

For Institutional Investors/Analysts

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

Nine months: April 1, 2019 – December 31, 2019

February 6, 2020

KAGA ELECTRONICS CO., LTD.

TSE 1st section 8154

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Summary of Financial Results for the Third Quarter Ended December 31, 2019

FY2019/3 3Q Results

- As in the first half, momentum is strong, with revenue surpassing company targets.
- Close to twofold increase in net sales with contribution from the conversion of Fujitsu Electronics to a subsidiary.
- Operating income and ordinary income reached record-high levels, driven by the effect of the acquisition and the solid performance of the Electronic Component business.

Overview of the Electronic Component segment

- Sales expansion in the EMS business notably in the areas of medical equipment and automotive devices.
- In the component sales business, LED modules for automotive applications and consumer devices were solid. Fujitsu Electronics contributed to Group earnings with mobile phones and automotive applications.

Overview of the Information Equipment segment

- Strong sales of PCs for individuals, schools, and educational institutions driving overall growth of PC sales.
- The LED installation business affected by a pause in replacement demand from major customers. Revenue declined for housing-related home electronic appliance sales due to the ongoing impact of delivery date adjustments by customers.

Forecast for FY2020/3

- In light of solid progress through Q3, forecasts for net sales, operating income and ordinary income were revised upward. Forecasts for operating income and ordinary income have changed from a forecast of lower income to a forecast of higher income.
- Initial forecasts were left unchanged as the Company expects to post costs related to for net income structural reforms.

Financial Highlights (9 months)

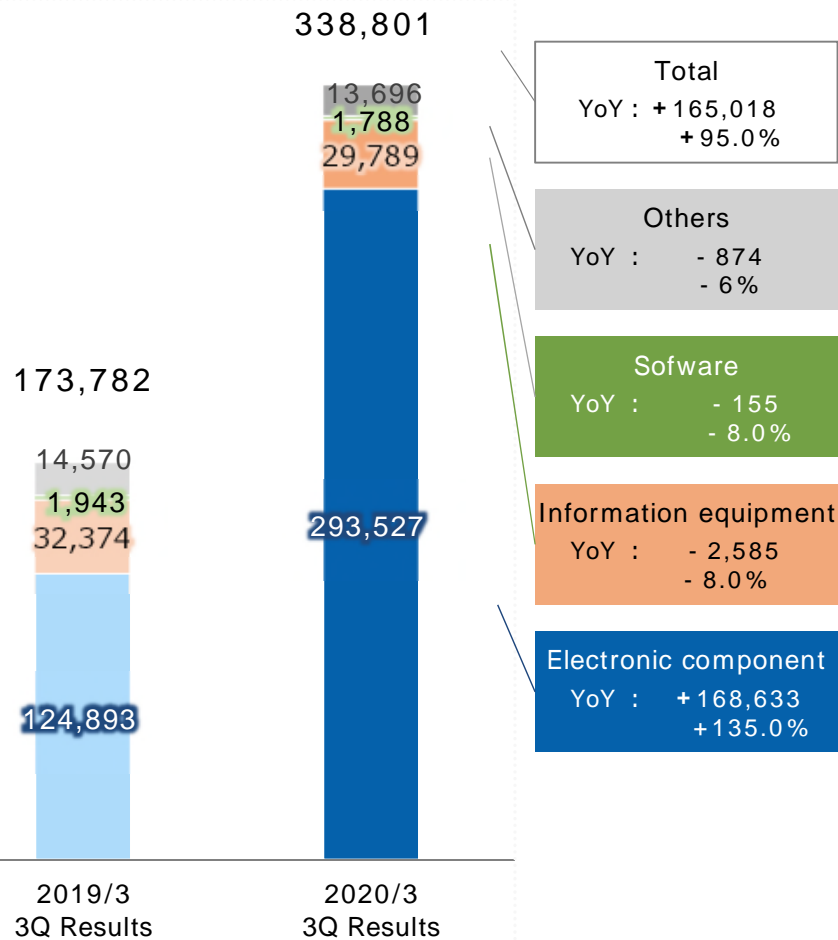
(Million yen)

	FY2019/3 3Q Results	FY2020/3 3Q Results	YoY
Net sales	173,782	338,801	95.0%
Gross profit	24,023	35,245	46.7%
Gross profit margin	13.8%	10.4%	- 3.4pt
SG&A	18,275	27,513	50.6%
Operating income	5,748	7,732	34.5%
Ordinary income	6,000	7,975	32.9%
Profit attributable to owners of parent	4,875	4,924	1.0%
EPS (Yen)	177.69	179.43	1.74
FOREX US\$ (Yen)	111.14	108.67	2.47

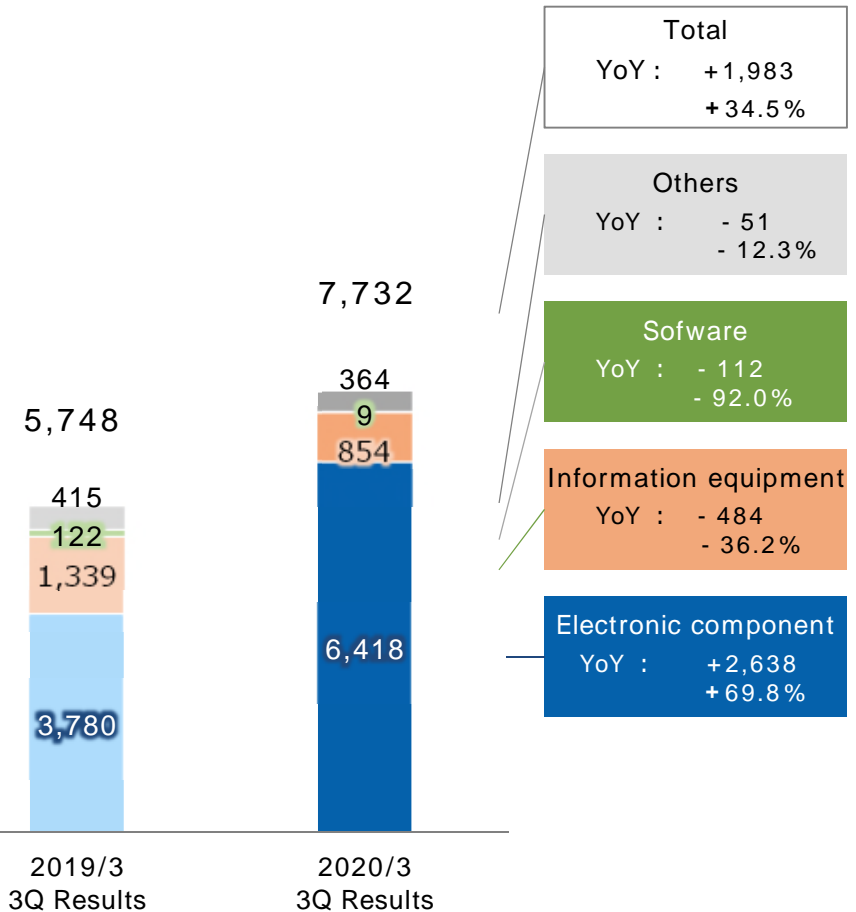
Financial Highlights by Business Segment (9 months)

(Million yen)

