

**Notice of the 58th Ordinary General Meeting of Shareholders**  
**Other Items for Which Measures for Providing Information in**  
**Electronic Format Will Be Taken**  
**(Items Excluded From Delivered Paper-Based Documents)**

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(From April 1, 2025 to March 31, 2026)

**KAGA ELECTRONICS CO., LTD.**

## Business Report

### 1. Principal lines of business (as of March 31, 2026)

The Company's principal business is the planning, development, manufacture, and purchase and sale of electronic components for electronic equipment, the purchase, sale, import and export of computers and peripheral equipment, related parts, accessories, software as well as other related business.

Our main products and business activities are as follows:

Business segment	Principal products and lines of business
Electronic Components	LCD modules, processed substrates, products for office automation equipment and communications equipment, integrated circuits such as custom LSIs and one-chip microcomputers, general-purpose integrated circuits such as memory ICs, semiconductor devices such as CMOS image sensors and light emitting diodes and others
Information Equipment	Personal computers, printers and other peripheral equipment, SD cards, digital audio and video equipment, optical equipment and others
Software	Copyright business, production of computer graphics, image systems and software, planning and development of amusement products and others
Others	Repair and support for electronics equipment, manufacture and sales of amusement equipment, event planning and operation, sales of sports goods, golf shop operations and others

### 2. Operating results by business segment

Net sales by business segment are as follows.

(Million yen)

Period and category	The 57th fiscal year (From April 1, 2024 to March 31, 2025)		The 58th fiscal year (From April 1, 2025 to March 31, 2026)	
	Amount	Ratio	Amount	Ratio
Business segment				
Electronic Components	472,910	86.3%	568,834	86.3%
Information Equipment	42,652	7.8%	54,182	8.2%
Software	3,387	0.6%	3,307	0.5%
Others	28,829	5.3%	32,617	5.0%
Total	547,779	100.0%	658,941	100.0%

### 3. Employees (as of March 31, 2026)

#### (i) Employees of the Corporate Group

Business segment	Number of employees	Increase/Decrease from the end of the previous fiscal year
Electronic Components	7,413	Increase of 651
Information Equipment	295	Increase of 3
Software	405	Decrease of 14
Others	323	Increase of 3
Corporate (Common)	928	Increase of 161
Total	9,364	Increase of 804

- (Notes)
1. The number of employees indicates the number of persons employed (including workers loaned to the Group from outside the Group, contract workers, part-time employees, and non-regular employees).
  2. The number of employees listed as “Corporate (Common)” indicates those belonging to the management divisions that cannot be classified under a specific business.
  3. The increase of 804 employees compared to the end of the previous fiscal year was primarily due to the acquisition of Kyoei Sangyo Co., Ltd. as a consolidated subsidiary on July 18, 2025, as well as an increase in factory workers driven by the expansion of our overseas manufacturing bases.

#### (ii) Employees of the Company

Number of employees	Increase/Decrease from the end of the previous fiscal year	Average age	Average service years
583	Increase of 23	42.6 years old	13.9 years

- (Note) The number of employees indicates the number of persons employed (including workers loaned to the Company from outside the Company, contract workers, part-time employees, and non-regular employees).

### 4. Major Creditors (as of March 31, 2026)

(Million yen)

Creditor	Balance of loans payable
MUFG Bank, Ltd.	21,718
Mizuho Bank, Ltd.	10,457
Sumitomo Mitsui Banking Corporation	2,425
The Hokuriku Bank, Ltd.	1,657
Nippon Life Insurance Company	1,200
Meiji Yasuda Life Insurance Company	300
Sumitomo Mitsui Trust Bank, Limited	170

### 5. Other Significant Information Concerning the Current State of the Corporate Group

Not applicable.

## 6. Accounting Auditor

(1) Name PricewaterhouseCoopers Japan LLC

### (2) Audit Fees

	Amount (Million yen)
Audit fees for the current fiscal year	90
Total of amount of cash and other financial benefits payable by the Company and its subsidiaries to the accounting auditor	118

- (Notes)
1. The audit agreement between the Company and the accounting auditors does not explicitly distinguish between accounting remuneration, etc. for accounting under the Companies Act and accounting under the Financial Instruments and Exchange Act, and is substantially unable to do so; accordingly, the total amount of the two is given as the amount of accounting remuneration, etc. of the accounting auditors for the fiscal year under review.
  2. Of the significant subsidiaries of the Company, overseas subsidiaries are audited by accounting companies other than the Company's accounting auditors (including persons with equivalent qualifications in foreign countries).
  3. The Audit and Supervisory Committee has decided to agree to the amount of remuneration, etc. for accounting auditors after carrying out necessary verification of the appropriateness of matters such as the contents of the accounting auditors' audit plans, the status of the execution of accounting audit duties, and the basis for calculation of remunerations estimates.

### (3) Description of Non-Audit Services

Not applicable.

### (4) Policy on Decisions of Dismissal or Non-reappointment of Accounting Auditor

In the event of any obstacles to the execution of the accounting auditors' duties, etc., the Audit and Supervisory Committee will determine the contents of a proposal regarding the dismissal or non-reappointment of the accounting auditors.

In the event that any of the matters provided for by Article 340, paragraph (1) of the Companies Act are applicable to the accounting auditors, the Audit and Supervisory Committee will dismiss the accounting auditors by unanimous agreement of the Committee. In the event that this occurs, an Audit and Supervisory Committee Member selected by the Audit and Supervisory Committee will report the fact of the accounting auditor's dismissal and the reasons for that dismissal to the first General Meeting of Shareholders held after the dismissal.

### (5) Overview of Limited Liability Agreement

Not applicable.

## **7. Company Structure and Policies**

### **(1) System to ensure the properness of operations**

The following is an overview of decisions regarding the system for ensuring that the directors of the Company and the Group execute their duties in accordance with laws, regulations, and the Articles of Incorporation, and the system for otherwise ensuring the appropriateness of business operations by the Company.

#### **(i) Systems for ensuring compliance by Company and Group Company Directors with laws and regulations and the Articles of Incorporation in the performance of their duties**

The Company and the Group are cognizant that enhancing corporate governance is a key management issue and make it their fundamental policies to ensure total compliance with corporate ethics and laws and regulations, and to reinforce internal control systems while ensuring the soundness, efficiency, and transparency of business operations and raising corporate value.

To achieve such compliance, the Company has established Rules on Officers applicable to directors and the Board of Directors Rules applicable to the Board of Directors. To ensure appropriate management, the directors monitor each other's status of execution of duties at regularly-held Board of Directors meetings and at extraordinary meetings held on a dynamic basis as necessary. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Internal Approval, clarifying the scope of authority of each director and ensuring that mutual supervision by directors is effective.

In addition, the Company established an Audit Office under the direct authority of the Representative Director, President & COO. The Audit Office works in collaboration with the Administration Headquarters and other departments to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

Meanwhile, the Company is a Company with an Audit and Supervisory Committee, where each Committee Member, including Outside Directors who serve as Audit and Supervisory Committee Members, conducts rigorous audits regarding the execution of duties by Directors.

In addition, the Company has established a management system to promote CSR and sustainability across the Group, having established the Sustainability Committee, chaired by the Representative Director, President & COO, directly under which exists specialized committees for compliance, risk management, information disclosure, environmental management promotion, diversity promotion, and governance.

#### **(ii) The systems for the preservation and control of information relating to the execution of duties by directors**

Information relating to the execution of duties by directors is appropriately and accurately controlled and preserved according to the qualities of the recording media in accordance with the Document Control Rules, which set forth the standards on the preparation and retention of documents, and the Document Control in Handling Manual, which sets forth detailed provisions on document retention procedures and periods.

#### **(iii) Rules and other systems relating to control of the risk of loss**

Potential risks for the Group include those related to economic conditions, exchange rates, country risk, procurement, proprietary products, legal regulations, stock market risk, material litigation, personal information, M&A, trade compliance, compensation claims, human resources and labor management, group governance, and cybersecurity. Regarding these risks, responsible departments are designated for each specific risk, and necessary and appropriate systems are established to manage them under the direction and supervision of the risk management officer in each department.

If any of the risks mentioned above should occur, the corresponding responding divisions will immediately take necessary and appropriate responsive measures to minimize the occurrence of damage under the direction of the risk control officers and managers.

In addition, with the establishment of the Risk Management Committee directly under the Sustainability Committee, the Company established a system to respond promptly and appropriately to risks foreseen by the Group.

**(iv) Systems for ensuring the efficient execution of duties by the directors of the Company and Group companies**

The foundations of systems for ensuring the efficient execution of duties by the directors of the Company and Group companies are periodic meetings of the Board of Directors and extraordinary meetings of the Board held when necessary. Meetings of the Management Meeting are held prior to meetings of the Board of Directors with regard to important matters that are within the scope of duties of the directors to conduct prior deliberations so that the Board can engage in enhanced deliberations and make prompt decisions.

