

Summary of Consolidated Financial Results For the Third Quarter Ended December 31, 2013 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.	
Stock Code:	8154	
Stock Exchange Listing:	Tokyo Stock Exchange, First Section	
URL:	http://www.taxan.co.jp/	
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Date of quarterly securities report (tentative):	February 13, 2014	
Date of commencement of dividend payment (tentative):	-	
Quarterly earnings supplementary explanatory documents:	None	
Quarterly earnings presentation:	None	

(Yen in millions, rounded down)

1. Financial results for the first three quarters of the fiscal year ending March 2014 (April 1, 2013 – December 31, 2013)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters of FY3/2014	188,460	20.1	4,109	-	4,506	-	2,809	-
First three quarters of FY3/2013	156,891	(9.6)	(39)	-	351	(72.5)	(817)	-

Note: Comprehensive income: First three quarters of FY3/2014: 4,410 million yen (-%)

First three quarters of FY3/2013: -470 million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First three quarters of FY3/2014	99.42		-	
First three quarters of FY3/2013	(29.62)		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2013	129,738		52,246		40.2	
As of March 31, 2013	111,888		48,806		43.5	

Reference: Shareholders' equity

As of December 31, 2013: 52,206 million yen

As of March 31, 2013: 48,656 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen				
Fiscal year ended March 2013	-	15.00	-	15.00	30.00
Fiscal year ending March 2014	-	15.00	-		
Fiscal year ending March 2014 (est.)				15.00	30.00

Note: Change in the estimation of dividend from the latest announcement: None

3. Forecast for the fiscal year ending March 2014 (Consolidated, April 1, 2013 to March 31, 2014)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	255,000	17.8	4,200	233.3	4,700	143.4	3,000	574.5	106.17

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

Please refer "Notice of Revision in Forecast for Fiscal Year Ending March 2014" announced on 31 January 2014.

* **Notes**

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatements
- (a) Changes due to revision of accounting standards: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatements: None
- (4) Number of shares outstanding (common stock)
- (a) Shares outstanding (including treasury stock)

As of December 31, 2013:	28,702,118	As of March 31, 2013:	28,702,118
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 - (b) Treasury stock

As of December 31, 2013:	444,553	As of March 31, 2013:	443,831
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 - (c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2013:	28,257,908	Period ended December 31, 2012:	27,596,769
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* Description of quarterly review procedure implementation status

It is under the quarterly review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

* Cautionary statement regarding forecasts of operating results and special notes

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. Please refer (3) Forecast in 1. Results of Operations on page 3 of Supplementary Information for further information.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first three quarters of the fiscal year, the Japanese economy recovered slowly as the benefits of the Japanese government's economic measures and monetary easing led to higher corporate earnings as well as growth in capital expenditures and consumer spending.

In the electronics industry, there were strong sales of high-performance mobile devices like smartphones and tablets and of automotive components as the use of electronics in cars continues to increase. However, the operating environment is still difficult for digital consumer electronics and information equipment, chiefly personal computers and peripherals, despite signs of the start of a recovery.

In this environment, the KAGA ELECTRONICS Group reinforced collaboration among group companies, worked on increasing sales to major current customers, added new products and took other actions. At the same time, there were reviews of unprofitable businesses, including actions such as mergers and liquidations, and cost-cutting measures.

In the first three quarters, consolidated net sales increased 20.1% from one year earlier to 188,460 million yen. Operating income was 4,109 million yen compared with a 39 million yen loss one year earlier and ordinary income was 4,506 million yen compared with 351 million yen one year earlier. Net income improved from a loss of 817 million yen to a profit of 2,809 million yen.

Business segment performance was as follows.

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

In Japan, demand increased in the EMS, electronic components and other categories and overseas EMS sales involving electronic devices were higher. The result was a 23.3% increase in segment sales from one year earlier to 145,213 million yen and a 239.5% increase in operating income to 2,983 million yen.

* Abbreviation for Electronics Manufacturing Service which is a term used for the provision of product development and manufacturing services on an outsourcing basis.

