

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2019

August 7, 2018

KAGA ELECTRONICS CO., LTD.

TSE 1st section 8154

- Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

- Display method in this material
 - Number : Truncated less than the display unit.
 - Ratio : After calculation in yen units, Round down one digit of Display unit.

Summary of Financial Results for the First Quarter Ended June 30, 2018

FY2019/3 1Q Results

- **Net sales** by and large maintained **the same level year-on-year**, driven by EMS business.
- **Decreases** in operating income and net profit, **as anticipated at the beginning of the period.**

*Causes of the decreases: production adjustments resulting from model switching at major customers, upfront expenses of new overseas sites at their start-up phase, etc.

Overview of the main business segments

- Electronic components business: EMS business for medical equipment was slow, but that **for automotive and air conditioning devices maintained steady performance.** Components sales business remained sluggish.
- Information equipment business: PC-related business was sluggish but **sales of housing-related home electric appliances and commercial facilities-related LED installation business continued to show robust growth.**

Forecast for FY2019/3

- Earnings forecast to be presented in the Financial Results for the Second Quarter ending September 30, 2018, along with the next Medium-term Management Plan.
- No change however in the Company's stance to **aim for the achievement of the numerical targets* set out for the final fiscal year of the Medium-term Management Plan.**

*Medium-term Management Plan Numerical Targets: Net sales ¥290 billion, Ordinary income ¥10 billion, ROE 8% or higher

Financial Highlights

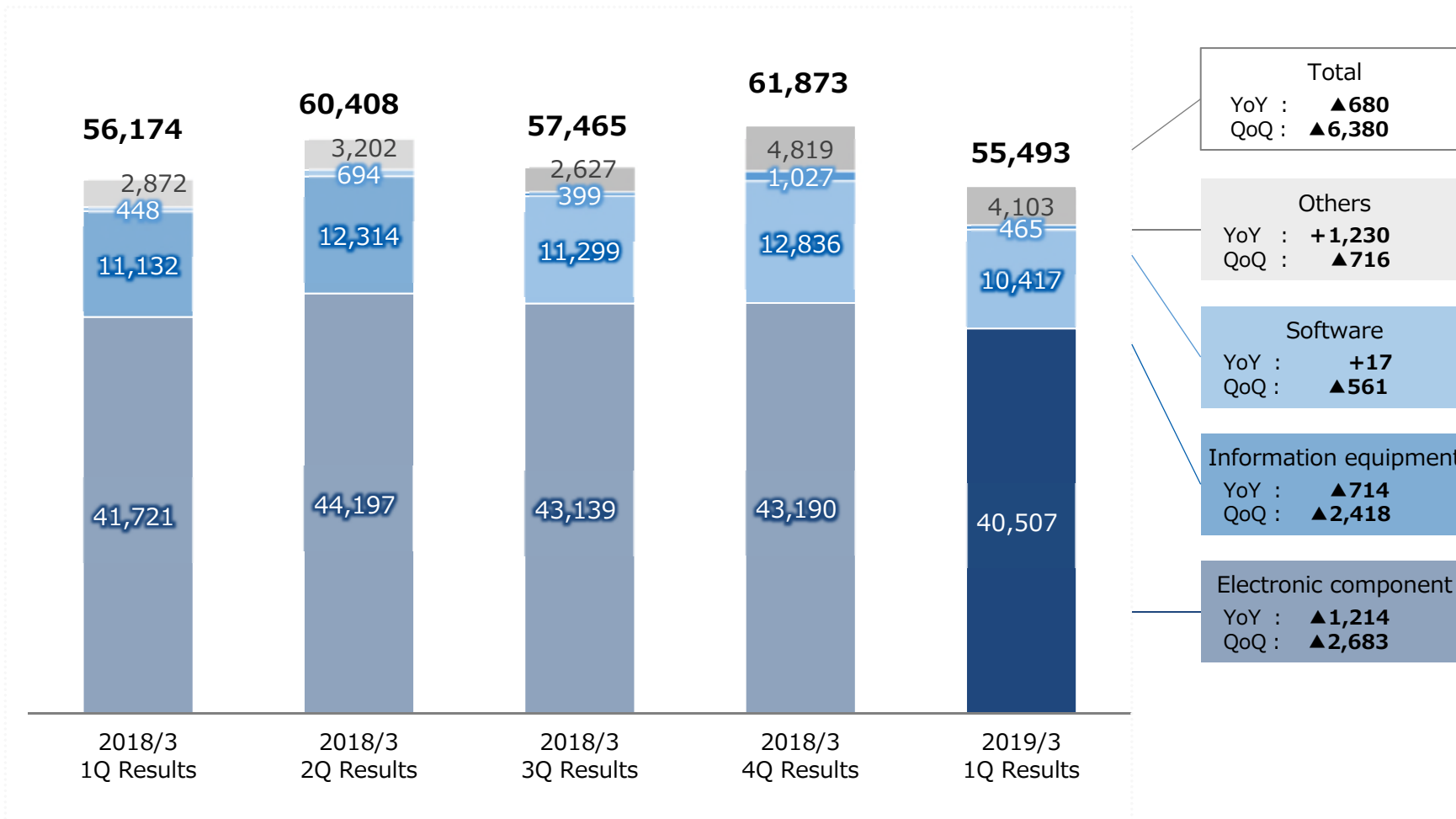
(Million Yen)

