

KAGA ELECTRONICS CO., LTD.
Earnings Presentation for Fiscal Year Ended March 31, 2018 (50th Period)
Main Questions and Answers

Date and time: Thursday May 24, 2018 16:00-17:00
Location: KAGA ELECTRONICS CO., LTD. Headquarters

<Points of which to be aware>

"Main Questions and Answers" is made available for the convenience and the reference of those who were unable to attend the earnings presentation. This is not a verbatim transcript of everything that was discussed at the earnings presentation, but instead consists of concise summaries of key issues selected at the judgment of the Company.

Moreover, 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, etc. may differ significantly from these statements for a number of reasons.

[The Group's overall results, management]

Q1: Why have you not disclosed performance forecasts for the fiscal year Ending March 2019 at this point?

A1. With regard to performance forecasts for the fiscal year Ending March 2019, due to factors such as the tight supply-demand situation in some electronic components, the outlook is uncertain, for which reason we have put off announcing forecasts at this point.

However, as the current fiscal year is the final year of the Medium-term Management Plan, we are wholly committed to achieving those numerical targets (net sales of ¥290 billion, ordinary income of ¥10.0 billion and ROE of 8.0% or higher).

Either way, we intend to announce performance forecasts for the full year when we report results for the first half.

Q2: Are there any factors pushing up SG&A expenses in the fiscal year Ending March 2019?

A2. We plan to update the ERP systems with the aim of strengthening the global business management infrastructure, and accordingly we expect some increase in expenses related to that.

Q3: Please share your thoughts on management going forward over the medium term. Will you prioritize expanding sales, or will you prioritize profits?

A3. Over the medium term, there will be no change in our policies of reducing expenses and improving profitability, and we will continue to implement initiatives related to this. Also, with regard to expanding revenues, the plan is to grow sales primarily overseas.

Q4: What is your view on consolidation within the industry?

A4. As far as the Company is concerned, we intend to maintain a positive attitude, as we have done so far.

[Businesses]

Q5: Compared to the target for the EMS business of “doubling sales in five years,” growth in the fiscal year ended March 2018 seems to have been rather lacking. What is your view on this? Also, with regard to the expansion of overseas sites, I would like to hear the outlook beyond the current fiscal year.

A5. On a local currency basis, excluding the effects of exchange rates, the EMS business in the fiscal year ended March 2018 posted an increase in revenue of more than 3% YoY, which we consider to be a good result.

As for the outlook going forward, we are opening sites in Mexico, Vietnam, India, and Turkey, and, on an inquiry basis, we have received some extraordinarily large forecasts. If these are realized within five years, then we think we can achieve those targets. Furthermore, the area in which we assume significant growth going forward is automotive devices. Particularly in Mexico and India, automotive devices will be the main driver.

Q6: Please let us know the profit margins for the EMS business and the direction going forward.

A6. We do not disclose profit margins for the EMS business, but by virtue of the fact that we can add more value in the EMS business than in the Electronic components business, profitability is slightly higher in the former. In addition, unlike the other major EMS players, our strength lies in business involving small scales and a wide variety of products, and we believe that this also works to our advantage in terms of profitability.

Q7: Please explain what steps you are taking to secure parts.

A7. Success or failure to secure parts has a significant impact on the EMS business, so we are always negotiating with component suppliers with the aim of securing a stable supply. Also, as supply is tight, we are actively working to certify foreign-made parts.

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