

Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2019 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.	
Stock Code:	8154	
Stock Exchange Listing:	Tokyo Stock Exchange, First Section	
URL:	https://www.taxan.co.jp/	
Representative	Title:	President & COO
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Date of filing of quarterly securities report (tentative):	February 13, 2020	
Date of commencement of dividend payment (tentative):	-	
Quarterly earnings supplementary explanatory documents:	Yes	
Quarterly earnings presentation:	None	

(Yen in millions, rounded down)

1. Financial results for the third quarter of the fiscal year ending March 2020 (April 1, 2019 – December 31, 2019)

(1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended December 2019	338,801	95.0	7,732	34.5	7,975	32.9	4,924	1.0
Third quarter ended December 2018	173,782	(0.2)	5,748	(13.1)	6,000	(15.4)	4,875	(11.5)

Note: Comprehensive income: 3Q of FY3/2020: 5,043 million yen [23.6%] 3Q of FY3/2019: 4,081 million yen [(41.0%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2019	179.43	—
Third quarter ended December 2018	177.69	—

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2019	210,004	87,261	37.7
As of March 31, 2019	213,761	84,259	35.8

Reference: Shareholders' equity As of December 31, 2019: 79,254 million yen As of March 31, 2019: 76,604 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2019	-	35.00	-	45.00	80.00
Fiscal year ending March 2020	-	30.00	-		
Fiscal year ending March 2020 (Forecast)				30.00	60.00

Notes: Change in the dividend forecast from the latest announcement: None

Breakdown of interim dividend for FY3/19: Ordinary dividend 30.00 yen; 50th anniversary commemorative dividend 5.00 yen

Breakdown of year-end dividend for FY3/19: Ordinary dividend: 40.00 yen; Extraordinary dividend: 5.00 yen

3. Forecast for the fiscal year ending March 2020 (Consolidated, April 1, 2019 – March 31, 2020)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	442,000	51.0	9,000	18.9	9,000	14.5	5,000	(37.6)	182.17

Note: Change in the forecast from the latest announcement: Yes

With respect to the revision of consolidated performance forecast, please refer to "KAGA ELECTRONICS Revises Consolidated Earnings Forecast" announced today (February 6, 2020).

*** Notes**

(1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, estimates, and retrospective restatement

- (a) Changes due to revision of accounting standards : Yes
- (b) Changes other than (a) : None
- (c) Changes in accounting estimates : None
- (d) Retrospective restatement : None

Note: For more information, please refer “2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)” on page 9.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)				
As of December 31, 2019:	28,702,118	As of March 31, 2019:		28,702,118
(b) Treasury shares				
As of December 31, 2019:	1,255,151	As of March 31, 2019:		1,254,924
(c) Average number of shares (quarterly consolidated during the period)				
Period ended December 31 2019:	27,447,141	Period ended December 31, 2018:		27,437,214

* The quarterly audit procedures by a certified public accountant or auditing firm are not applicable to this Quarterly Financial Results report.

* Cautionary statement regarding forecasts of operating results and special notes

(Caution regarding forward-looking statements)

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. For conditions as assumption for earnings forecast and cautionary statement regarding use of the forecast, please see “1. Results of Operations, (3) Qualitative information on consolidated earnings forecast” on page 4..

(How to obtain supplementary materials on quarterly financial results)

The Company also plans to post the supplementary materials on quarterly financial results, on its website promptly after announcing financial results.

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1. Results of Operations

(1) Overview of consolidated business performance

The Group is pushing forward with its growth strategy by strengthening sales of electronics components and EMS business (note) in order to achieve the management targets set out in the “Medium Term Management Plan 2021” formulated in November 2018, or specifically, 500.0 billion yen in net sales, 13.0 billion yen in operating income, and ROE of 8% or higher to be attained in the fiscal year ending March 31, 2022.

The Group has steadily implemented measures to achieve the targets set out in the plan, including the conversion into group companies of Fujitsu Electronics Inc. (hereafter, “Fujitsu Electronics”) in January 2019, and Kaga EMS Towada (formerly Towada Pioneer Corporation) in October of the same year. In addition, the new Fukushima factory started operating in October 2019, and the second Thailand factory began operations in December 2019.

