors in choosing Singapore were its suitability as a hub linking our Chinese-affiliated customers with our mass-production facilities across ASEAN and the availability of local personnel who can communicate in both Chinese and English.

Q: Could you provide an overview of HATTEN? Do you have any targets for it going forward?

A: HATTEN refers to production systems developed in-house in collaboration with a leading Chinese equipment manufacturer to enhance our competitiveness in high-mix, low-volume production, an area of strength for our EMS business. Although we also sell HATTEN systems to external customers, our immediate priority is to introduce them at our own factories. We have therefore not set a specific sales target. For further details, please refer to the following press release:

https://www.taxan.co.jp/news-information/news_en/13394