

KAGA ELECTRONICS CO., LTD.
Financial Results Briefing Materials
for the First Half of the Fiscal Year Ending March 31, 2019

November 29, 2018

KAGA ELECTRONICS CO., LTD.

Index

- **Consolidated Financial Results for the 1H of the Fiscal Year ending March 2019**

- Summary of Financial Results for the 2nd Quarter Ended September 30, 2018 P- 3
- Financial Highlights P- 4~ 8
- Balance Sheet/Cash Flows P- 9~11
- Forecast for the Fiscal Year ending March 2019 P-12~13
- Supplementary Information P-14~17

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

Six months: April 1, 2018 – September 30, 2018

KAGA ELECTRONICS CO., LTD.

Managing Director

Eiji Kawamura

Summary of Financial Results for the Second Quarter Ended September 30, 2018

FY2019/3 2Q Results

- **At ¥115.3 billion, net sales** by and large maintained the same level year-on-year, driven by EMS business.
- Operating income and net profit both declined, which had been **factored in 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

- **Net sales ¥290 billion, ordinary income ¥8 billion, profit ¥7.3 billion, ROE 9.9%.**
- Along with the acquisition of Fujitsu Electronics, **consolidation is scheduled to be effective from the forth quarter.**
- Expected to **achieve net sales and ROE targets** in the final fiscal year of the Medium-term Management Plan.
- Aiming to achieve **record profit in 14 years** with 7.3 billion yen profit projection including negative goodwill related to the acquisition.
- **Commemorative dividend (dividend increase) to be paid**, in celebration of the 50th anniversary.
- Interim dividend of ¥35 per share, consisting of ordinary dividend of ¥30 and commemorative dividend of ¥5.

Shareholder return

Financial Highlights

(Million Yen)

	FY2018/3 2Q Results	FY2019/3 2Q Results	YoY
Net sales	116,582	115,383	-1,199
Gross profit	16,218	16,023	-195
Gross profit margin	13.9%	13.9%	-
SG&A	11,824	12,251	427
Operating income	4,394	3,772	-622
Ordinary income	4,703	4,049	-654
Profit attributable to owners of parent	3,516	2,750	-766
EPS (Yen)	128.16	100.25	-27.91

Financial Highlights by Business Segment (Net Sales/Segment Income)

(Million yen)