(b) Information equipment (Sales of PCs, PC peripherals, photographic and imaging products, original-brand products, and other products)

Demand for PCs and other consumer products in the information equipment category have declined because of the popularity of smartphones, tablets and other high-performance mobile devices. But there were higher sales of products for the home, personal computers and software for schools, environmental products and other products. As a result, segment sales increased 9.9% to 31,623 million yen and operating income was 413 million yen compared with a 513 million yen loss one year earlier.

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

Activities in this segment focused on the production of computer graphics for animation applications, the development and production of electronic amusement products, and the development of image processing systems for amusement equipment. Sales were 2,043 million yen, 3.4% higher than one year earlier, and operating income was 376 million yen compared with a 469 million yen loss one year earlier.

(d) Others (Electronic device repairs and support, sales of sporting goods, and other activities)

Sales of amusement machines to arcades in Japan increased and there were strong sales of golf products and other products in this segment. As a result, sales increased 14.6% from one year earlier to 9,579 million yen and operating income increased 209.6% to 350 million yen.

(2) Overview of financial condition

Assets, liabilities and net assets

Assets totaled 129,738 million yen at the end of the third quarter, increased 17,849 million yen from the end of the previous fiscal year mainly because of an increase in accounts receivable.

Liabilities increased 14,409 million yen to 77,492 million yen mainly because of an increase in notes and accounts payable-trade.

Net assets increased 3,440 million yen to 52,246 million yen. This was due primarily to the net income for the quarter.

(3) Forecast

(a) Consolidated forecast for the fiscal year ending March 2014 (April 1, 2013 – March 31, 2014)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	247,000	3,600	4,300	2,200	77.85
Revised forecast (B)	255,000	4,200	4,700	3,000	106.17
Difference (B-A)	8,000	600	400	800	-
Difference (%)	3.2	16.7	9.3	36.4	-
(Ref.) Previous fiscal year (Fiscal year ended March 2013)	216,405	1,260	1,931	444	16.09

(b) Reason for revisions

In the current fiscal year, sales in Japan have been higher for electronic components, products for the home and certain other products. In addition, overseas sales in the EMS business are strong. Due to this operating environment, the fiscal year forecasts for consolidated sales and earnings have been revised as shown in the above table.

2. Other Information

(1) Changes in significant subsidiaries:
None

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

(3) Changes in accounting principles and estimates, and retrospective restatements:
None

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	Third quarter ended December 2013 (As of December 31, 2013)
ASSETS		
Current assets		
Cash and cash equivalents	12,258	13,195
Notes and accounts receivable-trade	54,580	60,903
Marketable securities	111	108
Merchandise and finished goods	14,075	18,862
Work in process	637	1,368
Raw materials and other supplies	4,065	4,408
Deferred tax assets	482	964
Other	3,823	5,948
Allowance for doubtful receivables	(90)	(107)
Total current assets	89,945	105,654
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	3,126	5,556
Machinery, equipment and vehicles, net	1,714	1,603
Tools, furniture and fixtures, net	805	719
Land	4,305	4,328
Construction in progress	606	7
Total property, plant and equipment	10,559	12,215
Intangible assets		
Goodwill	799	753
Software	435	429
Other	991	704
Total intangible assets	2,226	1,887
Investments and other assets		
Investment securities	4,491	5,119
Deferred tax assets	472	676
Other	5,239	5,205
Allowance for doubtful receivables	(1,046)	(1,019)
Total investments and other assets	9,157	9,981
Total fixed assets	21,943	24,084
Total assets	111,888	129,738

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	Third quarter ended December 2013 (As of December 31, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	37,423	43,986
Short-term loans payable	9,567	13,547
Income taxes payable	1,055	894
Other	5,309	8,681
Total current liabilities	53,355	67,110
Noncurrent liabilities		
Long-term loans payable	5,121	5,038
Provision for retirement benefits	1,643	1,465
Provision for directors' retirement benefits	1,398	1,413
Other	1,562	2,464
Total noncurrent liabilities	9,726	10,381
Total liabilities	63,082	77,492
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	24,384	26,346
Treasury stock	(535)	(535)
Total shareholder's equity	49,895	51,856
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(180)	250
Deferred gains or losses on hedges	(6)	14
Foreign currency translation adjustments	(1,052)	86
Total accumulated other comprehensive income	(1,238)	350
Minority interests	149	39
Total net assets	48,806	52,246
Total liabilities and net assets	111,888	129,738

