

Summary of Consolidated Financial Results For the Year Ended March 2014 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154 URL: <http://www.taxan.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
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 Date of regular general meeting of shareholders: June 27, 2014 (tentative)
 Date of commencement of dividend payment: June 30, 2014 (tentative)
 Date of filing of securities report: June 27, 2014 (tentative)
 Supplementary explanatory documents: Yes
 Earnings presentation: Yes (For institutional investors)

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2013 - March 31, 2014)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2014	257,852	19.2	5,106	305.2	5,847	202.8	3,877	771.8
Fiscal year ended March 2013	216,405	(5.9)	1,260	(39.0)	1,931	(24.8)	444	(51.4)

Note: Comprehensive income: FY ended March 31, 2014: 5,290 million yen 122.2%
 FY ended March 31, 2013: 2,381 million yen 499.6%

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2014	137.22	-	7.6	4.9	2.0
Fiscal year ended March 2013	16.09	-	0.9	1.7	0.6

Note: Equity in income/losses of affiliates FY ended March 2014: -million yen FY ended March 2013: - million yen

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	126,028	52,825	41.9	1,868.07
As of March 31, 2013	111,888	48,806	43.5	1,721.86

Note: Shareholders' equity FY ended March 2014: 52,786 million yen FY ended March 2013: 48,656 million yen

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2014	3,334	(3,339)	1,024	13,361
Fiscal year ended March 2013	7,041	(4,910)	(403)	11,878

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2013	-	15.00	-	15.00	30.00	837	186.5	1.8
Fiscal year ended March 2014	-	15.00	-	20.00	35.00	989	25.5	1.9
Fiscal year ending March 2015 (estimated)	-	15.00	-	15.00	30.00		21.2	

Note: Yearend dividend for FY2014 includes 15 yen ordinary dividend and 5 yen dividend to commemorate the completion of the new head office building.

3. Forecast for the fiscal year ending March 2015 (Consolidated, April 1, 2014 - March 31, 2015)

(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
First half	115,000	(5.8)	600	(72.7)	900	(63.1)	400	(70.4)	14.16
Full year	260,000	0.8	5,300	3.8	6,000	2.6	4,000	3.2	141.56

* Notes

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

(2) Changes in accounting principles and estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer 4. Consolidated Financial Statements (5) Note to the consolidated financial statements (Changes in accounting policies) on page 16.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock) As of March 31, 2014: 28,702,118 As of March 31, 2013: 28,702,118

(b) Treasury stock As of March 31, 2014: 445,002 As of March 31, 2013: 443,831

(c) Average number of shares outstanding during the year As of March 31, 2014: 28,257,761 As of March 31, 2013: 27,647,603

(Reference) Non-consolidated Financial Results

1. Financial results for the current fiscal year (April 1, 2013 - March 31, 2014)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2014	94,517	14.2	115	-	2,152	(14.1)	678	-
Fiscal year ended March 2013	82,754	(13.0)	(68)	-	2,506	(47.1)	27	(99.0)

	Net income per share	Net income per share fully diluted
	Yen	Yen
Fiscal year ended March 2014	24.00	-
Fiscal year ended March 2013	1.00	-

Note: Percent change of net income for FY2014 is shown as “-” because it exceeded 1000% (2359.5%), and percent change of operating income is shown as “-” because the previous year’s number was negative.

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2014	73,149	35,656	48.7	1,261.85
As of March 31, 2013	71,109	35,494	49.9	1,256.07

Note: Shareholders’ equity

Fiscal year ended March 2014: 35,656 million yen

Fiscal year ended March 2013: 35,494 million yen

*Status of implementation of audit procedures

The rule mandating audit procedures (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. It is under the 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. For information about the forecasts, please see “Results of Operations” on page 2 of Supplementary Information.

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1. Results of Operations

(1) Overview on consolidated business performance

In the fiscal year that ended on March 31, 2014, the Japanese economy staged a slow recovery as Japanese government economic stimulus measures and monetary easing by the Bank of Japan led to a weaker yen and higher stock prices as well as growth in corporate earnings. The recovery was also supported by a rebound in consumer spending and an upturn in demand as consumers rushed to make purchases late in the fiscal year prior to the April 2014 consumption tax hike.

In the electronics industry, demand continued to grow in the high-performance portable device market, consisting mainly of smartphones and tablets, and in the automobile market as vehicles use an increasing amount of electronics. In addition, sales of electronics were strong in the environmental and energy sector and the health care sector. However, the market for information equipment, chiefly PCs and peripherals, remained challenging as sales were held down by the popularity of smartphones and tablets. However, there was a rebound in sales in some product categories in the fiscal year's second half due to replacement demand for Windows XP computers and buying prior to the April 2014 consumption tax hike.

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 actions involving unprofitable subsidiaries, such as mergers and liquidations, and cost-cutting measures.

Consolidated net sales increased 19.2% from one year earlier to 257,852 million yen. Operating income increased 305.2% to 5,106 million yen, ordinary income increased 202.8% to 5,847 million yen. After the inclusion of gains on sales of idle assets and other items, net income increased 771.8% to 3,877 million yen.

Business segment performance was as follows.