Net sales in the third quarter of the fiscal year ending March 31, 2020 increased substantially by 95.0% year on year to 338,801 million yen, due largely to revenue contribution from Fujitsu Electronics, whose results are reflected for the full quarter.

In terms of income, reflecting notably the steady performance of the electronic component business led by the EMS business in addition to the effects of business acquisitions, operating income increased by 34.5% year on year to 7,732 million yen, ordinary income increased by 32.9% year on year to 7,975 million, and profit attributable to owners of parent increased by 1.0% year on year to 4,924 million yen.

Operating income and ordinary income achieved record highs for a third-quarter period.

(Note) Electronics Manufacturing Service: Provision of electronic device development and manufacturing services on an outsourcing basis

	FY 2019/3 Q	FY 2020/3 Q	YoY	
	(April 1, 2018 – December 31, 2018)	(April 1, 2019 – December 31, 2019)	(Million yen)	
Net sales	(Million yen) 173,782	(Million yen) 338,801	165,018	95.0%
Gross profit (Margin)	24,023 13.8%	35,245 10.4%	11,221 (3.4pt)	46.7% —
SG&A	18,275	27,513	9,238	50.6%
Operating income	5,748	7,732	1,983	34.5%
Ordinary income	6,000	7,975	1,974	32.9%
Profit before income taxes	5,746	7,587	1,840	32.0%
Profit attributable to owners of parent	4,875	4,924	49	1.0%
Exchange Rate (Average rate during the year) USD	111.14Yen	108.67Yen	(2.47Yen)	—

Business segment performance was as follows.

(a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities)

In this business, the EMS business maintained steady performance led by medical equipment and automotive. The component sales business was upbeat for automotive and consumer LED applications, and the conversion of Fujitsu Electronics to a subsidiary added new revenue, especially from mobile phone and automotive applications.

As a result, net sales increased by 135.0% year on year to 293,527 million yen, and segment income increased by 69.8% year on year to 6,418 million yen.

(b) Information equipment (Sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products)

In this business, PCs and PC peripherals for individuals, schools, and other educational institutions enjoyed strong sales. In contrast, the commercial facilities-related LED installation business was affected by a pause in replacement demand from major customers, while sales in the housing-related home electric appliances business decreased due to such factors as delivery date adjustments by customers.

As a result, net sales decreased by 8.0% year on year to 29,789 million yen and segment income decreased by 36.2% year on year to 854 million yen.

(c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

In this business, orders for production of computer graphics animation and development of game software continued to face a difficult situation, partly due to customers extending their development schedule and the small scale of the jobs.

As a result, net sales decreased by 8.0% year on year to 1,788 million yen, and segment income decreased by 92.0% year on year to 9 million yen.

(d) Others (Repair and support for electronics equipment, and sales of amusement equipment and sports goods, and others)

In this business, sales of arcade amusement machines continued to be strong. The PC peripherals and mobile phones recycling business showed robust performance, however golf products suffered sluggish sales.

As a result, net sales decreased by 6.0% year on year to 13,696 million yen, and segment income decreased by 12.3% year on year to 364 million yen.

		FY 2019/3 3Q (April 1, 2018 – December 31, 2018)	FY 2020/3 3Q (April 1, 2019 – December 31, 2019)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic components	Net sales	124,893	293,527	168,633	135.0%
	Segment income	3,780	6,418	2,638	69.8%
Information equipment	Net sales	32,374	29,789	(2,585)	(8.0%)
	Segment income	1,339	854	(484)	(36.2%)
Software	Net sales	1,943	1,788	(155)	(8.0%)
	Segment income	122	9	(112)	(92.0%)
Others	Net sales	14,570	13,696	(874)	(6.0%)
	Segment income	415	364	(51)	(12.3%)
Total	Net sales	173,782	338,801	165,018	95.0%
	Segment income	5,748	7,732	1,983	34.5%

Note: "Segment income" shows unadjusted figures for each business segment and adjusted figures for the total.

