

Consolidated Financial Results for the Third Quarter of the Fiscal Year ending March 2019

February 6, 2019

KAGA ELECTRONICS CO., LTD.

TSE 1st section 8154

- 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.
- 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.

Summary of Financial Results for the Third Quarter Ended December 31, 2018

FY2019/3 3Q Results

- **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: Although the EMS business for medical equipment was slow, **it remained strong for automotive and air conditioning devices.** The components sales business remained sluggish.
- Information equipment: **In PC sales, although sales were strong for individuals,** they were sluggish for corporate customers. While sales in the housing-related home electric appliances business decreased as a result of delivery date adjustments by customers, **the commercial facilities-related LED installation business continued a robust trend.**

Forecast for FY2019/3

- Given progress in line with the plan, **we have left the previous forecasts (released on November 6, 2018) unchanged.** < Net sales : 290 billion yen, Ordinary income : 8 billion yen, Profit attributable to owners of parent : 7.3 billion yen, and ROE 9.9% >
- Along with the acquisition of Fujitsu Electronics, **consolidation is scheduled to be effective from the forth quarter.**
- Aiming to achieve **record profit in 14 years** with 7.3 billion yen profit projection including negative goodwill related to the acquisition.

Financial Highlights (9 months)

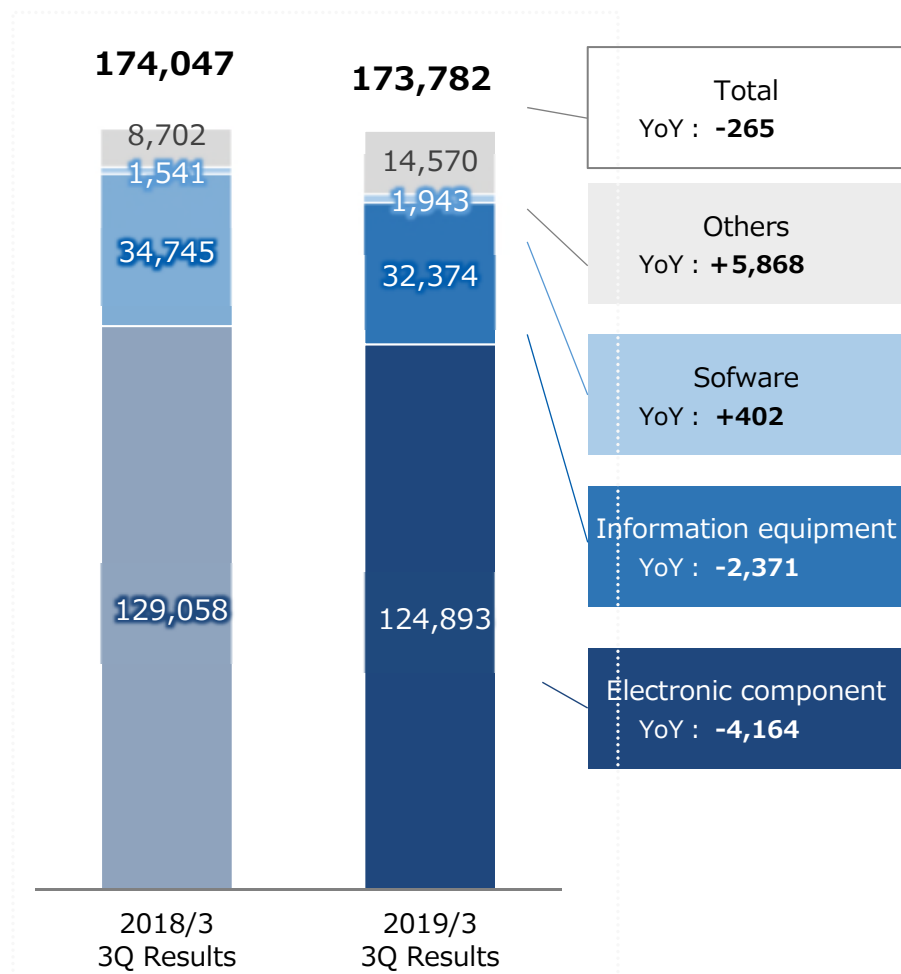
(Million Yen)

	FY2018/3 3Q Results	FY2019/3 3Q Results	YoY	
Net sales	174,047	173,782	-265	-0.2%
Gross profit	24,242	24,023	-219	-0.9%
Gross profit margin	13.9%	13.8%	-0.1pt	
SG&A	17,628	18,275	646	3.7%
Operating income	6,613	5,748	-864	-13.1%
Ordinary income	7,093	6,000	-1,093	-15.4%
Profit attributable to owners of parent	5,510	4,875	-635	-11.5%
EPS (Yen)	200.86	177.69	-23	-11.5%

