

For Institutional Investors/Analysts

# Financial Results for the Third Quarter of the Fiscal Year ending March 2018

Nine months: April 1, 2017 – December 31, 2017

February 6, 2018

**KAGA ELECTRONICS CO., LTD.**  
(TSE 1st section, 8154)

# Key Points of the Financial Results

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## Financial Results for the First Nine Months of the Fiscal Year Ending March 2018

- ✓ Driven by strong performance in electronic components and information equipment segments, the Group's overall results showed strong growth both in net sales and profits year-on-year. Profit attributable to owners of parent hit a record-high.

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## Revision of Performance Forecast for the Fiscal Year Ending March 2018

- ✓ While considering the strong performance to date, the Group carefully reflected uncertainties about the amusement machine-related market. Revised upward the full-year forecast aiming at record-high ordinary income.

3

## Revision of Dividend Forecast

- ✓ Increased the year-end dividend by 5 yen per share, taking into consideration the expected profit exceeding the previous forecast. The annual dividend will be increased by 10 yen per share from the previous year to 70 yen per share, enhancing shareholder returns.

# Consolidated Financial Results for the First Nine Months of FY ending Mar/2018

# Financial Highlights

(Million Yen)

	FY2017/3 3Q Results	FY2018/3 3Q Results	YoY
Net sales	167,486	174,047	4%
Gross profit	23,076	24,242	5%
Gross profit margin	13.8%	13.9%	
SG&A	17,898	17,628	-2%
Operating income	5,178	6,613	28%
Ordinary income	5,500	7,093	29%
Profit attributable to owners of parent	4,863	5,510	13%

Exchange rates (Yen)	3Q Average	3Q Average
USD	106.63	111.70
THB	3.03	3.33
RMB	16.50	16.47
HKD	13.75	14.31

# Financial Highlights by Business Segment

(Million Yen)

		FY2017/3	FY2018/3	Summary	
		3Q Results	3Q Results	YoY	
Electronic components	Net sales	127,268	129,058	1%	<ul style="list-style-type: none"> <li>While amusement machine-related business was sluggish, EMS* business for electric tool, medical equipment, and office equipment showed favorable growth.</li> <li>Semiconductors sales for air conditioning and others also showed favorable growth.</li> </ul>
	Segment income	4,061	4,509	11%	
Information equipment	Net sales	30,647	34,745	13%	<ul style="list-style-type: none"> <li>Housing-related and commercial facility-related products showed favorable growth.</li> <li>PC sales secured the same level as those in the same period of the previous year.</li> </ul>
	Segment income	844	1,659	97%	
Software	Net sales	1,992	1,541	-23%	<ul style="list-style-type: none"> <li>CG production and software development projects for amusement machine-related business decreased.</li> <li>Upfront investments for development of new areas such as VR/AR* increased.</li> </ul>
	Segment income	300	91	-70%	
Others	Net sales	7,577	8,702	15%	<ul style="list-style-type: none"> <li>Arcade amusement machines and golf products showed solid growth.</li> </ul>
	Segment income	-144	236	Returned to profit	
Total	Net sales	167,486	174,047	4%	
	Operating income	5,178	6,613	28%	

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

\* Refer to glossary for EMS, VR, and AR

# Consolidated Balance Sheet

(Million Yen)

	2017/3	2017/12	vs 2017/3
<b>Current assets</b>	<b>103,684</b>	<b>104,571</b>	<b>887</b>
Cash and deposits	26,423	30,945	4,522
Notes and accounts receivable – trade	52,009	47,855	-4,154
Inventories	19,325	21,339	2,014
Other	5,925	4,431	-1,494
<b>Non-current assets</b>	<b>22,067</b>	<b>24,366</b>	<b>2,299</b>
Property, plant and equipment	11,745	12,045	300
Intangible assets	841	921	80
Investments and other assets	9,479	11,399	1,920
<b>Total assets</b>	<b>125,751</b>	<b>128,937</b>	<b>3,186</b>

	2017/3	2017/12	vs 2017/3
<b>Current liabilities</b>	<b>50,242</b>	<b>48,671</b>	<b>-1,571</b>
Notes and accounts payable – trade	37,553	36,378	-1,175
Short-term loans payable	4,883	5,136	253
Other	7,806	7,155	-651
<b>Non-current liabilities</b>	<b>9,576</b>	<b>9,262</b>	<b>-314</b>
Long-term loans payable	4,603	3,482	-1,121
Other	4,973	5,779	806
<b>Total liabilities</b>	<b>59,819</b>	<b>57,933</b>	<b>-1,886</b>
<b>Shareholders' equity</b>	<b>64,481</b>	<b>68,148</b>	<b>3,667</b>
Capital stock	12,133	12,133	0
Capital surplus	13,912	13,853	-59
Retained earnings	40,476	44,203	3,727
Treasury shares	-2,040	-2,042	-2
Total accumulated other comprehensive income	1,391	2,780	1,389
Non-controlling interests	59	75	16
<b>Total net assets</b>	<b>65,932</b>	<b>71,004</b>	<b>5,072</b>
<b>Total liabilities and net assets</b>	<b>125,751</b>	<b>128,937</b>	<b>3,186</b>