The Company also introduced delegation-based and employment-based executive officer systems to separate management decision-making and supervisory functions from business execution functions and to clarify each role, and has established structures that enable timely responses while enhancing the functions of Board of Directors and business execution functions. In addition, having an appropriate number of directors allows for adequate deliberation and appropriate and timely decision-making.

With regard to specific execution of duties, the Board of Directors sets company-wide targets, formulates medium-term management plans to achieve those targets, and establishes necessary and appropriate systems for the execution of duties so that each executive officer responsible for business divisions can carry out those plans.

In addition, the Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Management of Affiliated Companies regarding the allocation of work duties, authority, and so on to the directors of the Company and Group companies. These rules provide for the efficient execution of work duties.

**(v) Systems for ensuring compliance by Company and Group Company employees with laws and regulations and the Articles of Incorporation in the performance of their duties**

The Basic Compliance Rules were established as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation by employees of the Company and Group companies when executing their duties. To ensure the effectiveness of these rules, the Company also established the Compliance Committee directly under the Sustainability Committee, establishing a system that can make appropriate group-wide responses.

In addition, the Company established an Audit Office under the direct authority of the Representative Director, President & COO. The Audit Office works in collaboration with the Administration Headquarters and other departments to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules.

The Company has also established an internal reporting (whistleblowing) system that allows employees to directly and anonymously report conduct by the Company or Group companies in violation of laws and regulations or the Articles of Incorporation to the Representative Director, Founder & CEO; Representative Director, President & COO; Audit and Supervisory Committee Members; the Sustainability Committee; or the Sexual Harassment Investigation and Countermeasures Committee.

**(vi) System to ensure the appropriateness of business operations by the corporate group comprising the Company and its affiliated companies**

The Company established the Rules on Management of Affiliated Companies to ensure appropriate business operations by affiliated companies and conducts control in accordance with those rules. Also, coordination among Group companies and key decisions require deliberation and decisions by the Company's Group Management Headquarters Meeting and Board of Directors.

In addition, the Company's Audit Office works in collaboration with the Administration Headquarters and other departments to achieve overall uniformity in Group business activities, conducts audits regarding the appropriateness of those business activities and compliance with laws

and regulations and the Articles of Incorporation and so on, and indicates improvements to be made in business activities.

Furthermore, Group companies submit all minutes of their Board of Directors meeting to the Company and make monthly reports on business activities, status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

**(vii) Matters relating to employees supporting the work of Audit and Supervisory Committee Members**

The Company's Rules on the Allocation of Work Duties include provisions relating to employees who assist Audit and Supervisory Committee Members in the performance of their duties. Centered around the Audit Office, the Audit and Supervisory Committee Members utilize these employees to perform audit support work as necessary.

**(viii) Matters relating to the independence from the directors of employees supporting the work of Audit and Supervisory Committee Members and matters relating to ensuring the effectiveness of indications by Audit and Supervisory Committee Members to employees**

The Company's Rules on the Allocation of Work Duties provide that in cases where an employee is affiliated with the Audit Office and other departments that assist Audit and Supervisory Committee Members in the performance of their duties, only Audit and Supervisory Committee Members have the authority to issue instructions and orders relating to that work. In cases of transfer, evaluation, and disciplinary disposition of such employees, the consent of Audit and Supervisory Committee Members is required.

**(ix) Systems for directors and employees of the Company and Group companies to report to Audit and Supervisory Committee Members and other systems for reporting to Audit and Supervisory Committee Members**

If a Company director discovers facts that present a risk of causing substantial damage to the Company, such a director must immediately report those facts to the Audit and Supervisory Committee pursuant to the Rules on Corporate Officers, and the Company has established systems for timely and accurate reporting to the Audit and Supervisory Committee.

If an employee of the Company, director or employee of a Group company discovers facts in violation of laws and regulations or the Articles of Incorporation or discovers facts that present a risk of causing substantial damage to the Company or the respective Group company, such director or employee must immediately report to Audit and Supervisory Committee Members in accordance with the Rules on Work Authority, and the Company has established systems that enable employees to make reports directly to Audit and Supervisory Committee Members.

**(x) Systems for ensuring that the persons who make reports to Audit and Supervisory Committee Members are not subject to disadvantageous treatment as a result of making such reports**

Reports made via the internal whistleblowing system can be made anonymously. Since reporting individuals cannot be identified, there is a system in place to prevent disadvantageous treatment of persons making reports.

**(xi) Matters relating to procedures for advance payment or reimbursement of expenses arising in the course of Audit and Supervisory Committee Members performing their duties and policies regarding handling of expenses or obligations arising in the course of Audit and Supervisory Committee Members performing their duties**

When requests are made by Audit and Supervisory Committee Members for advance payment of expenses or for reimbursement of expenses paid or obligations incurred, except in cases where it can be established that those expenses and so on did not arise in the course of Audit and Supervisory Committee Members performing their duties, the Company shall comply with such requests.

**(xii) Other systems for ensuring effective implementation of audits by Audit and Supervisory Committee Members**

The Company's Audit and Supervisory Committee Members are required to attend important internal meetings in addition to Board of Directors meetings, and must express their opinions as necessary. In addition, the Company ensures the appropriate operation of the Audit and Supervisory

Committee based on the “Regulations of the Audit and Supervisory Committee.” At the same time, it has established the “Audit and Supervisory Committee Auditing Standards,” which serve as the behavioral guidelines, audit criteria, and framework for each Committee Member’s audit system, thereby ensuring that audits by each member are conducted effectively.

Regarding items (i) through (xii) above, the Company will strive to establish a more appropriate system by revising the relevant rules as necessary.

## **(2) Overview of operational status of system to ensure the properness of operations**

The following is an overview of the status of operation of the system for ensuring the appropriateness of business operations by the Company and the Group.

### **(i) Compliance initiatives and compliance system**

The Compliance Committee held meetings. Additionally, during the fiscal year ended March 31, 2026, the Company conducted 16 practical training sessions for officers and employees of the Group to ensure compliance with laws and regulations, including preventing harassment, preventing accounting fraud, training about contracts and the Subcontract Act, dealing with antisocial forces, and more.

The Company is also making efforts to prevent compliance violations by establishing Compliance Rules and raising awareness about compliance and establishing an internal reporting (whistleblowing) system to allow people to directly and anonymously report violations.

### **(ii) Risk management system and risk management initiatives**

The Risk Management Committee holds meetings at which they analyze and consider responses to various risks of the Group, and previously designated departments in charge of potential risks make efforts to reduce those risks.

In addition, the Company has established Risk Management Rules and strives to strengthen its risk management system by clearly stating methods of responding to operational risks.

### **(iii) Ensuring the appropriateness of business operations of the Group**

The Company established a Group Management Headquarters to centrally manage data from Group companies and set out a system under which Rules on Management of Affiliated Companies are enforced, detailed information about authority commensurate with the size of Group companies is prepared, and other measures to ensure the appropriateness of the business operations of associated companies are taken.

Additionally, in accordance with Rules on Internal Audits, the Audit Office audited 20 divisions of the Company and 12 divisions of six Group companies during the fiscal year under review. While conducting scheduled internal audits and continuing to advise on improvements to be made in business activities, the Audit Office collaborates with auditor audits in an effort to more rigorously enforce compliance with laws, regulations, and the Articles of Incorporation as well as internal rules.

Group Company Administration Department Managers’ Meetings, Sales Meetings, Budget Meetings, and other meetings are also held and attended by Group companies in an effort to share information between Group companies and improve the functionality of internal control throughout the Group.

### **(iv) Ensuring the Effectiveness of Audits by Audit & Supervisory Board Members and Audit and Supervisory Committee Members; Management Structure for Audit & Supervisory Board Members and Audit and Supervisory Committee Members**

During the fiscal year under review, the Company transitioned from a Company with an Audit & Supervisory Board to a Company with an Audit and Supervisory Committee on June 26, 2025. In the period prior to this transition, the Audit & Supervisory Board met seven times, and in the period following the transition, the Audit and Supervisory Committee met 12 times to verify the details of deliberations at Board of Directors meetings.

The Audit and Supervisory Committee Members met with the accounting auditors at scheduled quarterly meetings and ad-hoc meetings. The Audit and Supervisory Committee Members strive to gather information from outside institutions, and the Company strives to ensure the effectiveness of business audits within the Group; for example, Full-time Audit and Supervisory Committee Members serve concurrently as auditors at key Group companies.