Net Sales

116,582

6,075
1,142
23,446

85,918

2018/3
2Q Results

115,383

9,379
1,404
21,143

83,455

2019/3
2Q Results

Total
YoY : **-1,199**

Others
YoY : **+3,304**

Software
YoY : **+262**

Information equipment
YoY : **-2,302**

Electronic component
YoY : **-2,463**

Segment income

4,394

198
111
1,116

2,893

2018/3
2Q Results

3,772

216
143
864

2,474

2019/3
2Q Results

Total
YoY : **-622**

Others
YoY : **+ 18**

Software
YoY : **+ 31**

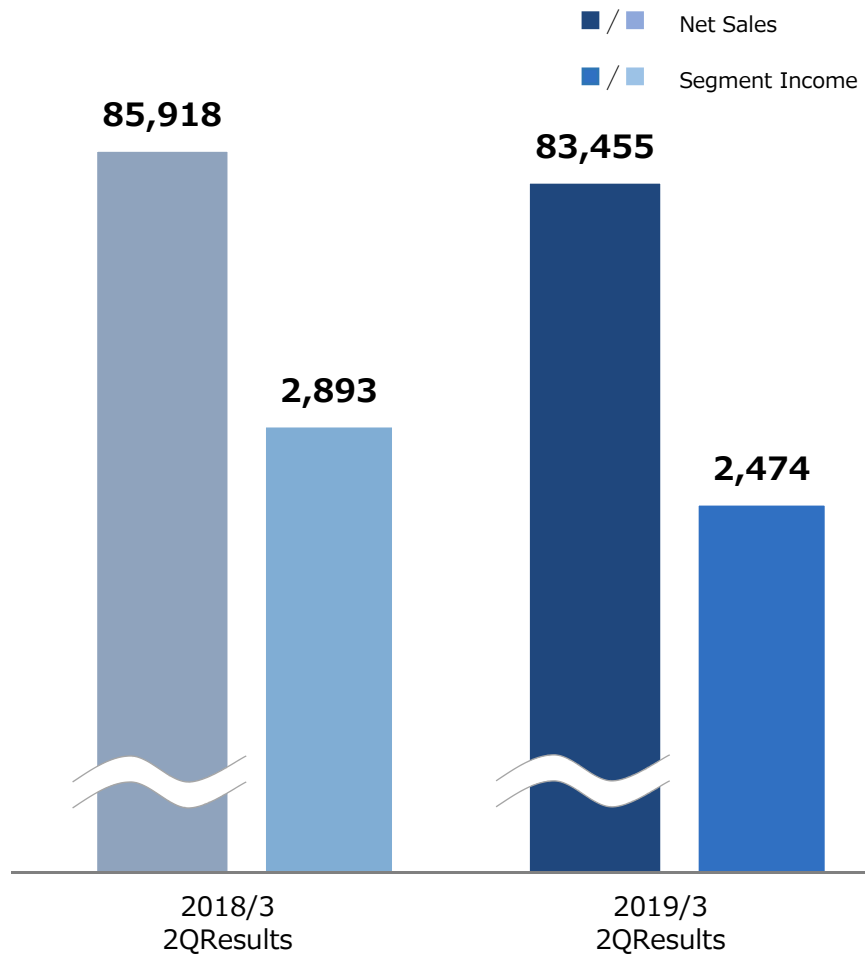
Information equipment
YoY : **-252**

Electronic component
YoY : **-419**

Financial Highlights: Electronic Component Segment

(Million yen)

Net sales/Segment income



YoY

- Net Sales ▶ **-2,463** million yen **2.9%down**
- Segment Income ▶ **-419** million yen **14.5%down**

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

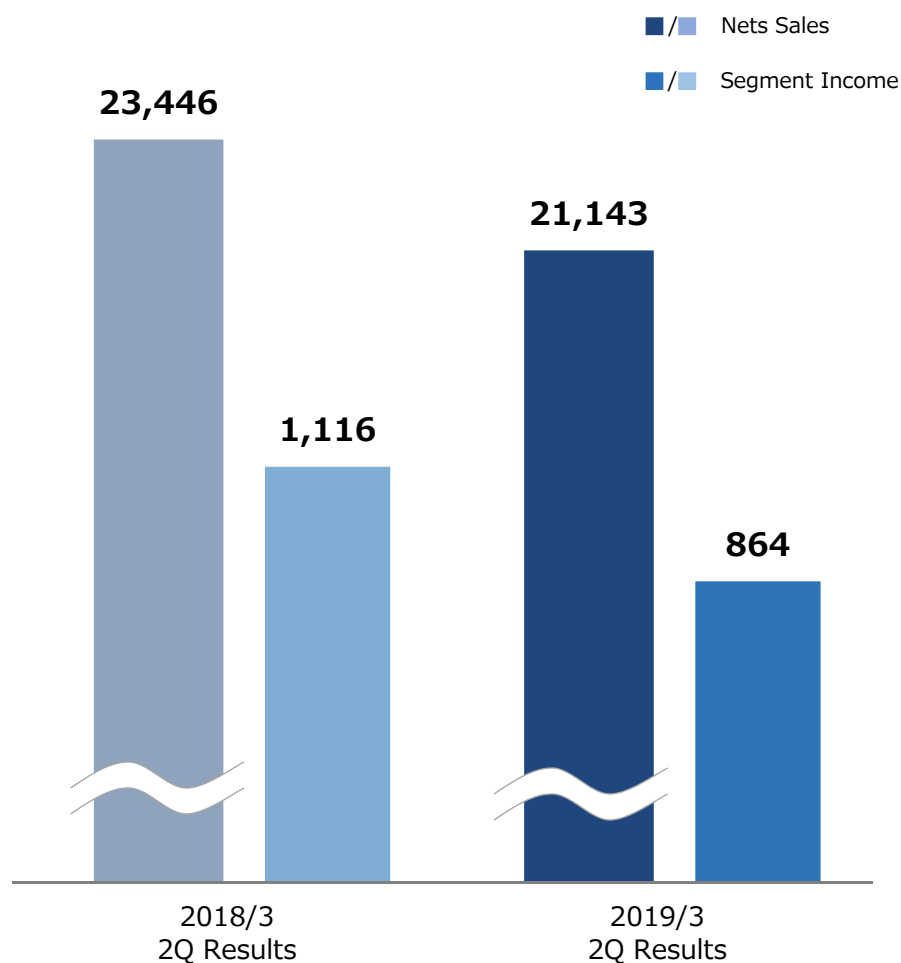
Components sales business remained sluggish, notably for home electric appliances from the effect of production adjustments at major customers.



Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income



YoY

- Net Sales ▶ **-2,302**million yen **9.8%down**
- Segment Income ▶ **-252**million yen **22.6%down**

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

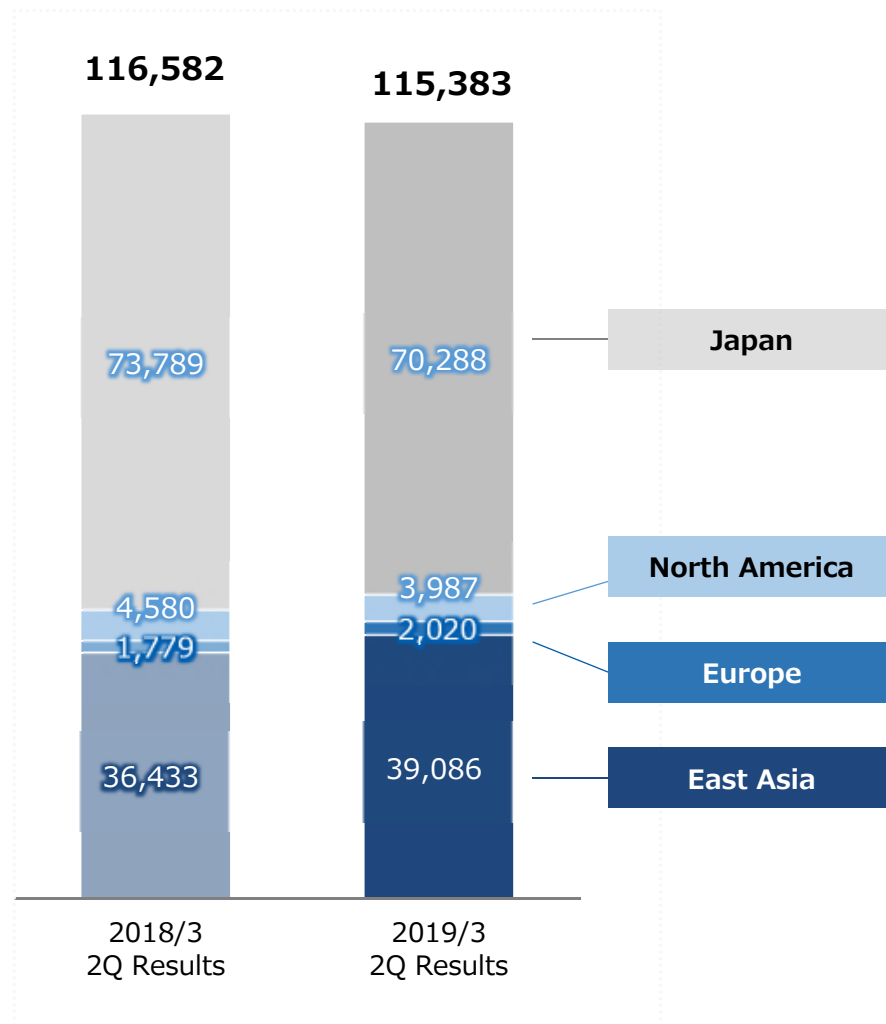
Sales of PCs and PC peripherals were slow.



Net Sales by Region

(Million Yen)

Net sales



YoY

- Japan ▶ **-3,500** million Yen **4.7%down**
- North America ▶ **-593** million Yen **12.9%down**
- Europe ▶ **+241** million Yen **13.6%up**
- East Asia ▶ **+2,653** million Yen **7.3%up**

Japan: PC sale , amusement machine business and golf equipment sales were sluggish.

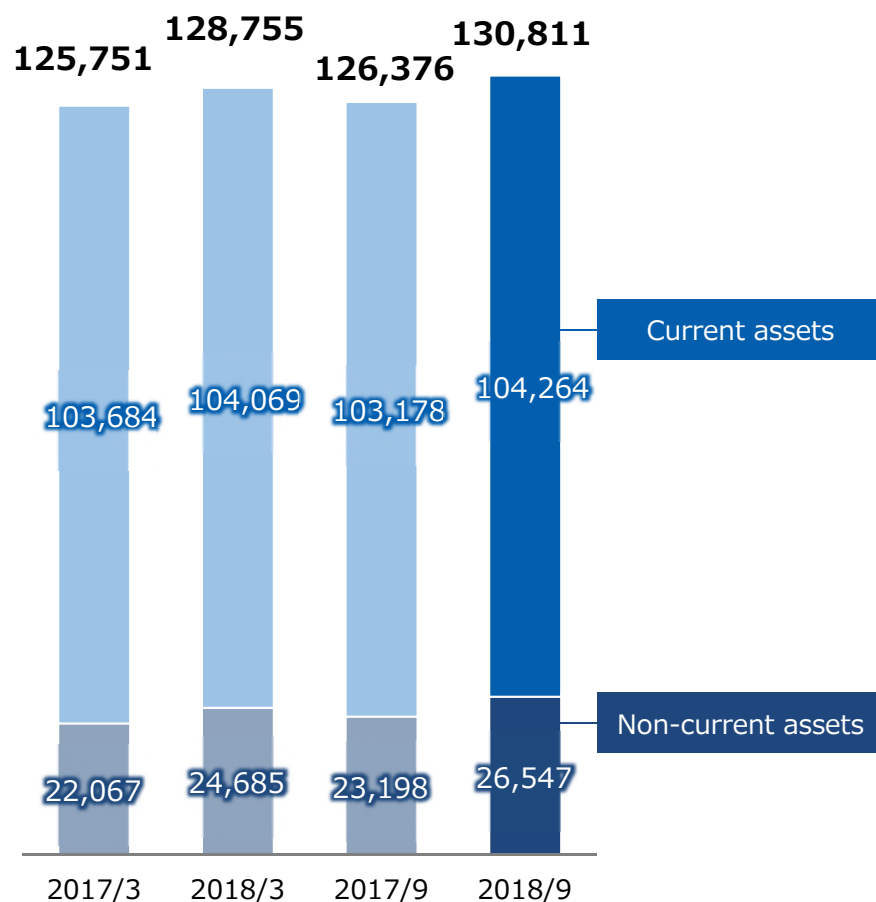
Overseas: East Asia and Europe also increased due to steady growth in EMS business.