(2) Overview of financial conditions

Assets, liabilities and net assets

Total assets as of December 31, 2019 decreased by 3,756 million yen from March 31, 2019 to 210,004 million yen.

Current assets decreased by 7,539 million yen to 174,856 million yen. This is primarily due to a decrease of 8,743 million yen in notes and accounts receivable – trade, and a decrease of 7,359 million yen in merchandise and finished goods, although cash and deposits increased by 7,080 million yen.

Non-current assets increased by 3,783 million yen to 35,147 million yen. This is primarily attributable to an increase of 2,899 million yen for buildings and structures, net.

Liabilities decreased by 6,758 million yen to 122,742 million yen. This is primarily attributable to a decrease of 5,845 million yen in notes and accounts payable – trade.

Net assets increased by 3,002 million yen to 87,261 million yen. This is primarily due to recording 4,924 million yen of profit attributable to owners of parent.

(3) Qualitative information on consolidated performance forecast

The Company made the following revisions to the full-year consolidated earnings forecasts for the fiscal year ending March 31, 2020, which it published on November 7, 2019.

(Reasons for revisions)

The electronic components sales business, a core business, was solid, particularly for medical equipment and automotive devices. As a result, the Company expects net sales to exceed the previous forecast.

The Company also expects operating income and ordinary income to surpass the previous forecasts because gross margin increased as a result of higher net sales, personnel costs decreased following personnel reductions, and efforts to curb other expenses were a success. At the same time, the Company left its forecast for profit attributable to owners of parent unchanged to take into account the posting of costs related to structural reforms in preparation for changes in the internal and external conditions, which are uncertain.

Revisions to consolidated earnings forecasts for the fiscal period ending March 31, 2020 (from April 1, 2019 to March 31, 2020)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	yen
Previous forecast (A)	430,000	7,000	7,000	5,000	182.17
Revised forecast (B)	442,000	9,000	9,000	5,000	182.17
Difference (B-A)	12,000	2,000	2,000	-	-
Difference (%)	2.8	28.6	28.6	-	-
(Reference) Results for the year ended March 31, 2019	292,779	7,570	7,859	8,014	292.07

Note: The above earnings forecasts are based on the information currently available to the Company on the date of release and certain assumptions deemed reasonable. Actual results may vary from the forecast for a variety of reasons.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended December 2019 (As of December 31, 2019)
ASSETS		
Current assets		
Cash and deposits	35,003	42,084
Notes and accounts receivable - trade	96,145	87,401
Electronically recorded monetary claims - operating	5,361	5,022
Securities	261	247
Merchandise and finished goods	33,734	26,374
Work in process	489	1,212
Raw materials and supplies	5,802	5,721
Other	5,894	7,077
Allowance for doubtful accounts	(296)	(283)
Total current assets	182,396	174,856
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	4,910	7,810
Machinery, equipment and vehicles, net	3,506	4,613
Tools, furniture and fixtures, net	1,104	987
Land	4,861	5,024
Construction in progress	628	60
Total property, plant and equipment	15,011	18,496
Intangible assets		
Goodwill	259	350
Software	1,819	1,534
Other	126	187
Total intangible assets	2,206	2,072
Investments and other assets		
Investment securities	10,085	10,711
Deferred tax assets	1,292	1,077
Guarantee deposits	870	866
Insurance funds	951	898
Other	1,462	1,519
Allowance for doubtful accounts	(515)	(494)
Total investments and other assets	14,147	14,578
Total non-current assets	31,364	35,147
Total assets	213,761	210,004

(Million yen)