	FY2018/3 1Q Results	FY2019/3 1Q Results	YoY
Net sales	56,174	55,493	▲ 681
Gross profit	7,882	7,641	▲ 241
Gross profit margin	14.0%	13.8%	▲0.2pt
SG&A	5,793	6,152	359
Operating income	2,088	1,489	▲ 599
Ordinary income	2,205	1,679	▲ 526
Profit attributable to owners of parent	1,750	1,148	▲ 602
EPS (Yen)	63.79	41.87	▲ 21.92

Financial Highlights by Business Segment① (Net Sales)

(Million Yen)

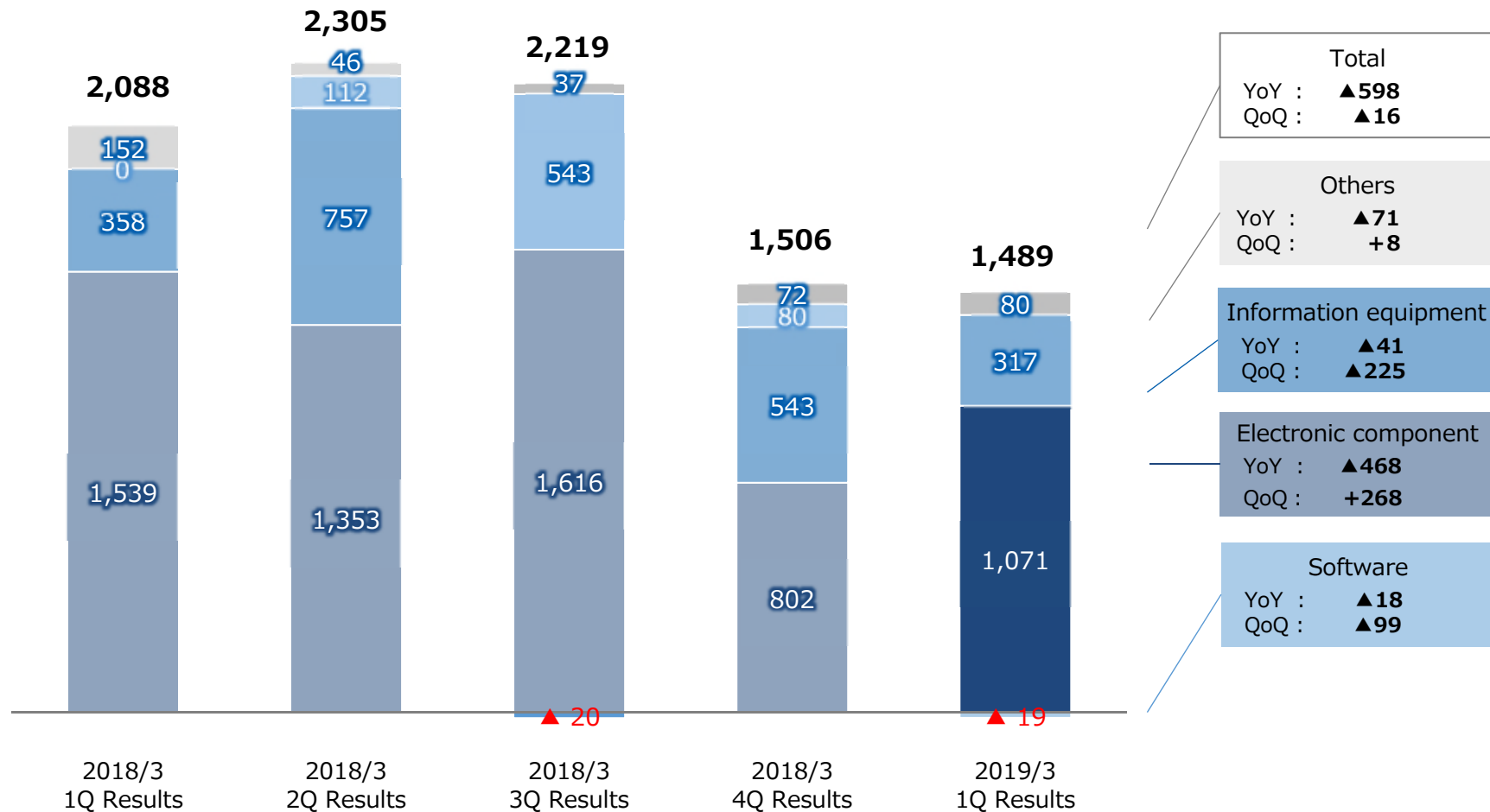
Net Sales



Financial Highlights by Business Segment② (Segment Income)

(Million Yen)

Segment Income



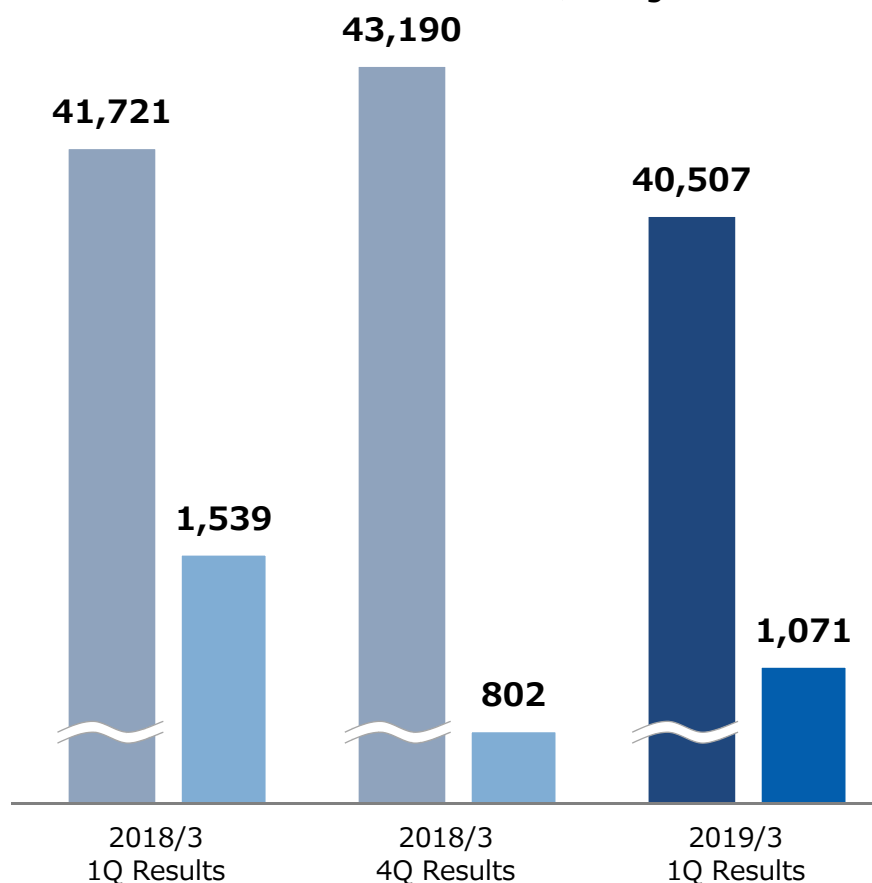
Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Financial Highlights: Electronic Component Segment

