Kaga Electronics Co., Ltd.
Financial Results Briefing
For the Fiscal Year Ending March 2026
Main Questions and Answers

Date and time: 4:00-5:00 pm, Thursday, May 28, 2026
(Online Briefing)

<Points to note>
The “Main Questions and Answers” has been posted as a reference for the convenience of those who were unable to attend the financial results briefing. Please be aware that it is not a transcription of all matters discussed at the financial results briefing, but rather a brief summary of those points that Kaga Electronics deems to be key.
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 fiscal year ended March 2026 and earnings forecasts for the fiscal year ending March 2027

Q: You had some spot sales in FY2026/3. Given the continued tight supply-demand conditions for semiconductor memory, why have you not factored spot sales into your plan for FY2027/3? Also, could you comment on the likelihood of spot sales in the future?

A: We previously engaged in spot sales around 2021 to 2023, when supply constraints affected semiconductors and other components more broadly. In the current environment, however, the supply-demand tightness is concentrated in memory products. Major memory manufacturers are prioritizing production of leading-edge products, resulting in an ongoing shortage of commodity memory. In addition, capital investment by other medium-sized manufacturers has been limited, making it difficult for us to secure sufficient products to supply to our customers. Given this lack of visibility in component procurement, we have not factored spot sales into our FY2027/3 earnings forecast. However, we believe that if we can successfully secure the products, it will contribute to enhancing our business performance.

Q: How long do you expect the current tight supply-demand conditions for memory products to continue? Could you share your outlook going forward?

A: Generally speaking, we expect the memory shortage to persist at least through the first half of 2027.

Q: Some of your peers have reported increases in order intake in their financial results, supported in part by long-term orders. How is the situation at your company?

A: During the aforementioned component shortage in 2022, we did receive purchase orders stretching up to two years ahead, but we do not believe the current situation is the same. With respect to long-term orders, in my understanding, these are firm orders with binding take-or-pay obligations. Currently, we have not received orders of that nature.

Q: Although segment income for the EMS business increased year on year to approximately 8 billion yen in FY2026/3, it is nonetheless below the target of 13.5 billion yen set for the final year (FY2028/3) of the Medium-Term Management Plan 2027. Could you share your outlook for the future?

A: Japanese manufacturers have been facing headwinds in China, which has resulted in lower order volumes to our company. Amid this environment, local Chinese customers are shifting their production bases to Southeast Asia, and we saw a significant ramp-up of these facilities in the fourth quarter of FY2026/3. We anticipate that these projects will expand going forward. As customer inquiries remain very strong, we project further growth in both net sales and income for FY2027/3. Although uncertainties remain, including foreign exchange fluctuations, we will maintain our upward momentum and work toward achieving the targets set in our Medium-Term Management Plan.

Q: Could you provide an update on your progress in expanding your EMS business overseas, specifically with respect to developing non-Japanese customers?

A: Currently, Japanese customers account for a very high proportion of our EMS business, representing approximately 90% of the total. We view expansion of our non-Japanese customer base, including in China, Europe and the United States, as a key strategic priority going forward, and are implementing a range of initiatives in this area. We expect that certain projects in the U.S. and China will see launch of mass production in the second half of FY2027/3.

Q: Could you share your long-term target for the sales percentage of non-Japanese customers in your EMS business?

A: While factoring in a potential decline in sales to Japanese customers, we are targeting to bring the share of non-Japanese customers up to around 50% over the next five years or so.

Q: What is the current status of your production in India for your EMS business, and what is your future growth strategy in that country?

A: It has been about six years since we entered the Indian market, and our business is steadily getting on track. We are seeing a growing number of inquiries, mainly from Japanese customers, in the automotive and HVAC sectors. At present, we are working on expanding capacity and building an internal management framework while strengthening relationships with outsourcing partners with whom we have been working since our entry.
Looking ahead, in addition to our existing base in northern India (Delhi), we are considering expanding into the southern and western parts of the country.

Q: You are projecting an increase in operating income for FY2027/3; could you provide a breakdown by segment?

A: In the electronic components business segment, despite the absence of income from spot sales, we still expect to achieve a modest increase in income. The information equipment business segment is projected to maintain its strong momentum and record a double-digit income growth. In the others business segment, although the recycling and reuse business for PC products remains strong, segment income is expected to decline in FY2027/3 as a reaction to the strong performance of the amusement equipment sales business in FY2026/3.

