

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154 Tokyo Stock Exchange, First Section
 Head Office: 20 Kandamatsunagacho, Chiyoda-ku, Tokyo
 Representative: Ryoichi Kado, President & COO
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Notification of the Dissolution of a Consolidated Subsidiary, and of the Risk That Debts May Not be Recoverable

KAGA ELECTRONICS CO., LTD. (TSE: 8154; the “Company”) announced that, at a meeting of the Board of Directors held on June 28, 2018, the Company resolved to dissolve its consolidated subsidiary KAGA COMPONENTS CO., LTD. (hereinafter, “KAGA COMPONENTS”), and to implement a special liquidation, in addition to which it has emerged that there is a risk that some of the debts owed by KAGA COMPONENTS to the Company may not be recoverable.

1. Reasons leading up to the dissolution of KAGA COMPONENTS

In April 1991, the Company made a subsidiary of the predecessor to KAGA COMPONENTS, VOLTEK CORP. In May 1997 it changed the company name to KAGA COMPONENTS CO., LTD. and made it a consolidated subsidiary. In addition to developing, manufacturing and selling power supply equipment, switching power supplies, and transformers, which were its main business, the company began developing, manufacturing, and selling projectors in April 2006. However, due to price declines caused by intensifying competition and weak demand, management of the business became extremely challenging, and the company’s liabilities came to exceed its assets.

Accordingly, the Company proceeded to dissolve the operations of KAGA COMPONENTS, and because there is no longer a role for the KAGA COMPONENTS as entity, it has recently implemented a special liquidation of the firm.

2. Out line of the subsidiary being dissolved (KAGA COMPONENTS)

(As of March 31, 2018)

(1) Name	KAGA COMPONENTS CO., LTD.
(2) Location	20 Kandamatsunagacho, Chiyoda-ku, Tokyo
(3) Title and name of representative	President Suguru Moriguchi
(4) Business details	Manufacture and sale of electronic equipment
(5) Capital	400 million yen
(6) Date established	March 18, 1968
(7) Major shareholder & percentage owned by major shareholder	KAGA ELECTRONICS CO., LTD. 100%

(8) Relationships between the listed company and the company in question	Capital relationships	The Company holds 100% of the voting rights of the company in question.		
	Personnel relationships	One employee of the Company concurrently serves as a Director (President) of KAGA COMPONENTS.		
	Transactional relationships	The Company conducts transactions involving financial loans with KAGA COMPONENTS.		
	Status with regard to related parties	KAGA COMPONENTS is a consolidated subsidiary of the Company, and is a related party.		
(9) Operating results for the most recent three years Financial position				
Fiscal year	March 2016	March 2017	March 2018	
Net assets	-4,548 million yen	-4,314 million yen	-4,588 million yen	
Total assets	4,639 million yen	5,711 million yen	1,329 million yen	
Net assets per share	-5,686.03 yen	-5,393.56 yen	-5,735.46 yen	
Net sales	8,989 million yen	9,305 million yen	8,825 million yen	
Operating income	54 million yen	141 million yen	133 million yen	
Ordinary income	24 million yen	173 million yen	122 million yen	
Profit attributable to owners of parent	22 million yen	231 million yen	-273 million yen	
Earnings per share	27.84 yen	289.50 yen	-342.47 yen	
Dividends per share	-	-	-	

3. Outline of debts owed to the Company by KAGA COMPONENTS

Type and value of debt

Loans 4,692 million yen

Percentage of consolidated net assets 6.64%

4. Schedule for dissolution and special liquidation

June 28, 2018 Resolution to dissolve passed by Board of Directors of the Company

Resolution to dissolve passed by extraordinary General Meeting of Shareholders of KAGA COMPONENTS

June 28, 2018 Date of dissolution

July 2, 2018 (planned) Application for special liquidation

October 2018 (planned) Completion of special liquidation

5. Outlook going forward

As a result of the procedure for special liquidation following the dissolution of KAGA COMPONENTS, it is expected that the above-mentioned debts will not be recoverable, but the expected value of unrecoverable debts has already been posted to the allowance for doubtful debts in the non-consolidated accounts. In addition, because the above-mentioned debts are eliminated in the consolidated accounts, the impact on the consolidated and non-consolidated accounts of the Company is negligible.