

Consolidated Financial Results for the First Quarter of the Fiscal Year ending March 2020

August 7, 2019

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, 2019

FY2020/3 1Q Results

- Close to twofold increase in net sales with contribution from the conversion of Fujitsu Electronics to a subsidiary.
- Income increases at all income levels, from operating income to profit, supported by the effects of business acquisition and strong EMS business.

Overview of the Electronic Component segment

- Significant increase in components sales with the addition of revenue from Fujitsu Electronics. Expansion of automotive devices business.
- Sales expansion in EMS business for medical equipment and air conditioning devices.

Overview of the Information Equipment segment

- Strong sales of PCs for individuals and educational institutions driving overall growth of PC sales.
- Decline of sales in housing-related home electric appliances business from the effect of delivery date adjustments by customers.
- Decline of sales in LED installation business due to customer preference for installation in the second half.

Forecast for FY2020/3

- While carefully assessing the business environment with its uncertain outlook, full-year performance forecasts to be maintained as previously announced in view of solid progress made in the first quarter.
- No change in exchange rate assumptions used for the performance forecasts.

Financial Highlights

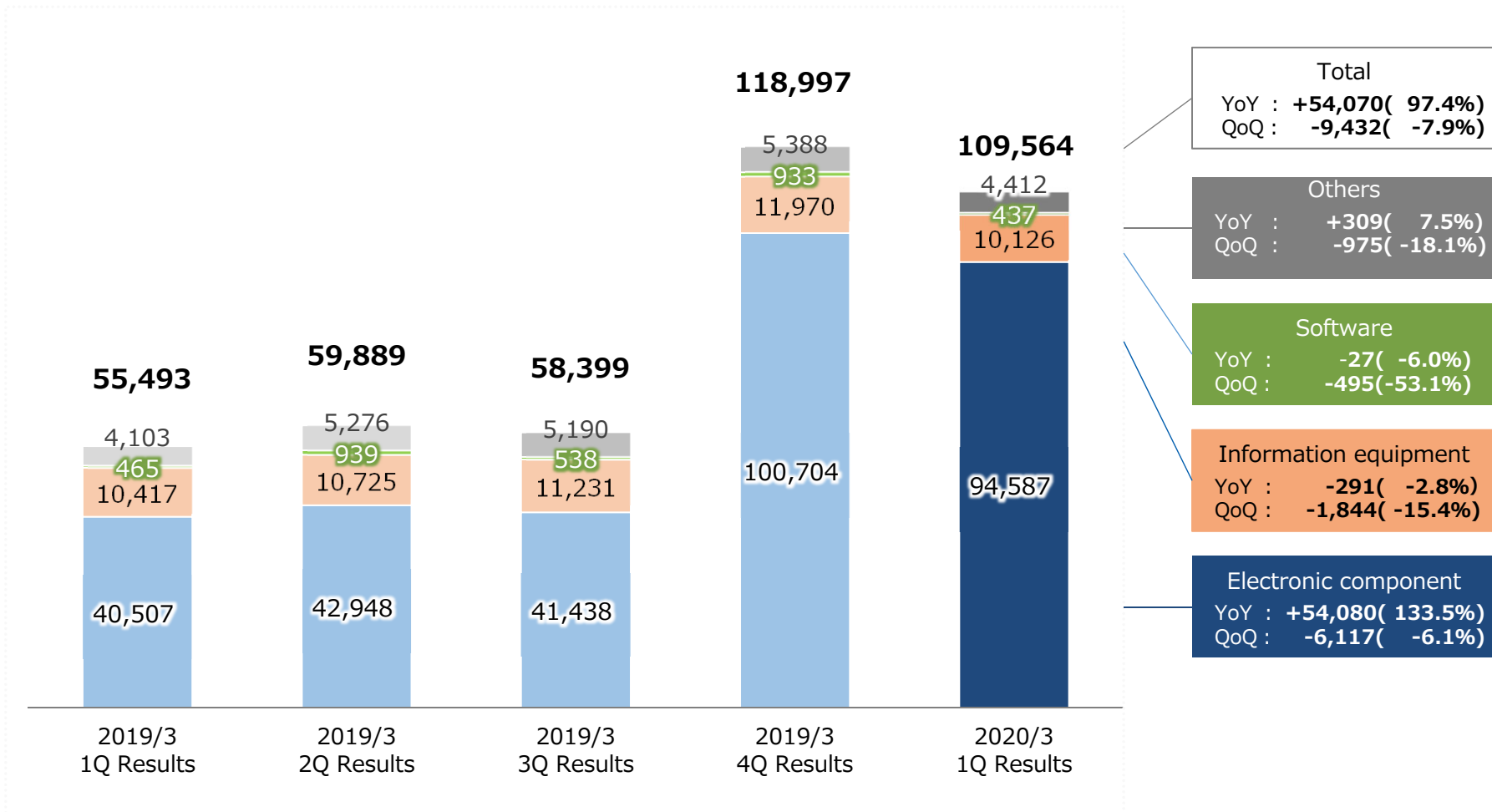
(Million Yen)

	FY2019/3	FY2020/3	YoY	forecast	Progress Rate
	1Q Results	1Q Results			
Net sales	55,493	109,564	97.4%	430,000	25.5%
Gross profit	7,641	11,062	44.8%	46,500	23.8%
Gross profit margin	13.8%	10.1%	(3.7)pt		
SG&A	6,152	9,212	49.7%	39,500	23.3%
Operating income	1,489	1,850	24.2%	7,000	26.4%
Ordinary income	1,679	2,045	21.8%	7,000	29.2%
Profit attributable to owners of parent	1,148	1,350	17.6%	5,000	27.0%
EPS (Yen)	41.87	49.20	7.33	182.17	27.0%
FOREX	US\$	109.07	109.90	0.83	