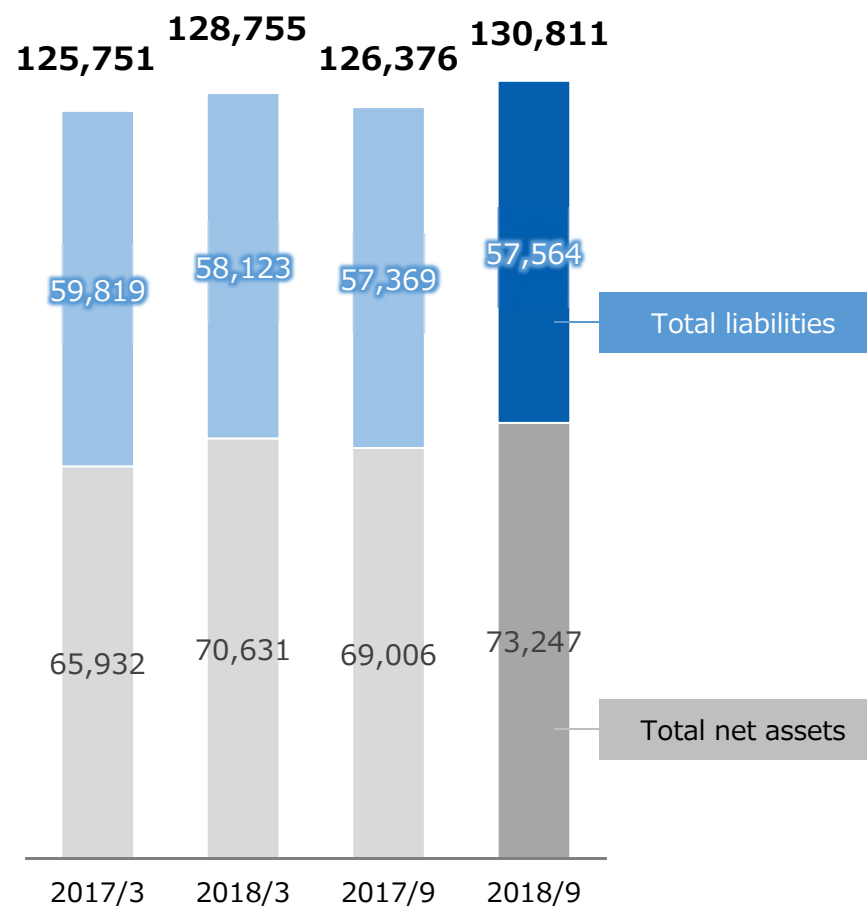
Balance Sheet Main Items

(Million Yen)