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

In Japan, there were higher sales of electronic components and semiconductors used in communication, automotive and other products and higher EMS sales involving electronic devices and amusement equipment. Overseas, EMS demand for electronic devices continued to grow. The result was an 18.7% increase in segment sales to 194,782 million yen and an 86.5% increase in operating income to 3,805 million yen.

* Electronics manufacturing service 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, photograph 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 mobile devices. However, there was a small rebound in sales in the fiscal year's second half mainly due to replacement demand for Windows XP computers and buying prior to the April 2014 consumption tax hike. Furthermore, the Japanese government's economic stimulus measures raised sales of housing products and environmental products. As a result, segment sales increased 21.4% to 46,505 million yen and operating income was 866 million yen compared with an 836 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 mostly on the production of computer graphics for animation applications and the development and manufacture of electronic toys. There were also business reorganization measures that included the liquidation of poorly performing subsidiaries. Segment sales increased 15.0% to 3,306 million yen and operating income was 79 million yen compared with a 61 million yen loss one year earlier.

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

The manufacture and sale of amusement machines to arcades in Japan had a strong performance and there were higher sales of golf products and other products in this segment. Segment sales increased 19.9% to 13,258 million yen and operating income increased 160.6% to 410 million yen.

In the fiscal year ending on March 31, 2015, in the electronics industry, more growth is anticipated in the demand for smartphones, tablets and other high-performance mobile devices. Higher demand is forecast for automotive electronics, too. Furthermore, faster growth is expected in the markets for environmental and energy products, including the solar power and smart grid sectors, and for medical equipment and other health care products.

To improve its performance, the KAGA ELECTRONICS Group will further strengthen sales activities for electronic components and semiconductors, primarily for automotive devices, communication products and other categories with good prospects for growth. Group companies will also concentrate on increasing sales in the EMS business and environmental business, which are operations where the group can add value.

Based on this outlook, the current forecast for consolidated performance in the fiscal year ending on March 31, 2015 is as follows

(Consolidated performance forecast)

Net sales	260,000 million yen	up 0.8%
Operating income	5,300 million yen	up 3.8%
Ordinary income	6,000 million yen	up 2.6%
Net income	4,000 million yen	up 3.2%

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets increased 14,140 million yen from one year earlier to 126,028 million yen at the end of the fiscal year mainly because of a increase in notes and accounts receivable-trade.

Liabilities increased 10,120 million yen to 73,202 million yen mainly because of an increase in notes and accounts payable-trade.

Net assets increased 4,019 million yen to 52,825 million yen mainly because of net income.

(b) Cash flows

There was a net increase of 1,482 million yen in cash and cash equivalents to 13,361 million yen at the end of the fiscal year.

(Operating activities)

Net cash provided by operating activities was 3,334 million yen compared with 7,041 million yen one year earlier. The income before income taxes and minority interest was the major reason.

(Investing activities)

Net cash used in investing activities was 3,339 million yen compared with 4,910 million yen one year earlier. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash provided by financing activities was 1,024 million yen compared with the negative cash flow 403 million yen one year earlier. This was primarily an increase in short-term loans payable.

(Reference) Cash flow index trends

	Fiscal year ended March 2010	Fiscal year ended March 2011	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014
Shareholders' equity ratio	41.1%	40.9%	40.5%	43.5%	41.9%
Shareholders' equity ratio at market value	24.4%	23.6%	20.9%	19.4%	32.0%
Debt repayment multiple	2.01 years	2.12 years	14.97 years	2.15 years	5.17 years
Interest coverage ratio	43.6	52.0	6.6	51.6	25.2

Shareholders' equity ratio is shareholders' equity divided by total assets.

Shareholders' equity ratio at market value is market capitalization divided by total assets.

Debt repayment multiple is interest-bearing debt divided by operating cash flows.

Interest coverage ratio is operating cash flows divided by interest expenses.

Notes:

1. All figures are calculated based on consolidated financial data.
2. Market capitalization uses the number of shares issued less treasury stock.
3. Cash flows are operating cash flows.
4. Interest-bearing debt is the sum of all liabilities on the balance sheet on which the Group is obligated to pay interest.

(3) Fundamental policy for earnings allocations and dividends in the current and next fiscal years