### **(3) Policy on Decisions on Dividends and Other Appropriation of Surplus**

From the perspective of actively providing dividends to shareholders, the Company has raised the guideline for the consolidated dividend payout ratio to 30% - 40% in the new medium-term plan, and based on this we will endeavor to grow dividends through medium- and long-term growth in profits. For regular dividends, we have established a new index of DOE 4.0% as a guideline for stable and continuous dividends. As additional measures according to the profit level and capital efficiency, we will dynamically carry out extraordinary dividends and acquisition of treasury shares.

**Reference Information**

**Consolidated Statement of Comprehensive Income**

(From April 1, 2025 to March 31, 2026)

(Million yen)

Account title	Amount	
<b>Profit</b>		<b>31,163</b>
<b>Other comprehensive income</b>		
Valuation difference on available-for-sale securities	1,573	
Deferred gains or losses on hedges	27	
Foreign currency translation adjustment	4,698	
Remeasurements of defined benefit plans, net of tax	261	
Share of other comprehensive income of associates accounted for using equity method	(14)	6,547
<b>Comprehensive income</b>		<b>37,711</b>
Comprehensive income attributable to owners of parent		37,428
Comprehensive income attributable to non-controlling interests		283

(Note) Figures are rounded down to the nearest million yen.

## Consolidated Statement of Changes in Equity

(From April 1, 2025 to March 31, 2026)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	14,885	121,553	(5,579)	142,993
Changes of items during period					
Dividends of surplus			(5,750)		(5,750)
Profit attributable to owners of parent			31,099		31,099
Purchase of treasury shares				(14,448)	(14,448)
Disposal of treasury shares		30		23	54
Cancellation		(149)	(9,947)	10,096	-
Net changes of items other than shareholders' equity					
Total changes of items during period	-	(118)	15,402	(4,328)	10,955
Balance at the end of current period	12,133	14,767	136,955	(9,908)	153,948

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	3,263	(28)	18,959	1,031	23,225	160	166,379
Changes of items during period							
Dividends of surplus							(5,750)
Profit attributable to owners of parent							31,099
Purchase of treasury shares							(14,448)
Disposal of treasury shares							54
Cancellation							-
Net changes of items other than shareholders' equity	1,362	27	4,677	261	6,329	(148)	6,181
Total changes of items during period	1,362	27	4,677	261	6,329	(148)	17,136
Balance at the end of current period	4,626	(1)	23,636	1,293	29,555	12	183,516

(Note) Figures are rounded down to the nearest million yen.

## Notes to the Consolidated Financial Statements

### 1. Basis of Preparation of Consolidated Financial Statements

#### (1) Scope of consolidation

Number of consolidated subsidiaries and names of consolidated subsidiaries

- 1) Number of consolidated subsidiaries 68
- 2) Names of major consolidated subsidiaries  
KAGA DEVICES CO., LTD.  
KAGA SOLUTION NETWORK CO., LTD.  
AD DEVICE CO., LTD.  
KAGA FEI Co., Ltd.  
EXCEL CO., LTD.  
Kyoei Sangyo Co., Ltd.  
KAGA (SHANGHAI) ELECTRONICS CO., LTD.  
KAGA (H.K.) ELECTRONICS LIMITED  
KAGA ELECTRONICS (THAILAND) COMPANY LIMITED  
KAGA DEVICES (H.K.) LIMITED  
KAGA FEI ELECTRONICS PACIFIC ASIA LIMITED  
EXCEL ELECTRONICS (HONG KONG) LTD.

Furthermore, KAGA DEVICES CO., LTD. and EXCEL CO., LTD. merged on April 1, 2026, with KAGA DEVICES CO., LTD. as the surviving company in an absorption-type merger.

#### 3) Changes in scope of consolidation

Kyoei Sangyo Co., Ltd., Kyoei System Co., Ltd., Kyoei Marine Technology Co., Ltd., KYOEI ELECTRONICS SINGAPORE PTE LTD, KYOEI ELECTRONICS HONG KONG LIMITED, KYOEI ELECTRONICS SHANGHAI CO., LTD., and KYOEI ELECTRONICS (THAILAND) CO., LTD. have been included in the scope of consolidation due to the Company's acquisition of shares making Kyoei Sangyo Co., Ltd. a subsidiary from the fiscal year under review. In addition, SUZHOU KAGA SMART EQUIPMENT CO., LTD. has been included in the scope of consolidation because its equity interest exceeded a majority as a result of acquiring equity interests from existing shareholders.

#### (2) Application of equity method

##### 1) Status of associates accounted for using equity method:

- Number of associates accounted for using equity method:  
3
- Name of major company  
OTAX CO., LTD.

##### 2) Status of associates not accounted for using equity method:

- Name of major company  
Wireless City Planning Inc.
- Reason for not using the equity method  
The company was excluded from the scope of application of the equity method, because such exclusion has only an immaterial effect on the consolidated financial statements, and it has no significance.

##### 3) Matters Concerning Changes in the Scope of Application of the Equity Method

Effective from the fiscal year under review, SUZHOU KAGA SMART EQUIPMENT CO., LTD. has been excluded from the scope of application of the equity method because its equity interest exceeded a majority as a result of the company acquiring equity interests from existing shareholders.

### (3) Fiscal year of consolidated subsidiaries

Of the consolidated subsidiaries, the account closing dates for KAGA (SHENZHEN) ELECTRONICS LTD., KAGA (SHANGHAI) ELECTRONICS CO., LTD., KAGA (SHENZHEN) TRADING LTD., N.Y. SALAD Production Committee, N.Y. SALAD II Production Committee, KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD., SUZHOU TAXAN KAGA TRADING CO., LTD., KAGA TECHNOLOGY (SUZHOU) ELECTRONICS CO., LTD., SUZHOU KAGA SMART EQUIPMENT CO., LTD., AD DEVICE (SHANGHAI) CO., LTD., HUBEI KAGA ELECTRONICS LIMITED, TAXAN MEXICO S.A. DE C.V., KAGA FEI ELECTRONICS (Dalian) Software Limited, KAGA FEI ELECTRONICS (Shanghai) Co., Ltd., EXCEL ASIAN TAIWAN CO., LTD., EXCEL ELECTRONICS (HONG KONG) LTD., EXCEL INTERNATIONAL TRADING (SHANGHAI) CO., LTD., EXCEL ELECTRONICS TRADING (SHEN ZHEN) LTD., EXCEL ELECTRONICS TRADING (THAILAND) CO., LTD., Candera America Inc., TAXAN-SWE MEXICO MANUFACTURING S.DE R.L.DE C.V., KYOEI ELECTRONICS SHANGHAI CO., LTD., and KYOEI ELECTRONICS (THAILAND) CO., LTD. fall on December 31. In the preparation of the consolidated financial statements, financial statements of each of the consolidated subsidiaries as of their respective account closing dates are used. However, necessary adjustments are made for significant transactions that occurred between this date and the consolidated account closing date.

### (4) Accounting policies

#### 1) Valuation basis and methods for significant assets

##### a. Valuation basis and methods for securities

###### Trading securities

Stated at fair value (Costs of securities sold are determined based on the moving-average method)

###### Available-for-sale securities

Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving-average method)

Shares with no market value, etc.

Stated at cost determined by the moving-average method

Equity interest in investment partnerships (deemed to be securities under the provisions set forth in Article 2, paragraph (2) of the Financial Instruments and Exchange Act)

Recorded by using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

##### b. Valuation basis and methods for derivatives

Stated at fair market value.

##### c. Valuation basis and methods for inventories

Principally stated at cost determined by the specific identification method (for carrying amounts in the balance sheet, the method of reducing the carrying amount based on the decline in profitability), and at cost determined by the moving-average method (for carrying amounts in the balance sheet, the method of reducing the carrying amount based on the decline in profitability).

#### 2) Accounting methods for depreciation of significant depreciable assets

##### a. Property, plant and equipment (excluding lease assets)

The Company and some of its consolidated subsidiaries in Japan apply the declining-balance method (however, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016), and other consolidated subsidiaries apply the straight-line method.

Major useful lives are as follows:

Buildings and structures	2 to 50 years
Machinery, equipment and vehicles	2 to 12 years
Tools, furniture and fixtures	2 to 20 years

b. Intangible assets (excluding lease assets)

The Company and its consolidated subsidiaries in Japan apply the straight-line method.

c. Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

3) Accounting policy for significant provisions

a. Allowance for doubtful accounts

To prepare for credit losses on receivables, the Company and its consolidated subsidiaries in Japan recorded an estimated uncollectable amount calculated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables. Overseas consolidated subsidiaries record an estimated amount needed for receivables at the end of the fiscal year based on criteria predetermined by the company according to collectability for each business partner.

b. Provision for directors' bonuses

To provide for payments of bonuses to officers, the Company and its consolidated subsidiaries recorded the portion attributable to the fiscal year based on an estimated amount of payment.

c. Provision for directors' retirement benefits

To prepare for payment of retirement benefits for officers, some of its consolidated subsidiaries in Japan record an amount of payment required at the end of the fiscal year in accordance with internal rules.