	Fiscal year ended March 2019 (As of March 31, 2019)	Third quarter ended December 2019 (As of December 31, 2019)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	77,884	72,038
Short-term loans payable	30,656	7,691
Accrued expenses	5,307	4,644
Income taxes payable	1,147	986
Provision for directors' bonuses	105	14
Other	6,239	8,875
Total current liabilities	121,340	94,252
Non-current liabilities		
Long-term loans payable	1,882	21,054
Deferred tax liabilities	1,300	1,845
Provision for directors' retirement benefits	94	89
Net defined benefit liability	1,997	1,961
Asset retirement obligations	280	323
Other	2,606	3,217
Total non-current liabilities	8,161	28,490
Total liabilities	129,501	122,742
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	13,865	13,865
Retained earnings	51,297	54,163
Treasury shares	(2,024)	(2,024)
Total shareholders' equity	75,272	78,138
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,018	1,160
Deferred gains or losses on hedges	2	15
Foreign currency translation adjustment	527	123
Remeasurements of defined benefit plans	(215)	(182)
Total accumulated other comprehensive income	1,332	1,116
Non-controlling interests	7,654	8,007
Total net assets	84,259	87,261
Total liabilities and net assets	213,761	210,004

(2) Quarterly consolidated statements of income and comprehensive income

For the third quarter (April 1, 2019 – December 31, 2019)

(Million yen)

	Third quarter ended December 2018 (April 1, 2018 – December 31, 2018)	Third quarter ended December 2019 (April 1, 2019 – December 31, 2019)
Net sales	173,782	338,801
Cost of sales	149,758	303,555
Gross profit	24,023	35,245
Selling, general and administrative expenses	18,275	27,513
Operating income	5,748	7,732
Non-operating income		
Interest income	102	190
Dividends income	144	163
Commission fee	152	182
Foreign exchange gains	—	98
Other	254	336
Total non-operating income	653	972
Non-operating expenses		
Interest expenses	134	235
Share of loss of entities accounted for using equity method	68	357
Foreign exchange losses	122	—
Other	75	136
Total non-operating expenses	401	728
Ordinary income	6,000	7,975
Extraordinary income		
Gain on sales of non-current assets	11	19
Gain on sales of investment securities	214	73
Gain on transfer of business	7	12
Settlement received	—	498
Other	—	1
Total extraordinary income	233	605
Extraordinary loss		
Loss on retirement of non-current assets	5	8
Loss on sales of investment securities	2	54
Loss on valuation of investment securities	462	553
Loss on valuation of golf club membership	5	—
Extra retirement payments	—	127
Impairment loss	9	245
Other	2	4
Total extraordinary loss	487	993
Profit before income taxes	5,746	7,587
Income taxes - current	1,460	1,642
Income taxes - deferred	(599)	612
Total income taxes	861	2,255
Profit	4,884	5,332
Profit attributable to owners of parent	4,875	4,924
Profit attributable to non-controlling interests	9	407

(Million yen)

	Third quarter ended December 2018 (April 1, 2018 – December 31, 2018)	Third quarter ended December 2019 (April 1, 2019 – December 31, 2019)
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,069)	142
Deferred gains or losses on hedges	15	12
Foreign currency translation adjustment	266	(418)
Remeasurements of defined benefit plans, net of tax	20	30
Share of other comprehensive income of associates accounted for using equity method	(37)	(55)
Total other comprehensive income	(803)	(288)
Comprehensive income	4,081	5,043
Comprehensive income attributable to owners of parent	4,072	4,704
Comprehensive income attributable to non-controlling interests	8	339

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes in accounting policies)

(IFRS 16 "Leases")

Subsidiaries that adopt International Financial Reporting Standards are applying International Financial Reporting Standard No. 16 "Leases" (hereafter, "IFRS 16") from the first quarter ended June 30, 2019. In accordance with the standards, right-of-use assets and lease liabilities are recognized in principle for all of the lessee's lease transactions, and depreciation of right-of-use assets and interest on lease liabilities are recorded.

In applying IFRS 16, the transition provisions are followed, opting therefore to measure lease liability at the present value, discounted using lessee's incremental borrowing rate at the date of initial application, and record this same amount for right-of-use asset.

As a result of the application of IFRS 16, the following items increased as of December 31, 2019: in non-current assets, "buildings and structures (net)" by 1,091 million yen, "machinery, equipment and vehicles (net)" by 3 million yen, and "tools, furniture and fixtures (net)" by 0 million yen; "other" in current liabilities by 268 million yen, and "other" in non-current liabilities by 817 million yen.