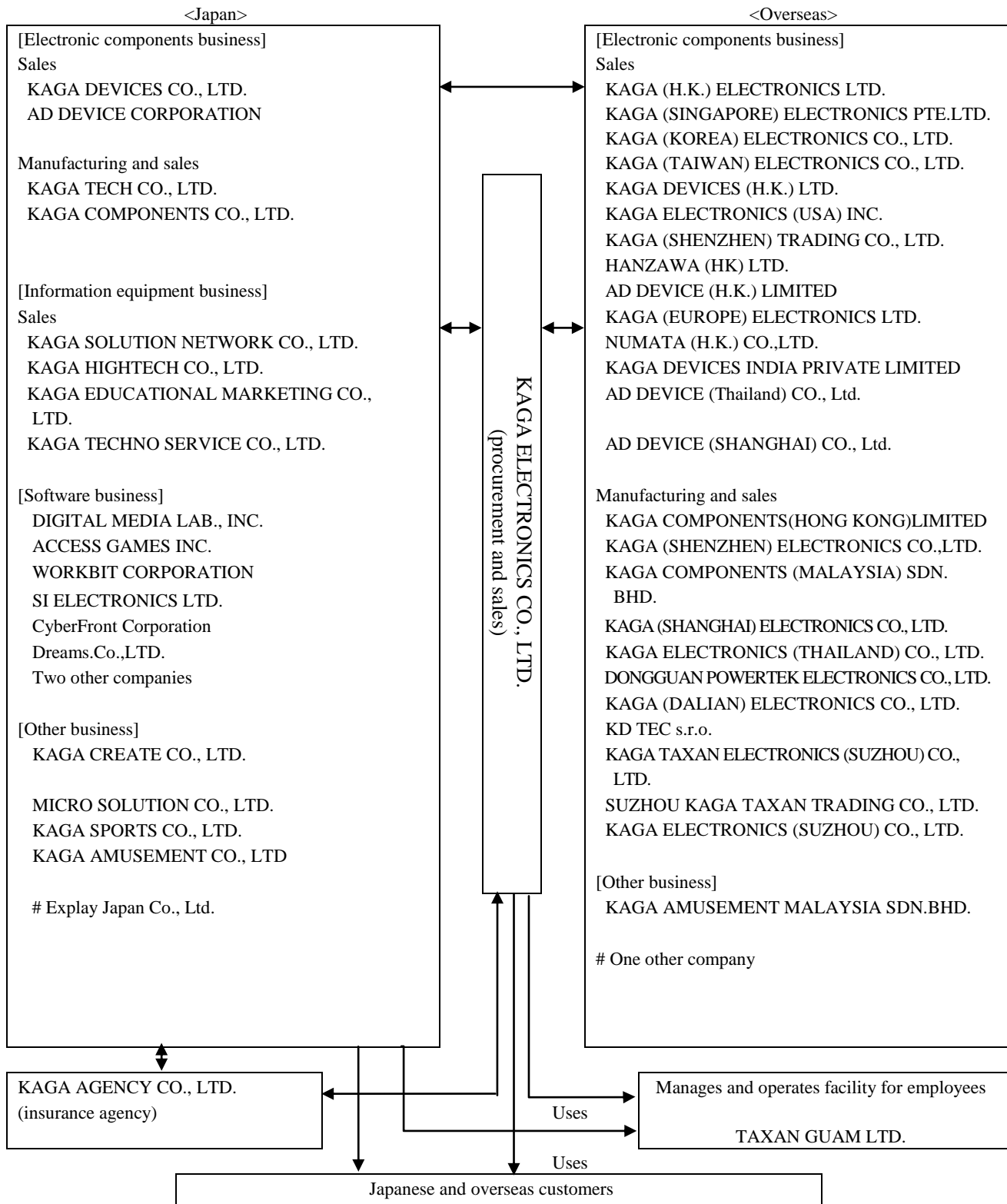
The Company's fundamental policy is to pay a steady and consistent dividend to shareholders that reflect consolidated performance as well as the need to establish a more powerful financial position and base of operations from a long-term stable perspective.

Based on performance in the fiscal year that ended on March 31, 2014, KAGA ELECTRONICS plans to pay a year-end dividend of 20 yen per share. This is the sum of a 15 yen ordinary dividend and a 5 yen dividend to commemorate the completion of the new head office building. With the interim dividend of 15 yen per share, this will result in an annual dividend of 35 yen per share.

For the fiscal year ending on March 31, 2015, a dividend per share of 30 yen, including an interim dividend of 15 yen, is planned.

2. Corporate Group

The KAGA ELECTRONICS group of companies (the Group) is made up of KAGA ELECTRONICS CO., LTD. (the Company), 48 consolidated subsidiaries (21 in Japan, 27 overseas) and 2 affiliates that are not accounted for using the equity method (1 in Japan, 1 overseas). These companies are engaged primarily in the following activities: the electronic components business, including the development, manufacture and sale of semiconductors and general electronic components and EMS (electronic manufacturing services); and the information equipment business, including the sale of personal computers and peripherals, photography and imaging products, and original-brand products; and the software business includes the production of computer graphics for animation, the planning and development of products for amusement devices, and other activities. Other businesses include repair and support services for electronic devices, the sale of sporting goods, and other activities.



(Notes) #: Affiliates that are not accounted for using the equity method.
All other companies are consolidated subsidiaries.

(1) The following consolidated subsidiaries became our group company during the fiscal year that ended in March 2014.

Name	Address	Capital	Activities	Voting rights held %	Relationship with the Company			Leasing of facilities and equipment
					Joint directors Persons	Financial support Million yen	Business relationship	
[Electronic components business] KAGA ELECTRONICS (SUZHOU) CO., LTD (Note 4)	Jiangsu Province, China	6,139 thousand RMB	Manufacture and sale of electronic components and equipments etc.	100.0 (Note 1) (70.0)	3	-	-	-
AD DEVICE (SHANGHAI) CO., LTD. (Note 5)	Shanghai, China	2,444 thousand RMB	Sale of electronic components and equipments etc.	100.0 (Note 1) (100.0)	-	-	-	-

Notes:

- Percentages of voting rights in parentheses show indirectly owned voting rights.
- NUMATA (SHENZHEN) TRADING CO., LTD., which was until March 31, 2013 a subsidiary of NUMATA (H.K.) CO., LTD., a subsidiary of consolidated subsidiary KAGA DEVICES CO., LTD., was liquidated on April 28, 2013.
- On October 1, 2013, consolidated subsidiaries KAGA DEVICES CO., LTD. and ADM INC. merged with KAGA DEVICES the remaining company and ADM was dissolved.
- On October 11, 2013, consolidated subsidiary KAGA (SHANGHAI) ELECTRONICS CO., LTD. established a subsidiary called KAGA ELECTRONICS (SUZHOU) CO., LTD. in the Chinese province of Jiangsu for the purpose of expanding operations in China and improving efficiency.
- On November 26, 2013, consolidated subsidiary AD DEVICE CORPORATION established wholly owned subsidiary AD DEVICE (SHANGHAI) CO., LTD. in Shanghai, China, for the purpose of meeting the needs of customers in China.

3. Management Policies

(1) Fundamental management policy

Based on the management philosophy of “Everything we do, we do for our customers,” the KAGA ELECTRONICS Group is guided by the fundamental policy of “remaining a company that contributes to the happiness of all stakeholders, including shareholders, customers and employees, and fulfills its responsibilities to society.” The Group is dedicated to growing consistently by responding with speed and agility to globalization of the economy and the rapidly changing electronics industry. To accomplish this, the Group will expand its network in Japan and overseas and deepen ties among Group companies to enhance collective strengths. The Group also has a strong commitment to corporate social responsibility, positioning compliance and protecting the global environment as important elements of its operations.

Based on the above management philosophy and fundamental management policy, the companies of the KAGA ELECTRONICS Group, which are active primarily in the electronics industry, seek to improve their results of operations while cooperating with each other by doing business in a speedy manner that places the highest priority on rapid decision-making.

The key word is “F.Y.T.”

F = Flexibility (adapting adeptly to external changes)

Y = Young (staying young in thought and action)

T = Try (the spirit of always taking on challenges)

(2) Targeted performance indicators

As the electronics industry, where the Group is active, is expected to continue to grow, priority will continue to be placed on raising the rate of sales growth and improving the return on equity.

(3) Medium- and long-term management strategies

The rapid pace of change in the electronics industry is expected to continue. New products are appearing and existing products going out of date faster. Companies are moving production bases out of Japan faster, too. Amid these changes, more growth is foreseen for the electronics industry.

In this environment, The Group is aiming to grow with KAGA ELECTRONICS, an independent electronics trading company, as its nucleus by utilizing its ability to handle all aspects of the electronics business, from upstream to downstream, including product planning, development and processing (EMS). Backed by these distinctive strengths, the Group will work even more closely together to capture synergies with the goal of increasing sales and earnings while growing on a global scale.

The key word is “3G.”

General (covering everything)

Global (worldwide coverage)

Group (leveraging the collective power of the Group)

(4) Key issues

The KAGA ELECTRONICS Group is determined to continue growing while adhering to its fundamental management policy. Based on the “F.Y.T.” and “3G” management policies explained earlier as well as on the reinforcement of compliance, the Group’s management will be strengthened with the aim of increasing enterprise value while preserving strong relationships with all stakeholders.

Additionally, the Group conducts reorganizations whenever needed in order to respond rapidly to changes in market conditions and customer needs. Another goal is enhancing the ability to gather information quickly. At the same time, the Group aims to capture more synergies by building stronger ties among Group companies and fostering more collaboration and mutual assistance within the Group, thereby expanding operations and improving efficiency.

Based on the following environmental policy, all members of the Group are working together to build a framework that can tackle environmental issues from many perspectives. (ISO14001 certification was received on November 15, 2002.)

(Environmental Policy)

Always looking ahead to the future of electronics, the KAGA ELECTRONICS Group is dedicated to meeting the needs of customers while protecting the Earth in order to preserve and to improve the natural environment.

• At present, the Group is concentrating on the following issues:

- i) Updating and establishing group oversight systems to improve operating efficiency
- ii) Strengthening relationships, collaboration and mutual assistance among Group companies to realize greater synergies
- iii) Reinforcing operations overseas and expanding the global network
- iv) Upgrading technological skills and improving the ability to gather information with speed
- v) Revitalizing underperforming subsidiaries
- vi) Tackling environmental problems
- vii) Rigorous implementation of systems for internal controls

• Major initiatives of the fiscal year that ended in March 2014 were as follows.

- i) Strengthening relationships, collaboration and mutual assistance among Group companies to realize greater synergies
The KAGA ELECTRONICS Group is engaged in a diverse array of business activities in the electronics industry. In some cases, different group companies conduct activities that are very similar. To consolidate these activities, they were reorganized to form business units in April 2010. The objective of this reorganization was to increase synergies and efficiency and group companies are continuing to take actions aimed at achieving this goal.
- ii) Reinforcing operations overseas and expanding the global network

The operating environment for KAGA ELECTRONICS is constantly changing. Management believes that the performance of the group's overseas operations will significantly influence results of operations in the future. Consequently, the group is taking actions to strengthen its business network in eastern Asia. Activities include establishing EMS bases in China and Thailand, using mergers and acquisitions, establishing overseas subsidiaries, and other measures.

iii) Revitalization of poorly performing subsidiaries

The causes of poor performance and potential of the associated businesses will be examined so that revitalization measures can be taken while drawing on synergies with other group companies.

iv) Rigorous implementation of systems for internal controls

In the fiscal year that ended in March 2012, improper transactions and accounting procedures were discovered at consolidated subsidiary KAGA HIGHTECH CO., LTD. ("KAGA HIGHTECH"). To ensure that this type of incident will not reoccur, The KAGA ELECTRONICS Group implemented the rigorous use of internal control systems and a retraining program, and established an organizational framework for the continuous operation and improvement of these internal control systems.