4) Standard for conversion of significant foreign currency-denominated assets into Japanese currency

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated account closing date, and translation differences are accounted for as profit or loss. Assets and liabilities of foreign subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated account closing date, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the period. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

5) Accounting methods for significant hedging

a. Accounting methods for hedging

The deferral hedge accounting is applied.

The *furiate-shori* (designated exceptional hedge accounting under the Japanese GAAP) is applied to forward exchange contracts that qualify for *furiate-shori*, and designated exceptional accounting is applied to interest rate swaps that qualify for exceptional accounting.

b. Hedging instrument and hedged item

Forward exchange contracts and non-deliverable forward (NDF) contracts are entered into as a hedge against exchange rate fluctuation risk for foreign currency-denominated assets and liabilities and foreign currency-denominated forecast transactions. In addition, interest rate swap transactions are conducted for interest expenses on long-term loans payable.

c. Hedging policy

The Company determines its hedging policy based on internal rules. As for forward exchange contracts, exchange rate fluctuation risk is hedged. Furthermore, as for interest rate swap

transactions, risk of increase in interest rate for interest expenses on long-term loans payable is hedged.

d. Method of assessing hedge effectiveness

In the period from inception of the hedge to assessment of the effectiveness, the Company compares foreign currency-denominated assets and liabilities and foreign currency-denominated forecast transactions with changes in cash flows of forward exchange contracts, which are hedging instruments, and judges the effectiveness based on the variable ratio, etc. between the two. However, for interest rate swaps that are accounted for using exceptional accounting, since the Company has confirmed that important conditions for hedging instruments and hedged items are identical, the assessment of effectiveness is omitted.

6) Accounting policy for significant revenues and expenses

The Group consists of Electronic Components, Information Equipment, Software, and Others. As for details of main performance obligations in major businesses regarding revenue from contracts with customers of the Company and its consolidated subsidiaries and the typical timing when these performance obligations are satisfied (typical timing of revenue recognition), because the Company and its consolidated subsidiaries consider that material risks and economic rewards associated with legal ownership of merchandise and finished goods and possession of merchandise and finished goods, etc. are transferred and the performance obligations are satisfied at the time when each of merchandise and finished goods, etc. is transferred to customers, revenue is recognized at that time. For sales of some merchandise and finished goods, the Company applies the alternative treatment stipulated in paragraph 98 of the “Implementation Guidance on Accounting Standard for Revenue Recognition,” and for sales of merchandise and finished goods in Japan, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the merchandise and finished goods in question is transferred to the customer is a typical period of time. Of sales of merchandise, those for which the Company and its consolidated subsidiaries consider that they act as an agent, the net amount calculated by deducting the amount paid to the other party from the amount received in exchange for merchandise that the other party provides is recognized as revenue. Furthermore, if variable consideration such as rebates is included in contracts with certain customers for Information Equipment, revenue is determined as an amount derived by deducting rebate and others from consideration promised with the customer, and the estimated amount of the rebate is determined based on past records. Consideration for transactions is received within one year from the satisfaction of the performance obligation, and does not contain any significant financial component.

7) Other significant matters for preparing consolidated financial statements

a. Accounting method for net defined benefits

To prepare for retirement benefits for employees, net defined benefit liability is recorded in an amount calculated by deducting the amount of pension assets from retirement benefit obligations based on an expected amount at the end of the fiscal year. In the calculation of retirement benefit obligations, estimated retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis. Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service years (10 years) of employees when incurred. Actuarial calculation differences are amortized using the straight-line method for a certain number of years (mainly 10 years) during the average remaining service period for employees in each fiscal year when they occur, and the amounts allocated are treated as expenses from the fiscal year following the year in which they occur. Unrecognized actuarial calculation differences and unrecognized past service liabilities are reported as remeasurements of defined benefit plans under accumulated other comprehensive income in the net assets section after considering tax effects.

b. Application of the group tax sharing system

The group tax sharing system is applied.

## (5) Amortization of goodwill

Goodwill is amortized in equal amounts over the period in which its effects will be realized (in principle, five years). However, if the quantitative materiality is insignificant, goodwill is fully amortized in the fiscal year during which it arises.

## 2. Notes to Changes in Presentation Method

(Consolidated Balance Sheet)

Because the monetary importance of “Net defined benefit asset,” which had been included in “Other” under “Investments and other assets” through the previous fiscal year, has increased, it has been provided in its own category from the fiscal year under review.

The amount of “Net defined benefit asset” in the previous fiscal year was 1,562 million yen.

## 3. Accounting Estimates

Valuation of unlisted shares, etc. including investments in venture companies

### 1) Amount recorded in the consolidated financial statements for the fiscal year under review

Investment securities	677 million yen
Loss on valuation of investment securities	105 million yen

### 2) Other information that contributes to understanding of details of accounting estimates

As for unlisted shares, etc., the real value is calculated on the basis of the amount of net assets per share based on the latest financial statements that can be obtained from the investee, and the like. If the real value declines significantly, valuation loss is recorded. Particularly investments in venture companies may be acquired at a higher price compared with the amount of net assets. In the case where the excess earning power, etc. is no longer expected in view of the status of achievement of the medium- to long-term business plan obtained at the time of the acquisition and reasonableness of future forecast, valuation loss is recorded only if the real value reflecting the excess earning power, etc. has decreased significantly. The real value reflecting the excess earning power, etc. may be affected by changes in the uncertain corporate environment in the future and other factors. If it becomes necessary to review the real value reflecting the excess earning power, etc., additional losses may be incurred in and after the next fiscal year.

## 4. Notes to Consolidated Balance Sheet

(1) Accumulated depreciation of property, plant and equipment 34,358 million yen

### (2) Contingent liabilities (Guarantee obligations)

Contingent liabilities (guarantee obligations) for borrowings of the Company’s employees from financial institutions under the loan facilitation system, etc.	1 million yen
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## 5. Notes to Consolidated Statement of Changes in Equity

### (1) Class and total number of issued shares, and class and number of treasury shares

	Number of shares at beginning of the fiscal year	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year
Issued shares				
Common shares	57,404,236	–	4,917,400	52,486,836
Total	57,404,236	–	4,917,400	52,486,836
Treasury shares				
Common shares	4,847,842	4,918,089	4,938,127	4,827,804
Total	4,847,842	4,918,089	4,938,127	4,827,804

- (Notes) 1. The decrease in the total number of issued shares is due to a reduction of 4,917,400 shares resulting from the cancellation of treasury shares.
2. The increase in treasury shares was due to the repurchase of 339 fractional shares (shares less than one unit) and the purchase of 4,917,750 treasury shares (including 350 shares acquired without consideration). The decrease was due to the granting of 20,727 shares with transfer restrictions and the cancellation of 4,917,400 treasury shares. The number of treasury shares at the end of the fiscal year under review is 4,412 shares more than the number of treasury shares at the end of the fiscal year under review stated in the Notes to the Non-consolidated Financial Statements due to the Company's shares held by associates accounted for using equity method.

### (2) Dividends of surplus

#### 1) Dividends paid

Resolved at	Classes of shares	Total dividends (Million yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders on June 26, 2025	Common shares	2,890	55	March 31, 2025	June 27, 2025
Board of Directors meeting held on November 6, 2025	Common shares	2,859	60	September 30, 2025	December 5, 2025

#### 2) Dividends whose effective date falls in the fiscal year following the fiscal year of the record date

To be resolved at	Classes of shares	Total dividends (Million yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
Board of Directors meeting held on May 14, 2026	Common shares	3,813	Retained earnings	80	March 31, 2026	June 10, 2026

## 6. Financial Instruments

### (1) Status of financial instruments

#### 1) Policy on financial instruments

The Group procures the funds necessary for carrying out business strategies as prescribed in the Medium-Term Management Plan by means of borrowings from banks and other entities, and issue of bonds payable. A temporary surplus fund is invested in financial assets that are highly secure, and working capital is procured mainly by borrowing from financial institutions. Derivatives are used to avoid exchange rate fluctuation risk for foreign currency-denominated trade receivables and payables and loans payable, and the policy is that any speculative transactions are not conducted.

#### 2) Description of financial instruments and their risks, and risk management system

Although notes receivable - trade, electronically recorded monetary claims - operating, and accounts receivable - trade, which are trade receivables, are exposed to credit risk of customers, the Company works to mitigate risks in accordance with the Receivables Management Rules. In addition, although

foreign currency-denominated trade receivables arising from the global operational presence are exposed to exchange rate fluctuation risk, the Company uses forward exchange contracts to hedge this risk in principle.

Securities and investment securities are mainly shares related to business or capital alliances, etc. with business partners, and exposed to risk of fluctuations in market prices, but fair values obtained are periodically reported to the Board of Directors. Furthermore, the status of holding such securities is continuously reviewed based on relationships with the business partners.

