



Report on Financial Result
Third Quarter of Fiscal Year 2014
April to December 2013

February 19, 2014

KAGA ELECTRONICS CO., LTD. (TSE 1st section, 8154)

3-12-8 Sotokannda, Chiyoda-ku, Tokyo 101-8629

Tel: (03) 4455-3131 Fax: (03) 3254-7132

URL: <http://www.taxan.co.jp>

Financial Highlights
Third Quarter of Fiscal Year 2014
April to December 2013
(Consolidated Third Quarter)

Consolidated Statement of Income

(million yen)

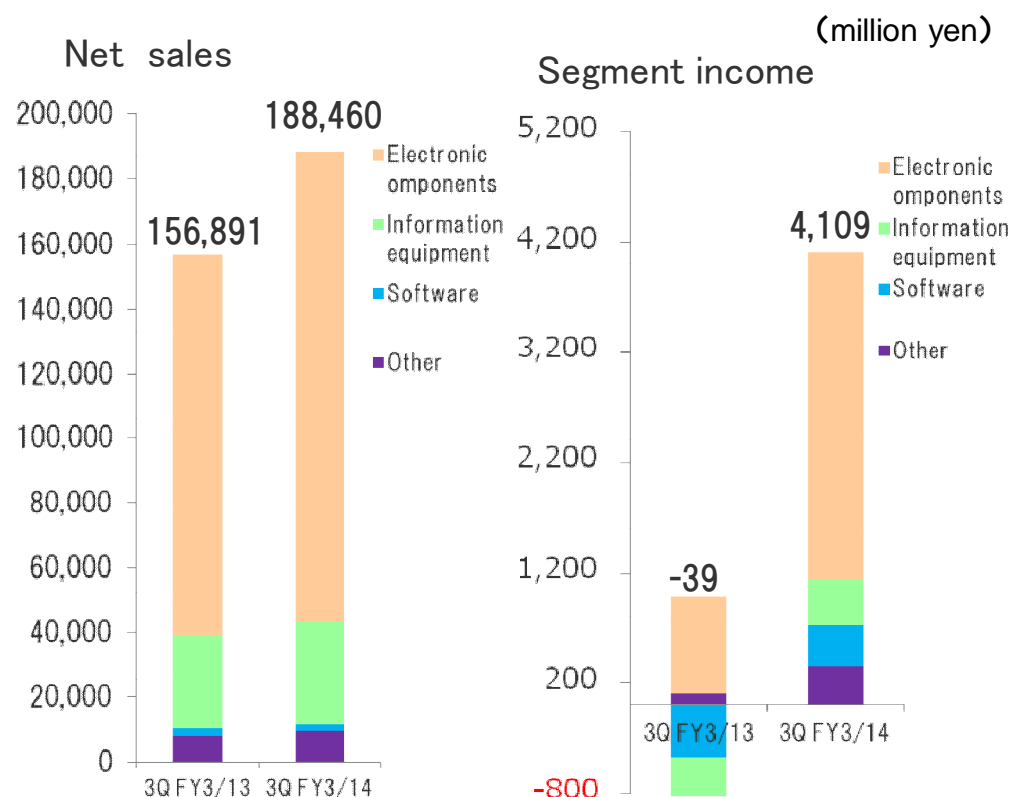
	3Q FY3/2013		3Q FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	156,891	100.0%	188,460	100.0%	31,569	20.1%
Cost of sales	137,663	87.7%	164,066	87.1%	26,403	19.2%
Gross profit	19,228	12.3%	24,394	12.9%	5,166	26.9%
SG&A expenses	19,268	12.3%	20,284	10.8%	1,016	5.3%
Operating income	-39	0.0%	4,109	2.2%	4,148	-
Non-operating income	585	0.4%	613	0.3%	28	4.8%
Non-operating expenses	194	0.1%	217	0.1%	23	11.9%
Ordinary income	351	0.2%	4,506	2.4%	4,155	1183.8%
Extraordinary items	-63	0.0%	-292	-0.2%	-229	363.5%
Income before income tax	289	0.2%	4,213	2.2%	3,924	1357.8%
Income taxes	797	0.5%	1,305	0.7%	508	63.7%
Income taxes-deferred	446	0.3%	89	0.05%	-357	270.2%
Minority interests	-138	-0.1%	9	0.00%	147	-
Net income	-817	-0.5%	2,809	1.5%	3,626	-