The effect of this change on profit and loss for the third quarter of the fiscal year ending March 2020 is immaterial.

(Additional information)

(Share transfer agreement with CITY INDEX ELEVENTH CO., Ltd. for acquisition of shares in EXCEL CO., LTD.)

At the board of directors meeting held on December 9, 2019, Kaga Electronics Co., Ltd ("the Company") resolved to conclude a share transfer agreement with CITY INDEX ELEVENTH CO., Ltd ("CI11") with respect to the outstanding shares issued by EXCEL CO., LTD. ("EXCEL"), and concluded the said agreement on the same date. The acquisition of EXCEL shares under the said agreement ("the Share Acquisition") is scheduled to be executed on April 1, 2020, upon which EXCEL will become the Company's wholly-owned subsidiary effective the same date.

Pursuant to the integrated contract entered into between the Company, EXCEL, Office Support K.K. ("Office Support"), the parent company of CI11, and CI11 on December 9, 2019, the Share Acquisition shall be executed upon (1) CI11 making EXCEL a wholly-owned subsidiary through share exchange for cash consideration ("the Share Exchange"), and subsequently (2) payment of dividend in kind being made to CI11 using a portion of assets owned by EXCEL as dividend property ("the Dividend in Kind").

1. Reasons for the management integration and acquisition of the shares

Since its foundation, the Company has been expanding its business domain by responding to the various needs of customers in accordance with its philosophy of "everything we do is for our customers". As an independent general trading company that specializes in electronics, the Company is engaged in a wide variety of business activities and offers a variety of services to customers both in Japan and abroad, ranging from distribution of Electronic Parts and Semiconductors that leverages its expertise in the segment, the EMS business where it has a competitive advantage in high-mix low-volume production, to support for customers in planning, development and design of their products, creation of software/video images, and provision of network solutions and other system support services.

Meanwhile, changes are taking place with increasing speed in the business environment surrounding the electronics trading industry, where there still are many players competing with each other. We have seen reorganization and consolidation of semiconductor/device manufacturers, our suppliers, which have led to review of their policies on distribution agents, moves by end-products manufacturers, our customers, to relocate their production facilities to overseas sites for assembly of finished products, changes in demand and supply and price fluctuations in both domestic and overseas markets reflecting US-China tariff policies and uncertainty in the future of the global economy. There has also been shortening of product life cycles as a result of ongoing technological innovations. Against this backdrop, we believe that the competition for survival among electronic trading companies will become more and more intense in the coming years.

Under these circumstances, the Company has formulated the three-year "Medium Term Management Plan 2021" that runs from the fiscal year ending March 31, 2020 to March 31, 2022 (announced on November 6, 2018, "the Medium Term Plan"), in line with which it is working on enhancement of revenue base, stabilization of management base and creation of new

businesses, being guided by its medium to long-term vision of becoming “Japan’s No. 1 corporate group in the industry” by establishing “profit-focused management” and putting it firmly in place, with the aim of developing into a competitive “world-class company”.

In January last year, Fujitsu Electronics Inc., a core trading company of the Fujitsu Group, was converted to a subsidiary of the Group, to achieve expansion the Group’s trading company business. In October, the Company acquired from Pioneer Corporation shares of Towada Pioneer Corporation (currently Kaga EMS Towada Co., Ltd.), a manufacturing subsidiary of Pioneer, to strengthen manufacturing capabilities.

The decision to make EXCEL a subsidiary based on the share transfer agreement concluded with CII1 also forms a part of the Company’s efforts to achieve its growth strategy. In the course of the decision, the Company recognized that EXCEL’s strengths in its key domestic and overseas products in the area of liquid crystal devices as well as its customer base in China were particularly attractive for the Company as it seeks to achieve its growth strategy.

EXCEL operates a business focusing on electronic devices led by liquid crystal, semiconductors and integrated circuits, and its integration into the Group is expected to generate the following synergies.