Notes and accounts payable - trade, which are operating payables, are all due for payment within one year. In addition, some of them are denominated in foreign currencies like receivables, and forward exchange contracts are used to hedge exchange rate fluctuation risk.

Loans payable are principally aimed to raise funds for working capital and capital investment.

Bonds payable are principally aimed to raise funds for business acquisition.

### 3) Supplementary explanation regarding fair value, etc., of financial instruments

Fair values related to financial instruments include value based on market prices, and in addition, reasonably determined value when there is no market price. As the calculation of said fair values includes variable factors, these values may fluctuate if different assumptions are used, etc.

#### (2) Fair values of financial instruments

Carrying amounts in the consolidated balance sheet, fair values, and the differences between them as of March 31, 2026 were as follows:

(Million yen)			
	Carrying amount	Fair value	Difference
Securities	141	141	-
Investment securities (*2) (*3)	17,258	17,258	-
Corporate bonds	[5,200]	[5,126]	73
Long-term loans payable	[6,571]	[6,417]	153
Derivatives (*5)	[32]	[32]	-

- (\*1) Information on “cash and deposits,” “notes receivable - trade,” “electronically recorded monetary claims - operating,” “accounts receivable - trade,” “notes and accounts payable - trade,” “short-term loans payable,” “income taxes payable,” and “current portion of bonds payable” is omitted, since these accounts are settled or repaid in cash and in a short period of time, and therefore, their fair value approximates the carrying amount.
- (\*2) Shares with no market price, etc. are not included in “Investment securities.” The carrying amounts of the financial instruments are as follows.

Shares of associates	777 million yen
Unlisted shares	677 million yen

- (\*3) Information on investments in partnerships and other equivalent entities in which the amount corresponding to equity interest is recorded on a net basis in the consolidated balance sheet is omitted. The carrying amount of these investments is 689 million yen.
- (\*4) The figures in brackets indicate those recorded in liabilities.
- (\*5) Net receivables and payables arising from derivatives are presented on a net basis, and value of a net payable after totaling of receivables and payables is shown in brackets.

(3) Components of fair values of financial instruments by level, etc.

Fair values of financial instruments are classified into the following three levels, depending on observability and significance of inputs for determining fair values.

Fair values of Level 1: Fair value determined based on a quoted market price for the asset or liability whose fair value is measured, which is formed in an active market, out of observable inputs for fair value measurement

Fair values of Level 2: Fair value determined using inputs for fair value measurement other than Level 1 inputs, out of observable inputs for fair value measurement

Fair values of Level 3: Fair value determined using unobservable inputs for fair value measurement

If multiple inputs that have a significant influence on determination of fair value, the fair value is classified as the lowest priority level of fair value measurement of levels in which each input belongs.

1) Financial instruments recorded at fair value on the consolidated balance sheet

Item	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Securities				
Shares	141	–	–	141
Investment securities				
Shares	15,337	–	–	15,337
Investment trusts	1,921	–	–	1,921
Total assets	17,399	–	–	17,399
Derivatives				
Currency related	–	32	–	32
Total liabilities	–	32	–	32

2) Financial instruments other than those recorded at fair value on the consolidated balance sheet

Item	Fair value (Million yen)			
	Level 1	Level 2	Level 3	Total
Corporate bonds	–	5,126	–	5,126
Long-term loans payable	–	6,417	–	6,417
Total liabilities	–	11,543	–	11,543

(Note) Explanation of valuation techniques used to determine fair values and inputs for fair value measurement

Securities and investment securities

Since listed shares are measured using the quoted market price and trust investments are measured using reference prices and they both are traded in an active market, their fair value is classified as Level 1 fair value.

Derivatives

Fair value of forward exchange contracts is determined by the discounted cash flow method, using observable inputs such as exchange rates, and classified as Level 2 fair value. The fair value of forward exchange contracts that are accounted for using the *furiate-shori*, is included in that of corresponding receivables and payables (accounts receivable - trade, notes payable - trade, and accounts payable - trade), since those forward exchange contracts are treated as an adjustment to the receivables and payables as hedged items.

Corporate bonds

Fair value of bonds issued by the Company is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the bonds, using the discounted cash flow method, and is classified as Level 2 fair value.

#### Long-term loans payable

Fair value of long-term loans payable is determined based on the total of principal and interest as well as the interest rate taking into account the remaining period and credit risk of the loans payable, using the discounted cash flow method, and is classified as Level 2 fair value.

## 7. Revenue Recognition

### (1) Information on disaggregation of revenue from contracts with customers

(Million yen)

	Reportable segments				Total
	Electronic Components	Information Equipment	Software	Others	
Net sales					
Japan	319,847	54,158	3,307	21,995	399,309
North America	47,202	–	–	8,156	55,358
Europe	28,161	–	–	83	28,245
Asia	173,597	–	–	1,655	175,253
Revenue from contracts with customers	568,807	54,158	3,307	31,892	658,165
Other revenue	27	23	–	725	776
Sales to external customers	568,834	54,182	3,307	32,617	658,941

### (2) Information forming the basis for understanding revenue

The information is stated in 6) Accounting policy for significant revenues and expenses in (4) Accounting policies of 1. Basis of Preparation of Consolidated Financial Statements.

### (3) Information for understanding the amount of revenue in the fiscal year under review and the following fiscal years

#### 1) Balance of receivables from contracts with customers and contract liabilities

	Fiscal year ended March 31, 2026 (Million yen)
Receivables from contracts with customers (Balance at the beginning of period)	114,047
Receivables from contracts with customers (Balance at the end of period)	173,253
Contract liabilities (Balance at the beginning of period)	2,623
Contract liabilities (Balance at the end of period)	3,611

Contract liabilities are principally consideration received from customers based on payment terms and conditions before delivery of merchandise, and reversed upon the recognition of revenue. They are included in “other” under “current liabilities” on the consolidated financial statements. Of revenue recognized during the fiscal year under review, the amount included in the balance of contract liabilities as at the beginning of the year was 1,810 million yen.

## 2) Transaction price allocated to remaining performance obligations

The Company and its consolidated subsidiaries apply the practical expedient in providing a note on transaction prices allocated to remaining performance obligations, and include contracts with an initial expected contract period of one year or less in the scope of note disclosure. These performance obligations are related to manufacture and sale in all the businesses, and the total amount of transaction price allocated to remaining performance obligations and period in which revenue is expected to be recognized are as follows.

	Fiscal year ended March 31, 2026 (Million yen)
Within 1 year	837
After 1 year through 2 years	346
After 2 years through 3 years	286
After 3 years	617
Total	2,089

## 8. Business Combinations

### Business Combination through Acquisition

#### (1) Outline of the business combination

##### (i) Name and business of acquired company

Name of the acquired company: Kyoei Sangyo Co., Ltd.

Business description: Sales of semiconductor and device products, metal materials, industrial equipment, printed circuit boards, and software development.

##### (ii) Main reason for conducting the business combination

The Company has been expanding the scope of its operations by responding to a variety of customer needs under its corporate philosophy of “Everything we do is for our customers.” since its foundation. As an independent general trading company with a specialization in electronics, the Company is engaged in a wide variety of business activities and offers a variety of services to customer both in Japan and abroad, ranging from the Electronic Parts and Semiconductor business where it distributes electronic parts and semiconductors by leveraging its expertise in the segment, the EMS business (contracted manufacturing of electrical substrates) where it has a competitive advantage in high-mix low-volume production, to the Information Equipment business and New Business where it supports customers in planning, development and design of their products, creation of software/video images, provision of network solutions and other system support services.

However, the business environment surrounding the electronic parts and semiconductor trading companies, where many players are competing each other, has been changing more dramatically in recent years on the back of accelerated consolidation and integration of suppliers including semiconductor/device manufacturers. We believe that the competition within the industry will intensify further in the future as their policy changes concerning distribution agents, a growing trend that customers shift their assembly of finished products overseas, changes in demand and supply and in prices in both domestic and overseas markets, and shortening product lifecycles due to ongoing technological innovations.

Under these circumstances, the Company has formulated Medium-Term Management Plan 2027 (announced in November 2024), which positions increasing sales of electronic devices to major customers of electronic components business, a core business; the expansion of the EMS business focusing on overseas markets; and the generation of new business revenue through M&As (mergers and acquisitions) as drivers of growth, under a basic policy of “enhancing corporate value through management focused on profitability and capital efficiency.” The Tender Offer for

shares of Kyoei Sangyo is to be made as part of the growth strategy described in the medium-term management plan.

(iii) Date of business combination

July 18, 2025 (deemed acquisition date: June 30, 2025)

(iv) Legal form of business combination

Cash acquisition of shares

(v) Name of company after combination

Kyoei Sangyo Co., Ltd.