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first three quarters (April 1, 2013 – December 31, 2013)

(Million yen)

	Third quarter ended December 2012 (April 1, 2012 - December 31, 2012)	Third quarter ended December 2013 (April 1, 2013 - December 31, 2013)
Net sales	156,891	188,460
Cost of sales	137,663	164,066
Gross profit	19,228	24,394
Selling, general and administrative expenses	19,268	20,284
Operating income (loss)	(39)	4,109
Non-operating income		
Interest income	29	44
Dividend income	69	76
Commission income	130	175
Foreign exchange gains	18	44
Other	337	272
Total non-operating income	585	613
Non-operating expenses		
Interest expense	100	98
Loss on investments in partnership	36	66
Other	57	52
Total non-operating expenses	194	217
Ordinary income	351	4,506
Extraordinary income		
Gain on sales of noncurrent assets	5	4
Gain on sales of investment securities	-	5
Gain on sales of subsidiaries and affiliates' stocks	6	-
Insurance income	365	-
Total extraordinary income	377	9
Extraordinary losses		
Loss on retirement of noncurrent assets	3	23
Loss on valuation of investment securities	117	45
Impairment loss	122	44
Litigation settlement	80	-
Business structure improvement expenses	74	-
Loss on liquidation of subsidiaries and affiliates	-	91
Office transfer expenses	-	80
Other	42	16
Total extraordinary losses	440	301
Income before income taxes and minority interests	289	4,213
Income taxes-current	797	1,305
Income taxes-deferred	446	89
Total income taxes	1,244	1,394
Income (loss) before minority interests	(955)	2,818
Minority interests in income (loss)	(138)	9
Net income (loss)	(817)	2,809
Minority interests in income (loss)	(138)	9
Income (loss) before minority interests	(955)	2,818

	Third quarter ended December 2012 (April 1, 2012 - December 31, 2012)	Third quarter ended December 2013 (April 1, 2013 - December 31, 2013)
Other comprehensive income		
Valuation difference on available-for-sale securities	65	431
Deferred gains or losses on hedges	(9)	20
Foreign currency translation adjustment	428	1,140
Total other comprehensive income	484	1,592
Comprehensive income	(470)	4,410
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(334)	4,398
Comprehensive income attributable to minority interests	(136)	12

(3) Notes

(Notes to ongoing concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information, etc.)

Segment information

I. For the first three quarters ended December 2012 (April 1, 2012 – December 31, 2012)

1. Information about sales and income (loss) by reportable segments

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statements of income and consolidated statements of comprehensive income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	117,782	28,771	1,976	8,361	156,891	-	156,891
of which inter- segment	1,018	509	1,259	1,462	4,249	(4,249)	-
Total	118,800	29,281	3,236	9,823	161,141	(4,249)	156,891
Segment income (loss)	878	(513)	(469)	113	9	(48)	(39)

Note: 1. Adjustment of segment loss of 48 million yen includes 1 million yen of elimination of inter-segment trade and -50 million yen of amortization of goodwill.

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)

In the information equipment segment, an impairment loss was posted for business assets in association with a decline in earnings. This impairment loss was 122 million yen in the first three quarters of the fiscal year.

(Major changes in goodwill)

In the electronic components segment, goodwill was posted due to the merger of AD DEVICE CORPORATION and AS Device Co., Ltd. The increase in goodwill in the first three quarters of the current fiscal year resulting from this merger was 718 million yen.

II. For the first three quarters ended December 2013 (April 1, 2013 – December 31, 2013)

1. Information about sales and income (loss) by reportable segments

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statements of income and consolidated statements of comprehensive income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	145,213	31,623	2,043	9,579	188,460	-	188,460
of which inter- segment	1,094	496	4,468	1,741	7,800	(7,800)	-
Total	146,308	32,119	6,512	11,321	196,261	(7,800)	188,460
Segment income (loss)	2,983	413	376	350	4,124	(14)	4,109

Note: 1. Adjustment of segment loss of 14 million yen includes 2 million yen of elimination of inter-segment trade and -16 million yen of amortization of goodwill.

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)

Omitted because insufficiently significant

(Major changes in goodwill)

Omitted because insufficiently significant