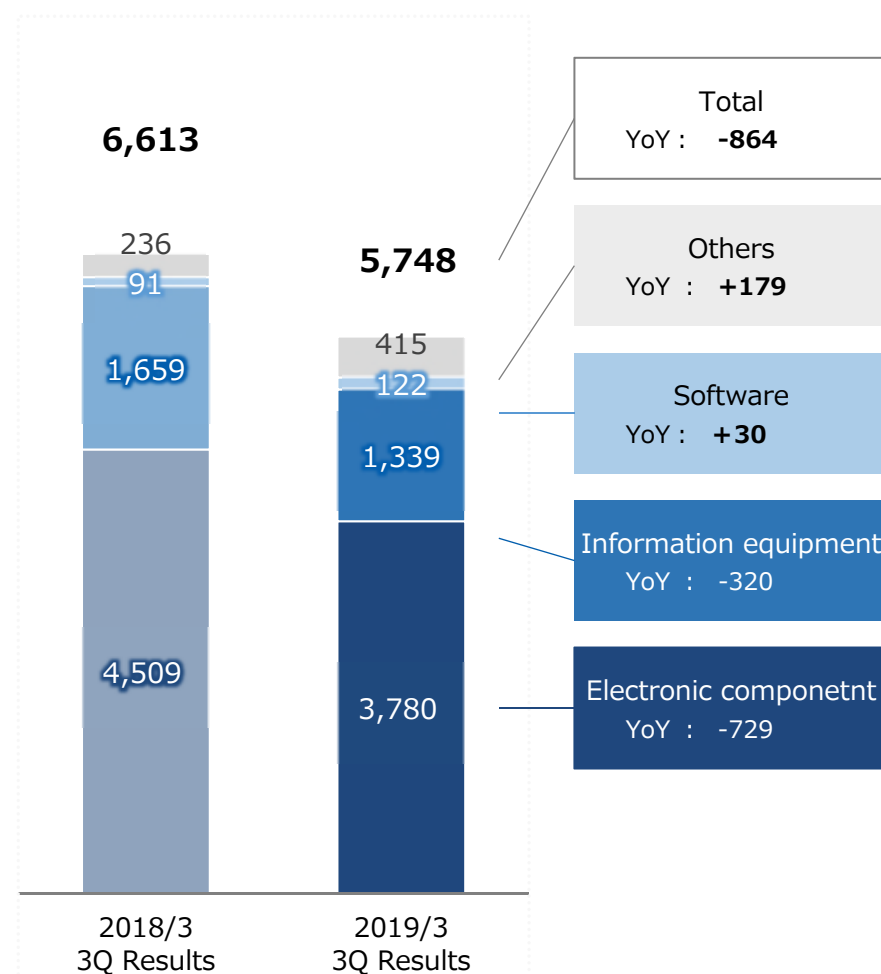
Financial Highlights by Business Segment (Net Sales/Segment Income)

(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 (3 months)

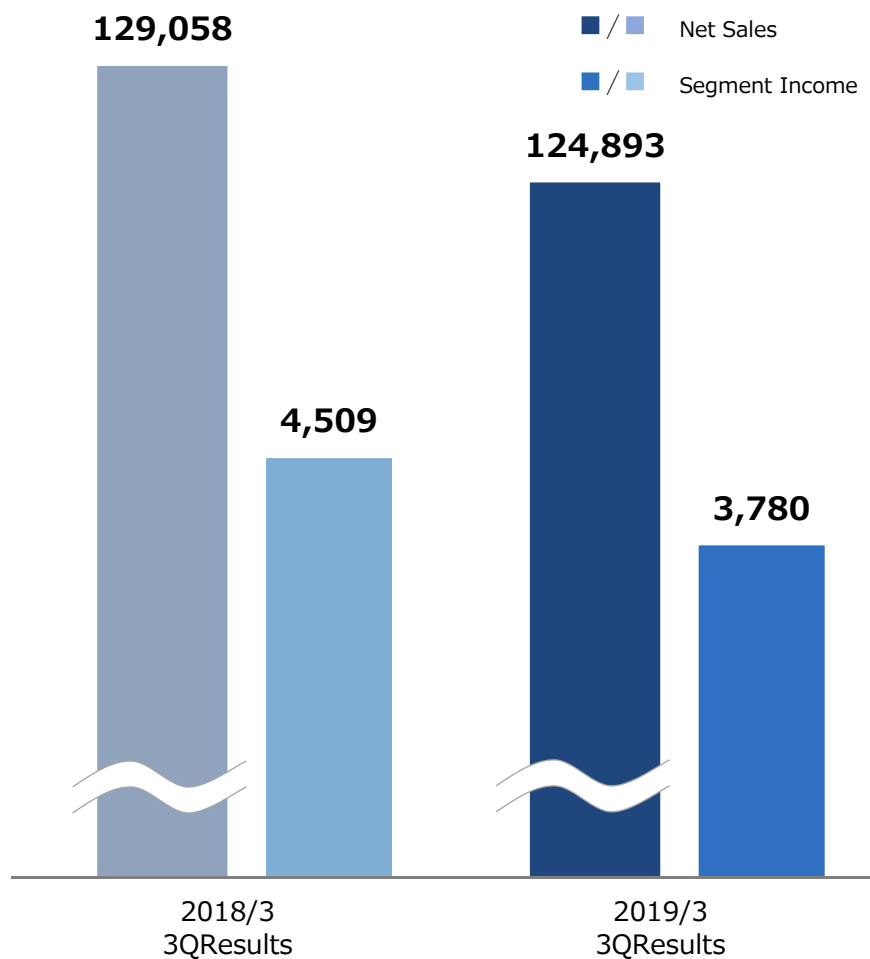
(Million Yen)