# Consolidated Earnings Forecasts for FY ending Mar/2018

# Consolidated Earnings Forecasts

(Million Yen)

	FY2017/3	FY2018/3	FY2018/3		
	Results	Previous forecasts	Revised forecasts	YoY	vs Previous forecasts
Net sales	227,209	232,000	232,000	2%	0%
Gross profit	31,225	32,250	32,250	3%	0%
Gross profit margin	13.7%	13.9%	13.9%		
SG&A	24,346	24,750	24,250	0%	-2%
Operating income	6,879	7,500	8,000	16%	7%
Ordinary income	7,343	8,200	8,700	18%	6%
Profit attributable to owners of parent	6,975	6,300	6,450	-8%	2%

## Exchange rates (Yen)

USD	108.38	110.50	111.70
THB	3.08	3.30	3.33
RMB	16.37	16.30	16.47
HKD	13.97	14.00	14.31



# Dividend Forecast/ROE Forecast

(Yen)

	FY2017/3 Results	FY2018/3 Previous forecasts	FY2018/3 Revised forecasts	YoY	vs Previous forecasts
EPS	249.43	229.63	235.10	-14.33	+5.47
Dividend per share	60.00	65.00	70.00	+10.00	+5.00
Ordinary dividend	40.00	60.00	60.00	+20.00	0.00
Extraordinary dividend	20.00	5.00	10.00	-10.00	+5.00
ROE	10.0%	9.2%	9.4%	-0.6pp	+0.2pp

# Consolidated Forecasts by Business Segment

(Million Yen)

		FY2017/3	FY2018/3	FY2018/3		
		Results	Previous forecasts	Revised forecasts	YoY	vs previous forecasts
Electronic components	Net sales	171,227	176,000	171,500	0%	-3%
	Segment income	4,917	5,500	5,500	12%	0%
Information equipment	Net sales	42,547	42,500	47,000	10%	11%
	Segment income	1,491	1,500	2,100	41%	40%
Software	Net sales	3,159	2,500	2,500	-21%	0%
	Segment income	528	200	150	-72%	-25%
Others	Net sales	10,274	11,000	11,000	7%	0%
	Segment income	-212	300	250	-	-
Total	Net sales	227,209	232,000	232,000	2%	0%
	Operating income	6,879	7,500	8,000	16%	7%

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

# <References>

# Financial Highlights (Last 3 months)

	FY2017/3	FY2018/3	(Million Yen)
	3Q Results	3Q Results	YoY
Net sales	57,826	57,465	-1%
Gross profit	7,903	8,023	2%
Gross profit margin	13.7%	14.0%	
SG&A	5,938	5,804	-2%
Operating income	1,965	2,219	13%
Ordinary income	2,455	2,390	-3%
Profit attributable to owners of parent	1,752	1,994	14%

(Reference)

Exchange rates (Yen)	3Q	3Q
USD	109.30	112.98
THB	3.09	3.43
RMB	15.35	16.64
HKD	14.09	14.47

# Financial Highlights by Business Segment (Last 3 months)

		(Million Yen)		
		FY2017/3	FY2018/3	
		3Q Results	3Q Results	YoY
<b>Electronic components</b>	Net sales	44,484	43,139	-3%
	Segment income	1,694	1,616	-5%
<b>Information equipment</b>	Net sales	10,122	11,299	12%
	Segment income	305	543	78%
<b>Software</b>	Net sales	550	399	-27%
	Segment income	-6	-20	-
<b>Others</b>	Net sales	2,668	2,627	-2%
	Segment income	-87	37	Returned to profit
<b>Total</b>	Net sales	57,826	57,465	-1%
	Operating income	1,965	2,219	13%

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

# Products and Services by Business Segment

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

# Glossary

<b>EMS</b> (Electronics Manufacturing Service)	<ul style="list-style-type: none"><li>• Provide high-volume lot production based on an agreement with customers, in contrast to simple subcontract services</li><li>• The Company excels in offering one-stop service to customers by getting involved in processes including design, components procurement, sales, and support in addition to manufacturing.</li></ul>
<b>AR</b> (Augmented Reality)	<ul style="list-style-type: none"><li>• Technology which augments a reality environment perceived by human using computers. Also refers to the computer-augmented reality environment itself</li></ul>
<b>VR</b> (Virtual Reality)	<ul style="list-style-type: none"><li>• Technology which scientifically generates an environment that is not real or original but essentially functions in the same way, by stimulating human senses including users' five senses</li></ul>
<b>ADAS</b> (Advanced Driver-Assistance Systems)	<ul style="list-style-type: none"><li>• Systems developed to automate, adjust, and enhance the vehicle systems for safe and better driving</li></ul>
<b>DMS</b> (Driver Monitor System)	<ul style="list-style-type: none"><li>• Driver support system for safe and comfortable driving. It consists of sensor, image/signal processing and indicator.</li></ul>
<b>LPWA</b> (Low Power Wide Area)	<ul style="list-style-type: none"><li>• Wireless communication technology with lower power consumption that enables long-distance telecommunication in relatively wider area with one base station</li><li>• It is expected to be customized for IoT (all things are connected to the Internet) and M2M (direct communication between devices via the Internet).</li></ul>

# “Everything we do is for our customers”



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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.