Total assets



Total liabilities and net assets

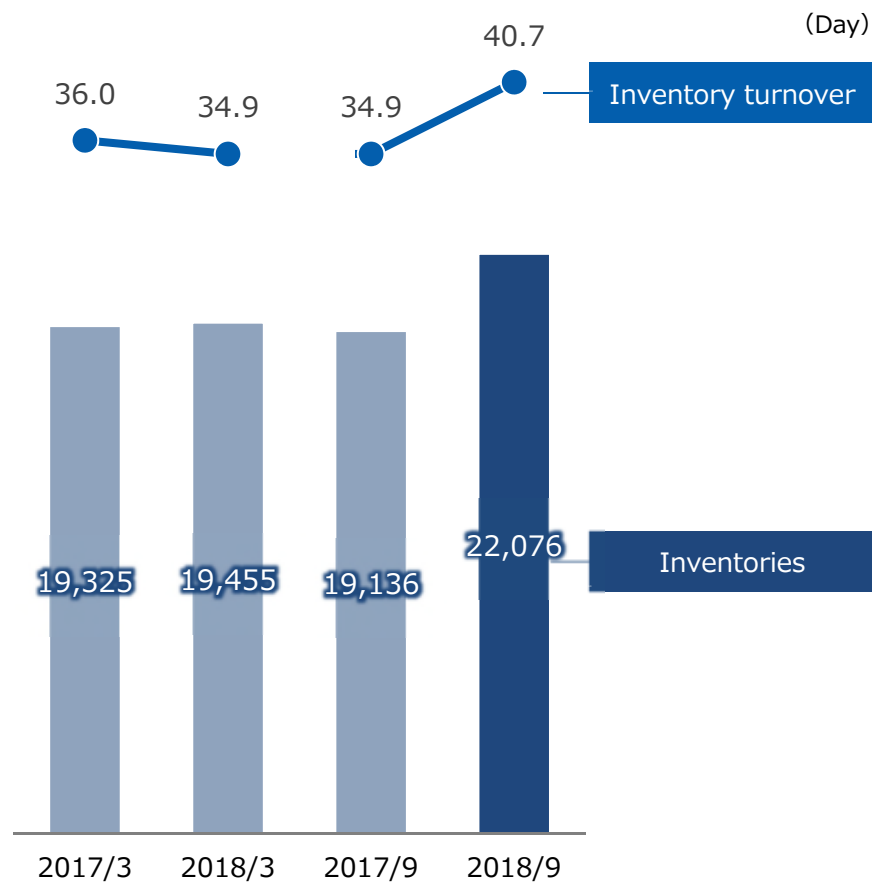


Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented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

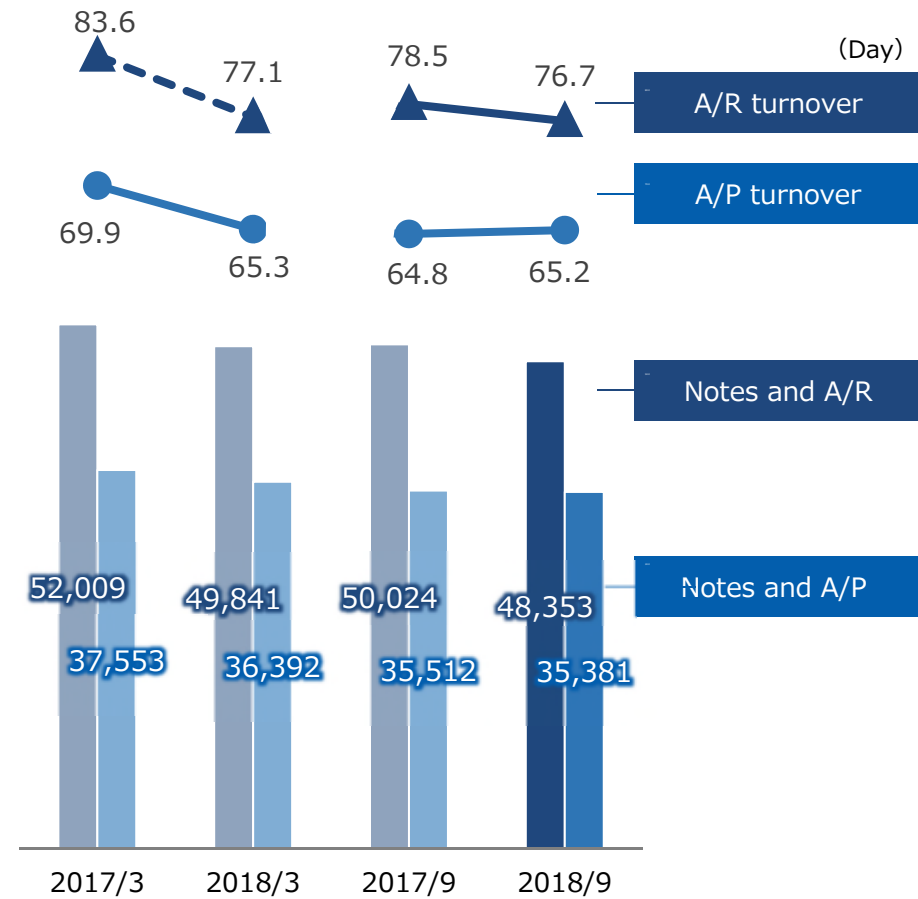
Balance Sheet Main Items

(Million Yen)