The KAGA ELECTRONICS Group is committed to continuing to implement compliance programs rigorously throughout the Group and to strengthening corporate governance.

The Group regards other key issues as well as matters that require constant attention and initiatives and will work on making the necessary refinements and improvements.

(5) Other important items concerning management

Not applicable

4. Consolidated Financial Statements

(1) Consolidated balance sheet

(Million yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	12,258	14,192
Notes and accounts receivable-trade	54,580	60,667
Short-term investment securities	111	114
Merchandise and finished goods	14,075	16,378
Work in process	637	848
Raw materials and supplies	4,065	3,991
Deferred tax assets	482	993
Other	3,823	5,836
Allowance for doubtful accounts	(90)	(93)
Total current assets	89,945	102,930
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	5,227	8,089
Accumulated depreciation	(2,100)	(2,351)
Buildings and structures, net	3,126	5,737
Machinery, equipment and vehicles	4,166	4,615
Accumulated depreciation	(2,451)	(2,903)
Machinery, equipment and vehicles, net	1,714	1,711
Tools, furniture and fixtures	4,036	4,442
Accumulated depreciation	(3,230)	(3,438)
Tools, furniture and fixtures, net	805	1,004
Land	4,305	4,038
Construction in progress	606	133
Total property, plant and equipment	10,559	12,625
Intangible assets		
Goodwill	799	715
Software	435	486
Other	991	332
Total intangible assets	2,226	1,533
Investments and other assets		
Investment securities	4,491	5,377
Deferred tax assets	472	562
Guarantee deposits	2,100	821
Insurance funds	1,295	1,357
Other	1,843	1,836
Allowance for doubtful accounts	(1,046)	(1,017)
Total investments and other assets	9,157	8,938
Total noncurrent assets	21,943	23,098
Total assets	111,888	126,028

(Million yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	37,423	41,695
Short-term loans payable	9,567	12,172
Accrued expenses	2,683	3,133
Income taxes payable	1,055	1,525
Provision for directors' bonuses	74	174
Other	2,551	4,708
Total current liabilities	53,355	63,410
Noncurrent liabilities		
Long-term loans payable	5,121	4,681
Deferred tax liabilities	559	686
Provision for retirement benefits	1,643	-
Provision for directors' retirement benefits	1,398	1,437
Net defined benefit liability	-	1,954
Asset retirement obligations	227	123
Other	775	909
Total noncurrent liabilities	9,726	9,792
Total liabilities	63,082	73,202
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	24,384	27,414
Treasury stock	(535)	(536)
Total shareholder's equity	49,895	52,923
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(180)	161
Deferred gains or losses on hedges	(6)	0
Foreign currency translation adjustment	(1,052)	5
Remeasurements of defined benefit plans	-	(304)
Total accumulated other comprehensive income	(1,238)	(137)
Minority interests	149	39
Total net assets	48,806	52,825
Total liabilities and net assets	111,888	126,028

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Net sales	216,405	257,852
Cost of sales	188,943	225,330
Gross profit	27,462	32,522
Selling, general and administrative expenses	26,202	27,416
Operating income	1,260	5,106
Non-operating income		
Interest income	49	68
Dividends income	71	79
Commission fee	212	219
Amortization of negative goodwill	112	29
Foreign exchange gains	81	255
House rent income	107	121
Other	320	251
Total non-operating income	955	1,025
Non-operating expenses		
Interest expenses	135	132
Loss on investments in partnership	79	80
Other	69	71
Total non-operating expenses	284	284
Ordinary income	1,931	5,847
Extraordinary income		
Gain on sales of noncurrent assets	39	613
Gain on sales of investment securities	86	5
Gain on bargain purchase	522	-
Gain on sales of subsidiaries and affiliates' stocks	6	-
Insurance income	385	-
Other	18	-
Total extraordinary income	1,058	619
Extraordinary loss		
Loss on retirement of noncurrent assets	25	28
Loss on valuation of investment securities	72	46
impairment loss	152	177
Loss on liquidation of subsidiaries and affiliates	-	67
Office transfer expenses	-	412
Litigation settlement	80	-
Business structure improvement expenses	55	-
Special retirement expenses	166	-
Other	2	74
Total extraordinary loss	555	807
Income before income taxes	2,434	5,659
Income taxes-current	1,594	2,220
Income taxes-deferred	559	(447)
Total income taxes	2,154	1,772
Income before minority interests	279	3,887
Minority interests in income (loss)	(164)	9
Net income	444	3,877
Minority interests in income (loss)	(164)	9
Income before minority interests	279	3,887