Net Sales



Segment income

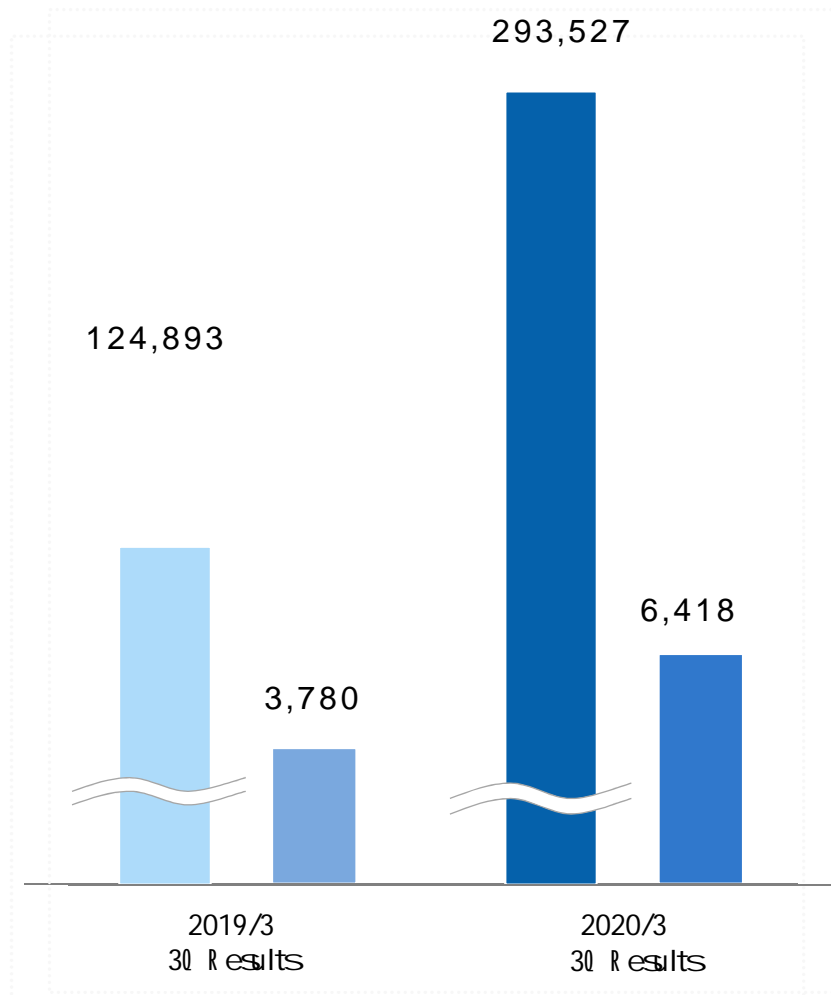


Note: Figures of each segment income are not inter-segment adjusted.
Total amount is inter-segment adjusted (operating income).

Financial Highlights: Electronic Component Segment (9 months)

(Million yen)

Net sales/Segment income



YoY

- Net sales ▶ + 168,633million Yen 135.0%UP
- Segment ▶ + 2,638million Yen 69.8%UP
Income

Steady performance of the EMS business led by medical equipment and automotive devices

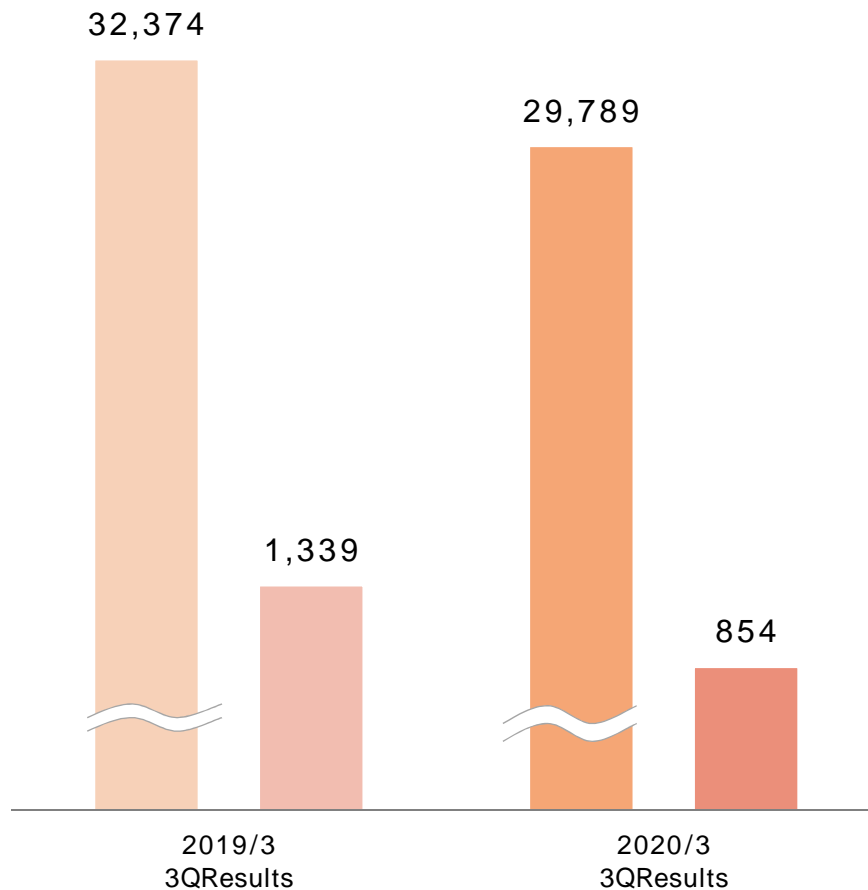
The component sales business is benefiting from the strong performance of LED for automotive devices and consumer devices. In addition, revenue from Fujitsu Electronics' mobile phones and automotive devices businesses made new contributions.



Financial Highlights: Information Equipment segment (9 months)

(Million yen)

Net sales/Segment income



YoY

- Net sales ▶ - 2,585 million Yen 8.0%Down
- Segment Income ▶ - 484 million Yen 36.2%Down

PCs and PC peripherals for individuals, schools, and educational institutions record strong sales.

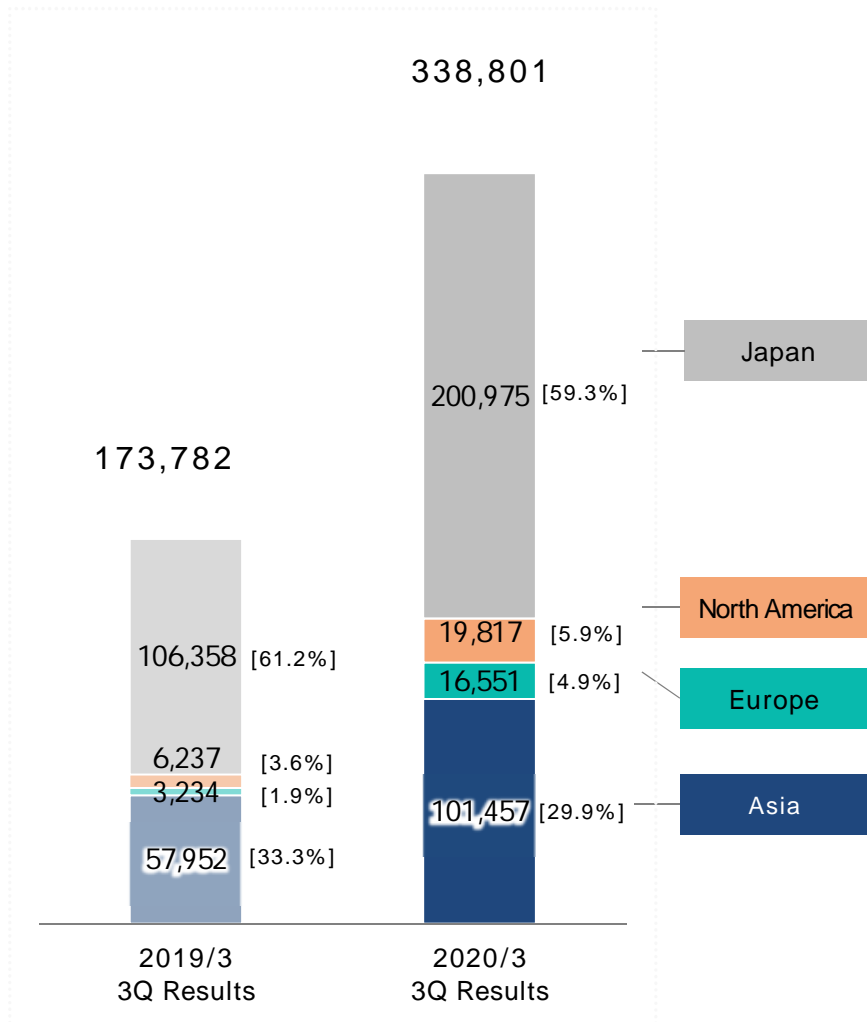
Pause in replacement demand for commercial facilities-related LED installation business, Sales in the housing-related home electric appliances business were low.