Comparison of Consolidated Sales by Business Category

(million yen)

	3Q FY3/2013		3Q FY3/2014		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	117,782	75.1%	145,213	77.1%	27,431	23.3%
	878	-	2,983	72.6%	2,105	239.7%
Information equipment	28,771	18.3%	31,623	16.8%	2,852	9.9%
	-513	-	413	10.1%	926	-
Software	1,976	1.3%	2,043	1.1%	67	3.4%
	-469	-	376	9.2%	845	-
Other	8,361	5.3%	9,579	5.1%	1,218	14.6%
	113	-	350	8.5%	237	209.7%
Total	156,891	100.0%	188,460	100.0%	31,569	20.1%
	-39	-	4,109	100.0%	4,148	-

* Figures of each segment income are not inter-segment adjusted other than total.



Summary

■ **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 for EMS, electronic components and other products and overseas EMS sales involving electronic devices were higher. The result was sales of 145,213 million yen.

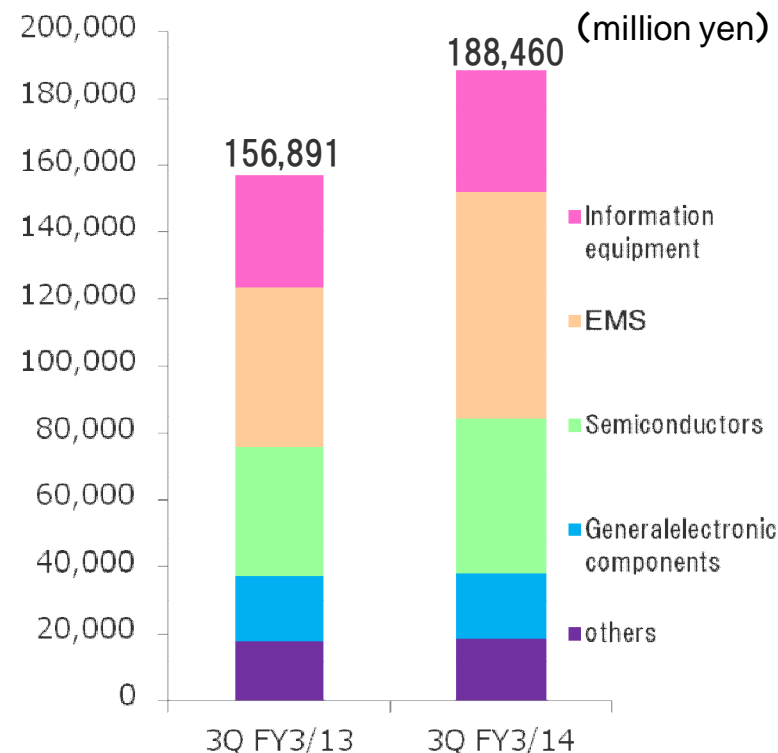
■ **Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)**

There were higher demand for products for the home, PC software for schools, environmental products, and other products. As a result, sales totaled 31,623 million yen.

[Reference] Comparison of Consolidated Sales by Business Category

(million yen)

	3Q FY3/2013		3Q FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	33,065	21.1%	36,177	19.2%	3,112	9.4%
EMS	47,984	30.6%	68,008	36.1%	20,024	41.7%
Semiconductors	38,230	24.4%	46,205	24.5%	7,975	20.9%
Generalelectronic components	19,378	12.4%	19,664	10.4%	286	1.5%
Others	18,232	11.6%	18,404	9.8%	172	0.9%
Total	156,891	100.0%	188,460	100.0%	31,569	20.1%



Summary

- **Information equipment sales: Up 3,112 million yen (+9.4%, YoY)**

Sales were 36,177 million yen because of higher demand for products for the home, PC software for schools, environmental products, and other products.

- **EMS sales: Up 20,024 million yen (+41.7%, YoY)**

Higher EMS for electronic devices volume in Japan and overseas raised sales to 68,008 million yen.