Financial Highlights by Business Segment① (Net Sales)

(Million Yen)

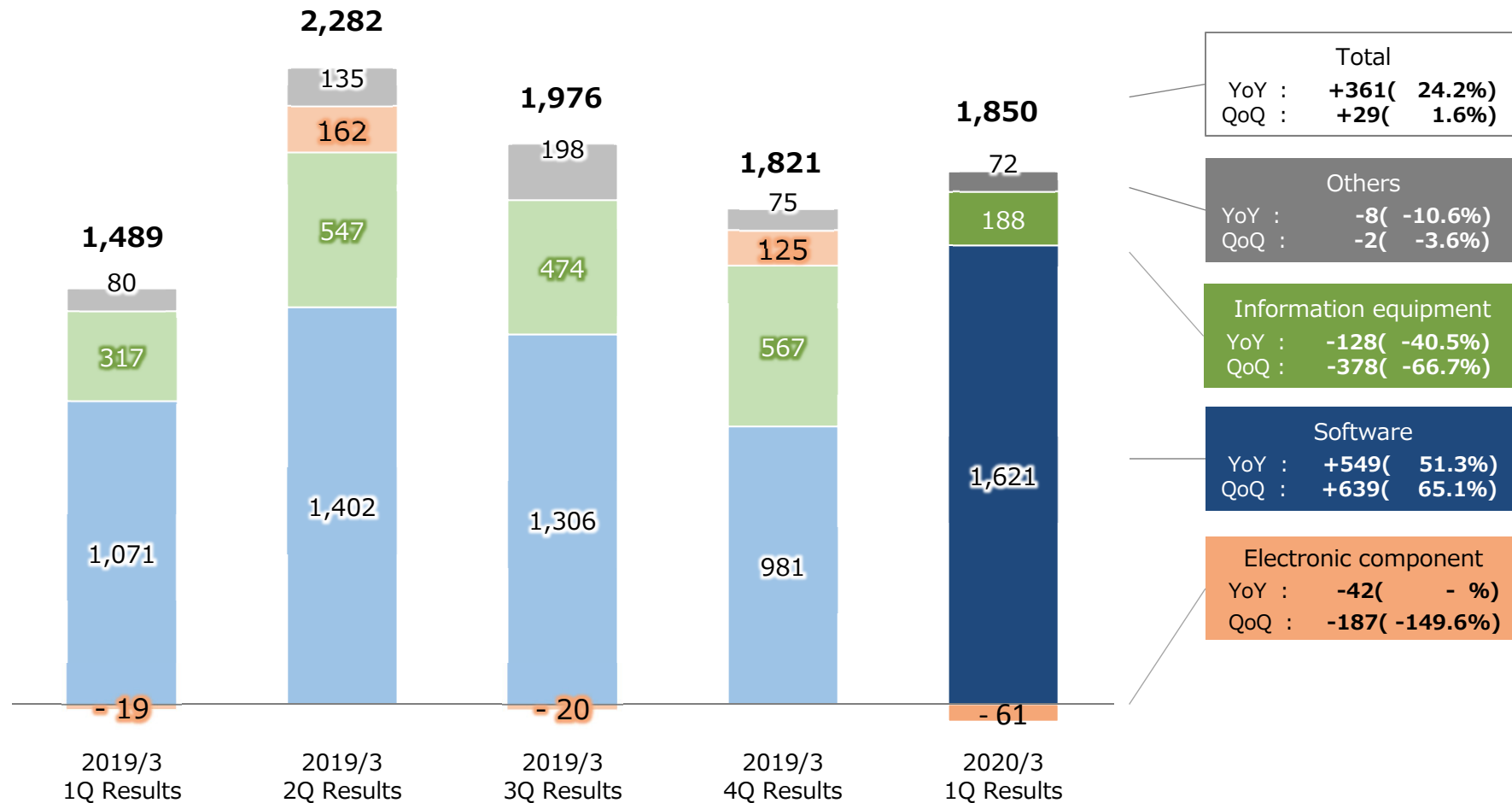
Net Sales



Financial Highlights by Business Segment② (Segment Income)

(Million Yen)