Net Sales by Region (9 months)

(Million Yen)

Net sales



YoY

- Japan ▶ +94,616million Yen 89.0%UP
- North America▶+13,579million Yen 217.7%UP
- Europe ▶ +13,316million Yen 411.7%UP
- Asia ▶ +43,505million Yen 75.1%UP

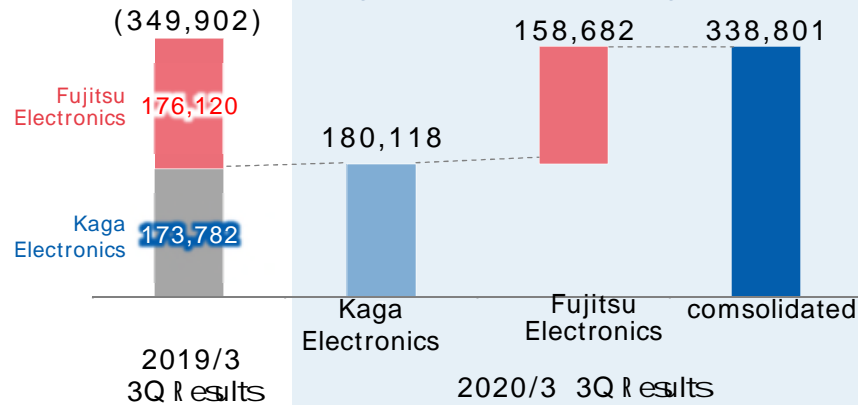


Financial Highlights : Breakdown for Kaga Electronics/Fujitsu Electronics

In million yen, figures in () are simple sums Actual figures of Fujitsu Electronics for the previous period are for reference only.

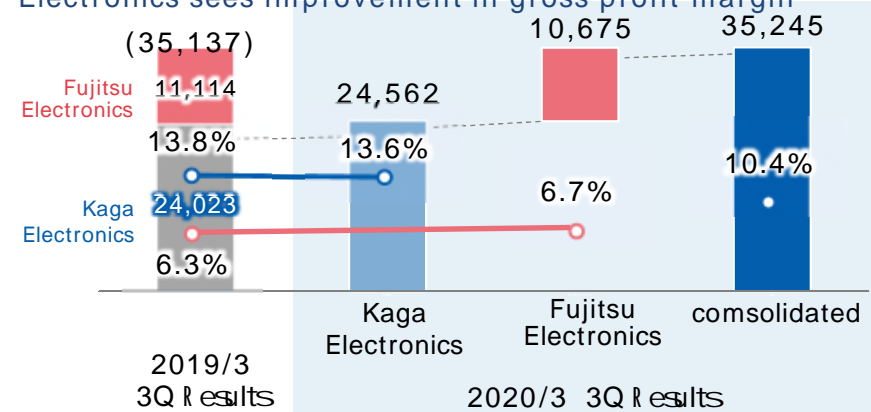
Net Sales

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



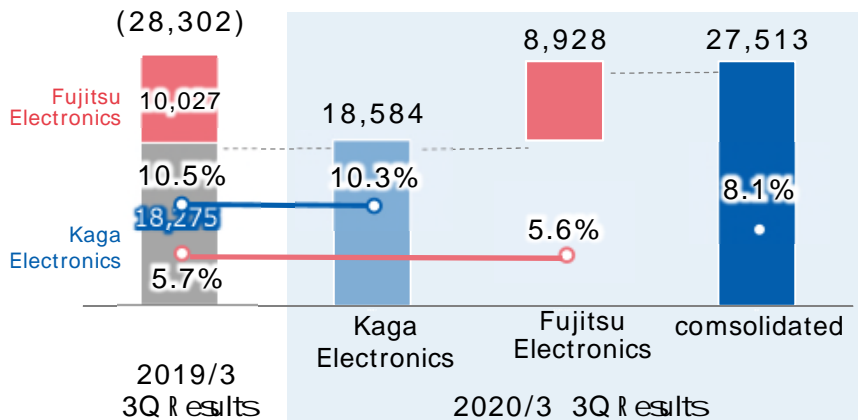
Gross profit / Gross profit margin

Kaga Electronics posts increase in gross profit, Fujitsu Electronics sees improvement in gross profit margin



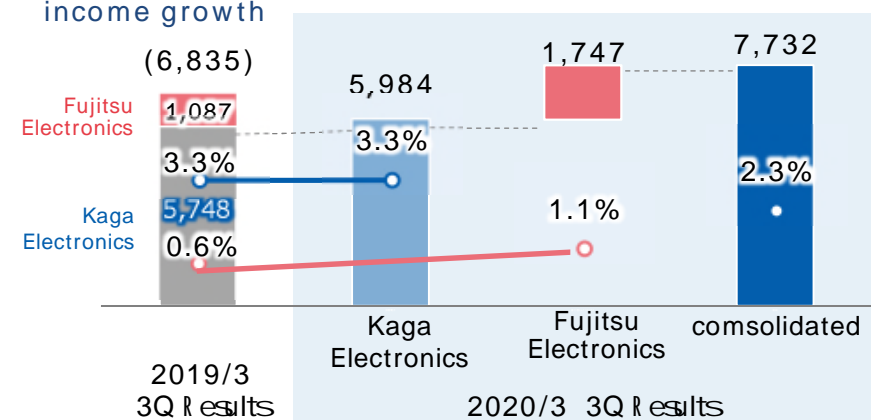
SG&A / SG&A ratio

Both Kaga Electronics and Fujitsu Electronics curb SG&A



Operating income / Operating income margin

Both Kaga Electronics and Fujitsu Electronics secure income growth



Financial Highlights (3 months)

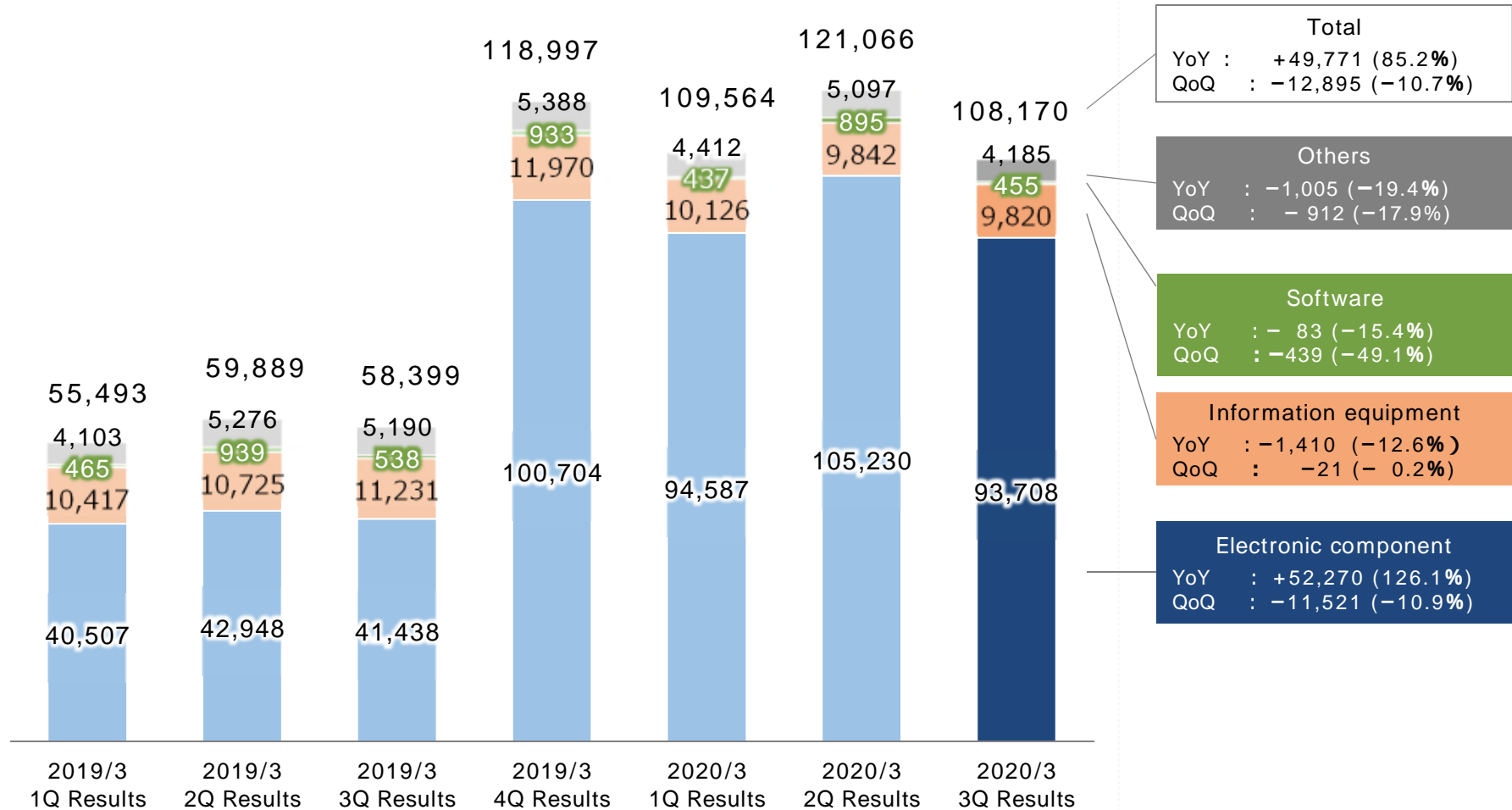
(million Yen)