	FY2018/3 3Q Results	FY2019/3 3Q Results	YoY	
Net sales	57,465	58,399	934	1.6%
Gross profit	8,023	8,000	-22	-0.3%
Gross profit margin	14.0%	13.7%	-0.3pt	
SG&A	5,804	6,023	219	3.8%
Operating income	2,219	1,976	-242	-10.9%
Ordinary income	2,390	1,951	-438	-18.3%
Profit attributable to owners of parent	1,994	2,125	130	6.6%
EPS (Yen)	72.70	77.44	4.74	6.5%

Financial Highlights: Electronic Component Segment

(Million yen)

Net sales/Segment income



YoY

- Net Sales ▶ **-4,164**million yen **3.2%down**
- Segment Income ▶ **-729**million yen **16.2%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.

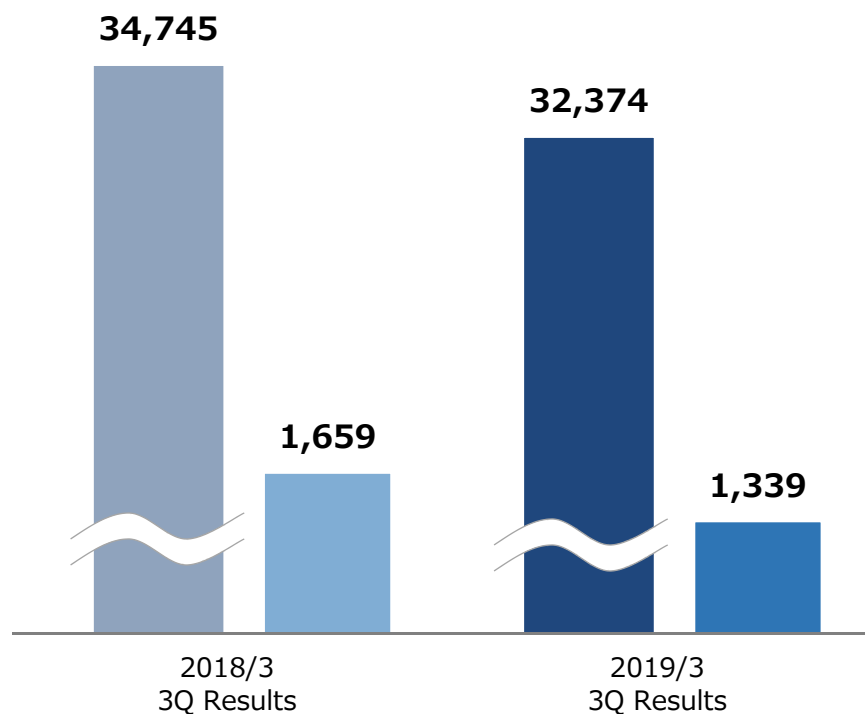


Financial Highlights: Information Equipment Segment

(Million Yen)

Net sales/Segment income

■/■ Nets Sales
■/■ Segment Income



YoY

- Net Sales ▶ **-2,371**million yen **6.8%down**
- Segment Income ▶ **-320**million yen **19.3%down**

The commercial facilities-related LED installation business showed robust growth.