(Million Yen)

Net sales/Segment income

■ / ■ Net sales
■ / ■ Segment income



YoY

- Net sales ▶ **-1,214** million Yen **2.9%down**
- Segment Income ▶ **-468** million Yen **30.4%down**

EMS business for automotive and air-conditioning devices maintained a steady performance.

Components sales business remained sluggish, notably for home electric appliances from the effect of production adjustments at major customers.

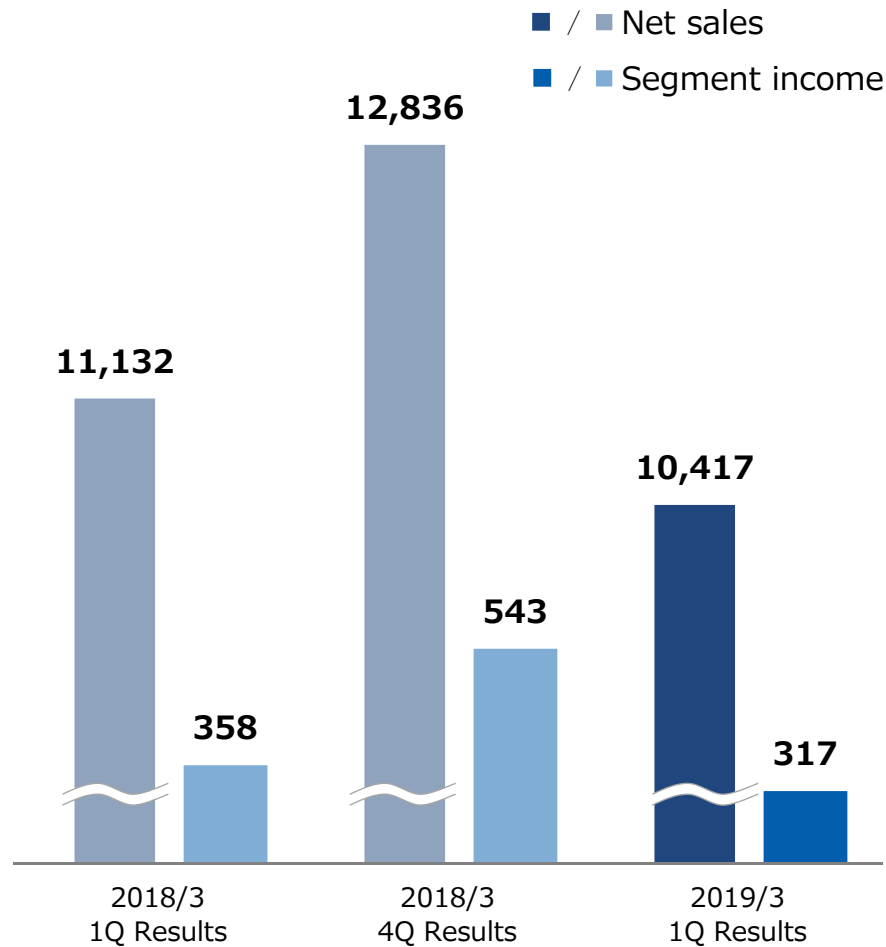
QoQ

- Net sales ▶ **-2,683** million Yen **6.2%down**
- Segment Income ▶ **+268** million Yen **33.5%up**

Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income



YoY

- Net sales ▶ **-714** million Yen **6.4%down**
- Segment Income ▶ **-41** million Yen **11.5%down**

Sales of housing-related home electric appliances and commercial facilities-related LED installation business showed robust growth.