Inventories



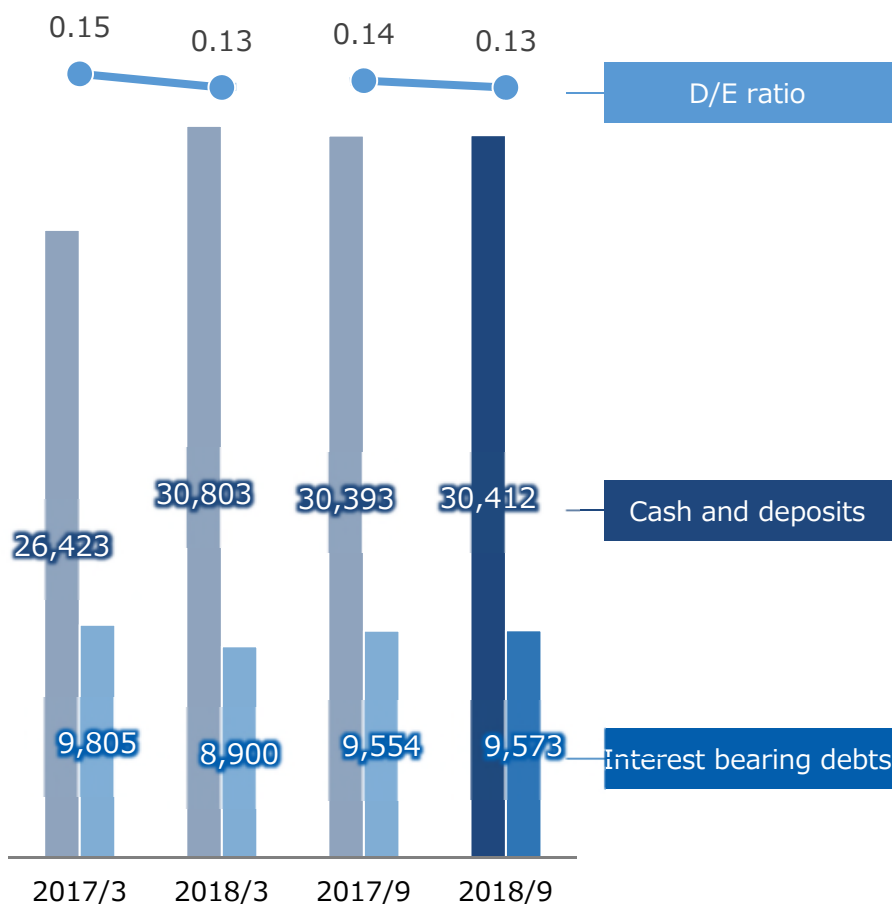
Accounts receivable/Accounts payable



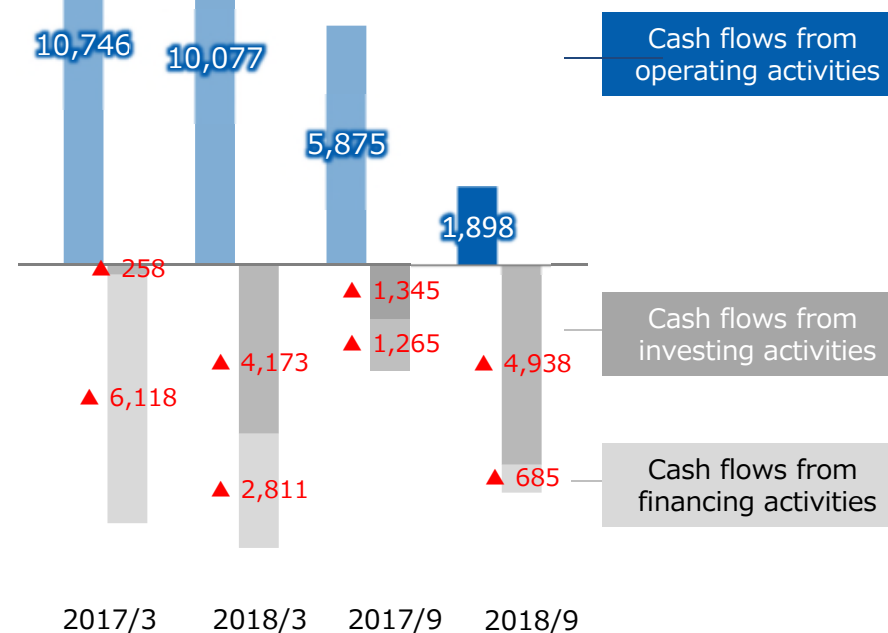
Cash and Deposits/Interest Bearing Debt/Cash Flows

(Million Yen)

Cash and deposits



Cash flows



Forecast for the Fiscal year ending march 2019

(Million Yen)

	2018/3	2019/3		
	Results	Forecasts	YoY	Medium-Term Management Plan Target
Net sales	235,921	290,000	54,079	290,000
Gross profit	32,498	35,500	3,002	-
Gross profit margin	13.8%	12.2%	-1.6pt	-
SG&A	24,379	27,800	3,421	-
Operating income	8,119	7,700	-419	-
Ordinary income	8,740	8,000	-740	10,000
Profit attributable to pwners of parent	6,490	7,300	810	-
EPS (Yen)	236.58	266.04	29.46	-
ROE	9.5	9.9	+0.4pt	8.0%

