



February 6, 2018

## Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2017 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.taxan.co.jp/
Representative	Title: President & COO
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Date of filing of quarterly securities report (tentative):	February 14, 2018
Date of commencement of dividend payment (tentative):	—
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	None

(Yen in millions, rounded down)

### 1. Financial results for the third quarter of the fiscal year ending March 2018 (April 1, 2017 – December 31, 2017)

#### (1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended December 2017	174,047	3.9	6,613	27.7	7,093	29.0	5,510	13.3
Third quarter ended December 2016	167,486	(8.1)	5,178	(15.7)	5,500	(14.6)	4,863	11.2

Note: Comprehensive income: 3Q of FY3/2018: 6,916 million yen (37.9%)    3Q of FY3/2017: 5,017 million yen (30.0%)

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2017	200.86	-
Third quarter ended December 2016	172.92	-

#### (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2017	128,937	71,004	55.0
As of March 31, 2017	125,751	65,932	52.4

Reference: Shareholders' equity

As of December 31, 2017: 70,928 million yen    As of March 31, 2017: 65,872 million yen

### 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2017	-	25.00	-	35.00	60.00
Fiscal year ending March 2018	-	30.00	-	-	-
Fiscal year ending March 2018 (Forecast)	-	-	-	40.00	70.00

Notes: Change in the dividend forecast from the latest announcement: Yes

Breakdown of interim dividend for FY3/17: Ordinary dividend: 20.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/17: Ordinary dividend: 20.00 yen; Extraordinary dividend: 15.00 yen

Breakdown of interim dividend for FY3/18: Ordinary dividend: 25.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/18 (forecast): Ordinary dividend: 35.00 yen; Extraordinary dividend: 5.00 yen

With regard to the revision of dividend forecast, please refer to "KAGA ELECTRONICS Revises Consolidated Performance Forecast and Dividend Forecast" announced on February 6, 2018.

### 3. Forecast for the fiscal year ending March 2018 (Consolidated, April 1, 2017 – March 31, 2018)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	232,000	2.1	8,000	16.3	8,700	18.5	6,450	(7.5)	235.10

Notes: Change in the forecast from the latest announcement: Yes

With regard to the revision of consolidated performance forecast, please refer to "KAGA ELECTRONICS Revises Consolidated Performance Forecast and Dividend Forecast" announced on February 6, 2018.

**\* Notes**

(1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation):

None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: None

(b) Changes other than (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2017:	28,702,118	As of March 31, 2017:	28,702,118
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(b) Treasury shares

As of December 31, 2017:	1,267,325	As of March 31, 2017:	1,266,468
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(c) Average number of shares (quarterly consolidated during the period)

Period ended December 31, 2017:	27,435,262	Period ended December 31, 2016:	28,126,870
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\* The quarterly review procedures are not applicable to this Financial Results report.

\* Cautionary statement regarding forecasts of operating results and special notes

(Remarks on forward-looking statements)

Forward-looking statements in these materials are based on information currently available to the Company and certain assumptions deemed reasonable. Actual results may vary from the forecast for a variety of reasons. For information about the forecasts, please see "1. Results of Operations (3) Qualitative information on consolidated earnings forecast" on page 3 of Supplementary Information.

(Supplementary materials for financial results)

Supplementary materials for financial results will be made available on our website.

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## 1. Results of Operations

### (1) Overview of consolidated business performance

In the third quarter of the fiscal year ending March 31, 2018, the Japanese economy witnessed a gradual recovery as yen's depreciation and the recovery of overseas economy improved corporate earnings and also resulted in steady growth of capital expenditures, although the recovery of consumer spending has slowed down.

In the electronics industry, the principal sector of operations of the KAGA ELECTRONICS Group ("the Group"), while markets for PCs and amusement machines remained stagnant, the smartphone market showed a steady growth with expanded demand in emerging countries and the needs for high functionality, and the automotive devices market also showed a steady growth with an increasing use of electronics in automobiles. Meanwhile, innovative technology-related markets including IoT <sup>(Note 1)</sup>, big data, and artificial intelligence showed favorable growth.

Under such environment, based on our corporate philosophy of "Everything we do is for our customers," the Group focused on increasing sales to existing major customers in Japan and expanding EMS <sup>(Note 2)</sup> businesses overseas.

Consolidated net sales increased 3.9% year on year to 174,047 million yen, operating income increased 27.7% to 6,613 million yen, and ordinary income rose 29.0% to 7,093 million yen. Profit attributable to owners of parent increased 13.3% to 5,510 million yen.