Sales of PCs and PC peripherals were slow.

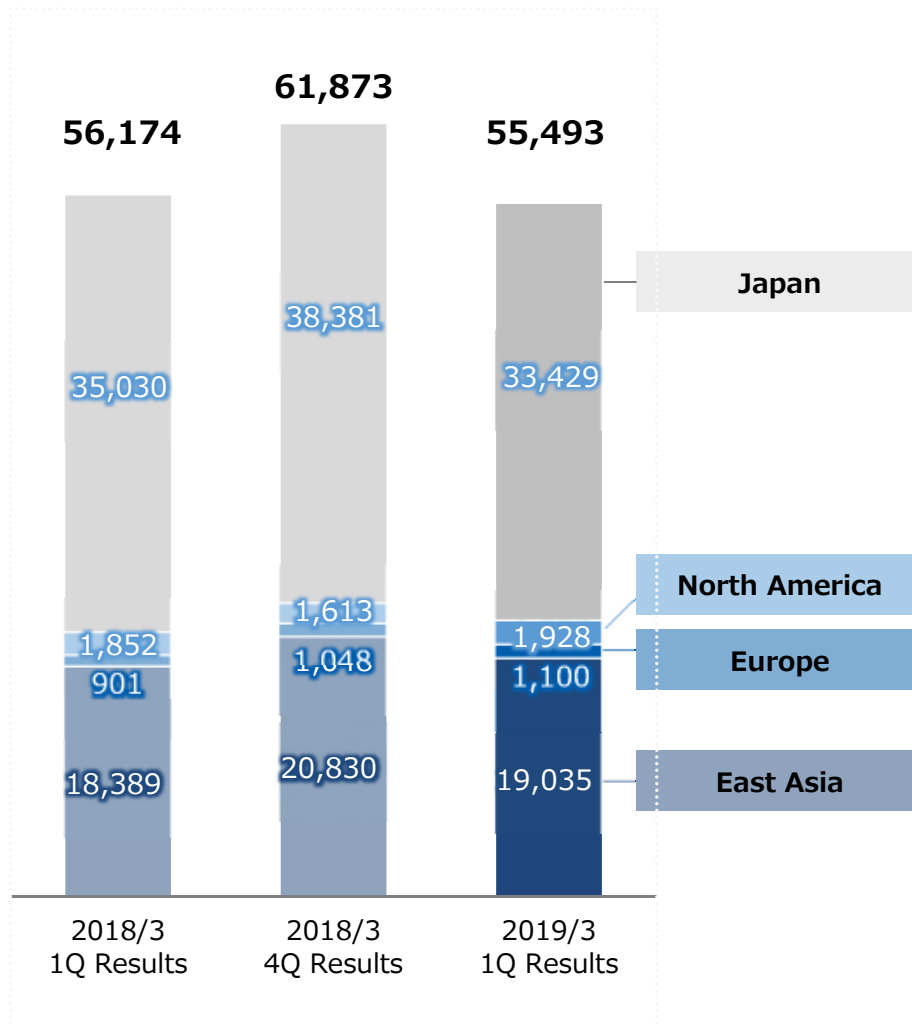
QoQ

- Net sales ▶ **-2,418** million Yen **18.8%down**
- Segment Income ▶ **-225** million Yen **41.5%down**

Net Sales by Region

(Million Yen)

Net sales



YoY

- Japan ▶ **-1,600** million Yen **4.6%down**
- North America ▶ **+75** million Yen **4.1%up**
- Europe ▶ **+198** million Yen **22.0%up**
- East Asia ▶ **+645** million Yen **3.5%up**

Japan: Gaming machine for the amusement industry and golf equipment sales were sluggish

Overseas: Every region showed solid growth.