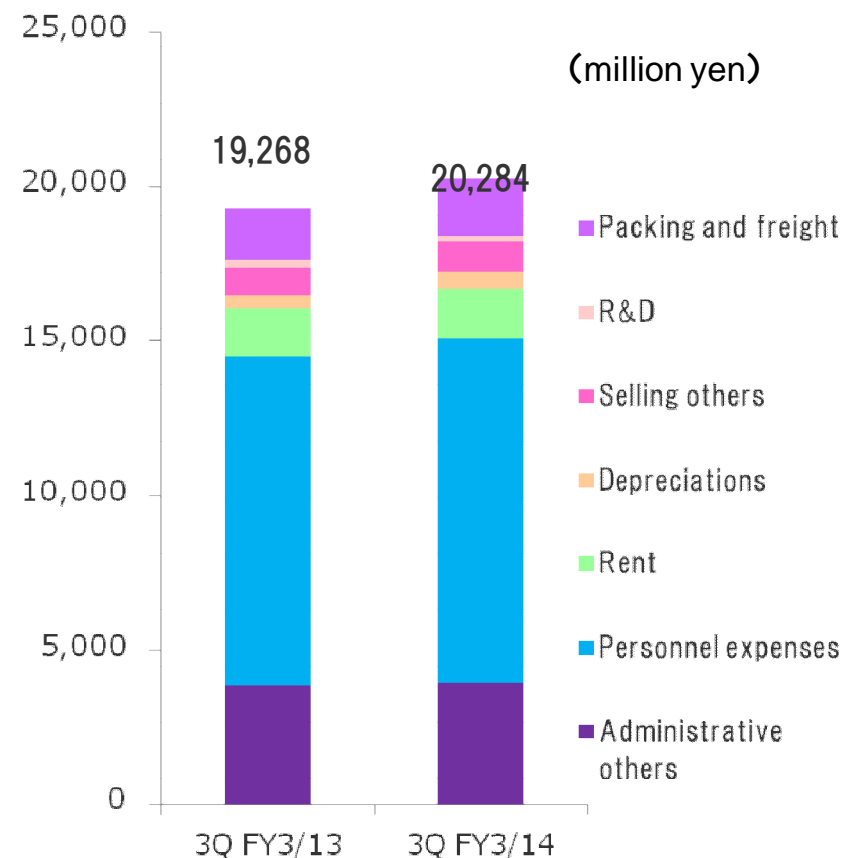
- **Semiconductor sales: Up 7,975 million yen (+20.9%, YoY)**

Sales were higher for semiconductors in Japan used in amusement equipment and in other categories. Sales totaled 46,205 million yen.

Selling, General and Administrative Expenses

(million yen)

	3QFY3/2013		3Q FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	1,650	8.6%	1,888	9.3%	238	14.4%
R&D	199	1.0%	181	0.9%	-18	-9.0%
Others	937	4.9%	941	4.6%	4	0.4%
Total selling expenses	2,786	14.5%	3,010	14.8%	224	8.0%
Depreciations	418	2.2%	600	3.0%	182	43.5%
Rent	1,546	8.0%	1,565	7.7%	19	1.2%
Personnel expenses	10,666	55.4%	11,154	55.0%	488	4.6%
Others	3,850	20.0%	3,954	19.5%	104	2.7%
Total administrative	16,480	85.5%	17,273	85.2%	793	4.8%
Total SG&A expenses	19,268	100.0%	20,284	100.0%	1,016	5.3%



Summary

Selling, general and administrative expenses

Packing and freight: Up 238 million yen (YoY) because sales increased

Depreciation: Up 182 million yen (YoY) partly due to a revision in the schedule for development projects

Personnel expenses: Up 488 million yen (YoY) because of an increase at KAGA ELECTRONICS

Consolidated Balance Sheets

Consolidated Balance Sheets

(million yen)

	End of FY3/2013	End of FY12/2013	Change
Current assets	89,945	105,654	15,709
Cash and cash equivalents	12,258	13,195	937
Notes and account receivable-trade	54,580	60,903	6,323
Merchandise and finished goods	14,075	18,862	4,787
Goods in progress	637	1,368	731
Raw materials and other supplies	4,065	4,408	343
Others	4,327	6,918	2,591
Fixed assets	21,943	24,084	2,141
Property, plant and equipment	10,559	12,215	1,656
Intangible assets	2,226	1,887	-339
Investments and other assets	9,157	9,981	824
Total assets	111,888	129,738	17,850