(vi) Percentage of voting rights acquired

Ratio of voting rights held immediately before acquisition	9.31%
Ratio of voting rights acquired through a tender offer	45.16%
Ratio of voting rights acquired through a squeeze-out	27.17%
Ratio of voting rights of the acquired company's treasury shares	18.36%
Ratio of voting rights after the acquisition	100.00%

(vii) Main basis for determining acquiring company

Due to the acquisition of the shares by the Company for cash consideration.

(2) Period of performance of acquired company included in these consolidated financial statements

July 1, 2025 to March 31, 2026

(3) Breakdown of cost and consideration for acquired company by class

Market value of shares held immediately before the date of business combination on the date of business combination	1,120 million yen
Consideration for acquisition: cash	10,581 million yen
Acquisition cost	11,701 million yen

(4) Details and amount of main costs related to acquisition

Advisory fees, etc. 196 million yen

(5) Difference between the acquisition cost of the acquired company and the total cost of acquisitions for each transaction required until acquisition

Gain on step acquisitions 466 million yen

(6) Amount and cause of gain on bargain purchase

(i) Amount of gain on bargain purchase

7,594 million yen

(ii) Reason for incurrence

Since the fair value of the net assets at the time of stock acquisition of the acquired company exceeded the acquisition cost, the difference amount was recognized as gain on bargain purchase.

(7) Amounts of assets received and liabilities assumed on the date of the business combination and the major components thereof

Current assets	28,298 million yen
Non-current assets	8,347 million yen
Total assets	36,645 million yen
Current liabilities	12,738 million yen
Non-current liabilities	5,064 million yen
Total liabilities	17,803 million yen

## 9. Per Share Information

(1) Net assets per share	3,850.35 yen
(2) Earnings per share	627.71 yen

## 10. Significant Subsequent Events

The Company, at a meeting of the Board of Directors held on May 15, 2026, resolved to acquire through a tender offer the common shares of Shinko Shoji Co., Ltd. (the “Target Company”), which is listed on the Tokyo Stock Exchange Prime Market (excluding, however, the shares of the Target Company held by the Company and the treasury shares held by the Target Company), pursuant to the Financial Instruments and Exchange Act (Act No. 25 of 1948, including subsequent revisions), in order to make the Target Company a wholly-owned subsidiary of the Company.

### (1) Background, purpose and decision-making process that led to the Company’s resolution to implement a tender offer

The Company expects to achieve synergies by collaborating with the Target Company under unified decision-making to expand the sales of mutual products. However, if the Target Company’s shares remain listed, it is necessary to maintain an independent management system that considers shareholder interests from a governance perspective. In such a capital relationship, both company groups would be unable to make agile decisions. By making the Target Company, which sells electronic components such as semiconductors, a wholly-owned subsidiary, the Company can strengthen its Group’s electronic components business, including the semiconductor business. Additionally, the Target Company’s group can further enhance its business by implementing strategies that leverage the Group’s network, resources, and expertise.

Furthermore, the Company has determined that making the Target Company a wholly-owned subsidiary of the Company is essential to maximizing the synergies and benefits described below and to enhancing the medium- to long-term corporate value of both the Group and the Target Company’s group. Specifically, the Company anticipates the following synergies and benefits from the completion of this transaction.

- (i) Complementary product lineups
- (ii) Complementary sales channels and strengthening of sales capabilities leveraging both parties’ technical expertise
- (iii) Strengthening of the Target Company group’s EMS business by utilizing the Group’s manufacturing bases and procurement capabilities
- (iv) Exploration of new business opportunities in collaboration with the Group’s CVC (Corporate Venture Capital) business

Based on the above considerations, the Company has decided to conduct this tender offer as part of this transaction.

### (2) Outline of the Target Company

(i) Name	Shinko Shoji Co., Ltd.
(ii) Address of Head Office	13F, Art Village Osaki Central Tower, 1-2-2 Osaki, Shinagawa-ku, Tokyo
(iii) Representative’s title and name	President and CEO Tatsuya Ogawa
(iv) Description of business	Sales of electronic components such as integrated circuits and semiconductor elements, assembly products and electronic equipment, as well as related import/export operations and businesses incidental thereto.

(v) Capital	9,501,930,000 yen (as of September 30, 2025)	
(vi) Date of establishment	November 25, 1953	
(vii) Scale	Net assets	53,541 million yen
(Consolidated figures for the fiscal year ended March 31, 2026)	Total assets	80,796 million yen
	Net sales	99,113 million yen
	Operating income	1,201 million yen
	Ordinary income	1,555 million yen
	Profit attributable to owners of parent	1,127 million yen

(3) Overview of tender offer, etc.

Number of shares planned to be purchased 29,097,599 shares

(Minimum number of shares: 19,226,700 shares, Maximum number of shares: - shares)

(Note 1) If the total number of share certificates, etc. tendered in response to the Tender Offer (the “Tendered Share Certificates, etc.”) does not meet the minimum number of shares to be purchased (19,226,700 shares), the Company will not purchase all of the Tendered Share Certificates, etc. If the total number of Tendered Share Certificates, etc. is equal to or greater than the minimum number of shares to be purchased (19,226,700 shares), the Company will purchase all of the Tendered Share Certificates, etc.

(Note 2) Since no maximum number of shares to be purchased has been set for the Tender Offer, the number of Target Company Shares to be purchased, etc. is stated as 29,097,599 shares, which is the maximum number of Target Company Shares that the tender offeror may purchase, etc. in this Tender Offer. This figure is calculated by deducting the number of treasury shares held by the Target Company as of March 31, 2026 (1,397,967 shares) from the total number of issued shares of the Target Company as of that date (31,010,566 shares), as stated in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2026 (Under Japanese GAAP)” announced by the Target Company on May 15, 2026, resulting in 29,612,599 shares, and subsequently deducting the number of Target Company Shares held by the tender offeror as of today (515,000 shares), resulting in 29,097,599 shares. (Note that number of treasury shares held by the Target Company does not include the shares of the Target Company (1,062,700 shares) held by Custody Bank of Japan, Ltd. (Trust Account E) as trustee for the Target Company’s “Board Benefit Trust (BBT)” and “Employee Stock Ownership Plan (J-ESOP).” The same applies to the number of treasury shares held by the Target Company hereinafter.)

(Note 3) There are no plans to acquire treasury shares held by the Target Company through this Tender Offer.

(Note 4) This Tender Offer also applies to fractional shares. Please note that if shareholders exercise their right to request the repurchase of fractional shares in accordance with the Companies Act, the Target Company may repurchase its treasury shares during the Tender Offer period in accordance with applicable laws and regulations.

(4) Period of purchase, etc.

Monday, May 18, 2026 to Friday June 26, 2026 (30 business days)

(5) Price of the purchase, etc.

1,580 yen per common share

(6) Total purchase amount

45,974 million yen

(7) Settlement start day

July 3, 2026

(8) Financing

The Company plans to finance the funds for settlement of this Tender Offer through a loan from MUFG Bank, Ltd.

**Statement of Changes in Equity**  
(From April 1, 2025 to March 31, 2026)

(Million yen)

	Shareholders' equity										
	Capital stock	Capital surplus			Retained earnings					Treasury shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings		
						General reserve	Open innovation promotion reserve	Retained earnings brought forward			
Balance at the beginning of current period	12,133	13,912	118	14,030	618	7,000	25	36,280	43,923	(5,575)	64,512
Changes of items during period											
Dividends of surplus								(5,750)	(5,750)		(5,750)
Reversal of open innovation promotion reserve							(25)	25	-		-
Profit								19,894	19,894		19,894
Purchase of treasury shares										(14,448)	(14,448)
Disposal of treasury shares			30	30						23	54
Cancellation of treasury shares			(149)	(149)				(9,947)	(9,947)	10,096	-
Net changes of items other than shareholders' equity											
Total changes of items during period	-	-	(118)	(118)	-	-	(25)	4,222	4,197	(4,328)	(249)
Balance at the end of current period	12,133	13,912	-	13,912	618	7,000	-	40,502	48,121	(9,903)	64,263

	Valuation and translation adjustments			Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	2,883	(23)	2,859	67,372
Changes of items during period				
Dividends of surplus				(5,750)
Reversal of open innovation promotion reserve				-
Profit				19,894
Purchase of treasury shares				(14,448)
Disposal of treasury shares				54
Cancellation of treasury shares				-
Net changes of items other than shareholders' equity	325	16	341	341
Total changes of items during period	325	16	341	92
Balance at the end of current period	3,208	(7)	3,200	67,464

(Note) Figures are rounded down to the nearest million yen.