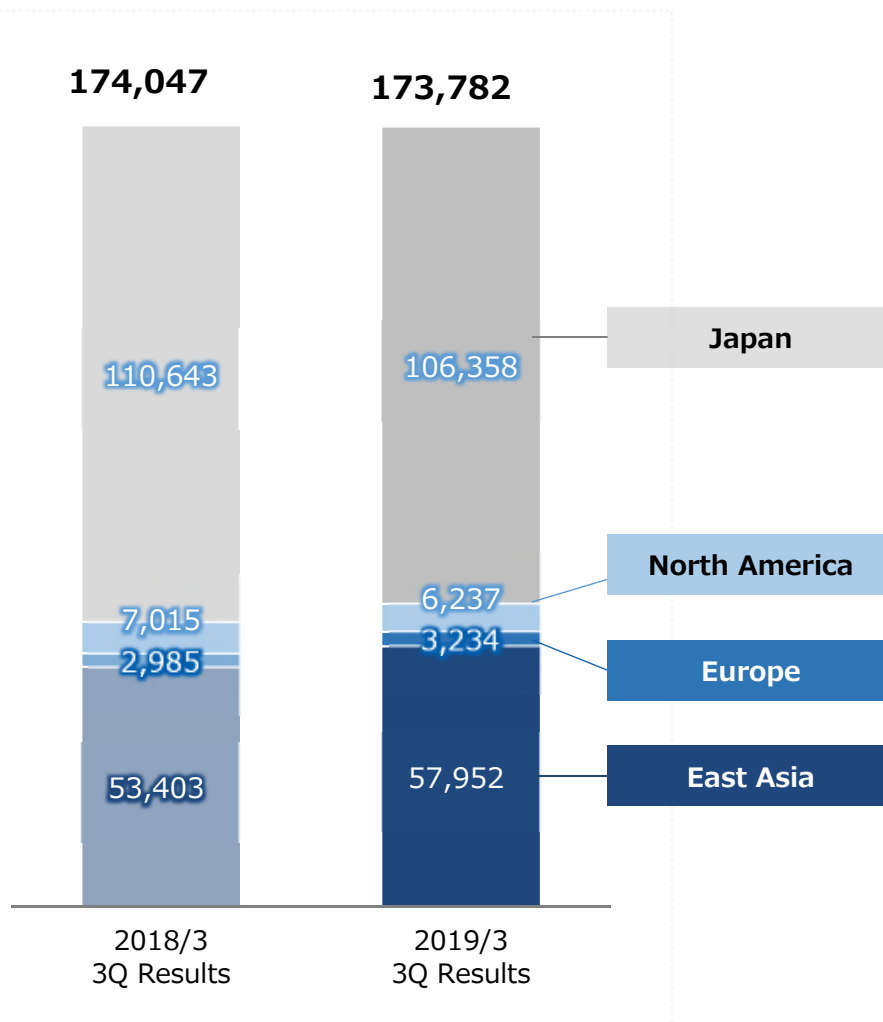
The housing-related home electric appliance business declined due to delivery date adjustments by customers. Although sales of PCs to individuals were solid, sales of PCs to corporate customers were slow.



Net Sales by Region

(Million Yen)

Net sales



YoY

- Japan ▶ **-4,284** million Yen **3.9%down**
- North America ▶ **-778** million Yen **11.1%down**
- Europe ▶ **+249** million Yen **8.4%up**
- East Asia ▶ **+4,548** million Yen **8.5%up**

Japan: PC sales and golf equipment sales were sluggish.

Overseas: The EMS business drove growth, with a strong performance in east Asia and Europe. In North America, Business for medical equipment was sluggish due to model switching.

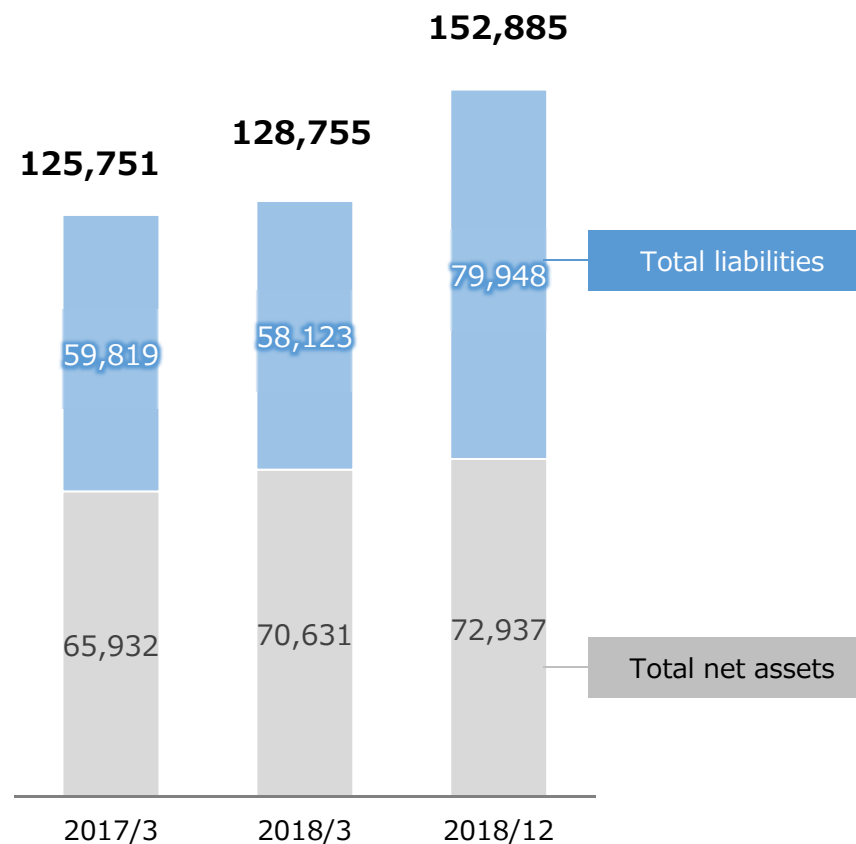
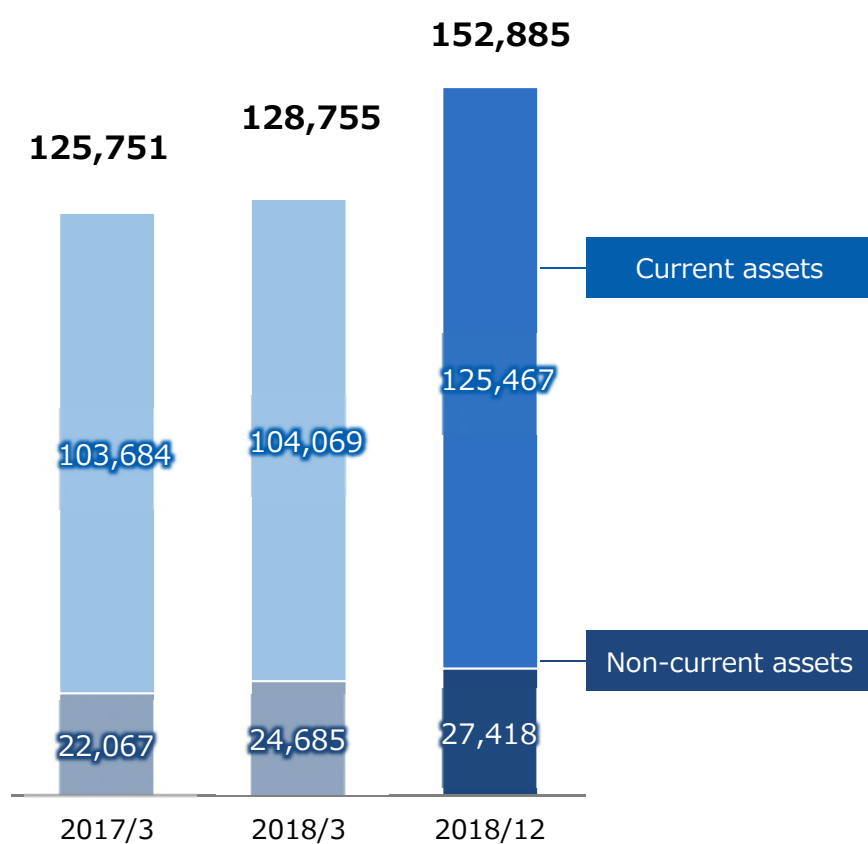