(Million yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Other comprehensive income		
Valuation difference on available-for-sale securities	478	341
Deferred gains or losses on hedges	18	6
Foreign currency translation adjustment	1,604	1,054
Total other comprehensive income	2,101	1,403
Comprehensive income	2,381	5,290
Comprehensive income attributable to owners of the parent	2,547	5,283
Comprehensive income attributable to minority interests	(166)	7

(3) Statements of changes in net assets

Previous fiscal year (Apr. 1, 2012 –Mar. 31, 2013)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	25,038	(1,333)	49,751
Changes of items during the period					
Dividends from surplus			(827)		(827)
Net income			444		444
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		(0)	(271)	798	526
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	(0)	(654)	797	143
Balance at the end of current period	12,133	13,912	24,384	(535)	49,895

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of current period	(653)	(24)	(2,663)	(3,341)	0	1,526	47,936
Changes of items during the period							
Dividends from surplus							(827)
Net income							444
Purchase of treasury stock							(0)
Disposal of treasury stock							526
Net changes of items other than shareholders' equity	472	18	1,611	2,102	(0)	(1,376)	726
Total changes of items during the period	472	18	1,611	2,102	(0)	(1,376)	869
Balance at the end of current period	(180)	(6)	(1,052)	(1,238)	-	149	48,806

Current fiscal year (Apr. 1, 2013 –Mar. 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	24,384	(535)	49,895
Changes of items during the period					
Dividends from surplus			(847)		(847)
Net income			3,877		3,877
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	3,029	(1)	3,028
Balance at the end of current period	12,133	13,912	27,414	(536)	52,923

	Accumulated other comprehensive income					Sub- scription rights to shares	Minority interests	Total net assets
	Valuation difference on available- for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasure- ments of defined benefit plans	Total accumulated other comprehensiv e income			
Balance at the beginning of current period	(180)	(6)	(1,052)	-	(1,238)	-	149	48,806
Changes of items during the period								
Dividends from surplus								(847)
Net income								3,877
Purchase of treasury stock								(1)
Disposal of treasury stock								0
Net changes of items other than shareholders' equity	341	6	1,057	(304)	1,100	-	(110)	990
Total changes of items during the period	341	6	1,057	(304)	1,100	-	(110)	4,019
Balance at the end of current period	161	0	5	(304)	(137)	-	39	52,825

(4) Consolidated statements of cash flows

(Million yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Operating activities		
Income before income taxes and minority interest	2,434	5,659
Depreciation and amortization	2,303	2,418
Impairment loss	152	177
Amortization of goodwill	72	128
Gain on bargain purchase	(522)	-
Increase (decrease) in provision for retirement benefits	62	(1,630)
Increase (decrease) in net defined benefit liability	-	1,467
Increase (decrease) in provision for directors' retirement benefits	(0)	38
Increase (decrease) in provision for directors' bonuses	22	94
Increase (decrease) in allowance for doubtful accounts	(569)	13
Interest and dividends income	(121)	(147)
Interest expenses	135	132
Loss (gain) on sales of property, plant and equipment	(38)	(609)
Loss on retirement of noncurrent assets	25	28
Loss (gain) on sales of investment securities	(86)	(0)
Loss (gain) on valuation of investment securities	72	46
Decrease (increase) in notes and accounts receivable–trade	7,424	(5,326)
Decrease (increase) in inventories	4,014	(1,708)
Increase (decrease) in notes and accounts payable–trade	(8,912)	2,998
Decrease (increase) in accounts receivable–other	945	48
Increase (decrease) in accrued expenses	137	320
Decrease (increase) in advance payments	724	(389)
Decrease (increase) in consumption taxes refund receivable	267	(359)
Decrease (increase) in other current assets	150	2
Increase (decrease) in other current liabilities	(375)	1,460
Other, net	(424)	382
Sub total	7,895	5,246
Interest and dividends income received	121	145
Interest expenses paid	(136)	(132)
Proceeds from insurance income on disaster	1,198	-
Income taxes paid	(1,966)	(1,810)
Other, net	(70)	(114)
Net cash provided by (used in) operating activities	7,041	3,334

(Million yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Investing activities		
Payments into time deposits	(267)	(430)
Purchase of property, plant and equipment	(2,529)	(2,997)
Proceeds from sales of property, plant and equipment	47	1,228
Purchase of intangible assets	(312)	(259)
Purchase of investment securities	(557)	(830)
Proceeds from sales of investment securities	435	548
Purchase of investments in subsidiaries	(87)	(184)
Merger expenses	(350)	-
Payments of short-term loans receivable	(1,205)	(4)
Collection of short-term loans receivable	5	1
Purchase of insurance funds	(73)	(61)
Payments of long-term loans receivable	-	(37)
Proceeds from cancellation of insurance funds	100	-
Payments for guarantee deposits	(49)	(263)
Proceeds from collection of guarantee deposits	39	137
Other payments	(138)	(222)
Other proceeds	33	35
Net cash provided by (used in) investing activities	(4,910)	(3,339)
Financing activities		
Net increase (decrease) in short-term loans payable	(2,126)	3,221
Proceeds from long-term loans payable	5,000	1,000
Repayment of long-term loans payable	(2,305)	(2,223)
Purchase of treasury stock	(0)	(1)
Cash dividends paid	(828)	(847)
Cash dividends paid to minority shareholders	(38)	(5)
Other, net	(105)	(119)
Net cash provided by (used in) financing activities	(403)	1,024
Effect of exchange rate changes on cash and cash equivalents	456	463
Net increase (decrease) in cash and cash equivalents	2,183	1,482
Cash and cash equivalents at beginning of period	9,695	11,878
Cash and cash equivalents at end of period	11,878	13,361