Segment Income

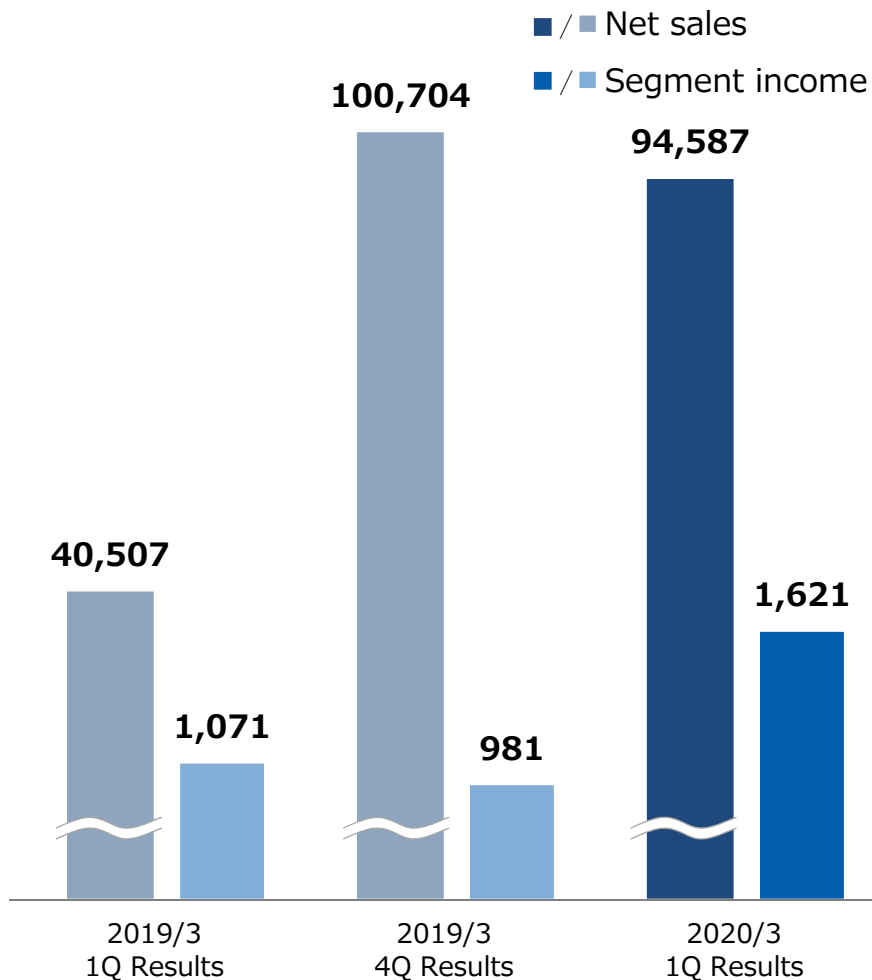


Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Financial Highlights: Electronic Component Segment

(Million Yen)

Net sales/Segment income



YoY

- Net sales ▶ **+54,080**million Yen **133.5%UP**
- Segment Income ▶ **+550**million Yen **51.3%UP**

EMS business for medical equipment recovers, that for air conditioning devices maintains steady performance.

Components sales business sees growth in sales, notably for automotive devices with revenue contribution from Fujitsu Electronics.

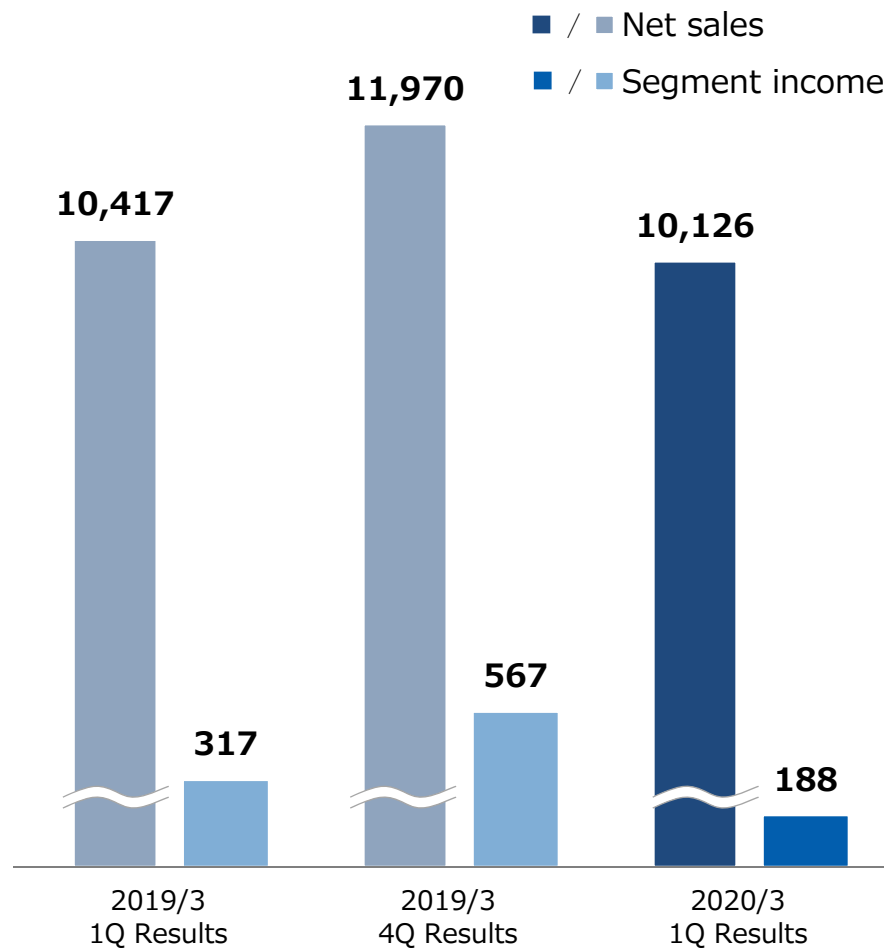
QoQ

- Net sales ▶ **-6,117**million Yen **6.1%down**
- Segment Income ▶ **+640**million Yen **65.2%up**

Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income



YoY

- Net sales ▶ **-291**million Yen **2.8%down**
- Segment Income ▶ **-128**million Yen **40.5%down**

PCs and PC peripherals for individuals and educational institutions enjoy strong sales.

Sales decline in both housing-related home electric appliances business and commercial facilities-related LED installation business.