## Notes to the Non-consolidated Financial Statements

### 1. Significant Accounting Policies

#### (1) Valuation basis and methods for assets

##### 1) Valuation basis and methods for securities

###### a. Trading securities

Stated at fair value (Costs of securities sold are determined based on the moving-average method)

###### b. Shares of subsidiaries and associates

Stated at cost determined by the moving-average method

###### c. Available-for-sale securities

Securities other than shares with no market value, etc.

Stated at fair value (valuation differences are booked directly in a separate component of net assets, and cost of securities sold is determined by the moving-average method)

Shares with no market value, etc.

Stated at cost determined by the moving-average method

Equity interest in investment partnerships (deemed to be securities under the provisions set forth in Article 2, paragraph (2) of the Financial Instruments and Exchange Act)

Recorded by using a method that treats the amount (net) equivalent to the equity ownership portion based on the latest available financial statements depending on the reporting date stipulated in the partnership agreement.

##### 2) Valuation basis and methods for derivatives

Stated at fair market value.

##### 3) Valuation basis and methods for inventories

Inventories held for sale in the ordinary course of business are principally stated at cost determined by the specific identification method (for carrying amounts in the balance sheet, the method of reducing the carrying amount based on the decline in profitability), and at cost determined by the moving-average method (for carrying amounts in the balance sheet, the method of reducing the carrying amount based on the decline in profitability).

#### (2) Accounting methods for depreciation of non-current assets

##### 1) Property, plant and equipment (excluding lease assets)

Declining-balance method is applied (however, the straight-line method is used for buildings (excluding facilities attached to buildings) acquired on and after April 1, 1998 and facilities attached to buildings and structures acquired on and after April 1, 2016). Major useful lives are from 3 to 50 years for buildings, and from 2 to 20 years for tools, furniture and fixtures.

##### 2) Intangible assets (excluding lease assets)

Straight-line method is applied. Major useful life is 5 years for software for internal use.

##### 3) Lease assets

Lease assets related to finance lease transactions that do not transfer ownership

The straight-line method is applied assuming the lease period as the useful life without residual value.

(3) Accounting policy for provisions

1) Allowance for doubtful accounts

To prepare for credit losses on receivables, the Company recorded an estimated uncollectable amount calculated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.

2) Allowance for investment loss

An amount was recorded to prepare for losses expected to arise in the future from investment in subsidiaries and associates, using the amount required when considering the financial position and management results of the subsidiary, etc. in the case of under-performance in its operating results.

3) Provision for directors' bonuses

To provide for payments of bonuses to officers, the Company recorded the portion attributable to the fiscal year based on an estimated amount of payment.

4) Provision for retirement benefits (prepaid pension costs)

To prepare for payment of retirement benefits for employees, provisions are recorded based on the estimated amounts of retirement benefit obligations and plan assets at the final day of the fiscal year. Past service cost is amortized using the straight-line method over a certain number of years within the average remaining service years (10 years) of employees when incurred. Actuarial gains and losses are amortized using the straight-line method over a certain number of years within the average remaining service years (10 years) of employees when incurred, from the fiscal year following the accrual of gain or loss. In the fiscal year under review, regarding the defined benefit corporate pension plan, since the plan assets exceed the retirement benefit obligations, they are recorded as "Prepaid pension costs" in "Other" under "Investments and other assets."

(4) Standard for conversion of foreign currency-denominated assets into Japanese currency

Receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate, etc. prevailing as of the final day of the fiscal year, and translation differences are accounted for as profit or loss.

(5) Accounting policy for revenues and expenses

As for details of main performance obligations in major businesses and the normal time when these performance obligations are satisfied (typical timing of revenue recognition), because the Company considers that material risks and economic rewards associated with legal ownership of merchandise and possession of merchandise, etc. are transferred and the performance obligations are satisfied at the time when each merchandise is transferred to customers, revenue is recognized at that time. For sales of some merchandise, the Company applies the alternative treatment stipulated in paragraph 98 of the "Implementation Guidance on Accounting Standard for Revenue Recognition," and for sales of merchandise in Japan, revenue is recognized at the time of shipment if the period from the time of shipment to the time when control of the merchandise in question is transferred to the customer is a typical period of time. Of sales of merchandise, those for which the Company considers that they act as an agent, the net amount calculated by deducting the amount paid to the other party from the amount received in exchange for merchandise that the other party provides is recognized as revenue. Consideration for transactions is received within one year from the satisfaction of the performance obligation, and does not contain any significant financial component.

(6) Accounting methods for significant hedging

1) Accounting methods for hedging

The deferral hedge accounting is applied. The *furiate-shori* (designated exceptional hedge accounting under the Japanese GAAP) is applied to forward exchange contracts that qualify for *furiate-shori*, and designated exceptional accounting is applied to interest rate swaps that qualify for exceptional accounting.

2) Hedging instrument and hedged item

Forward exchange contracts and non-deliverable forward (NDF) contracts are entered into as a hedge against exchange rate fluctuation risk for foreign currency-denominated assets and liabilities and foreign currency-denominated forecast transactions. In addition, interest rate swap transactions are conducted for interest expenses on long-term loans payable.

3) Hedging policy

The Company determines its hedging policy based on internal rules. As for forward exchange contracts, exchange rate fluctuation risk is hedged. Furthermore, as for interest rate swap transactions, risk of increase in interest rate for interest expenses on long-term loans payable is hedged.

4) Method of assessing hedge effectiveness

In the period from inception of the hedge to assessment of the effectiveness, the Company compares foreign currency-denominated assets and liabilities and foreign currency-denominated forecast transactions with changes in cash flows of forward exchanges, which are hedging instruments, and judges the effectiveness based on the variable ratio, etc. between the two. However, for interest rate swaps that are accounted for using exceptional accounting, since the Company has confirmed that important conditions for hedging instruments and hedged items are identical, the assessment of effectiveness is omitted.

## 2. Notes to Changes in Presentation Method

(Non-consolidated Balance Sheet)

Because the monetary importance of “Prepaid pension costs,” which had been included in “Other” under “Investments and other assets” through the previous fiscal year, has increased, it has been provided in its own category from the fiscal year under review.

The amount of “Prepaid pension costs” in the previous fiscal year was 31 million yen.

## 3. Accounting Estimates

(1) Valuation of unlisted shares, etc. including investments in venture companies

1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Investment securities	513 million yen
Loss on valuation of investment securities	80 million yen

2) Other information that contributes to understanding of details of accounting estimates

As for unlisted shares, etc., the real value is calculated on the basis of the amount of net assets per share based on the latest financial statements that can be obtained from the investee, and the like. If the real value declines significantly, valuation loss is recorded. Particularly investments in venture companies may be acquired at a higher price compared with the amount of net assets. In the case where the excess earning power, etc. is no longer expected in view of the status of achievement of the medium- to long-term business plan obtained at the time of the acquisition and reasonableness of future forecast, valuation loss is recorded only if the real value reflecting the excess earning power, etc. has decreased significantly. The real value reflecting the excess earning power, etc. may be affected by changes in the uncertain corporate environment in the future and other factors. If it becomes necessary to review the real value reflecting the excess earning power, etc., additional losses may be incurred in and after the next fiscal year.

(2) Estimate of allowance for highly doubtful accounts for receivables

1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

Total receivables	2,678 million yen
Allowance for doubtful accounts	1,527 million yen

2) Other information that contributes to understanding of details of accounting estimates

Regarding receivables from subsidiaries categorized as highly doubtful receivables, the Company examines the collectability of receivables individually using the financial content evaluation method, and the estimated amount of bad debt is calculated based on an overall assessment of the subsidiary's solvency, taking into account the degree of insolvency of the subsidiary and its future business plans based on assumptions such as future sales forecasts and operating profit margins. If it becomes necessary to review the solvency due to future changes in the business environment, etc., the allowance for doubtful accounts may increase or decrease in the next fiscal year.

**4. Notes to Non-consolidated Balance Sheet**

(1) Accumulated depreciation of property, plant and equipment 3,250 million yen

(2) Contingent liabilities

Guarantees for borrowings from financial institutions and accounts payable of subsidiaries and associates, etc.

KAGA SOLUTION NETWORK CO., LTD.	1,812 million yen
AD DEVICE CO., LTD.	1,585 million yen
EXCEL ASIAN TAIWAN CO., LTD.	274 million yen
Other	71 million yen
Total	<u>3,744 million yen</u>

(3) Monetary receivables from or payables to subsidiaries and associates

Short-term monetary receivables	12,956 million yen
Short-term monetary payables	4,413 million yen

(4) Monetary receivables from or payables to the Directors and Auditors

Monetary payables	1,097 million yen
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The above monetary debts are debts related to the discontinuation of payments due to the abolishment of the directors' retirement benefits system approved at the 50th Ordinary General Meeting of Shareholders held on June 28, 2018.