	2019/3	2020/3	2020/3		
	3Q Results	2Q Results	3Q Results	YoY	QoQ
Net sales	58,399	121,066	108,170	85.2%	-10.7%
Gross profit	8,000	12,708	11,474	43.4%	-9.7%
Gross profit margin	13.7%	10.5%	10.6%	- 3.1pt	0.1pt
SG&A	6,023	9,319	8,982	49.1%	- 3.6%
Operating income	1,976	3,389	2,492	26.1%	- 26.5%
Ordinary income	1,951	3,500	2,428	24.4%	- 30.6%
Profit attributable to owners of parent	2,125	2,152	1,422	- 33.1%	- 33.9%
EPS (Yen)	77.44	78.42	51.82	- 25.62	- 26.60
FOREX US\$ (Yen)	112.90	107.35	108.76	- 4.14	- 1.41

Financial Highlights by Business Segment (Net Sales)

(Million Yen)

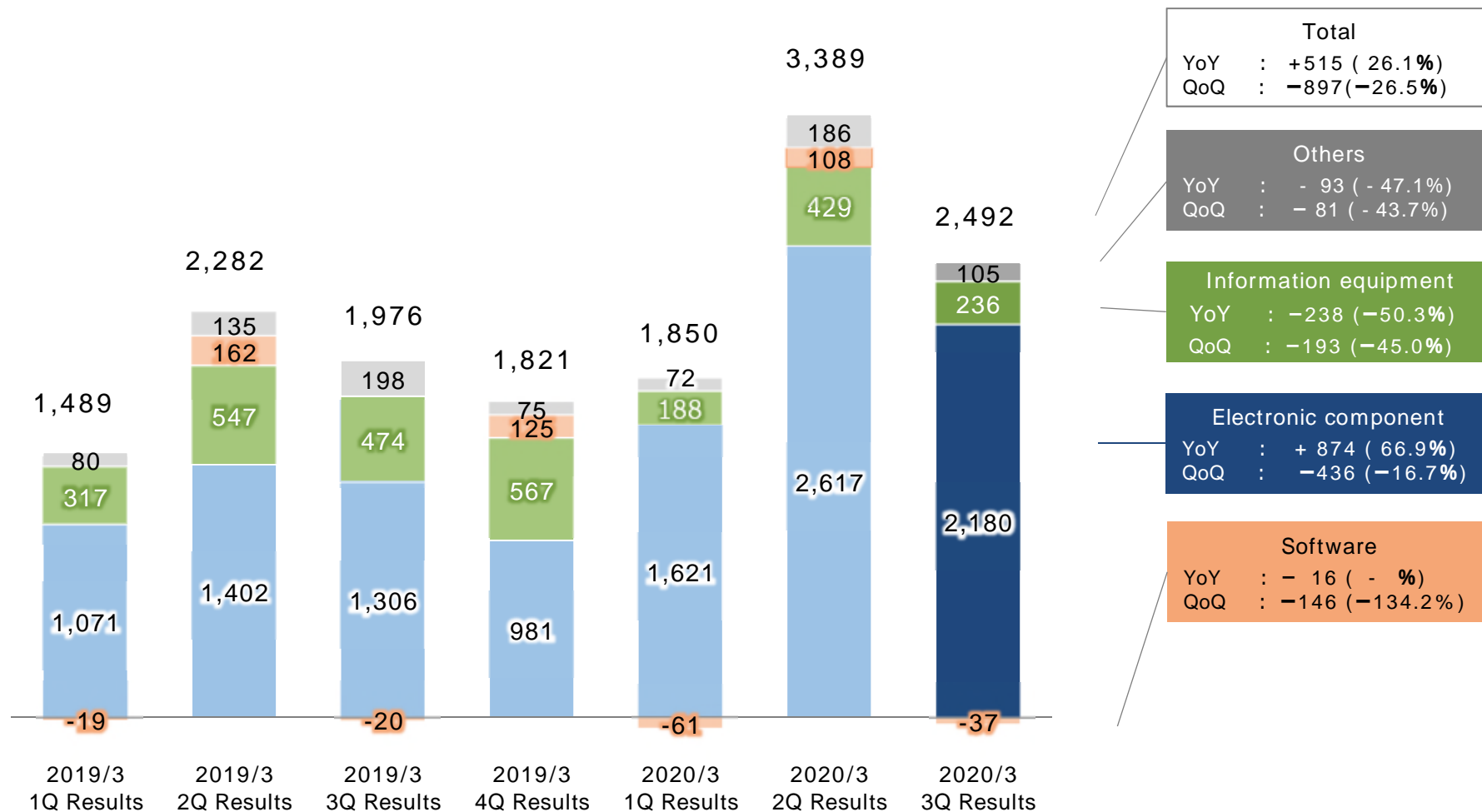
Net Sales



Financial Highlights by Business Segment (Segment Income)

(Million Yen)

Segment Income

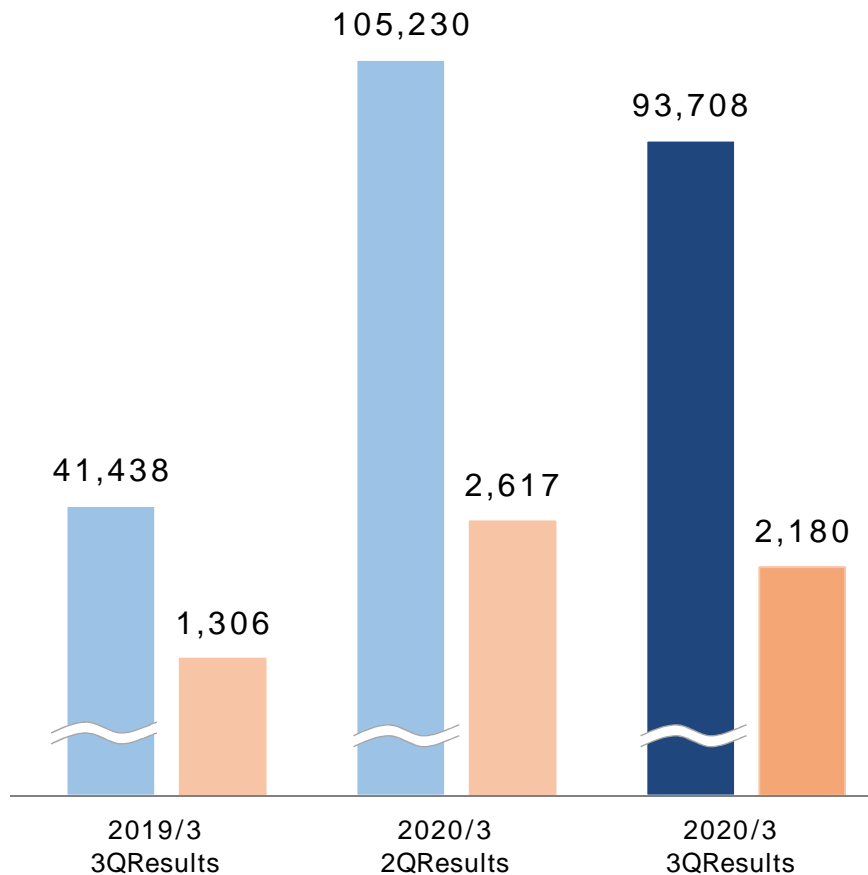


Financial Highlights: Electronic Component Segment (3 months)

(Million Yen)

Net sales/Segment income

■ / ■ 売上高
■ / ■ セグメント利益



YoY

- Net sales ▶ 52,270million Yen 126.1%UP
- Segment Income ▶ 874million Yen 66.9%UP