(1)Market share expansion for the Electronic Parts and Semiconductor business

We will seek to strengthen ability to respond to customer needs and expand share in the electronic parts and semiconductor markets by complementing the respective companies’ offerings and sales channels. In particular, realization of synergies can be expected with EXCEL’s strengths in its key domestic and overseas products in the LCD domain to expand sales to the Company’s customers, as well as EXCEL’s customer base in China to strengthen distribution of the Company’s products.

(2)Expansion in the scale of the EMS business

We will strive to further strengthen the profitability of the Company’s EMS business by sharing the Company’s global network of EMS manufacturing bases with EXCEL, and reaching out to the EXCEL customer base with the Company’s EMS business.

(3)Acquisition of new businesses

We will bring in EXCEL’s promising new businesses such as EV-related business and mobilize the collective strength of the Group to achieve early commercialization.

(4)Further improvement in management efficiency through business collaboration between the two companies

We will seek to improve the profitability of both the Company and EXCEL by optimizing and sharing to the greatest extent possible the two firms’ sales related organizations and other functions.

Through the Share Acquisition, we will seek to solidify our footing as “Japan’s No. 1 corporate group in the industry” as set out in the Medium Term Plan, and will continue efforts to expand and improve the scale and the quality of Group management, with the aim of achieving sustainable growth as a competitive “world-class company” which can stand up to overseas competition with their sales crossing the trillion yen mark.

2. Name, business details, and size of company whose shares are to be acquired

(1) Name EXCEL CO., LTD.

(2) Business Sale, import and export of LCD devices, integrated circuits, semiconductor devices and other electronic components and equipment

(3) Size of company (consolidated figures for the fiscal year ended March 2019)

Consolidated net assets	24,611 million yen
Consolidated total assets	43,739 million yen
Consolidated net sales	67,499 million yen
Consolidated operating income	369 million yen
Consolidated ordinary income	252 million yen
Ordinary income attributable to owners of parent	569 million yen

3. Name of the selling shareholder

CITY INDEX ELEVENTH CO.,Ltd

4. Date of share acquisition (planned)

April 1, 2020

5. Number of shares to be acquired, acquisition price, and ownership ratio following acquisition (planned)

(1) Shares to be acquired 8,666,084 shares (Note 1)

(2) Acquisition price

Shares of common stock in EXCEL CO., LTD. (estimate) 100 million yen (Note 2)

Advisory and other fees (estimate) 250 million yen

Total (estimate) 350 million yen

(3) Ownership ratio following acquisition 100.0%

Note 1: The number indicated herein is the total number of outstanding shares of EXCEL as of September 30, 2019 (9,086,755 shares), net of the number of treasury shares as of the same date (420,671 shares). However, as we understand that EXCEL is planning to cancel the treasury shares it holds at the time immediately preceding the effective date of the Share Exchange, “the number of shares to be acquired” and “the number of shares held after the acquisition” may change according to change in the number of EXCEL’s treasury shares.

It is anticipated that the Company will recognize approximately 8.2 billion yen of gain on bargain purchase from the Share Acquisition.

Note 2: The Company plans to provide financing of around 8 billion yen to EXCEL as working capital on the execution date of the Share Acquisition.

(Segment information)

I. For the third quarter ended December 2018 (April 1, 2018 – December 31, 2018)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	124,893	32,374	1,943	14,570	173,782	—	173,782
Inter-segment sales or transfers	2,151	670	460	3,305	6,587	(6,587)	—
Total	127,045	33,045	2,403	17,875	180,370	(6,587)	173,782
Segment income	3,780	1,339	122	415	5,657	91	5,748

Notes: 1. Adjustment in segment income of 91 million yen includes 91 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

II. For the third quarter ended December 2019 (April 1, 2019 – December 31, 2019)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	293,527	29,789	1,788	13,696	338,801	—	338,801
Inter-segment sales or transfers	1,867	782	381	2,595	5,627	(5,627)	—
Total	295,394	30,572	2,170	16,291	344,428	(5,627)	338,801
Segment income	6,418	854	9	364	7,647	84	7,732

- Notes: 1. Adjustment in segment income of 84 million yen includes 84 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.