

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

Date and time: Thursday, November 29, 2018 4:00 pm - 5:00 pm
Place: KAGA ELECTRONICS CO., LTD. Headquarters, Main Conference Room

<Notes>

“Frequently asked questions” have been posted as a reference for the convenience of those who did not attend the financial results briefing. Please be aware that it is not a transcription of all matters discussed at the financial results briefing, rather it is a brief summary of the points that Kaga Electronics considers to be of value.

Furthermore, please be aware that statements contained in this document that relate to the future, such as results forecasts, are based on information currently in the possession of the Kaga Electronics and certain assumptions that have been judged to be reasonable. Actual performance, etc. may differ greatly due to a range of factors.

[Concerning the Medium Term Management Plan]

Q: The management targets for fiscal 2021 are to achieve net sales of 500 billion yen and operating income of 13 billion yen. Tell us about how much Fujitsu Electronics will contribute to achieving this.

A: If we break down the figure of 500 billion yen, Kaga Electronics will be responsible for 260 billion yen, while Fujitsu Electronics will be responsible for 240 billion yen. In terms of operating income, Kaga Electronics will be responsible for 10 billion yen, while Fujitsu Electronics will be responsible for 3 billion yen.

Q: With regard to the EMS growth scenario, tell us about what approach you will use to secure sales and profit going forward.

A: At Fujitsu Electronics, components sales (trading company business) form the main element of business, and they are also developing and proposing peripheral solutions in accordance with this. At present, devices purchased from Fujitsu Electronics and self-procured peripherals are mounted on circuit boards by the customer. By directly incorporating this flow in our EMS value-chain, which makes use of our overseas EMS sites, we expect to increase net sales and profit. Cooperation between the two companies has already commenced in the EMS business, and we are gradually chipping away at this monumental task.

[Concerning the Acquisition of Fujitsu Electronics as a Subsidiary]

Q: Tell us about the acquisition of Fujitsu Electronics in relation to what aspects of Fujitsu Electronics were attractive.

A: The Company and Fujitsu Electronics do not share the same customers and vendors, but the most attractive thing is that they have many customers in automotive-related fields.

Q: For several years, Fujitsu Electronics has had declining net sales. Tell us how you plan to achieve your targets going forward.

A: By adding the Company's products and customers to Fujitsu Electronics' products, we feel that we will be able to increase the sales and profit of both companies. After that, we expect to improve the sales and profit ratio of both companies by expanding the Company's EMS business.

[Concerning Businesses]

Q: According to the segment information in the Summary of Consolidated Financial Results, you felt the effects of production adjustments in relation to medical equipment and home electric appliances in the first half. Tell us how long those effects are likely to last.

A: With regard to medical equipment for the U.S. market, customers' product models are at the end of their cycles, and we have felt the effects of production adjustments because of this. We expect there to be a recovery in the next period. With regard to home electric appliances and consumer equipment, this does not account for a large portion of net sales and the number of customers is not increasing.

Q: It seems that the proportion of automotive devices is increasing. What is the visibility of automotive devices like? Tell us about the potentiality of receiving orders and customers.

A: The lead time for automotive devices is long, and at this point we are able to get a sense for sales two or three years in advance. We have extremely good customers, and they will be the main trading partners for the factories that the Company newly established in India and Mexico.

Q: Inventory is increasing, but what is the content of this increase? Tell us whether this inventory will remain in the second half of the fiscal year.

A: The increase in inventory is temporary. We have set a target of 17.7 billion yen at end of March 2019.