QoQ

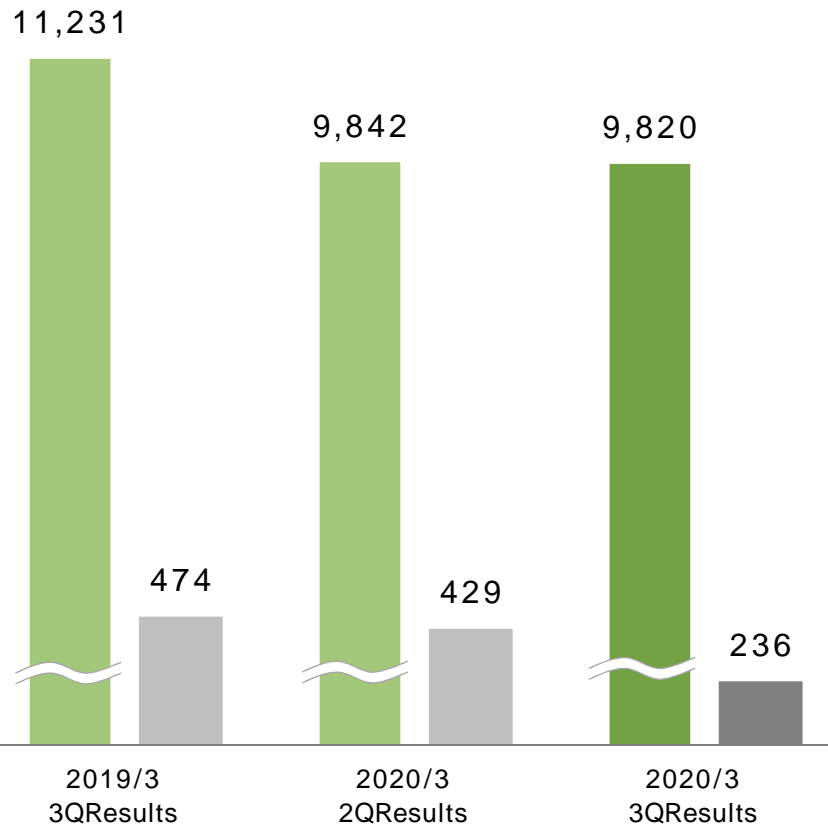
- Net sales ▶ - 11,521million Yen 10.9%down
- Segment Income ▶ - 436million Yen 16.7%down

Financial Highlights: Information Equipment Segment (3 months)

(Million Yen)

Net sales/Segment income

■ / ■ Net Sales
■ / ■ Segment Income



YoY

- Net sales ▶ 1,410million Yen 12.6% down
- Segment Income ▶ - 238million Yen 50.3% down

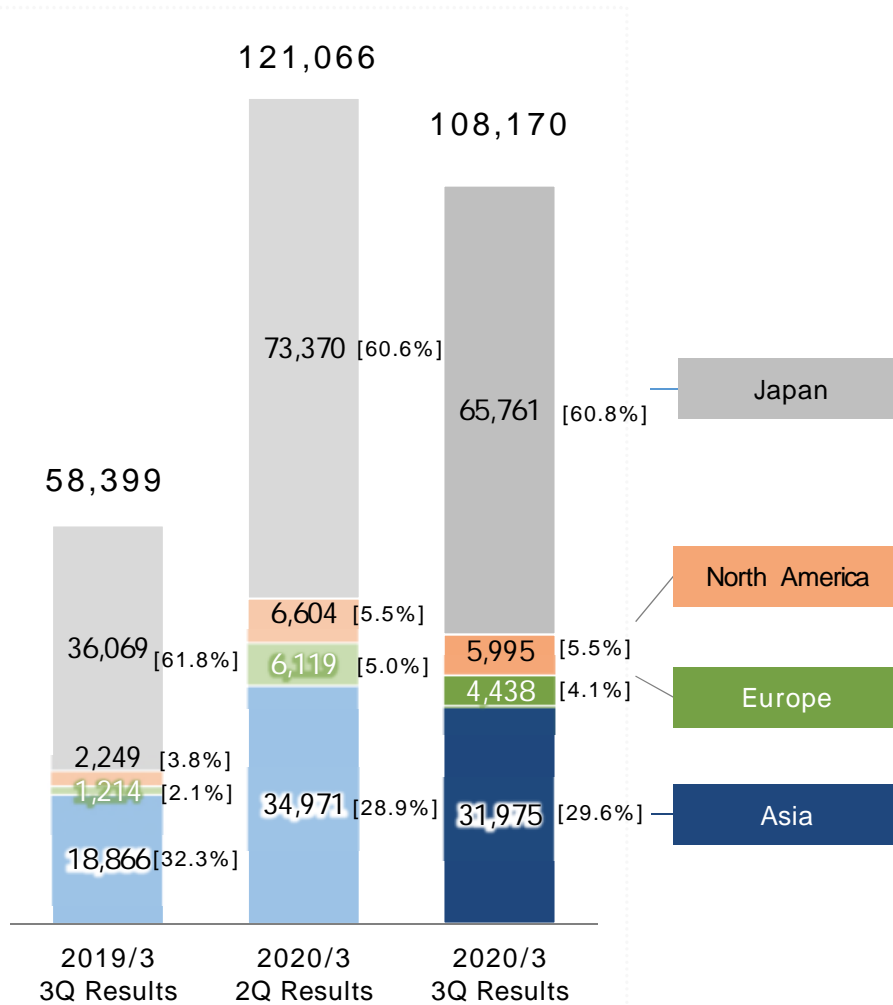
QoQ

- Net sales ▶ - 21million Yen 0.2%Down
- Segment Income ▶ - 193million Yen 45.0%Down

Net Sales by Region (3 months)

(Million Yen)

Net sales



YoY

- Japan ▶ + 29,691 million Yen 82.3%UP
- North America ▶ + 3,745 million Yen 166.5%UP
- Europe ▶ + 3,224 million Yen 265.5%UP
- Asia ▶ + 13,109 million Yen 69.5%UP

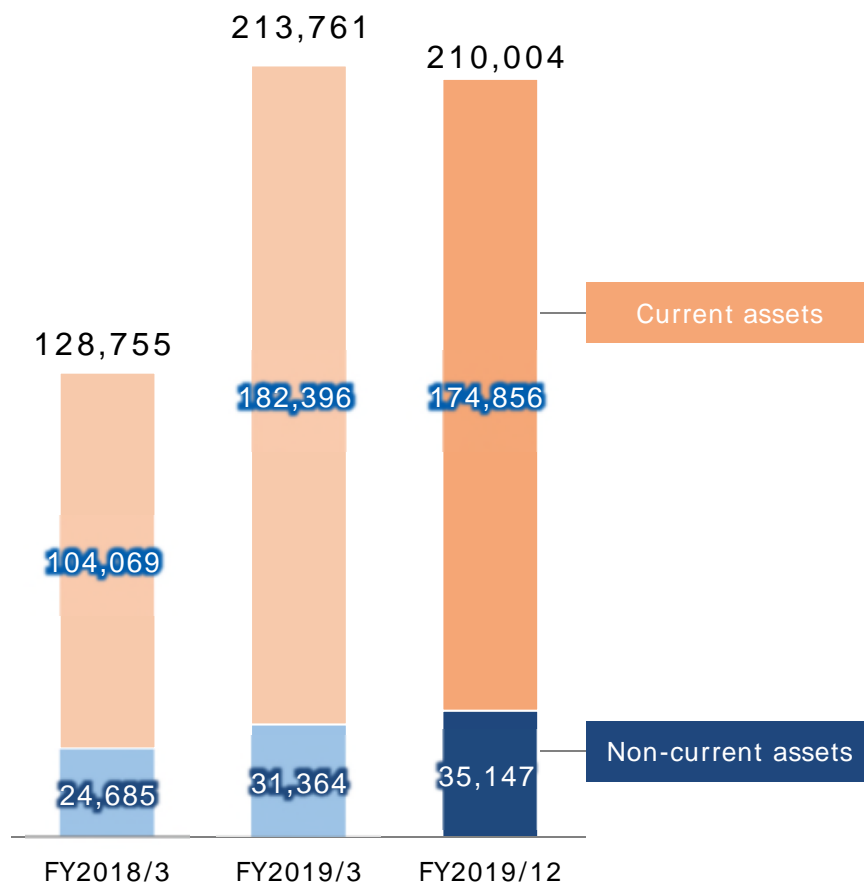
QoQ

- Japan ▶ - 7,609 million Yen 10.4%Down
- North America ▶ - 609 million Yen 9.2%Down
- Europe ▶ - 1,680 million Yen 27.5%Down
- Asia ▶ - 2,995 million Yen 8.6%Down