Balance Sheet Main Items①

(Million Yen)

Total assets

Total liabilities and net assets

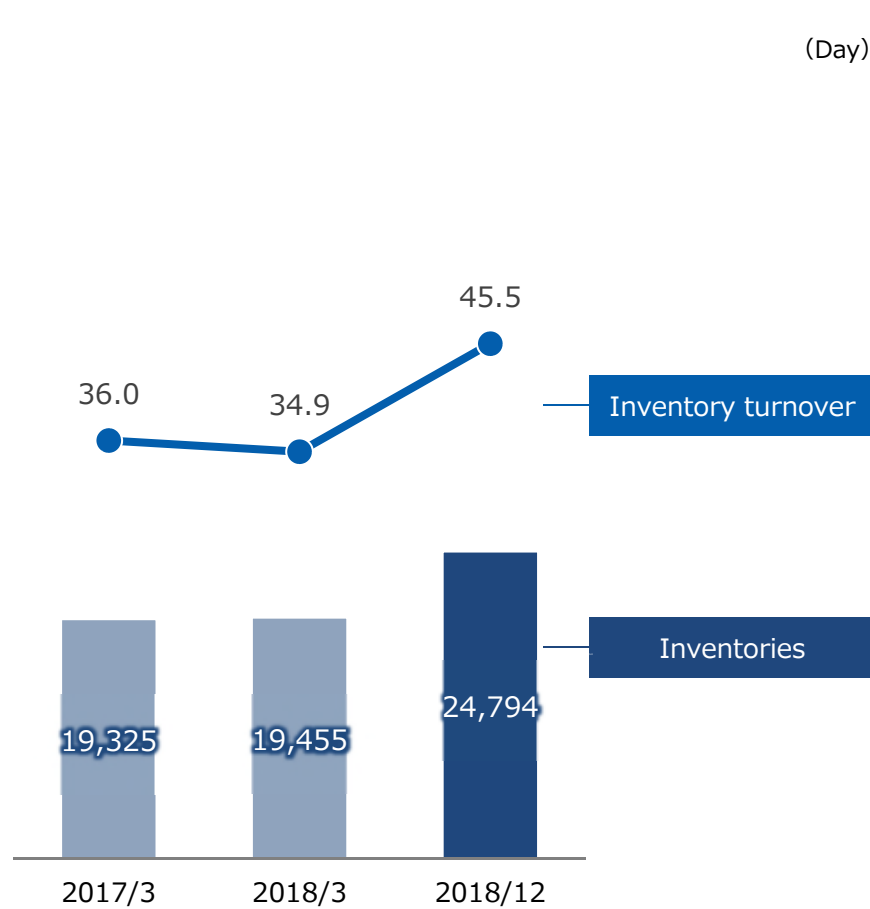


Note: "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc. (Accounting Standards Board of Japan (ASBJ) Statement No. 28, February 16, 2018) have been adopted from the beginning of the first quarter of the fiscal year ending March 31, 2019. Accordingly, deferred tax assets are presented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