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

None

(Changes in accounting policies)

(Accounting Standard for Retirement Benefits)

Beginning at the end of the fiscal year that ended on March 31, 2014, KAGA ELECTRONICS is using Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012). However, KAGA ELECTRONICS is not using the provisions of paragraph 35 of this accounting standard and paragraph 67 of this guidance. As a result, KAGA ELECTRONICS has changed to the method of posting net defined benefit liability by subtracting pension plan assets from retirement benefit liabilities. Unrecognized actuarial difference and the unrecognized prior service cost are included in net defined benefit liability.

Due to the application of this accounting standard and guidance, as prescribed in paragraph 37 of the standard for the retroactive treatment of past items, the monetary effect of this change has been incorporated in remeasurements of defined benefit plans of valuation and translation adjustments.

As a result, net defined benefit liability was 1,954 million yen as of March 31, 2014, and there was a 304 million yen decrease in total accumulated other comprehensive income.

In addition, net asset per share decreased by 10.79 yen.

(Segment information etc.)

a. Segment information

1. Summary of reporting segments

Segments used for financial reporting are the constituent units of KAGA ELECTRONICS for which separate financial information is available and for which the board of directors performs regular reviews for the purposes of determining the distribution of resources and evaluating results of operations.

KAGA ELECTRONICS conducts business activities by grouping affiliated companies based on products and services and based on comprehensive strategies for operations in Japan and overseas for products and services handled.

Consequently, KAGA ELECTRONICS and its affiliated companies have four reporting segments that are made up of different categories of products and services: electronic components, information equipment software, and others.

The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The others segment includes the maintenance and support for electronics equipments, and sales of sports goods, and others.

2. The accounting method used for reporting business segments

The accounting method used for reporting business segments is the same as the method of presenting the consolidated financial statements.

3. Information concerning sales, earnings or losses, assets, liabilities and other items for individual reporting segments

For the previous fiscal year ended March 2013 (April 1, 2012 – March 31, 2013)

(Million yen)

	Reporting segments					Adjustments *1	Amount in the consolidated statement of income *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales of which to outside customers	164,164	38,305	2,874	11,060	216,405	-	216,405
of which inter- segment	1,396	650	3,265	1,964	7,276	(7,276)	-
Total	165,560	38,955	6,139	13,025	223,682	(7,276)	216,405
Segment income (loss)	2,040	(836)	(61)	157	1,299	(39)	1,260
Segment assets	99,087	11,156	4,241	6,498	120,984	(9,095)	111,888
Others							
Depreciation and amortization	808	94	554	113	1,570	(3)	1,567
Increase in property, plant and equipment and intangible assets	2,097	131	269	371	2,870	(28)	2,841

For the current fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

(Million yen)

	Reporting segments				Total	Adjustments *1	Amount in the consolidated statement of income *2
	Electronic components	Information equipment	Software	Others			
Net sales							
of which to outside customers	194,782	46,505	3,306	13,258	257,852	-	257,852
of which inter- segment	1,439	1,144	5,430	2,047	10,061	(10,061)	-
Total	196,221	47,649	8,737	15,306	267,914	(10,061)	257,852
Segment income (loss)	3,805	866	79	410	5,161	(54)	5,106
Segment assets	109,007	15,614	3,138	7,110	134,871	(8,842)	126,028
Others							
Depreciation and amortization	1,051	78	727	105	1,962	(4)	1,957
Increase in property, plant and equipment and intangible assets	2,695	105	195	278	3,274	(17)	3,257

Notes:

1. The adjustment for segment information is as follows

(1) Segment income

(Million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Elimination of inter-segment trade	27	(37)
Amortization of goodwill	(67)	(16)
Total	(39)	(54)

(2) Segment assets

(Million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Elimination of inter-segment trade	(11,639)	(11,563)
Corporate *	2,544	2,720
Total	(9,095)	(8,842)

* Major component of corporate assets is investment of idle assets (cash and investment securities etc.).

(3) Depreciation and amortization

(Million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Elimination of inter-segment trade	(3)	(4)
Total	(3)	(4)

(4) Increase in property, plant and equipment and intangible assets

(Million yen)

	Fiscal year ended March 2013	Fiscal year ended March 2014
Elimination of inter-segment trade	(28)	(17)
Total	(28)	(17)

2. Segment income is adjusted with operating income on the consolidated statements of income and comprehensive income

b. Associated information

For the previous fiscal year ended March 2013 (April 1, 2012 – March 31, 2013)

1. Information about individual products and services

This information is not presented because KAGA ELECTRONICS Group prepares reports in accordance with a management approach based on individual products and services.

2. Geographic information

(1) Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
152,303	2,428	3,392	58,281	216,405

Note: Net sales are classified based on the client's geographic location.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	East Asia	Total
7,766	35	75	2,681	10,559

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
 - (1) North America: United States
 - (2) Europe: United Kingdom, Czech Republic, and Russia
 - (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, and Thailand
3. Information by major customers
Information by major customers is not presented because outside sales for major customers accounted for less than 10% of net sales on the consolidated statements of income.