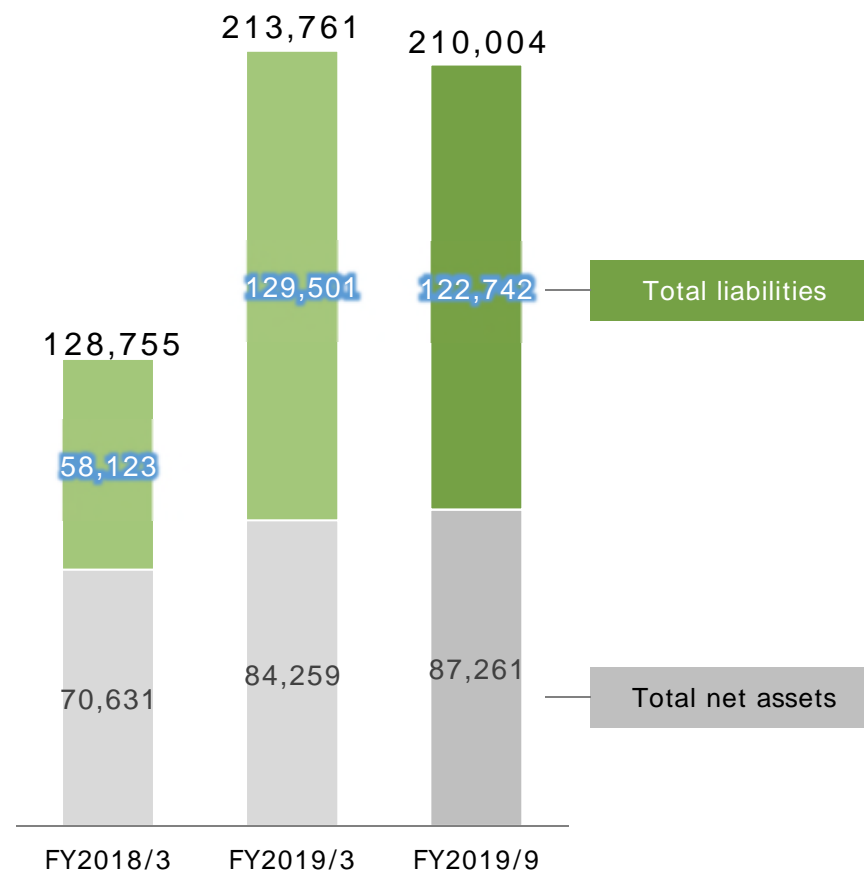
Balance Sheet: Main Items

(Million Yen)

Total assets



Total liabilities and net assets

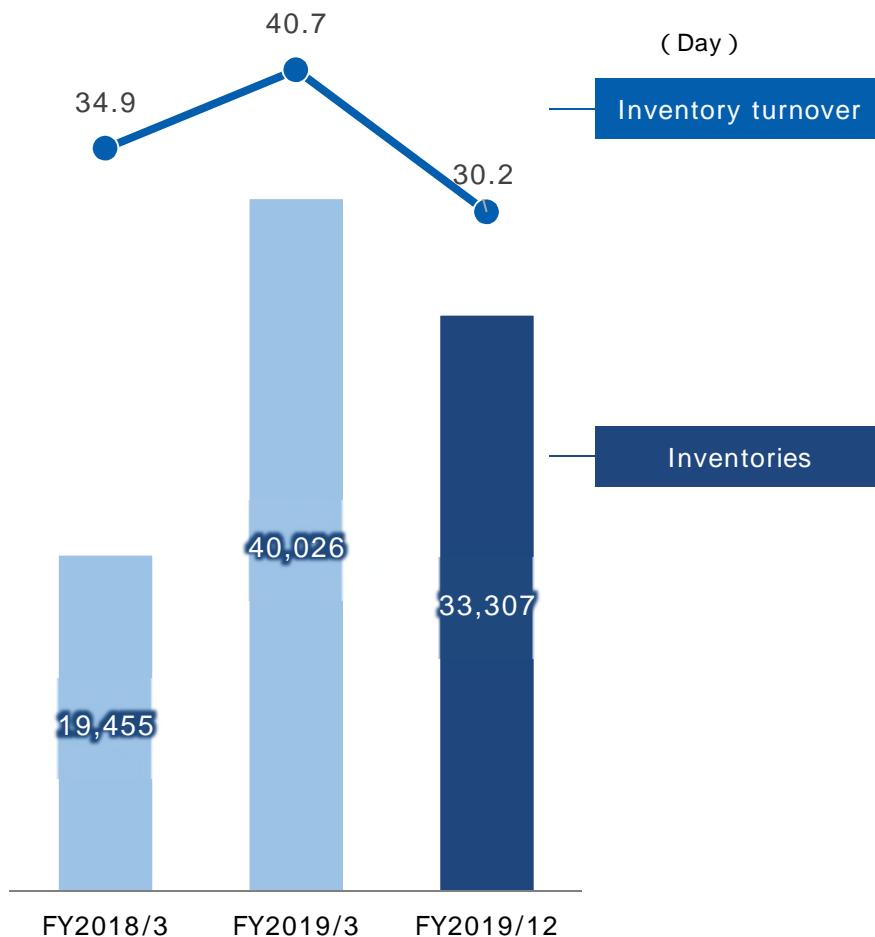


Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented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

Balance Sheet: Main Items

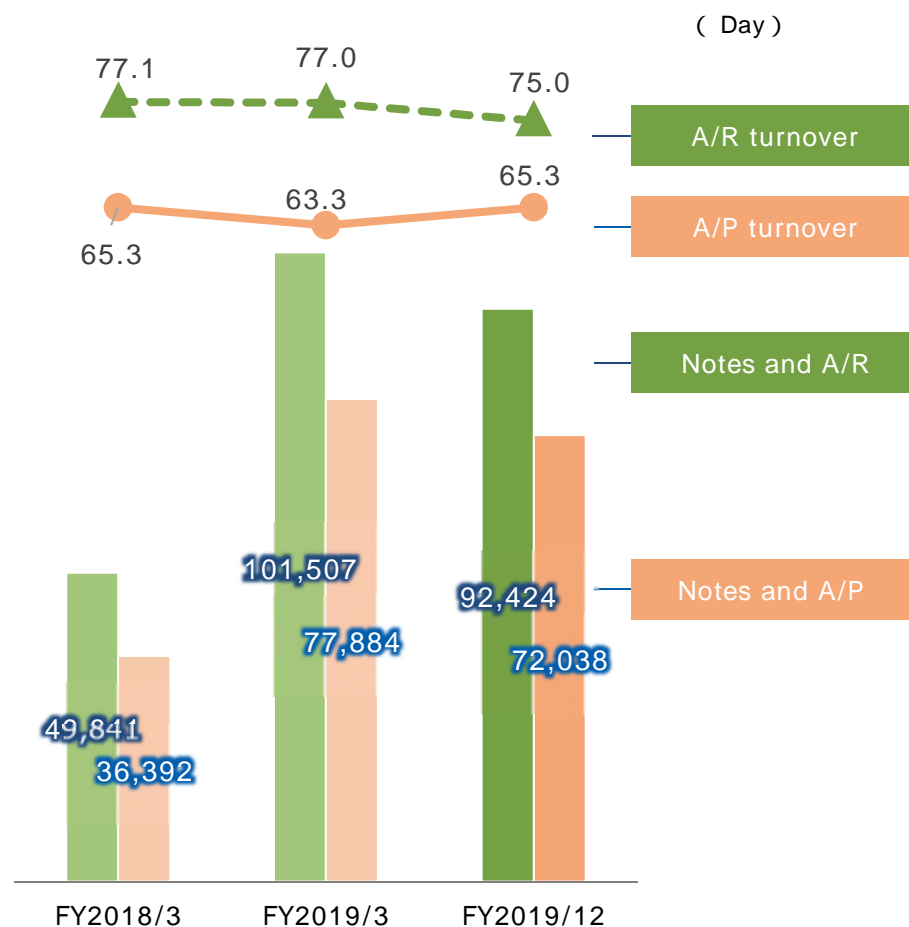
(Ⅱ illion Yen)

Inventories



note : Inventory turnover
 = Inventories ÷ Cost of Sales × 365 (day)
 (2019/12, 275day)

Accounts receivable/Accounts payable



notes : ・Ⅱ otes and A/R are amounts including Electronically recorded monetary claim operating

・A/R turnover = Ⅱ otes and A/R ÷ Net sales × 365 (day)