Q: In your FY2027/3 earnings forecast, net sales growth in the electronic components business is approximately 4% if the impact of the absence of spot-sales is excluded. This appears somewhat conservative. Are there any specific risks underlying your assumptions? Also, could you comment on the impact of inflation on your business performance?

A: It is our view that, with the exception of memory, the electronic components business in Japan is unlikely to see significant growth, and an annual growth rate of around 4% to 5% is believed to be a reasonable level. As for inflation, we do not necessarily see it as a negative factor. In fact, we believe there are aspects of inflation that can have a positive impact on our business.

Q: Regarding amusement equipment sales to the U.S., we understand that they made a significant contribution to earnings in the first half of FY2026/3. Could you provide your outlook for FY2027/3?

A: Sales of amusement equipment to the U.S. increased significantly in FY2026/3 driven in part by the impact of U.S. tariff policy. However, partly as a reaction to this strong growth, we expect a slowdown in the first half of FY2027/3. We anticipate that the next phase of deployment related to the products delivered in FY2026/3 will begin in the second half of FY2027/3 or later.

M＆A（Shinko Shoji tender offer and others）

Q: We are highly impressed by Kaga Electronics' negotiation skills to advance the tender offer for Shinko Shoji in such a short period of time. Could you share the background and processes that led to the agreement?

A: We have been maintaining a relationship with Shinko Shoji for roughly a decade, including regular exchanges of information as industry peers. So, this is not something that emerged out of the blue. The situation accelerated rapidly around September 2025, triggered by an article published in a business magazine. Ultimately, we believe that gaining the understanding and agreement of Shinko Shoji's management was the decisive factor.

Q: What synergies and benefits do you expect to realize following the tender offer for Shinko Shoji?

A: There is very little overlap between Shinko Shoji and ourselves in terms of suppliers and customers. In addition, Shinko Shoji has approximately 300 engineers engaged in LSI design, bringing strong expertise in semiconductor design and development. Kyoei Sangyo, which we acquired through a tender offer in July 2025, has around 400 software development engineers, and Kaga FEI also has approximately 200 engineers. By integrating these software development resources, we believe we will be able to take on a broader range of development projects across the Group.

Q: Are there any challenges in realizing the expected synergies?

A: Creating synergies requires the seamless integration of organizations, human resources, and information, which is not an easy task.
For this reason, this tender offer is not intended to simply form an alliance, but to make Shinko Shoji a wholly owned subsidiary, enabling us to streamline our portfolio and reallocate human resources within the Group to achieve effective functional integration. In particular, given that the shortage of engineers is a shared industry challenge, we aim to utilize resources more efficiently through optimal allocation across the Group.

Q: What are the concrete advantages of Shinko Shoji's approximately 300 LSI design engineers, and what spillover effects do you expect on other businesses of the Group?

A: Our Group has a broad value chain covering everything from circuit design to finished product assembly, while Shinko Shoji has strengths in semiconductor design, including logic ICs (ASICs). Customers' product planning starts with LSI design. By engaging with them from this "upstream" design stage, we will be able to gain early insight not only into LSI design itself but also into the selection of peripheral components. Previously, our involvement was mainly in circuit design after the specifications had been finalized, such as the LSI design and the selection of components to be used. Going forward, by engaging with customers from a more upstream phase, we believe there will be greater opportunities to capture end-to-end orders spanning component proposals, circuit design, and EMS, where we have competitive strengths.

Q: One of the stated objectives of the acquisition is the "sharing of EMS infrastructure." However, I feel that a more immediate impact could be expected if you were to share the EMS production infrastructure that you currently have and absorb Shinko Shoji's outsourced production. What are your thoughts?

A: We recognize that the EMS business is an area where synergies can be created in a relatively short period of time. Shinko Shoji's EMS business (assembly operation) is approximately 15 billion yen in size, and we understand that production is currently outsourced to around 40 manufacturing partners. No doubt a considerable amount of administrative work is currently required and by taking on some of these tasks at our EMS facilities, we can improve operational efficiency. And by getting involved from the design stage, we can expect to enhance value-added. By insourcing even a portion of what was previously entirely outsourced, we believe this would generate a "chemical reaction."

Q: As you aim to achieve 1 trillion yen in net sales, could you elaborate on your priorities and approach to M&As?

A: Our approach to M&As going forward remains unchanged. We will continue to proactively pursue M&A opportunities targeting electronic components trading companies and EMS-related companies.