	End of FY3/2013	End of FY12/2013	Change
Current liabilities	53,355	67,110	13,755
Notes and accounts payable-trade	37,423	43,986	6,563
Short-term bank loans	9,567	13,547	3,980
Others	6,365	9,577	3,212
Long-term liabilities	9,726	10,381	655
Long-term bank loans	5,121	5,038	-83
Others	4,605	5,343	738
Total liabilities	63,082	77,492	14,410
Shareholders' equity			0
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	24,384	26,346	1,962
Treasury stock	-535	-535	0
Valuation and translation adjustment	-1,238	350	1,588
Minority interests	149	39	-110
Total net assets	48,806	52,246	3,440
Total liabilities and net assets	111,888	129,738	17,850

Forecast for FY3/2014

Forecast for FY3/2014

Consolidated Statement of Income

(million yen)

	FY3/2013(actual)		FY3/20124(plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amonut	Pct.
Net Sales	216,405	100.0%	247,000	100.0%	30,595	14.1%
Cost of sales	188,943	87.3%	216,500	87.7%	27,557	14.6%
Gross profit	27,462	12.7%	30,500	12.3%	3,038	11.1%
SG&A expenses	26,202	12.1%	26,900	10.9%	698	2.7%
Operating income	1,260	0.6%	3,600	1.5%	2,340	185.7%
Non-operating income	671	0.3%	700	0.3%	29	4.3%
Ordinary income	1,931	0.9%	4,300	1.7%	2,369	122.7%
Net income	444	0.4%	2,200	1.0%	1,756	395.5%

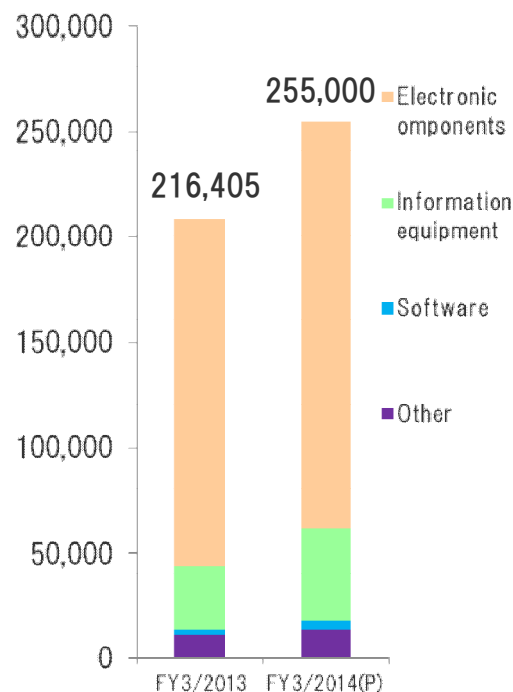
Comparison of Consolidated Sales by Business Category

(million yen)

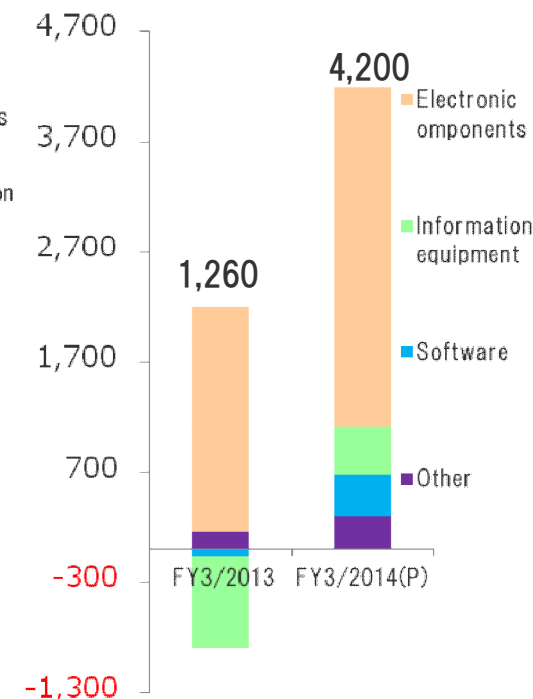
	FY3/2013 (Actual)		FY3/2014 (Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	164,164	75.9%	193,000	75.7%	28,836	17.6%
	2,040	-	3,070	73.1%	1,030	50.5%
Information equipment	38,305	17.7%	44,000	17.3%	5,695	14.9%
	-836	-	450	10.7%	1,286	-
Software	2,874	1.3%	4,000	1.6%	1,126	39.2%
	-61	-	380	9.0%	441	-
Other	11,060	5.1%	14,000	5.5%	2,940	26.6%
	157	-	300	7.1%	143	91.1%
Total	216,405	100.0%	255,000	100.0%	38,595	17.8%
	1,260	-	4,200	100.0%	2,940	233.3%

* Figures of each segment income are not inter-segment adjusted other than total.