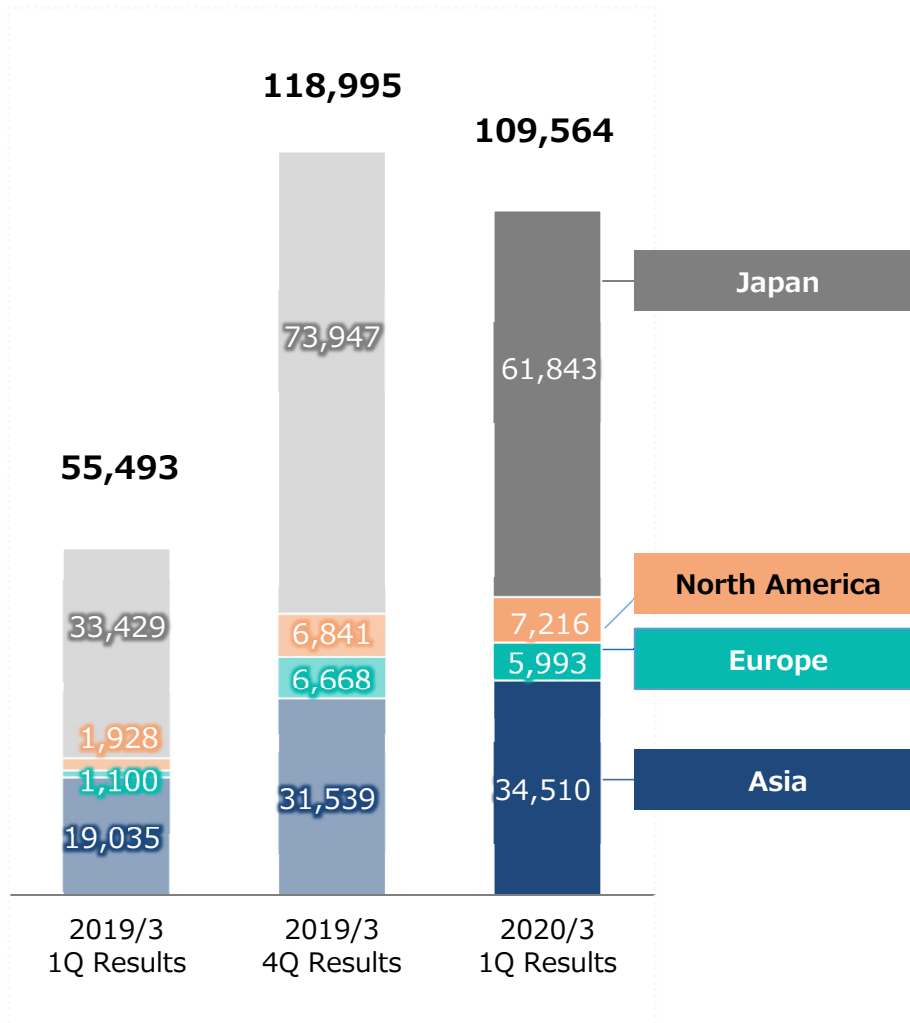
QoQ

- Net sales ▶ **-1,844**million Yen **15.4%down**
- Segment Income ▶ **-378**million Yen **66.7%down**

Net Sales by Region

(Million Yen)

Net sales



YoY

- Japan ▶ **+28,413** million Yen **85.0%up**
- North America ▶ **+5,288** million Yen **274.3%up**
- Europe ▶ **+4,893** million Yen **444.6%up**
- Asia ▶ **+15,475** million Yen **81.3%up**

QoQ

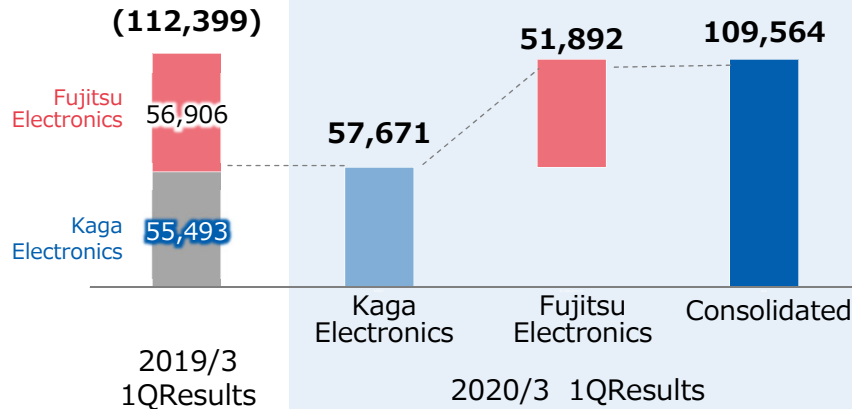
- Japan ▶ **-12,104** million Yen **16.4%down**
- North America ▶ **+375** million Yen **5.5%up**
- Europe ▶ **-674** million Yen **10.1%down**
- Asia ▶ **+2,971** million Yen **9.4%up**

Effect of Fujitsu Electronics conversion to subsidiary (FY2020/3 1Q Results)

※In million yen, figures in () are simple sums

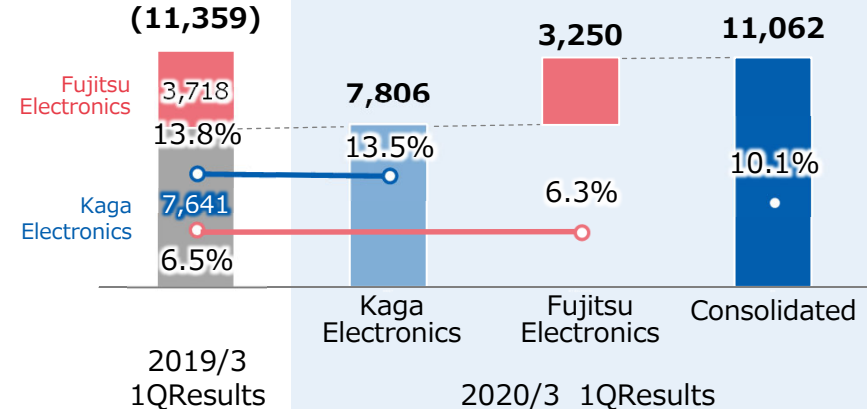
Net Sales

Fujitsu Electronics contributes to consolidated results, EMS business drives Kaga Electronics' sales growth