Forecasts by Business Segment for Fiscal year ending march 2019

(Million Yen)

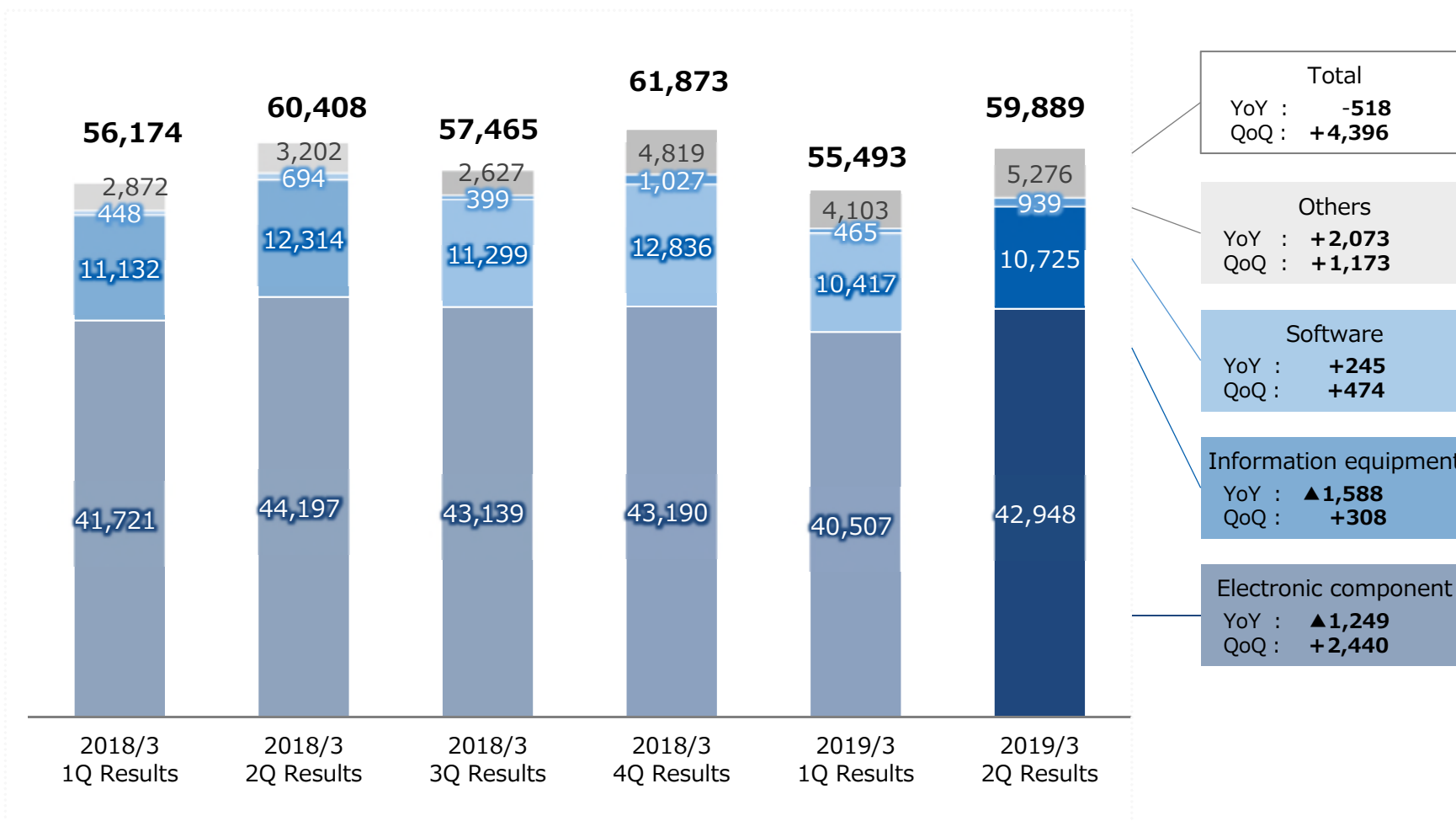
		2018/3	2019/3		
		Results	Forecasts	YoY	
Electronic Component	Net Sales	172,248	227,200	54,952	32%
	Sgment income	5,312	5,200	-112	-2%
Information Equipment	Net Sales	47,582	43,000	-4,582	-10%
	Sgment income	2,202	1,700	-502	-23%
Software	Net Sales	2,568	2,800	232	9%
	Sgment income	172	300	128	74%
Others	Net Sales	13,522	17,000	3,478	26%
	Sgment income	308	500	192	62%
Total	Net Sales	235,921	290,000	54,079	23%
	Sgment income	8,119	7,700	-419	-5%