**5. Notes to Non-consolidated Statement of Income**

Volume of transactions with subsidiaries and associates

Amount of operating transactions

Net sales	27,461 million yen
Purchase of goods	46,006 million yen
Supply of materials for value to subsidiaries and associates for subcontract processing	5,638 million yen
Transactions other than operating transactions	21,023 million yen

## 6. Notes to Non-consolidated Statement of Changes in Equity

### Number of treasury shares

Classes of shares	Number of shares at beginning of the fiscal year	Increase (shares)	Decrease (shares)	Number of shares at end of the fiscal year
Common shares	4,843,430	4,918,089	4,938,127	4,823,392

(Note) The increase in treasury shares was due to the purchase of 339 fractional shares (shares less than one share unit) and the purchase of 4,917,750 treasury shares (of which 350 shares were acquired without consideration), while the decrease was due to the granting of 20,727 shares with transfer restrictions and the cancellation of 4,917,400 treasury shares. The number of treasury shares at the end of the fiscal year under review is 4,412 shares less than the number of treasury shares at the end of the fiscal year under review in the Notes to the Consolidated Financial Statements due to shares of the Company held by associates accounted for using equity method.

## 7. Notes to Tax Effect Accounting

### (1) Main contributing factors to deferred tax assets and deferred tax liabilities

	(Million yen)
Deferred tax assets	
Devaluation of inventories	18
Deterioration in valuation of shares of subsidiaries	1,472
Accrued enterprise tax	105
Loss on valuation of investment securities	725
Directors' retirement benefits	346
Allowance for doubtful accounts	1,872
Accrued bonuses	676
Other	652
Subtotal of deferred tax assets	<u>5,868</u>
Valuation allowance on deductible temporary differences	<u>(4,765)</u>
Subtotal of valuation allowance	<u>(4,765)</u>
Total deferred tax assets	<u>1,102</u>
Deferred tax liabilities	
Valuation difference on available-for-sale securities	(1,496)
Asset retirement cost	(2)
Prepaid pension costs	(77)
Total deferred tax liabilities	<u>(1,576)</u>
Net deferred tax assets (liabilities)	<u>(473)</u>

### (2) Reconciliation of significant differences between the statutory effective tax rate and the actual effective rate of income taxes after application of deferred tax accounting

Statutory effective tax rate	30.6%
(Adjustments)	
Exclusion of entertainment expenses from deductible expenses	0.2%
Exclusion of dividends income from taxable income	(6.9)%
Non-taxable dividends from overseas subsidiaries	(13.2)%
Non-deductible overseas withholding	2.3%
Inhabitant per capita taxes	0.1%
Changes in valuation allowance	(0.4)%
Exclusion of provision for directors' bonuses from deductible expenses	0.5%
Other	(0.2)%
Subtotal	<u>(17.6)%</u>
Effective rate of income taxes after application of deferred tax accounting	<u>13.0%</u>

- (3) Accounting treatment of corporation tax and local corporation tax or accounting treatment of tax effect accounting related to these

The Company applies the group tax sharing system, and accounting treatment of corporation tax and local corporation tax or accounting treatment and disclosure of tax effect accounting related to these are conducted pursuant to “the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (Practical Solution No. 42, August 12, 2021).

## 8. Transactions with Related Party

### (1) Officers and major shareholders (limited to individuals) of the Company, etc.

Category	Name of company	Location	Capital stock or investments in capital	Details of business	Percentage of voting rights, etc., held (or held of the Company) (%)	Relationship with the related party	Transaction details	Transaction amount (Million yen)	Account title	Ending balance (Million yen)
Company, etc. in which the majority of voting rights are held by officers and their close relatives	KGF CO., LTD.	Chiyoda-ku, Tokyo	10 million yen	Operation and management of restaurants, and wholesale business	—	Interlocking of officers	Purchasing of gifts, etc. (Note)	8	—	—

(Note) The transaction price is determined in consideration of the prevailing market price.

### (2) Subsidiaries and associates of the Company

Category	Name of company	Location	Capital stock or investments in capital	Details of business	Percentage of voting rights, etc., held (or held of the Company) (%)	Relationship with the related party	Transaction details	Transaction amount (Million yen)	Account title	Ending balance (Million yen)
Subsidiary	KAGA DEVICES CO., LTD.	Chiyoda-ku, Tokyo	395 million yen	Sale of electronic components, electronic equipment, etc.	(holding) Directly 100.0	Borrowing of funds and interlocking of officers	Borrowing of funds (zero balance)	2,019	Short-term loans payable to subsidiaries and associates	2,005
	KAGA SOLUTION NETWORK CO., LTD.	Chuo-ku, Tokyo	310 million yen	Development, design, installation, and maintenance of computer network systems, and sale of information equipment, software, photosensitive material, and optical equipment, etc.	(holding) Directly 100.0	Borrowing of funds, guarantee of obligation, and interlocking of officers	Borrowing of funds (zero balance)	6,847	Short-term loans payable to subsidiaries and associates	7,825
							Guarantee of obligation	1,812	—	—
							Purchasing of merchandise	19,112	Accounts payable - trade	733
	AD DEVICE CO., LTD.	Chiyoda-ku, Tokyo	301 million yen	Sale of electronic components, electronic equipment, etc.	(holding) Directly 96.7	Borrowing of funds, guarantee of obligation, and interlocking of officers	Guarantee of obligation	1,585	—	—
KAGA SPORTS CO., LTD.	Chiyoda-ku, Tokyo	50 million yen	Manufacture, wholesale, and sale of sports goods, etc.	(holding) Directly 100.0	Lending of funds and interlocking of officers	Lending of funds (zero balance)	1,990	Short-term loans receivable from subsidiaries and associates	2,127	

Category	Name of company	Location	Capital stock or investments in capital	Details of business	Percentage of voting rights, etc., held (or held of the Company) (%)	Relationship with the related party	Transaction details	Transaction amount (Million yen)	Account title	Ending balance (Million yen)
	KAGA AMUSEMENT CO., LTD.	Chuo-ku, Tokyo	50 million yen	Sale of electronic components, electronic equipment, etc.	(holding) Directly 100.0	Lending of funds and interlocking of officers	Lending of funds (zero balance)	1,898	Short-term loans receivable from subsidiaries and associates	1,153
	KAGA FEI Co., Ltd.	Yokohama, Kanagawa	4,877 million yen	Sale of electronic components, electronic equipment, etc.	(holding) Directly 100.0	Lending of funds and interlocking of officers	Lending of funds	8,560	Short-term loans receivable from subsidiaries and associates	12,607
	Kyokuto Electric Co., Ltd.	Moriguchi, Osaka	99 million yen	Manufacture and sale of electronic equipment, electronic components, etc.	(holding) Directly 100.0	Lending of funds and interlocking of officers	Lending of funds	1,623	Short-term loans receivable from subsidiaries and associates	1,632
	EXCEL CO., LTD.	Chiyoda-ku, Tokyo	400 million yen	Sale of electronic equipment, electronic components, etc.	(holding) Directly 100.0	Borrowing of funds and interlocking of officers	Borrowing of funds	1,505	Short-term loans payable to subsidiaries and associates	2,814
	TAXAN MEXICO S.A. DE C.V.	San Luis Potosi, Mexico	1,224 million Mexican peso	Manufacture and sale of electronic equipment, electronic components, etc.	(holding) Directly 100.0	Lending of funds and interlocking of officers	Lending of funds	399	Short-term loans receivable from subsidiaries and associates	4,796
	KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	Samut Prakan, Thailand	102 million THB	Manufacture and sale of electronic equipment, electronic components, etc.	(holding) Directly 100.0	Supplies some products sold by the Company and the relevant company. Directors serve concurrently.	Sale of merchandise	4,565	Accounts receivable - trade	1,535

(Note) Transaction terms and policy for determination thereof, etc.

- (1) Transactions are determined by mutual consultation based on contracts and other agreements.
- (2) Interest rates of interest income and interest expenses on loans and borrowings to the above companies are indexed to certain market interest rates.
- (3) Zero balance refers to the “domestic yen funds pooling service” of the Cash Management System (CMS). As funds are transferred daily at zero balance, the transaction amount lists the average amount of loans and borrowings during the fiscal year under review.
- (4) Allowance for doubtful accounts of 1,527 million yen is provided for doubtful receivables from subsidiaries. In addition, provision of allowance for doubtful accounts regarding a subsidiary of 44 million yen has been recorded for the fiscal year under review.

## **9. Revenue Recognition**

Information forming the basis for understanding revenue

Information forming the basis for understanding revenue is omitted as the same contents are stated in (5) Accounting policy for revenues and expenses of 1. Significant Accounting Policies.

## **10. Per Share Information**

(1) Net assets per share	1,415.43 yen
(2) Earnings per share	401.52 yen

## **11. Significant Subsequent Events**

Omitted because the same content is included in “Significant Subsequent Events” in the consolidated financial statements.