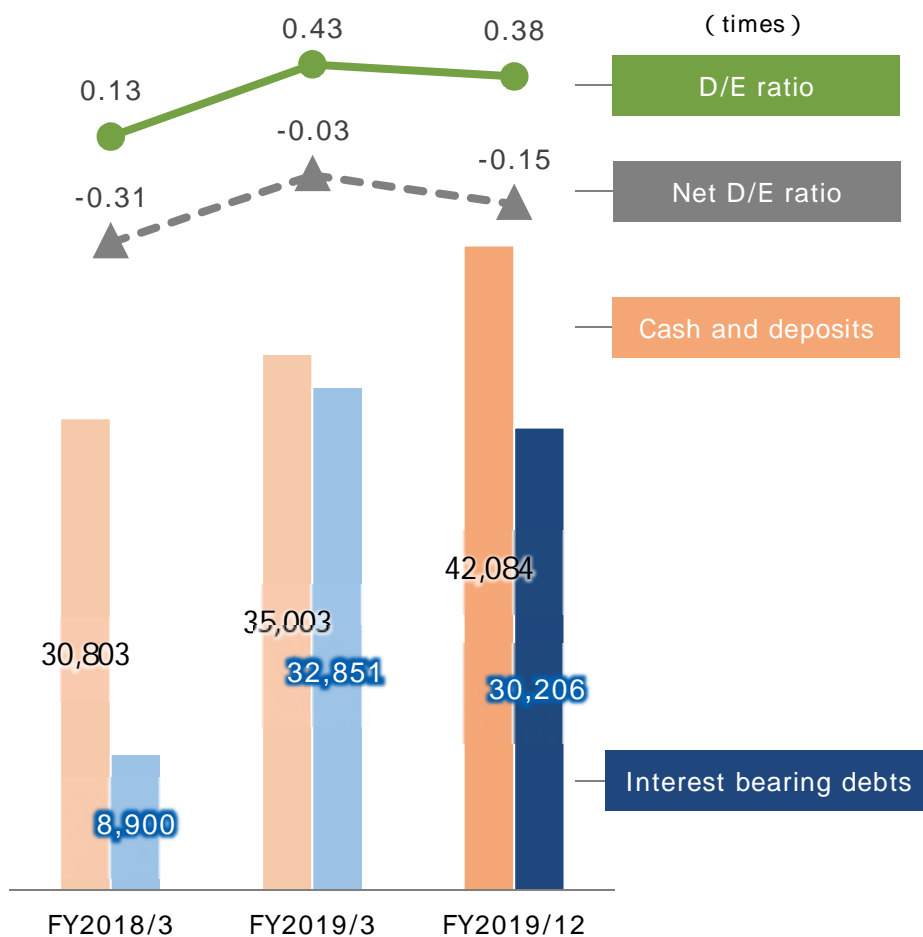
・A/P turnover = Ⅱ otes and A/P ÷ Cost of sales × 365 (day)

(2019/12, 275day)

Cash and Deposits/Interest Bearing Debt

(Million Yen)

Cash and deposits



note : D/E ratio = Interest bearing debts ÷ Shareholder's equity

Net D/E ratio = (Interest bearing debts - Cash and deposits) ÷ Shareholder's equity

Forecast for the Fiscal Year ending March

(million yen)

	FY2019/3	FY2020/3		
	Results	Initial forecast	Current forecast	Changes
Net sales	292,779	430,000	442,000	2.8%
Gross profit	35,546	46,500	47,000	1.1%
Gross profit margin	12.1%	10.8%	10.6%	- 0.2pt
SG&A	27,976	39,500	38,000	- 3.8%
Operating income	7,570	7,000	9,000	28.6%
Ordinary income	7,859	7,000	9,000	28.6%
Profit attributable to owners of parent	8,014	5,000	5,000	—
EPS (Yen)	292.07	182.17	182.17	—
ROE (%)	10.9%	6.4%	6.4%	—

Revisions to earnings forecasts:

Changes since initial forecasts (positive factors/negative factors)

Forecasts for sales, operating income and ordinary income have been revised upward, led by the solid performance of the Electronic Component business.

We expect to post structural reform-related costs as an extraordinary loss to prepare for the unpredictable future. Forecasts for net income have been left unchanged from the initial forecast. (Million yen)

Major fluctuations

Factors behind major fluctuations

Sales

Initial forecast	430,000
● Electronic component business	+8,000
● EMS business	+5,000
● CSI business	1,000
Current forecast	442,000

Solid sales for automotive and consumer devices, sales of Cypress inventory, etc.
Firm sales of medical equipment and automotive devices
Poor sales of housing-related household devices

Operating income Ordinary income

Initial forecast	7,000
● Gross margin	+500
● SG&A expenses (+decrease in expenses)	+1,500
Current forecast	9,000

Higher income resulting from an increase in sales
Reductions in personnel costs following personnel cuts, curbs on other expenses

Extraordinary loss/gain

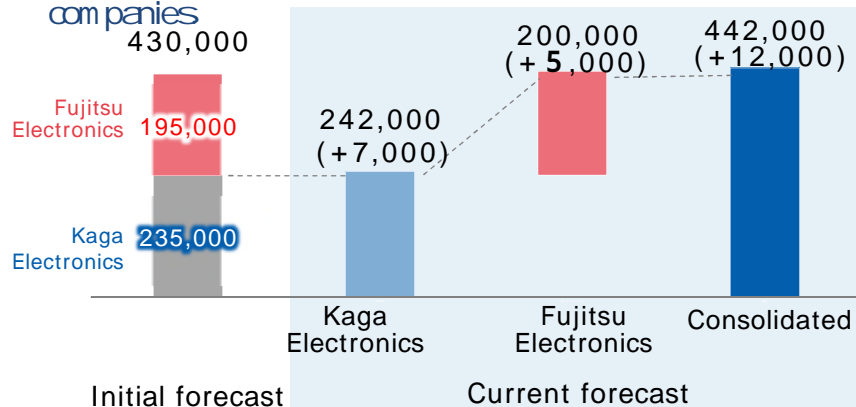
Initial forecast	0
● Cumulative total for first three quarters	388
● Estimate for Q4	600
Current forecast	1,000

Valuation losses on marketable securities, structural reform costs for European sales company, etc.
Structural reform costs, related risks, etc.

Forecast for the Fiscal Year ending March 2020 : Breakdown for Kaga Electronics/Fujitsu Electronics

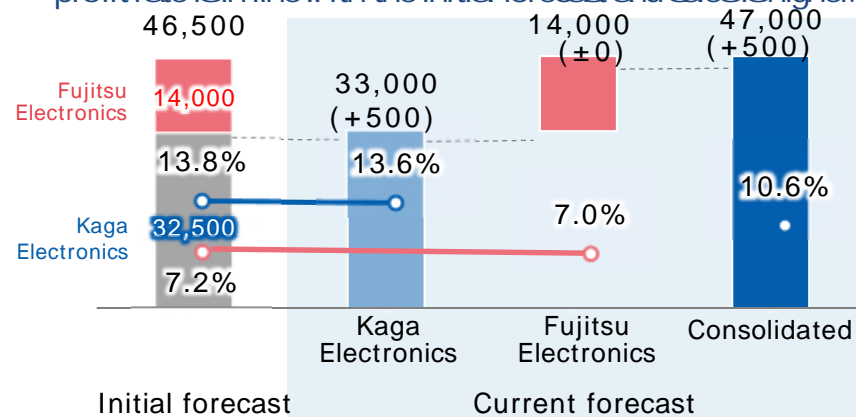
Net Sales

Medical devices and automotive devices have been solid performers with results surpassing initial forecasts in both companies



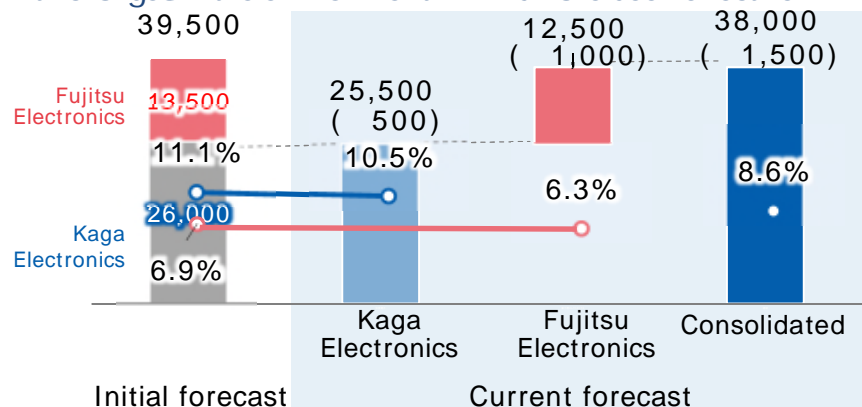
Gross profit / Gross profit margin

Income is expected to exceed the initial forecast because the profit rate is in line with the initial forecast and sales is higher.