QoQ

- Japan ▶ **-4,951** million Yen **12.9%down**
- North America ▶ **+314** million Yen **19.5%up**
- Europe ▶ **+51** million Yen **4.9%up**
- East Asia ▶ **-1,795** million Yen **8.6%down**

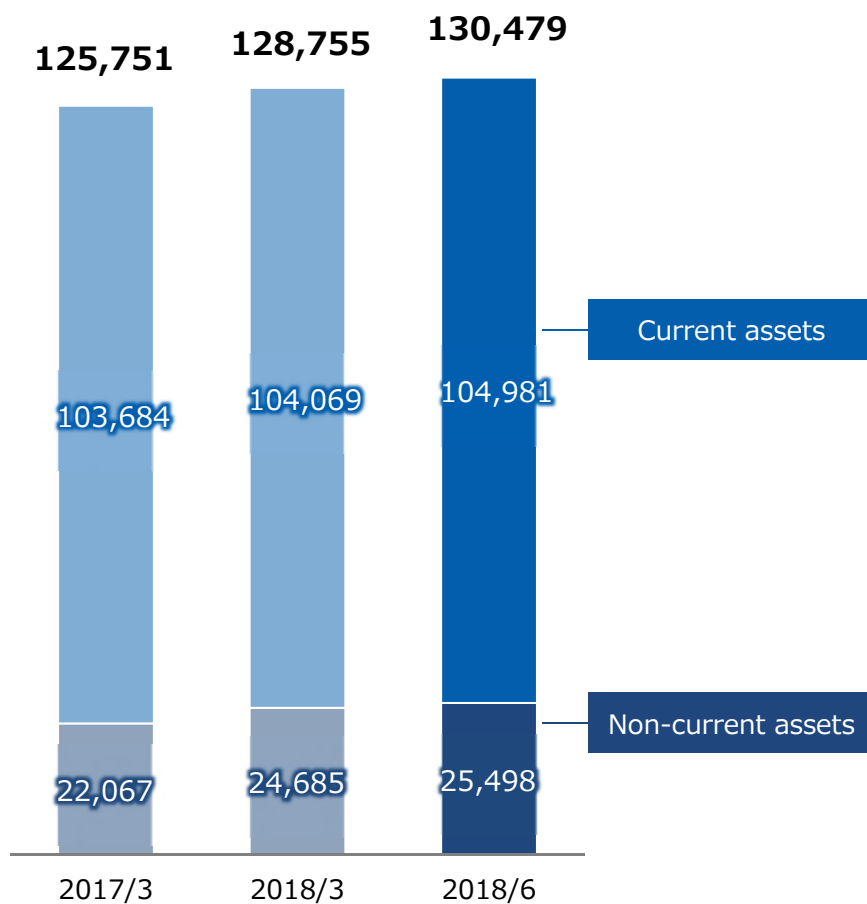
Exchange Rate/FOREX Sensitivity

	FY2018/3 1Q Results (Yen)	FY2019/3 1Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)	
			Net sales	Ordinary income
USD	111.09	109.07	68	7
THB	3.24	3.42	54	3
RMB	16.57	17.05	33	2
HKD	14.27	13.90	43	1