(Note 1) Internet of Things: New services and business models, or technologies that connect all things through the Internet

(Note 2) Electronics Manufacturing Service: Provision of product development and manufacturing services on an outsourcing basis

Business segment performance was as follows:

- (a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities)

EMS business for electronic equipment and sales of semiconductors showed a favorable growth. As a result, net sales increased 1.4% to 129,058 million yen, and segment income rose 11.0% to 4,509 million yen.

- (b) Information equipment (Sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products)

Sales of housing-related and commercial facilities-related products saw favorable growth. As a result, net sales increased 13.4% to 34,745 million yen, and segment income rose 96.5% to 1,659 million yen.

- (c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

Orders for production of computer graphics animation and development of game software were sluggish. As a result, net sales decreased 22.6% to 1,541 million yen, and segment income decreased 69.5% to 91 million yen.

- (d) Others (Repair and supports for electronics equipment, manufacture and sales of amusement equipment, and sales of sports goods, and other activities)

Sales of arcade amusement machines and golf products in Japan showed solid growth. As a result, net sales increased 14.8% to 8,702 million yen, and segment income was 236 million yen (segment loss of 144 million yen one year earlier).

### (2) Overview of financial condition

Assets, liabilities and net assets

Total assets as of December 31, 2017 increased 3,185 million yen from March 31, 2017 to 128,937 million yen mainly due to increase in cash and deposits.

Liabilities as of December 31, 2017 decreased 1,886 million yen from March 31, 2017 to 57,933 million yen mainly due to a decrease in notes and accounts payable - trade.

Net assets as of December 31, 2017 increased 5,072 million yen from March 31, 2017 to 71,004 million yen as a result of recording profit attributable to owners of parent.

(3) Qualitative information on consolidated earnings forecast

(a) Revised consolidated performance forecast for the year ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Earnings per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	232,000	7,500	8,200	6,300	229.63
Revised forecast (B)	232,000	8,000	8,700	6,450	235.10
Difference (B)-(A)	—	500	500	150	—
Difference (%)	—	6.7	6.1	2.4	—
(Reference) Results for the year ended March 31, 2017	227,209	6,879	7,343	6,975	249.43

(b) Reason for the Revision

The overview of the first nine months of the fiscal year ending March 2018 showed that EMS business for electronic equipment and sales of semiconductors, our core businesses, as well as housing-related products increased favorably although the amusement machine-related market remained stagnant.

The Company reviewed its full-year forecast by taking into consideration such strong performance and carefully reflecting future uncertainties and concluded that it is expected to exceed the previous forecast, and accordingly the Company revised upward the full-year forecast as shown above.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Third quarter ended December 2017 (As of December 31, 2017)
<b>ASSETS</b>		
Current assets		
Cash and deposits	26,423	30,945
Notes and accounts receivable - trade	46,774	43,254
Electronically recorded monetary claims - operating	5,234	4,600
Securities	188	203
Merchandise and finished goods	14,675	15,990
Work in process	365	911
Raw materials and supplies	4,284	4,437
Deferred tax assets	1,340	721
Other	4,562	3,672
Allowance for doubtful accounts	(166)	(165)
Total current assets	103,684	104,571
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,859	4,638
Machinery, equipment and vehicles, net	2,014	2,264
Tools, furniture and fixtures, net	742	742
Land	4,126	4,036
Construction in progress	3	362
Total property, plant and equipment	11,745	12,045
Intangible assets		
Goodwill	406	339
Software	363	528
Other	71	53
Total intangible assets	841	921
Investments and other assets		
Investment securities	6,761	8,789
Deferred tax assets	240	219
Guarantee deposits	735	668
Insurance funds	936	948
Other	1,529	1,359
Allowance for doubtful accounts	(723)	(587)
Total investments and other assets	9,479	11,399
Total non-current assets	22,067	24,366
Total assets	125,751	128,937

(Million yen)