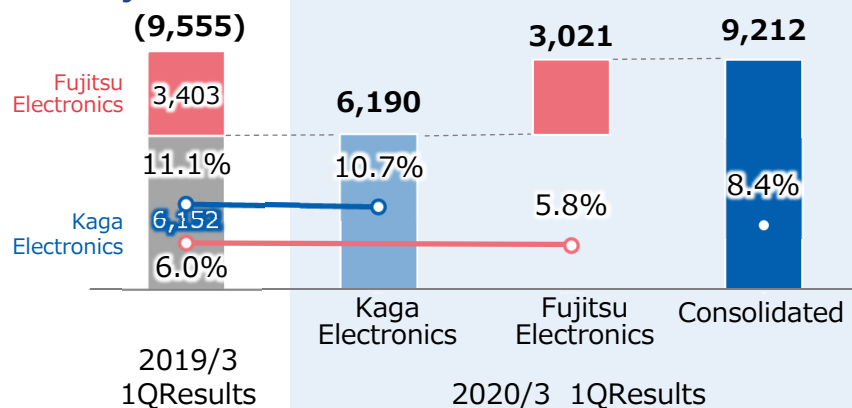
Gross profit / Gross profit margin

At Kaga Electronics, sales growth leads to increase also in gross profit



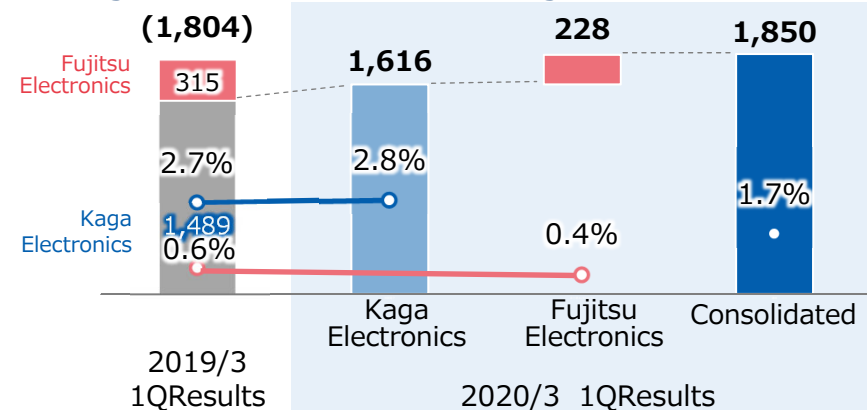
SG&A / SG&A ratio

SG&A ratio improves both at Kaga Electronics and Fujitsu Electronics



Operating income / Operating income margin

Even excluding the effects of business acquisition, Kaga Electronics secures income growth

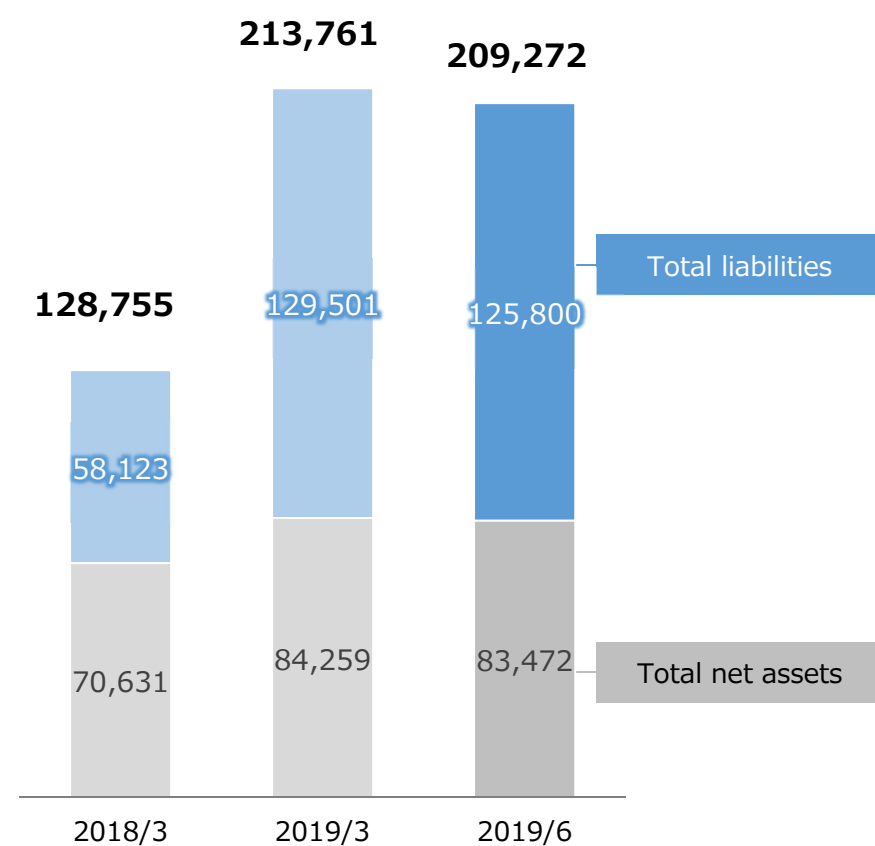
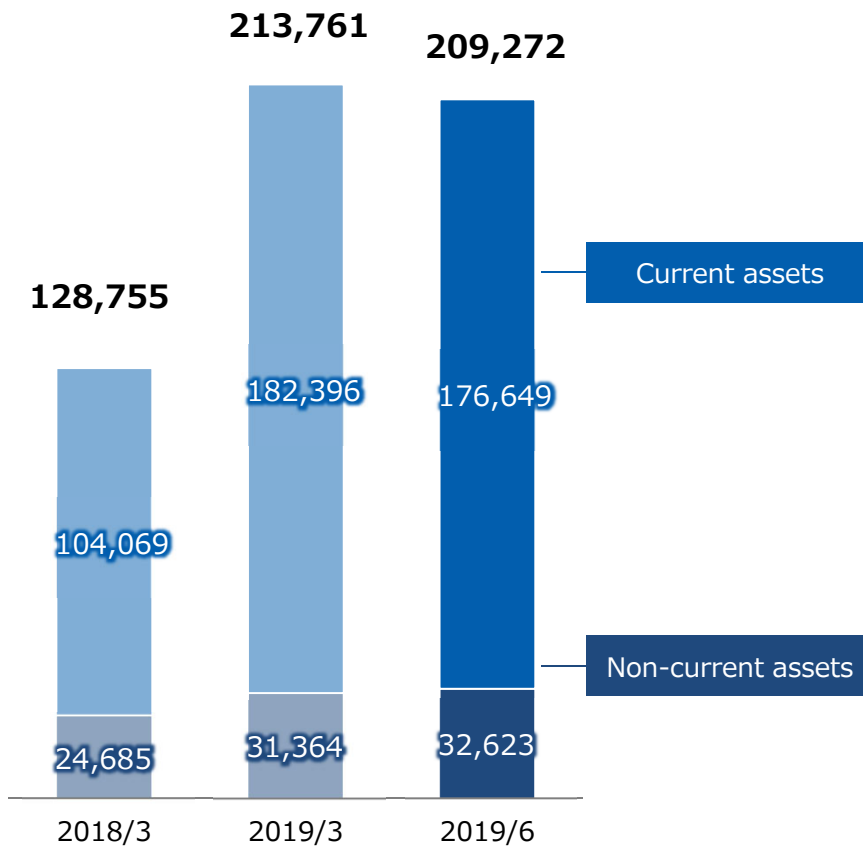


