

Financial Results Discussion for the Third Quarter of the Fiscal Year ending March 2025 Main Questions and Answers

Date of earnings announcement: Wednesday, February 6, 2024

<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: You have explained that, in comparison with the internal plan, net sales were up 1.0 billion yen, and operating income was up 1.5 billion yen. What are the causes? Are you not going to revise your earnings forecasts?

A: In terms of company-specific and segment-specific results, Kaga Electronics and the EMS business in the electronic components business, respectively, are generally on a recovery path with inventory adjustments progressing gradually. In the others business, sales of amusement equipment showed robust performance and exceeded the internal plan. As for the full-year forecasts, we are maintaining the previous forecasts given the difficulty in making predictions in the face of persistent concerns of prolonged inventory adjustments in some industries.

Q: Will the U.S. tariff policy have any impact on your new factory in Mexico?

A: Based on the fact that shipments to customers' factories located in Mexico comprise a large percentage of net sales at our Mexico factory, and direct sales to the U.S. merely account for around 10%, our current estimate is that the impact of the tariffs will be insignificant. That being said, there is a possibility that demand for customer products may decline in the U.S. as a result of the tariff policy triggering an increase in the prices of final products. Should that happen, our business may be impacted.

Q: What are the factors behind the large decrease in Kaga FEI's operating income?

A: The large year-on-year decrease is attributable to such factors as an increase in SG&A expenses, reflecting the impact of wage increases, as well as a decrease in gross profit resulting from a decline in gross profit margin due to a decrease in sales and a worsening of the sales mix.

Q: What are the situation and outlook for the electronics components business, by customer segment?

A: The electronics components business is recovering with gradual progress in inventory adjustments, although in the case of some customers, inventory adjustments still continue. In the EMS business, sales in the automotive sector remain solid, while sales to the industrial equipment sector have been recovering from inventory adjustments. Despite prolonged inventory adjustments at key customers in the air-conditioning equipment sector, the EMS business as a whole has been on a recovery path since the second quarter, a trend that we believe will continue in the second half.