Net sales



Segment income (million yen)



Summary

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

Forecast higher sales mainly because of increases in EMS and electronic components sales in Japan and EMS sales for electronic devices overseas.

■ **Information equipment** (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

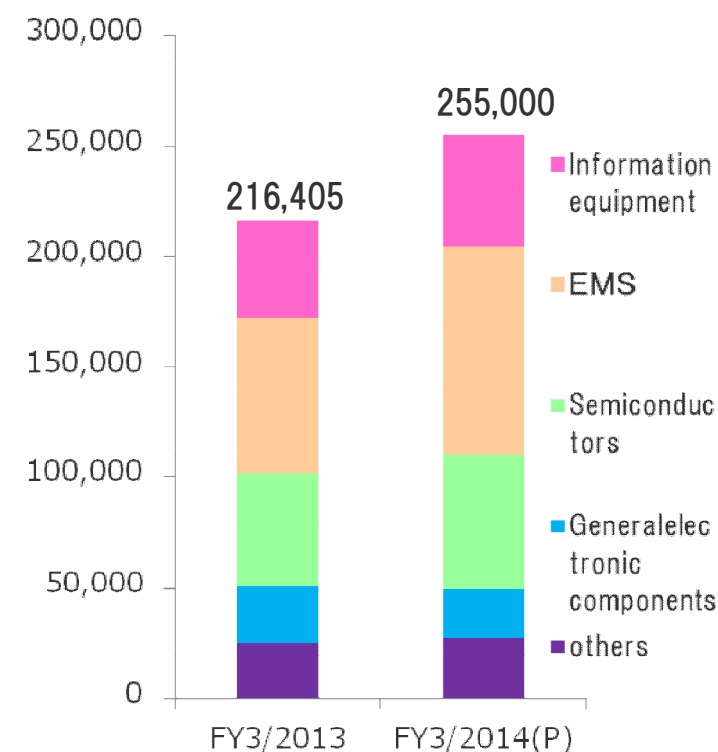
Forecast higher sales mainly because of increases in sales of products for the home, PC software for schools, environmental products, and other products.

[Reference] Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2013 (Actual)		FY3/2014 (Plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	44,147	20.4%	50,000	19.6%	5,853	13.3%
EMS	70,546	32.6%	94,500	37.1%	23,954	34.0%
Semiconductors	50,960	23.5%	60,760	23.8%	9,800	19.2%
Generalelectronic components	25,636	13.3%	23,000	11.5%	-2,636	-10.3%
Others	25,113	11.6%	26,740	10.5%	1,627	6.5%
Total	216,405	100.0%	255,000	100.0%	38,595	17.8%

(million yen)



Summary

Information equipment: Sales up 5,853 million yen (+13.3%) mainly due to higher sales of products for the home and other current products.

EMS: Sales up 23,954 million yen (+34%) because of growth in EMS operations in Japan and overseas.

Semiconductors: Sales up 9,800 million yen (+19.2%) mainly due to higher sales of semiconductors for amusement equipment and communication equipment.

General electronic components: Sales down 2,636 million yen (-10.3%) mainly due to a decline in orders for used in digital consumer electronics.