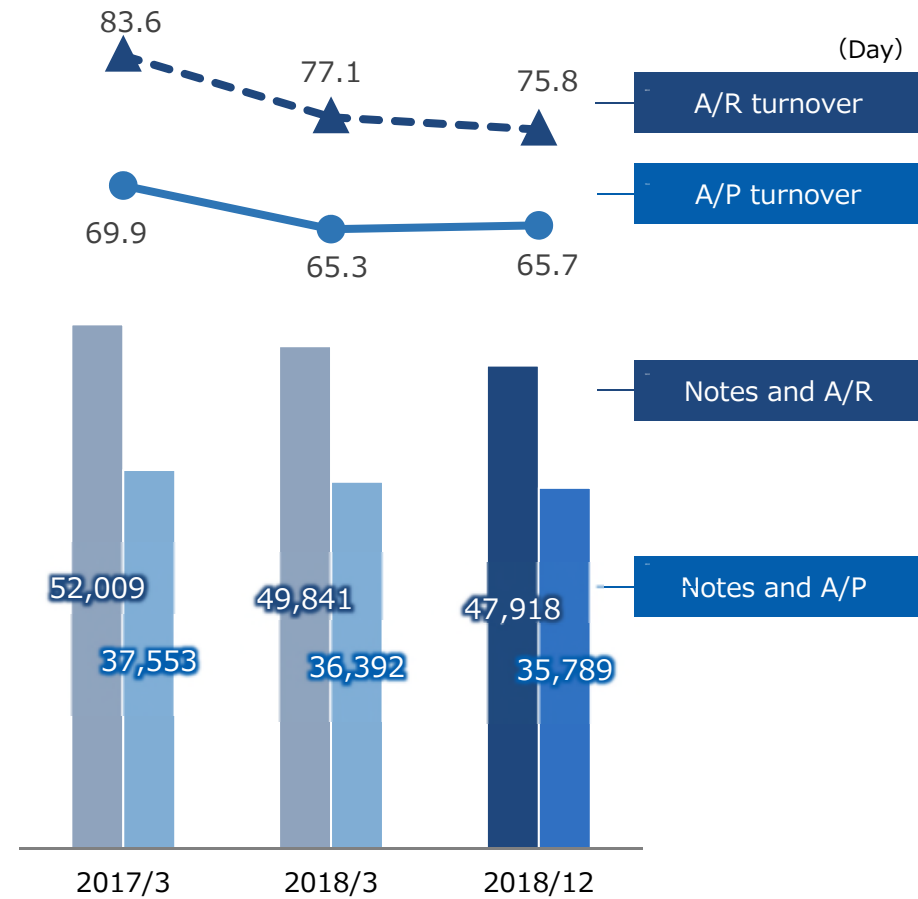
Balance Sheet Main Items②

(Million Yen)

Inventories



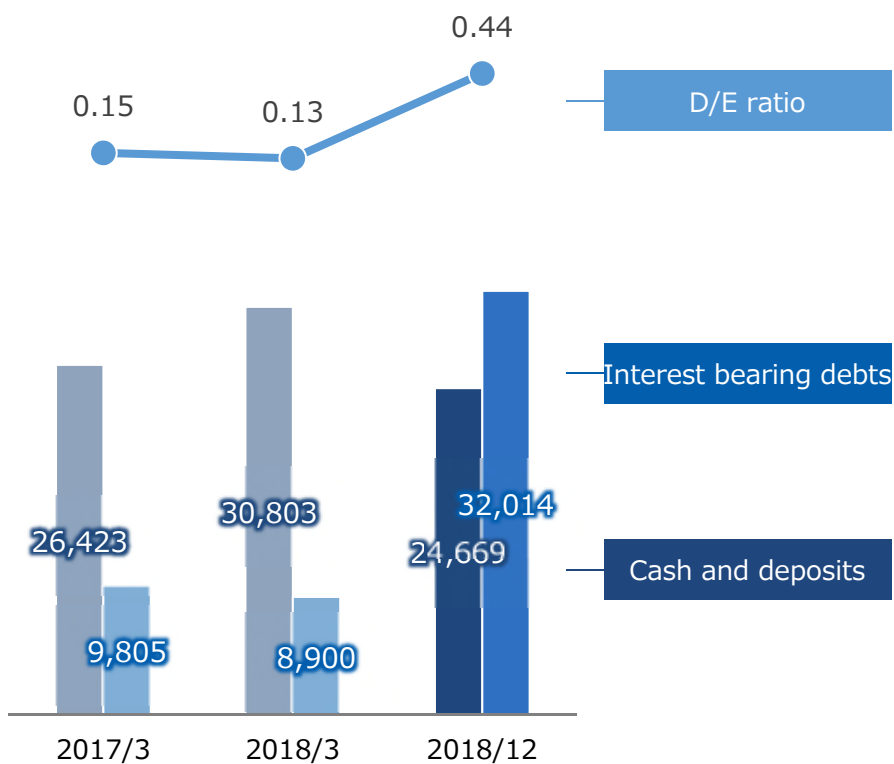
Accounts receivable/Accounts payable



Balance Sheet Main Items③

(Million Yen)