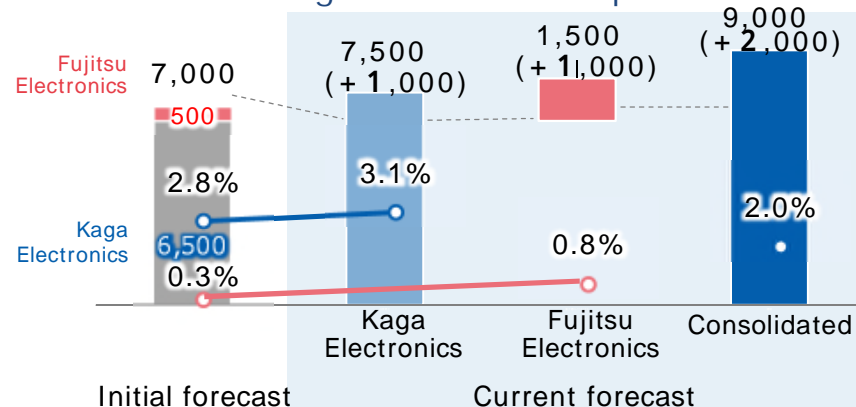
SG&A / SG&A ratio

Control of expenses, particularly personnel expenses, made with changes in the environment in mind have been effective.



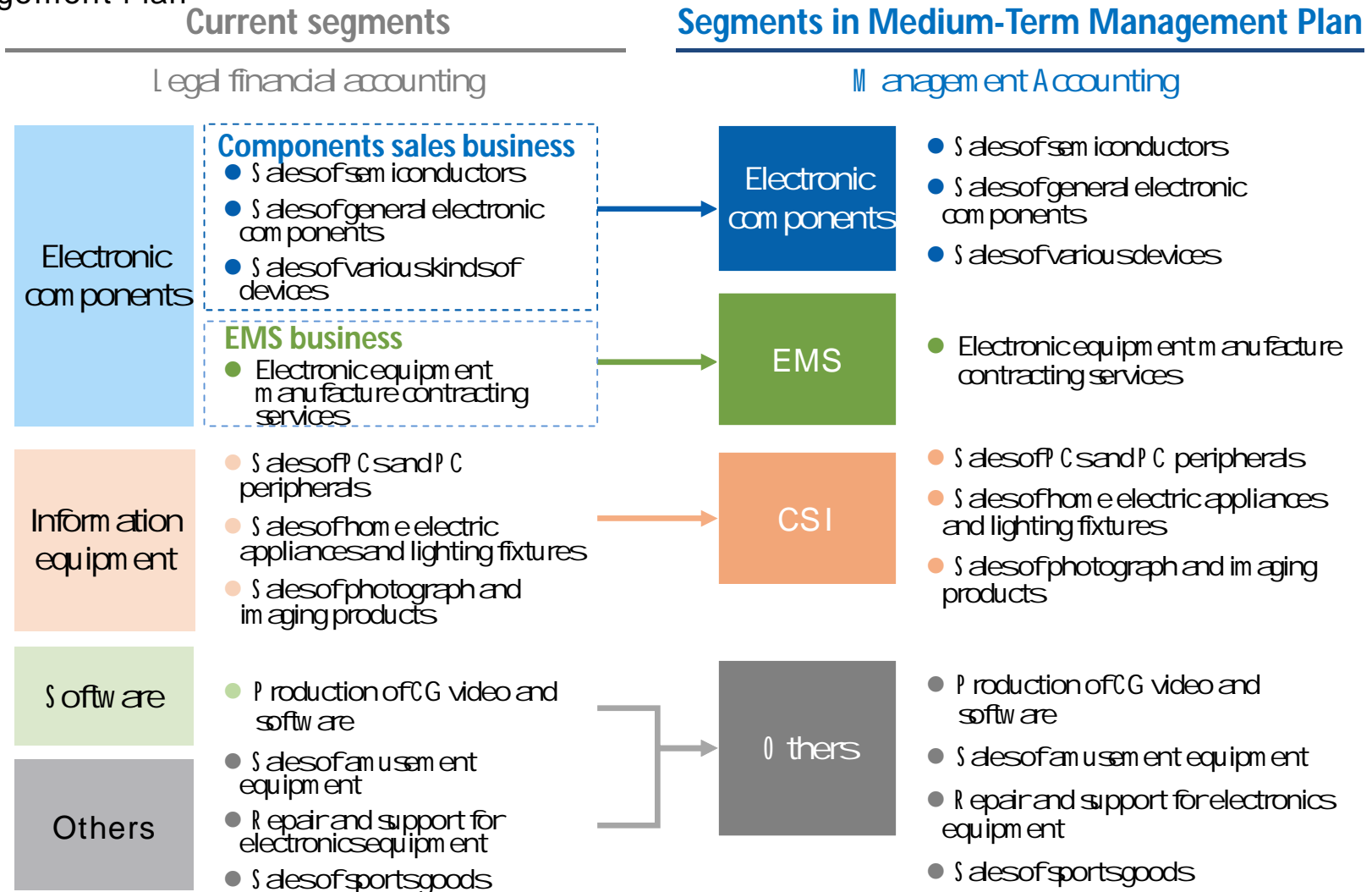
Operating income / Operating income margin

Striving to generate income exceeding initial forecasts and reach new record-high income in both companies



(Ref) 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



(Ref) 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.				
KAGA EMS TOWADA CO., LTD.				
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.				

(Ref) Financial highlights by Business Segment of Medium-Term Management Plan for the FY2020/3 3Q (9 months)

(Ⅱ illion Yen)

		2019/3	2020/3	
		3Q Results	3Q Results	YoY
Electronic Component	Net Sales	65,203	228,684	250.7%
	Segment income	1,689	2,938	73.9%
EMS	Net Sales	65,903	70,721	7.3%
	Segment income	2,213	3,455	56.1%
CSI	Net Sales	32,374	29,789	- 8.0%
	Segment income	1,339	854	- 36.2%
Others	Net Sales	10,300	9,605	- 6.7%
	Segment income	414	398	- 3.8%
Total	Net Sales	173,782	338,801	95.0%
	Segment income	5,748	7,732	34.5%

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

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

(Ⅱ illion Yen)

		2019/3	2020/3	
		3Q Results	3Q Results	YoY
Electronic Component	Net Sales	20,987	71,880	242.5%
	Segment income	790	811	2.7%
EMS	Net Sales	22,872	23,775	4.0%
	Segment income	589	1,355	129.9%
CSI	Net Sales	11,231	9,820	- 12.6%
	Segment income	474	236	- 50.3%
Others	Net Sales	3,308	2,693	- 18.6%
	Segment income	104	81	-21.6%
Total	Net Sales	58,399	108,170	85.2%
	Segment income	1,976	2,492	26.1%

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

(Ref) Forecasts by Business Segment of Medium-Term Management Plan for the FY2020/3

(million yen)

		FY2019/3	FY2020/3	
		Results	Initial forecast	Current forecast
Electronic Component	Net Sales	145,042	282,000	290,000
	Segment income	2,278	2,200	4,000
EMS	Net Sales	89,481	95,000	100,000
	Segment income	2,667	2,800	3,500
CSI	Net Sales	44,344	40,000	39,000
	Segment income	1,906	1,500	1,000
Others	Net Sales	13,912	13,000	13,000
	Segment income	554	500	500
Total	Net Sales	292,779	430,000	442,000
	Segment income	7,570	7,000	9,000

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

(Ref) Exchange Rate/FOREX Sensitivity

	2019/3 3QResults (Yen)	2020/3 3QResults (Yen)	(Half a Year basis) Effect of 1% change(million Yen)		FY2020/3 Forex Assumption (yen)
			Net sales	Ordinary income	
USD	111.14	108.67	1,342	32	110.00
THB	3.41	3.52	180	11	3.40
RMB	16.85	15.90	155	6	17.00
HKD	14.18	13.87	176	4	14.00

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for our customers”



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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.