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

Financial Highlights by Business Segment① (Net Sales)

(Million Yen)

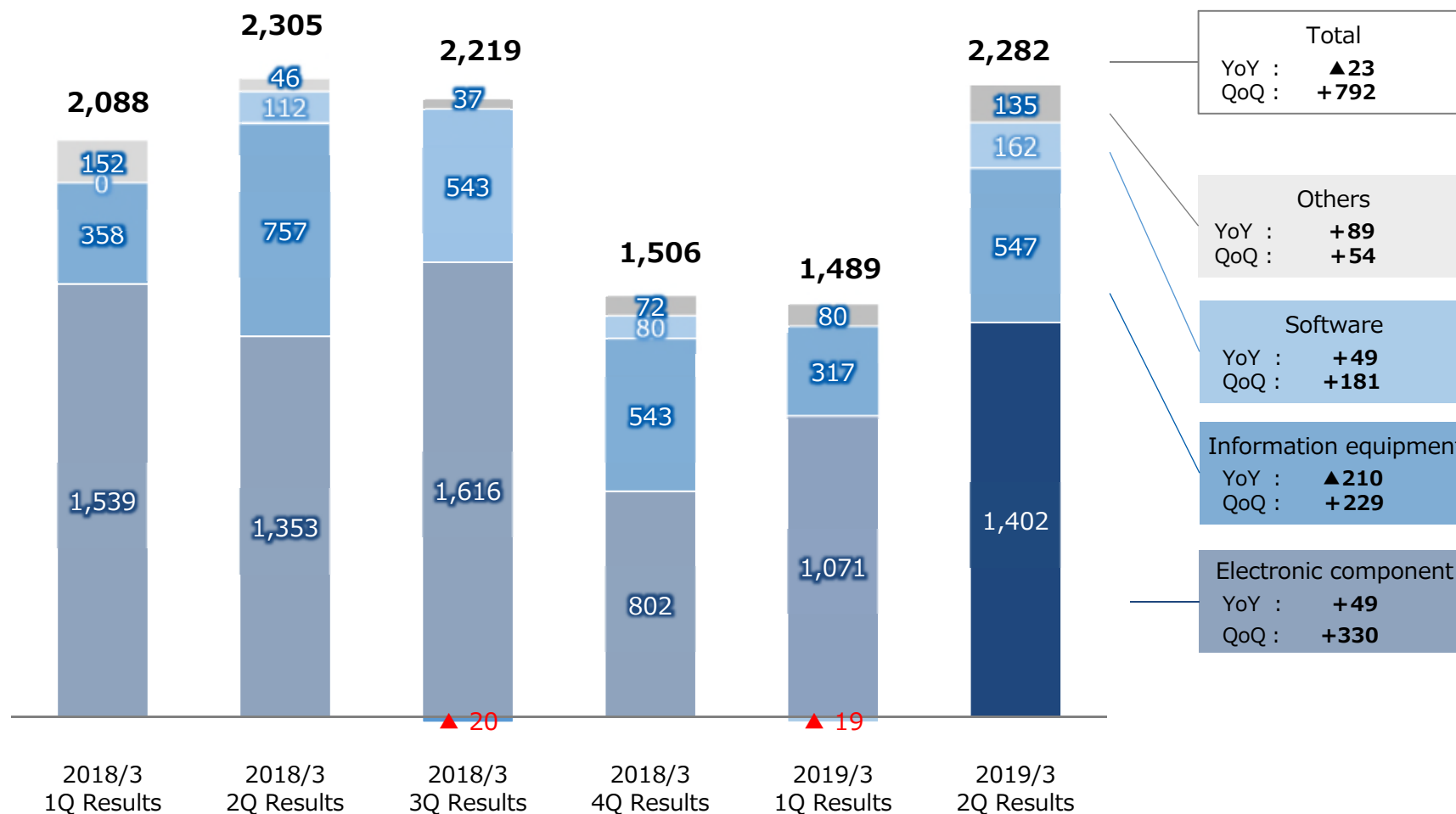
Net Sales



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).

Exchange Rate/FOREX Sensitivity

	FY2018/3 2Q Results (Yen)	FY2019/3 2Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2H(yen)
			Net sales	Ordinary income	
USD	111.06	110.26	135	14	110.00
THB	3.28	3.40	108	5	3.40
RMB	16.39	17.09	70	4	17.00
HKD	14.24	14.05	84	2	14.00

(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”



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>

■ **Caution on forward-looking statements**

Forwarding look statements included in this document, such as performance forecasts, are based on information that has been obtained at the current time and certain assumptions deemed as reasonable by the company; actual performance, etc. may be significantly different due to various factors.

■ **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.