Balance Sheet Main Items

(Million Yen)

Total assets

Total liabilities and net assets

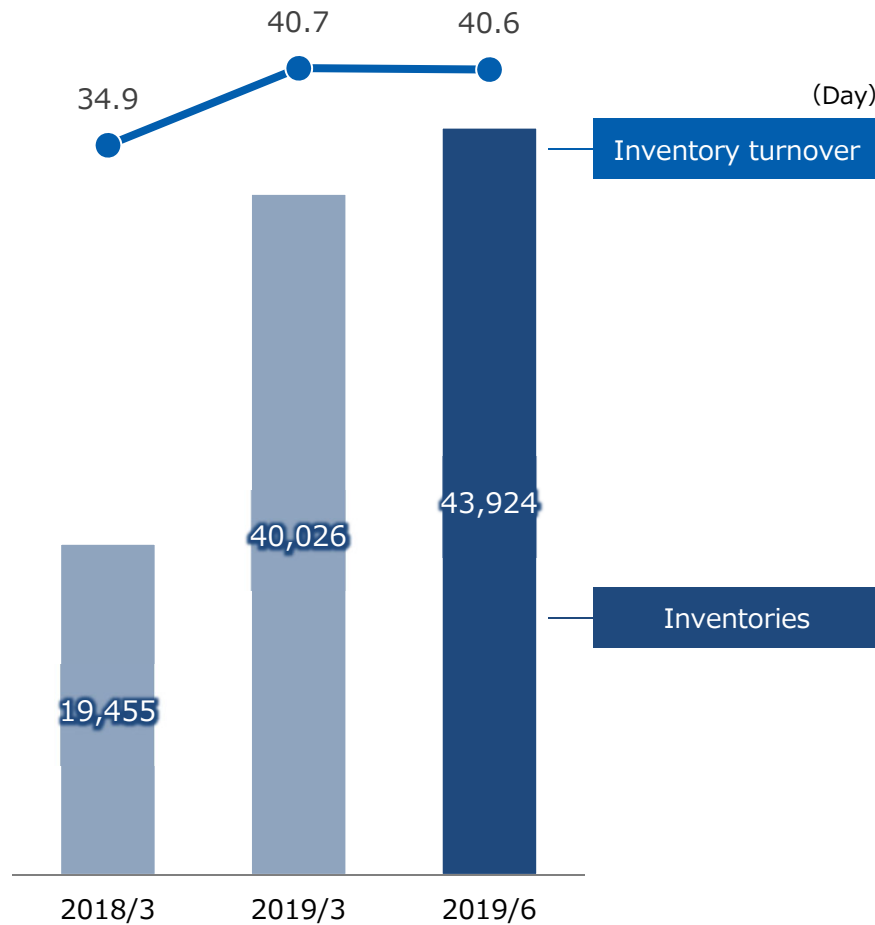


Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented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

Balance Sheet Main Items

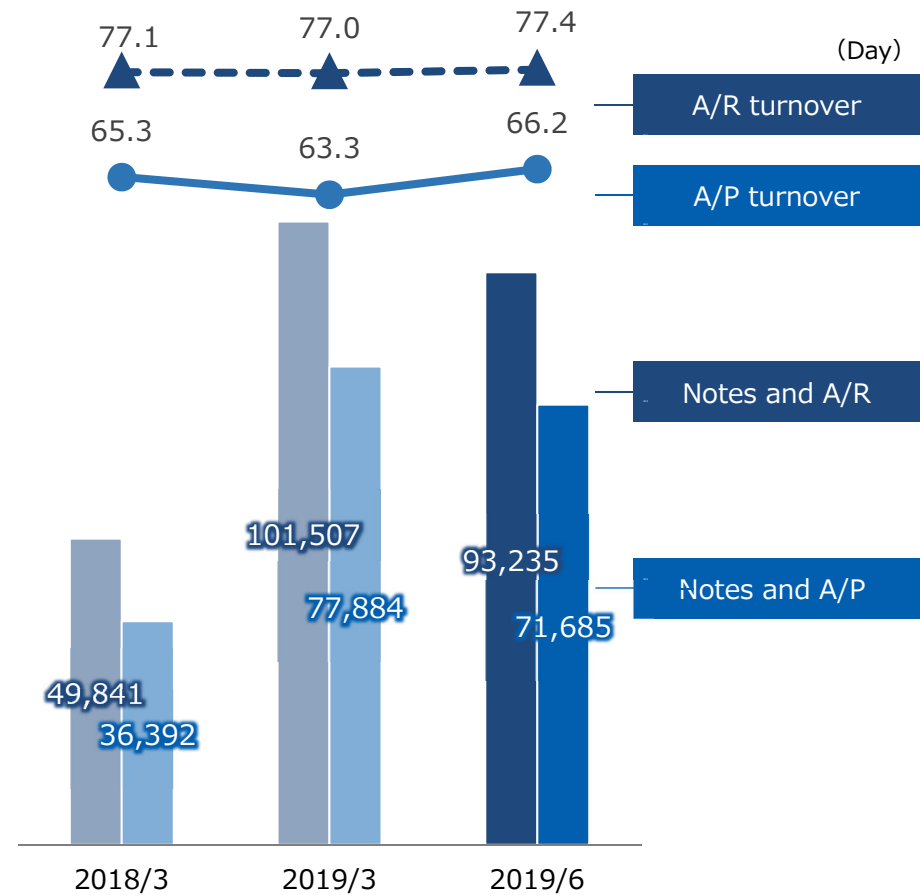
(Million Yen)