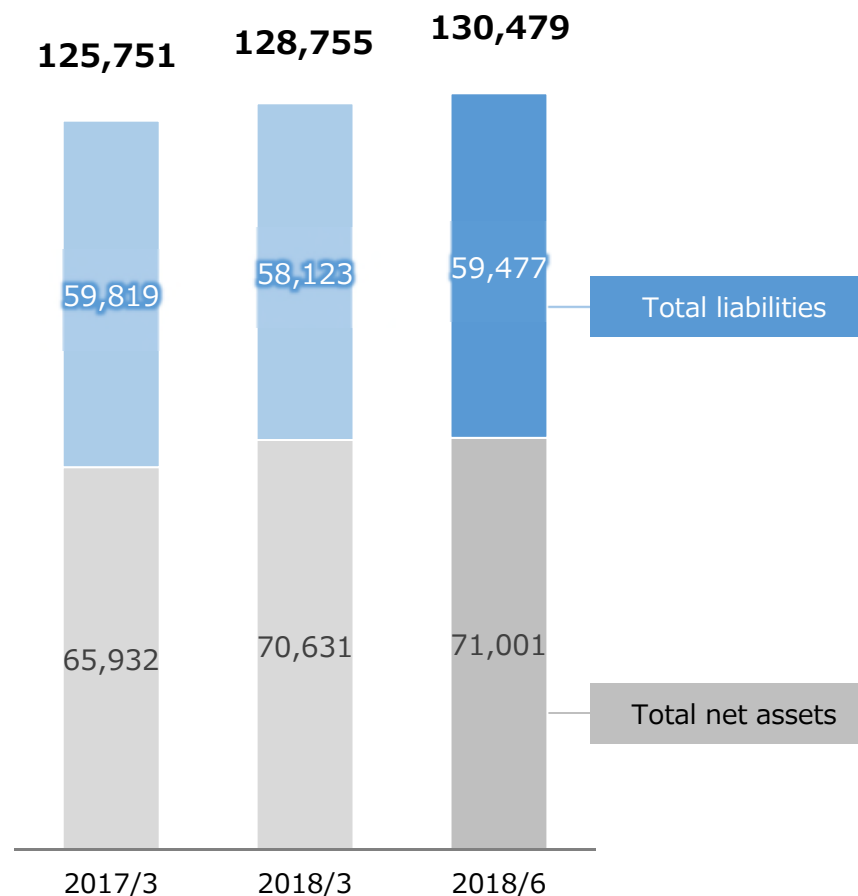
Balance Sheet Main Items

(Million Yen)

Total assets



Total liabilities and net assets

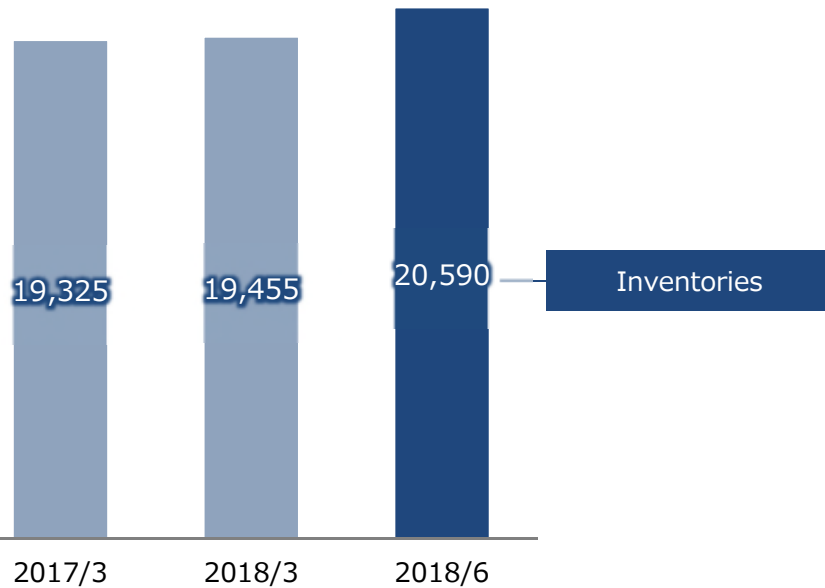
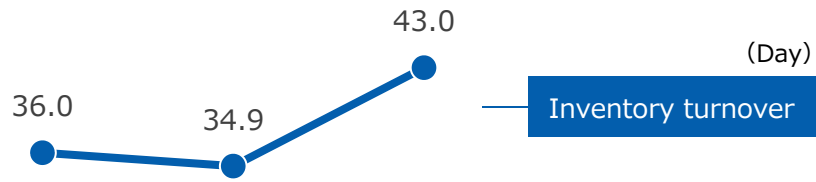


Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented under investments and other assets, while deferred tax liabilities are presented under non-current liabilities section.