	Fiscal year ended March 2017 (As of March 31, 2017)	Third quarter ended December 2017 (As of December 31, 2017)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	37,553	36,378
Short-term loans payable	4,883	5,136
Accrued expenses	3,387	2,793
Income taxes payable	888	686
Provision for directors' bonuses	204	140
Other	3,325	3,535
Total current liabilities	50,242	48,671
Non-current liabilities		
Long-term loans payable	4,603	3,482
Deferred tax liabilities	1,213	1,941
Provision for directors' retirement benefits	1,222	1,258
Net defined benefit liability	1,669	1,626
Asset retirement obligations	144	154
Other	723	798
Total non-current liabilities	9,576	9,262
Total liabilities	59,819	57,933
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,853
Retained earnings	40,476	44,203
Treasury shares	(2,040)	(2,042)
Total shareholders' equity	64,481	68,148
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,159	1,929
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustment	421	980
Remeasurements of defined benefit plans	(190)	(130)
Total accumulated other comprehensive income	1,391	2,780
Non-controlling interests	59	75
Total net assets	65,932	71,004
Total liabilities and net assets	125,751	128,937

## (2) Quarterly consolidated statements of income and comprehensive income

For the third quarter (April 1, 2017 – December 31, 2017)

(Million yen)

	Third quarter ended December 2016 (April 1, 2016 – December 31, 2016)	Third quarter ended December 2017 (April 1, 2017 – December 31, 2017)
Net sales	167,486	174,047
Cost of sales	144,409	149,805
Gross profit	23,076	24,242
Selling, general and administrative expenses	17,898	17,628
Operating income	5,178	6,613
Non-operating income		
Interest income	43	78
Dividends income	99	110
Commission fee	140	133
Foreign exchange gains	—	80
Other	201	235
Total non-operating income	484	638
Non-operating expenses		
Interest expenses	99	99
Share of loss of entities accounted for using equity method	—	44
Foreign exchange losses	25	—
Other	36	13
Total non-operating expenses	161	158
Ordinary income	5,500	7,093
Extraordinary income		
Gain on sales of non-current assets	22	26
Gain on sales of investment securities	41	591
Gain on bargain purchase	28	—
Gain on sales of shares of subsidiaries	—	467
Gain on transfer of business	89	12
Total extraordinary income	181	1,098
Extraordinary loss		
Loss on retirement of non-current assets	7	8
Loss on sales of investment securities	31	23
Loss on valuation of investment securities	—	133
Impairment loss	10	224
Business structure improvement expenses	10	—
Loss on valuation of golf club membership	11	6
Other	0	0
Total extraordinary loss	73	397
Profit before income taxes	5,608	7,795
Income taxes - current	1,073	1,254
Income taxes - deferred	(339)	1,015
Total income taxes	734	2,269
Profit	4,874	5,525
Profit attributable to owners of parent	4,863	5,510
Profit attributable to non-controlling interests	11	14



(Million yen)

	Third quarter ended December 2016 (April 1, 2016 – December 31, 2016)	Third quarter ended December 2017 (April 1, 2017 – December 31, 2017)
Other comprehensive income		
Valuation difference on available-for-sale securities	425	771
Deferred gains or losses on hedges	28	0
Foreign currency translation adjustment	(376)	559
Remeasurements of defined benefit plans, net of tax	64	60
Total other comprehensive income	142	1,391
Comprehensive income	5,017	6,916
Comprehensive income attributable to owners of parent	5,004	6,900
Comprehensive income attributable to non-controlling interests	12	16

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Additional information)

(Adoption of consolidated taxation system)

From the first quarter of the fiscal year ending March 31, 2018, the Company and its certain domestic subsidiaries have adopted the consolidated taxation system.

(Segment information, etc.)

**Segment information**

I. For the third quarter ended December 2016 (April 1, 2016 – December 31, 2016)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	127,268	30,647	1,992	7,577	167,486	—	167,486
Inter-segment sales or transfers	611	368	1,249	1,975	4,204	(4,204)	—
Total	127,879	31,015	3,242	9,552	171,690	(4,204)	167,486
Segment income (loss)	4,061	844	300	(144)	5,061	116	5,178

- Notes: 1. Adjustment in segment income of 116 million yen includes 116 million yen for elimination of inter-segment trade.  
2. Segment income (loss) is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

II. For the third quarter ended December 2017 (April 1, 2017 – December 31, 2017)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	129,058	34,745	1,541	8,702	174,047	—	174,047
Inter-segment sales or transfers	793	867	656	449	2,767	(2,767)	—
Total	129,851	35,613	2,197	9,151	176,815	(2,767)	174,047
Segment income	4,509	1,659	91	236	6,497	115	6,613

- Notes: 1. Adjustment in segment income of 115 million yen includes 115 million yen for elimination of inter-segment trade.  
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.