

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

Date of earnings announcement: Thursday, August 8, 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: What are the factors behind the higher-than-expected first quarter operating income compared to the internal plan?**

A: In terms of company-specific and segment-specific results, operating income exceeded the internal plan in Kaga Electronics and in the electronic components business and the EMS business, respectively. Whereas the internal plan for the current fiscal year assumes the impact of inventory adjustments particularly in the first half, we have seen inventory adjustments being resolved at a higher pace than anticipated in some key customers, which contributed to the higher operating income.

**Q: Please tell us about your outlook for the fiscal year ending March 2025.**

A: The outlook for the fiscal year ending March 2025 assumes the disappearance of spot demand that we saw in the fiscal year ended March 2024, a diminution of some transactions with a major customer, and the continued impact of inventory adjustments. In fact, the latest situation shows that the impact of inventory adjustments is continuing. While we expect to see a full-fledged demand recovery in the second half, we have been able to make a good start with the first quarter performance exceeding the internal plan.

**Q: You have not achieved the M&A target set out in your current Medium-Term Management Plan. Do you foresee that this can be achieved going forward?**

A: There are around 30 listed companies, or more than 100 companies including unlisted firms, specializing in electronics component and semiconductor trading, the industry to which we belong. We believe that industry consolidation will be inevitable. Our long-term target is to grow into a "company with net sales of 1 trillion yen" by FY2028, which is the 60th anniversary of our founding. To achieve this target, we have positioned organic growth and new M&As as the two main drivers of growth. We will continue to work towards achieving the target of becoming a "company with net sales of 1 trillion yen."

**Q: What are the reasons for conducting a stock split?**

A: In order to create an environment in which individual investors can easily invest, the Tokyo Stock Exchange has indicated that the desirable investment unit level for listed companies should be less than 500,000 yen. This means that the stock price per share should be below 5,000 yen since stocks are generally traded in units of 100 shares. Kaga Electronics' shares are currently traded in the lower 5,000 yen range, and hence higher than the level recommended by the TSE. Accordingly, we decided to conduct a two-for-one stock split of the common stock of Kaga Electronics, effective October 1, 2024, with the purpose of improving the liquidity of the Company's stock and further expanding the investor base.