Cash and deposits



In interest-bearing liabilities, short-term loans payable related to the acquisition of shares in Fujitsu Electronics (and making it a subsidiary) increased.

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	+22.9%	290,000
Gross profit	32,498	35,500	3,002	+9.2%	-
Gross profit margin	13.8%	12.2%	-1.6pt		-
SG&A	24,379	27,800	3,421	+14.0%	-
Operating income	8,119	7,700	-419	-5.2%	-
Ordinary income	8,740	8,000	-740	-8.5%	10,000
Profit attributable to owners of parent	6,490	7,300	810	+12.5%	-
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)

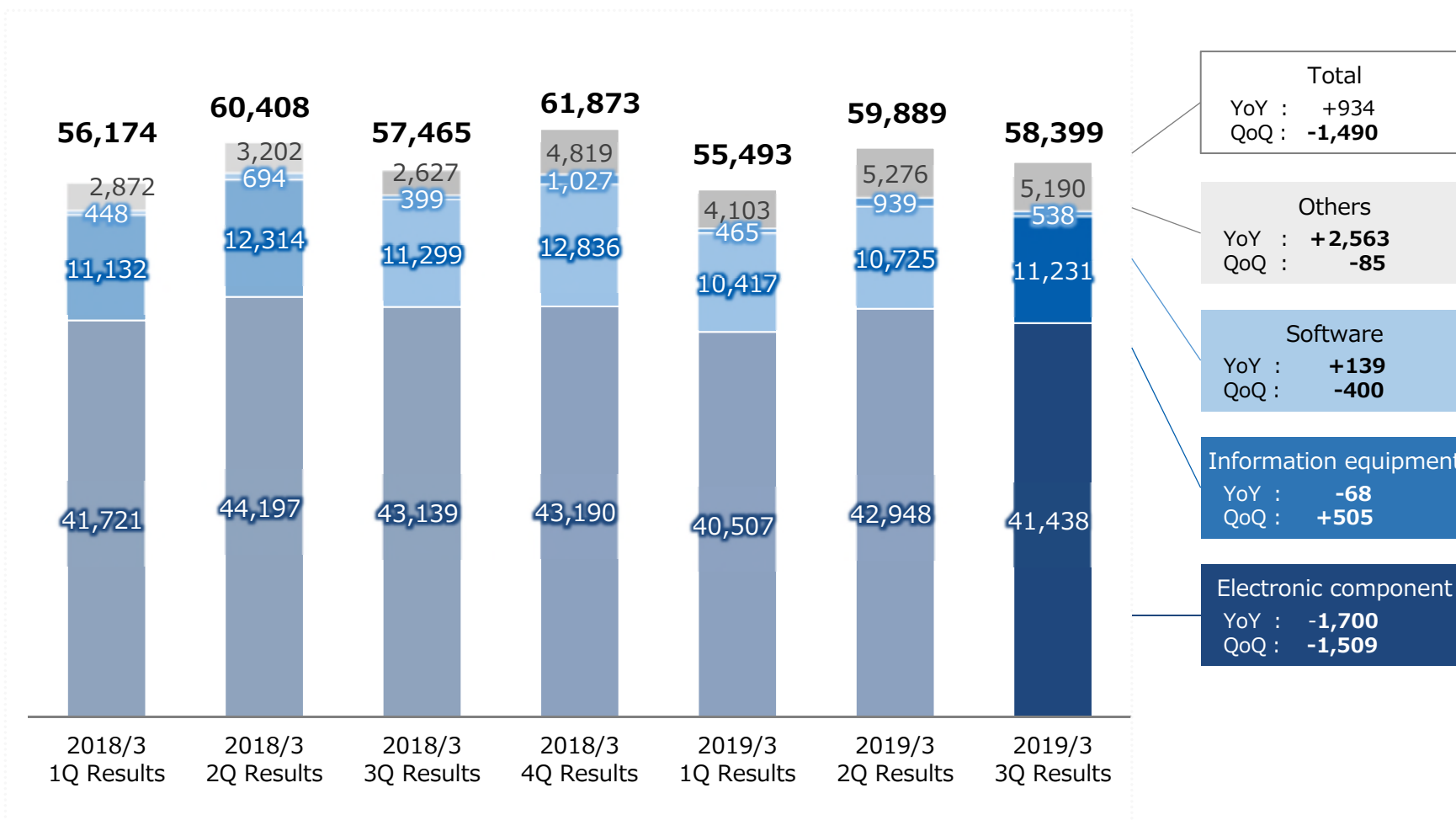
		2018/3	2019/3		
		Results	Forecasts	YoY	
Electronic Component	Net Sales	172,248	227,200	54,952	32%
	Sgment income	5,312	5,200	-112	-2%
Information Equipment	Net Sales	47,582	43,000	-4,582	-10%
	Sgment income	2,202	1,700	-502	-23%
Software	Net Sales	2,568	2,800	232	9%
	Sgment income	172	300	128	74%
Others	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)