Inventories



note : Inventory turnover = Inventories ÷ Cost of Sales × 365 (day)
(2019/6, 91day)

Accounts receivable/Accounts payable



notes : •Notes and A/R are amounts including Electronically recorded monetary claims-operating

•A/R turnover = Notes and A/R ÷ Net sales × 365 (day)

•A/P turnover = Notes and A/P ÷ Cost of sales × 365 (day)

(2019/6, 91day) 11

Forecast for the Fiscal Year ending march 2020

(million yen)

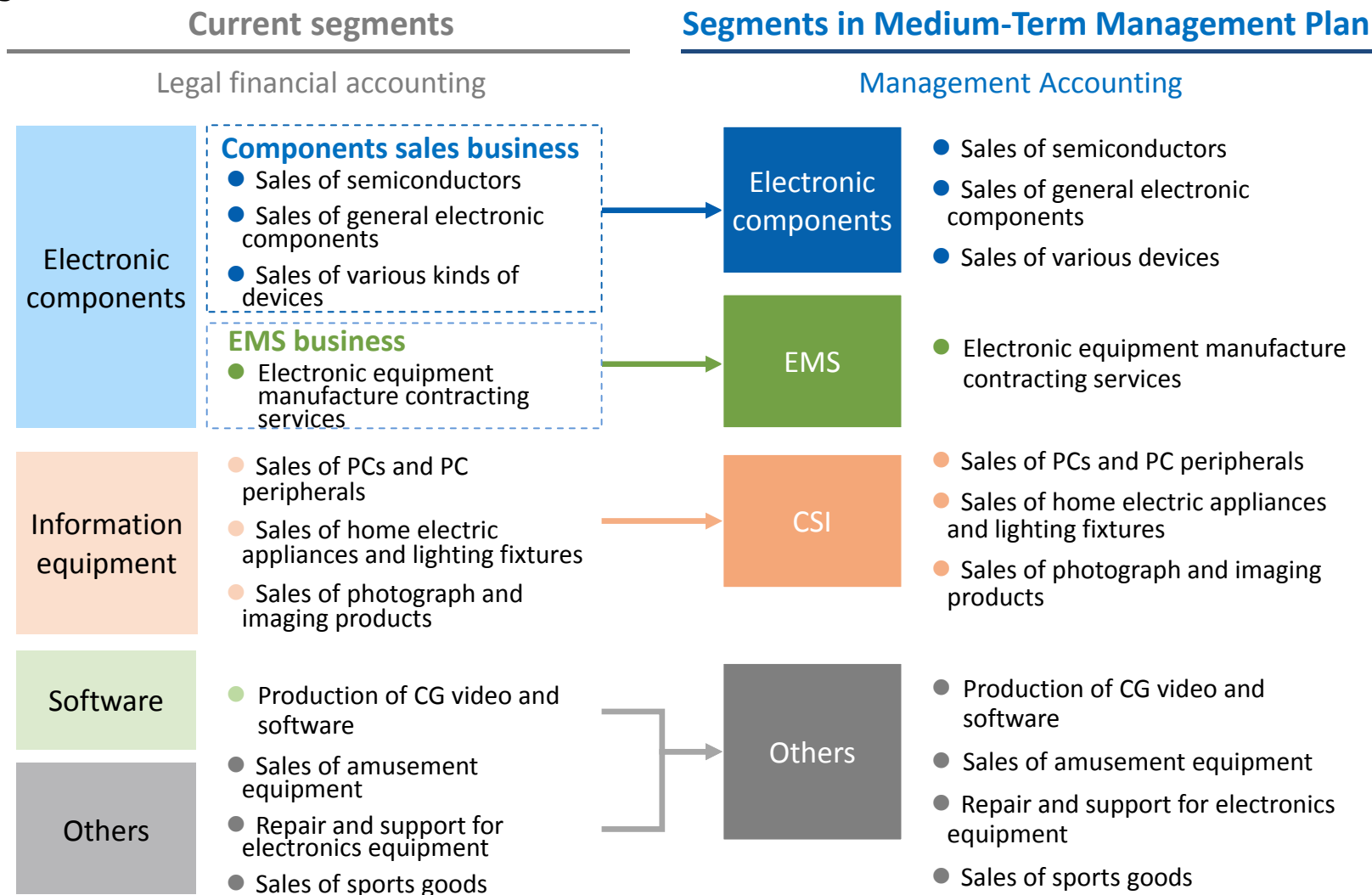
	FY2019/3 Results	FY2020/3 Forecast	YoY
Net sales	292,779	430,000	46.9%
Gross profit	35,546	46,500	30.8%
Gross profit margin	12.1%	10.8%	
SG&A	27,976	39,500	41.2%
Operating income	7,570	7,000	-7.5%
Ordinary income	7,859	7,000	-10.9%
Profit attributable to owners of parent	8,014	5,000	-37.6%
EPS (Yen)	292.07	182.17	
ROE	10.9	6.4	-