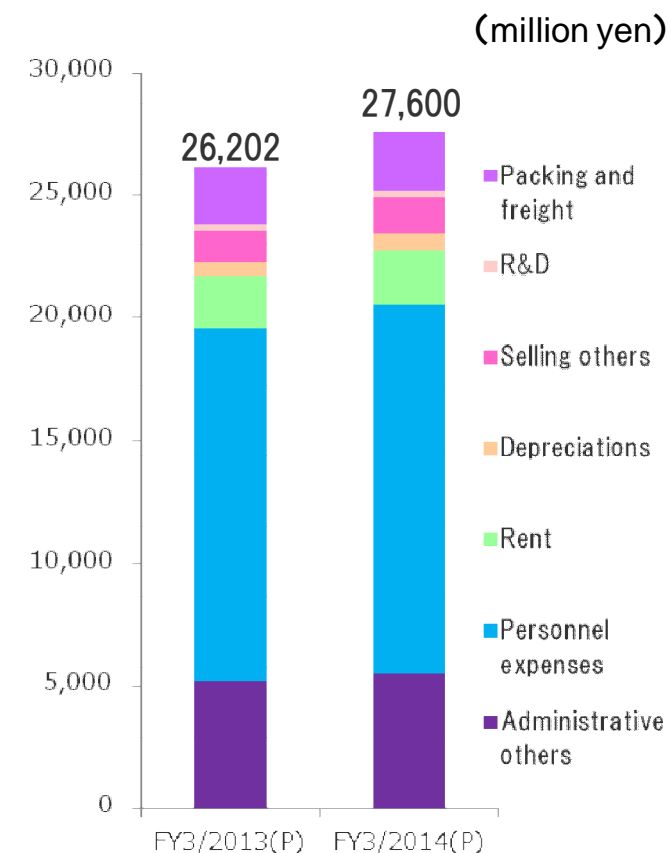
Others : Sales up 1,627 million yen (+6.5%) mainly due to increases in sales of animation computer graphics and amusement machines for arcades.

Forecast for FY3/2013

Selling, General and Administrative Expenses

(million yen)

	FY3/2013 (Actual)		FY3/2014 (Plan)		Changes
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,346	9.0%	2,400	8.7%	54
R&D	265	1.0%	260	0.9%	-5
Others	1,306	5.0%	1,440	5.2%	134
Total selling expenses	3,917	14.9%	4,100	14.9%	183
Depreciations	543	2.1%	770	2.8%	227
Rent	2,160	8.2%	2,180	7.9%	20
Personnel expenses	14,363	54.8%	15,000	54.3%	637
Others	5,217	19.9%	5,550	20.1%	333
Total administrative	22,283	85.0%	23,500	85.1%	1,217
Total SG&A expenses	26,202	100.0%	27,600	100.0%	1,398



Summary

Selling, general and administrative expenses

Depreciation: Forecast a 227 million yen increase because of growth in assets at KAGA ELECTRONICS.

Personnel expenses: Forecast a 637 million yen increase because of higher expenses at KAGA ELECTRONICS.

topics

■ Liquidation of CyberFront

A resolution was approved on December 19, 2013 to liquidate CyberFront Corporation, which was mainly engaged in the sale of game software.

After making CyberFront a subsidiary in April 2010, KAGA ELECTRONICS named new executives and took other actions to rebuild a sound base for operations. However, performance at this company has remained weak and the decision was made to terminate this company due to the difficulty of improving operations.



For returning poorly performing subsidiaries to health, the basic policy [of the KAGA ELECTRONICS Group is to continue concentrating resources on highly competitive businesses while combining or shutting down businesses with no prospects for growth.

March 2014 Relocation of KAGA ELECTRONICS Head Office

KAGA ELECTRONICS completed construction of its new head office building in November 2013 on land owned by the company. The building is in Akihabara, where the company started operations. In addition, KAGA ELECTRONICS will lease a newly constructed building in Hatchobori. KAGA ELECTRONICS and all group companies will move their offices to these two buildings in March 2014.

< New Head Office >

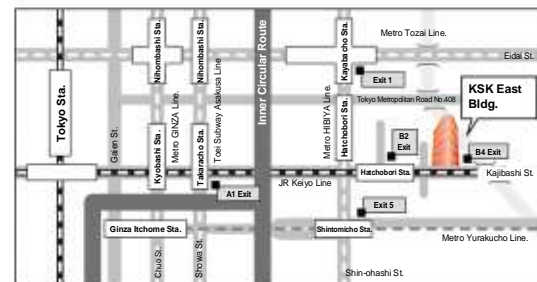
Address : 20 Kanda Matsunaga-cho , Chiyoda-ku, Tokyo

Moving date : March 10, 2014

< Hatchobori Office >

Address : 3-27-10 Hatchobori, Chuo-ku, Tokyo

Moving date : March 17, 2014



KAGA ELECTRONICS believes that moving to these new buildings will contribute to more growth by increasing the motivation of employees, cutting costs, and creating more synergies by increasing interaction and collaboration among group companies.



Contact: Public Relations Department

3-12-8 Sotokannda, Chiyoda-ku, Tokyo 101-8629

TEL:03-4455-3131

FAX:03-3254-7132

E-mail: webmaster@taxan.co.jp

<http://www.taxan.co.jp>