

Kaga Electronics Co., Ltd.

**Financial Results Discussion  
for the First Quarter of the Fiscal Year ending March 2024  
Main Questions and Answers**

Date of earnings announcement: Thursday, August 3, 2023

<Points to note>

Kaga Electronics does not hold a financial results briefing for the first 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.

**Q: What factors were behind the strong earnings in 1Q compared with forecasts?**

A: In the electronic components business, as expected at the start of the fiscal year, spot sales mostly disappeared, but the impact of customers' inventory adjustments was more limited than we expected, and as a result, earnings exceeded our internal forecasts. The information equipment business and other segments also performed well.

**Q: What factors were behind the year-on-year decrease in income at Kaga FEI?**

A: At Kaga FEI, sales increased year on year thanks to growth in sales of Socionext products, but income decreased owing to the fact that spot sales mostly disappeared, as well as a valuation loss and provision of allowance for doubtful accounts associated with the filing of a petition for commencement of civil rehabilitation proceedings by a business partner, etc.

**Q: What factors were behind the increase in profit margin for Excel?**

A: The profit margin improved as a result of changes to the sales mix, such as a decline in the overseas liquid crystal business.

**Q: Inventories have been increasing since the end of the previous fiscal year, but what is the future outlook?**

A: At a fundamental level, our inventories are all based on orders and actual demand from customers, but in the component sales business we sometimes hold inventories for a certain period of time as a result of requests from customers, and the amount of such inventories has increased by about 14 billion yen since the end of the previous fiscal year.

Going forward, we will work to achieve appropriate levels in terms of the position of our amount of inventory and turnover by the end of the fiscal year.

**Q: It appears that progress is good, with earnings outperforming your forecasts. Do you not intend to make upward revisions to your earnings forecasts?**

A: In 1Q, progress was strong, with both sales and each level of income outperforming our internal forecasts. We have, however, maintained our earnings forecasts from the beginning of the fiscal year based on our cautious view of the impact of inventory adjustments, as we expected at the beginning of the fiscal year, as well as future trends in demand, amid an uncertain management environment, including concerns about the spread of inflation and prolonged geopolitical risk. In the future, we will make an appropriate assessment concerning revisions to earnings forecasts based on progress in 2Q.