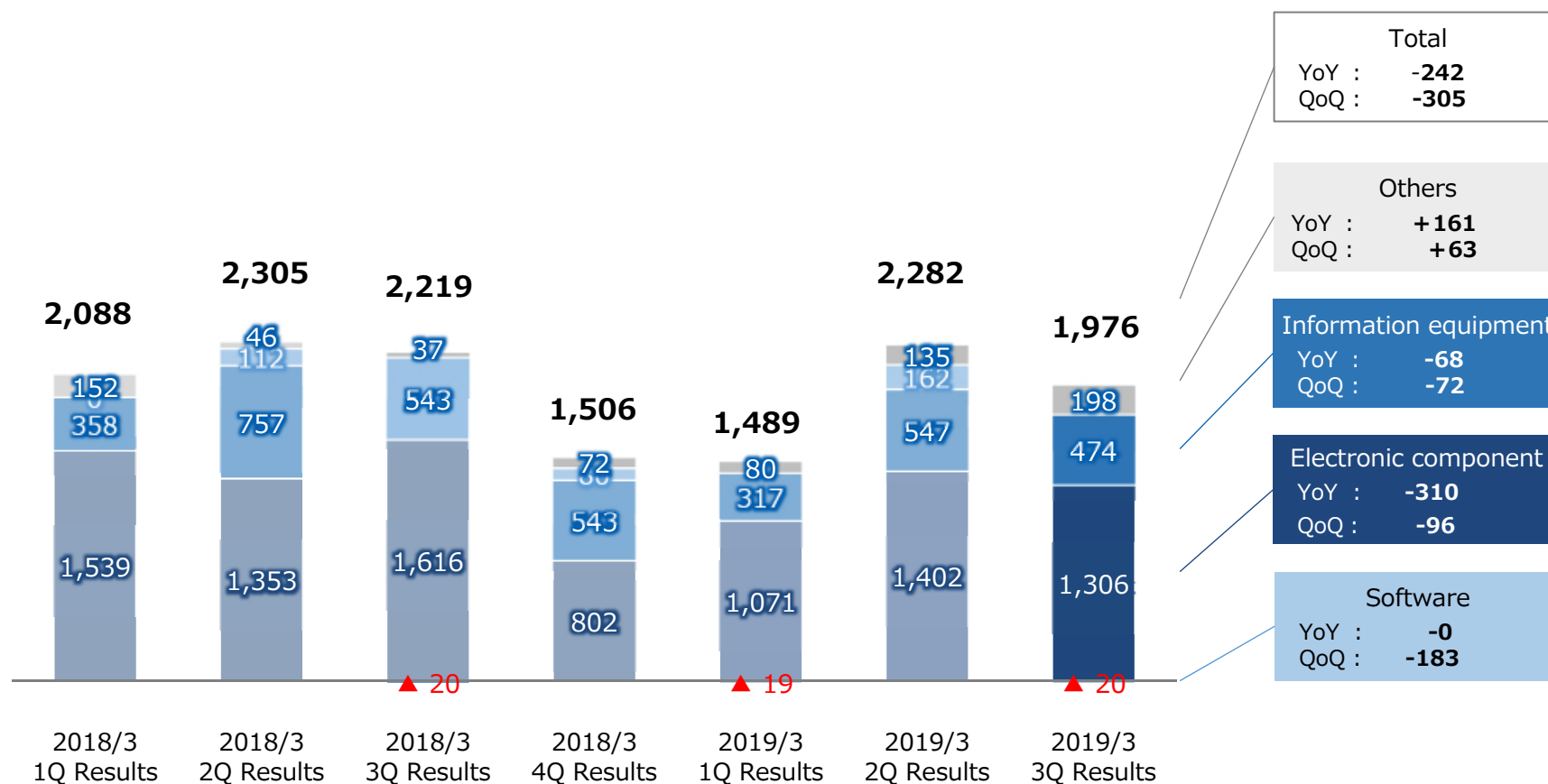
Net Sales



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 3Q Results (Yen)	FY2019/3 3Q Results (Yen)	(Reference) Effect of 1% change (Million Yen)		Forex Assumption for 2H(yen)
			Net sales	Ordinary income	
USD	111.70	111.14	199	21	110.00
THB	3.33	3.41	164	8	3.40
RMB	16.47	16.85	105	5	17.00
HKD	14.31	14.18	115	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.)

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