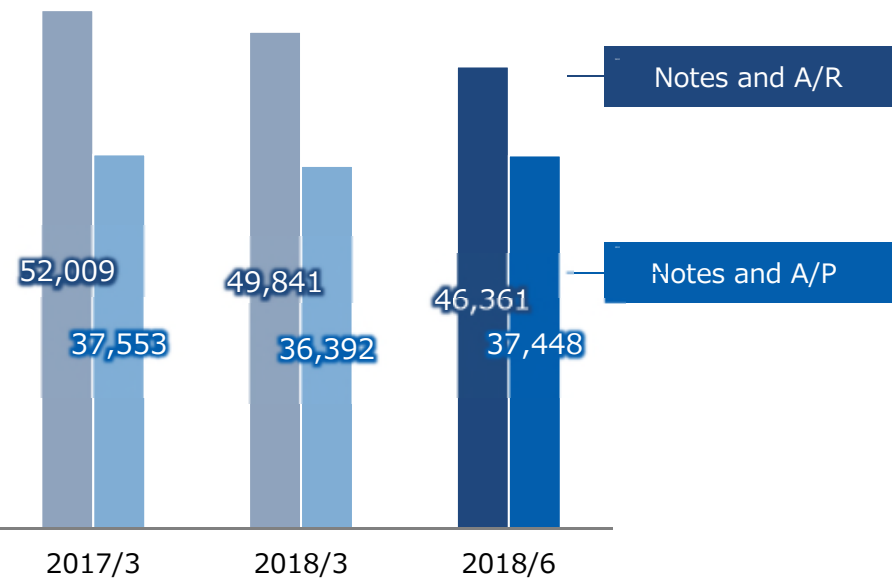
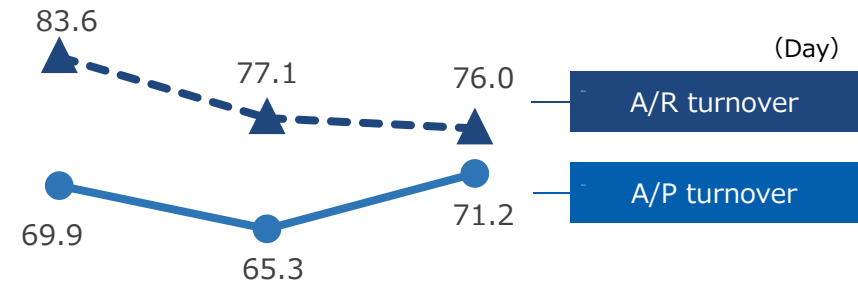
Balance Sheet Main Items

(Million Yen)

Inventories



Accounts receivable/Accounts payable



(Reference) Products and Services by Business Segment

Electronic components	<ul style="list-style-type: none">• Sale of semiconductors (general-purpose products and customized products)• Sale of electronic components (transformers, condensers, cables, connectors, and switches, etc.), LED, and storage devices• Development, manufacture and sales related to EMS (air-conditioning, office equipment, automotive devices, industrial equipment, amusement machines, communication equipment, medical equipment, etc.)
Information equipment	<ul style="list-style-type: none">• Sales of PCs and PC peripherals, home electric appliances/lighting fixtures, photograph and imaging products, original brand products, etc.)
Software	<ul style="list-style-type: none">• Production of computer graphics, planning and development of amusement products, and other activities
Others	<ul style="list-style-type: none">• Repair and supports for electronics equipment, manufacture and sales of amusement equipment, and wholesale/retail of sports goods, etc.)

**“Everything we do is
for our customers”**



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