Exchange Rate/FOREX Sensitivity

	FY2019/3 1Q Results (Yen)	FY2020/3 1Q Results (Yen)	(Reference, Quarterly basis) Effect of 1% change(million Yen)		FY2020/3 Forex Assumption (yen)
			Net sales	Ordinary income	
USD	109.07	109.90	445	11	110.00
THB	3.42	3.48	67	4	3.40
RMB	17.05	16.33	53	4	17.00
HKD	13.90	14.02	54	1	14.00

(Reference) Segment disclosure associated with the start of the Medium-Term Management Plan

Continuous disclosure based on current segmentation according to legal financial accounting, along with voluntary disclosure based on segmentation in line with the new Medium-Term Management Plan



(Reference) Business segments of Parent company and group companies

	Electronic Components	EMS	CSI	Others
KAGA ELECTRONICS CO., LTD.				
Electronics Business Division	●	●	(●)	●
EMS Business Division		●		
Communication Network Sales Division	●	●	●	(●)
Specific Industry Business Division	●	●	(●)	●
Strategic Customer Sales Division	●	●	(●)	●
Sales Promotion Division	●			
Major Affiliates in Japan				
KAGA TECH CO., LTD.	●	(●)	(●)	(●)
KAGA DEVICES CO., LTD.	●	●	●	●
KAGA SOLUTION NETWORK CO., LTD.			●	
AD DEVICE CO., LTD.	●			
KAGA MICRO SOLUTIONCO., LTD.		●	(●)	●
DIGITAL MEDIA LAB., INC.				●
KAGA SPORTS CO., LTD.				●
KAGA AMUSEMENT CO., LTD.				●
KAGA TECHNOSERVICE CO., LTD.			●	
FUJITSU ELECTRONICS INC.	●			
Major Affiliates Overseas				
KAGA TAXAN (SUZHOU) ELECTRONICS CO., LTD.		●		
KAGA (SHANGHAI) ELECTRONICS CO., LTD.	(●)	●		
KAGA (SHENZHEN) ELECTRONICS CO., LTD.		●		
KAGA (H.K.) ELECTRONICS LIMITED		●		
KAGA DEVICES (H.K.) LIMITED	●			
KAGA (TAIWAN) ELECTRONICS CO., LTD	●	(●)		
KAGA ELECTRONICS (THAILAND) COMPANY LIMITED	(●)	●		
KAGA COMPONENTS (MALAYSIA) SDN.BHD.		●		
KAGA ELECTRONICS INDONESIA, PT	●	●		
KAGA ELECTRONICS (VIETNAM) CO., LTD.		●		
KAGA (SINGAPORE) ELECTRONICS PTE LTD	●	(●)		(●)
KAGA ELECTRONICS (USA) INC.	●	●		
TAXAN MEXICO S.A. de C.V.		●		
KD TEC s.r.o.	●	●		

(Reference) Financial highlights by Business Segment of Medium-Term Management Plan for the FY2020/3 1Q

(million yen)

		FY2019/3	FY2020/3	
		1Q Results	1Q Results	YoY
Electronic Component	Net Sales	21,008	72,105	243.2%
	Segment income	264	475	80.1%
EMS	Net Sales	21,103	24,520	16.2%
	Segment income	838	1,269	51.5%
CSI	Net Sales	10,417	10,126	-2.8%
	Segment income	317	188	-40.5%
Others	Net Sales	2,963	2,812	-5.1%
	Segment income	30	-114	-470.7%
Total	Net Sales	55,493	109,564	97.4%
	Segment income	1,489	1,850	24.2%

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

(Reference) Forecasts by Business Segment for the Fiscal Year ending march 2020

(million yen)

		FY2019/3	FY2020/3	
		Results	Forecast	YoY
Electronic Component	Net Sales	145,042	282,000	94.4%
	Segment income	2,278	2,200	-3.4%
EMS	Net Sales	89,481	95,000	6.2%
	Segment income	2,667	2,800	5.0%
CSI	Net Sales	44,344	40,000	-9.8%
	Segment income	1,906	1,500	-21.3%
Others	Net Sales	13,912	13,000	-6.6%
	Segment income	554	500	-9.7%
Total	Net Sales	292,779	430,000	46.9%
	Segment income	7,570	7,000	-7.5%

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

(Reference) Products and Services by New Business Segment

<p>Electronic components</p>	<ul style="list-style-type: none"> ● Sale of semiconductors (general-purpose products, customized products) ● Sale of general components (condensers, connectors, cables, switches, etc.) ● Sale of LCD, LED, and various devices
<p>EMS (Electronics Manufacturing Service)</p>	<ul style="list-style-type: none"> ● Manufacturing outsourcing (from mounting of circuit boards to assembly of completed products) services for various electronic devices, and the resulting design and development
<p>CSI (Consumer & System Integration)</p>	<ul style="list-style-type: none"> ● Sale of computers and PC ancillary equipment ● Sale of home electronic appliances, lighting equipment, and photograph and film-related products, etc.
<p>Others</p>	<ul style="list-style-type: none"> ● Production of various CG images and software ● Planning, development, manufacture, and sale of amusement-related products ● Repair of and support for electronics equipment ● Wholesale and retail sales of sports equipment, other

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



20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

Contact: Investor Relations & Public Relations Office

TEL:+81-3-5657-0106

FAX:+81-3-3254-7133

E-mail : webmaster@taxan.co.jp

<https://www.taxan.co.jp>