For the current fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

1. Information about individual products and services

This information is not presented because KAGA ELECTRONICS Group prepares reports in accordance with a management approach based on individual products and services.

2. Geographic information

(1) Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
180,170	3,918	2,430	71,333	257,852

Note: Net sales are classified based on the client's geographic location.

(2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	East Asia	Total
9,742	36	74	2,771	12,625

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
 - (1) North America: United States
 - (2) Europe: United Kingdom, Czech Republic, and Russia
 - (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand and India
3. Information by major customers
Information by major customers is not presented because outside sales for major customers accounted for less than 10% of net sales on the consolidated statements of income.

(Per-share information)

(Yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Net assets per share	1721.86	1,868.07
Net income (loss) per share	16.09	137.22

Note: 1. Net income per share (diluted) is not presented, since there is no potential stock which has dilution effect.

2. The basis for calculating net income (loss) per share is as follows.

Item	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Net income per share		
Net income (loss) (million yen)	444	3,877
Net income (loss) not available to common shareholders (million yen)	-	-
Net income (loss) available to common shareholders (million yen)	444	3,877
Weighted average number of shares outstanding	27,647,603	28,257,761
Outline of potential stock which does not have dilution effect and has not been included in net income per share	-	-

(Subsequent events)

None

5. Non-consolidated Financial Statements

(1) Balance sheets

(Million yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
ASSETS		
Current assets		
Cash and deposits	6,488	5,826
Notes receivable-trade	3,515	3,813
Accounts receivable-trade	23,758	21,588
Marketable securities	111	114
Merchandise	3,197	3,693
Work in process	74	190
Supplies	29	30
Advance payments-trade	348	856
Prepaid expenses	219	149
Deferred tax assets	545	587
Short-term loans receivable	17	-
Short-term loans receivable from subsidiaries and affiliates	17,521	17,154
Accounts receivable-other	2,239	2,215
Other	160	1,474
Allowance for doubtful accounts	(6,316)	(6,182)
Total current assets	51,912	51,512
Noncurrent assets		
Property, plant and equipment		
Buildings	877	3,678
Accumulated depreciation	(605)	(668)
Buildings, net	272	3,010
Structures	71	71
Accumulated depreciation	(41)	(45)
Structures, net	30	26
Vehicles	119	118
Accumulated depreciation	(111)	(113)
Vehicles, net	7	4
Tools, furniture and fixtures	859	1,264
Accumulated depreciation	(733)	(851)
Tools, furniture and fixtures, net	125	413
Land	3,191	3,213
Lease assets	218	102
Accumulated depreciation	(71)	(102)
Lease assets, net	147	0
Construction in progress	606	-
Total property, plant and equipment	4,382	6,668
Intangible assets		
Right of trademark	10	9
Software	156	200
Other	125	68
Total intangible assets	293	278

(Million yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
Investments and other assets		
Investment securities	3,952	4,801
Stocks of subsidiaries and affiliates	7,817	7,657
Investments in capital	51	32
Investments in capital of subsidiaries and affiliates	7	8
Long-term loans receivable from subsidiaries and affiliates	2,097	1,687
Claims provable in bankruptcy, claims provable in rehabilitation and other	749	1,839
Long-term prepaid expenses	167	208
Deferred tax assets	974	633
Other	2,494	1,850
Allowance for doubtful accounts	(1,758)	(2,569)
Allowance for investment loss	(2,033)	(1,461)
Total investments and other assets	14,521	14,689
Total noncurrent assets	19,197	21,636
Total assets	71,109	73,149

(Million yen)

	FY 2013 (As of March 31, 2013)	FY 2014 (As of March 31, 2014)
LIABILITIES		
Current liabilities		
Notes payable-trade	2,486	1,795
Accounts payable-trade	14,755	13,979
Short-term loans payable	5,536	6,903
Short-term loans payable to subsidiaries and affiliates	1,385	1,637
Current portion of long-term loans payable	2,178	1,428
Lease obligations	28	36
Accounts payable-other	217	1,339
Accrued expenses	999	1,435
Income taxes payable	167	144
Advances received	510	1,319
Deposits received	56	49
Provision for directors' bonuses	60	160
Asset retirement obligations	-	150
Other	15	207
Total current liabilities	28,397	30,586
Noncurrent liabilities		
Long-term loans payable	5,109	4,681
Lease obligations	162	126
Provision for retirement benefits	474	502
Provision for directors' retirement benefits	1,154	1,209
Asset retirement obligations	192	94
Other	126	293
Total noncurrent liabilities	7,218	6,906
Total liabilities	35,615	37,493
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus		
Legal capital surplus	13,912	13,912
Total capital surplus	13,912	13,912
Retained earnings		
Legal retained earnings	618	618
Other retained earnings		
General reserve	7,000	7,000
Retained earnings brought forward	2,548	2,379
Total retained earnings	10,167	9,997
Treasury stock	(535)	(536)
Total shareholder's equity	35,678	35,507
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(175)	148
Deferred gains or losses on hedges	(8)	0
Total valuation and translation adjustments	(183)	148
Total net assets	35,494	35,656
Total liabilities and net assets	71,109	73,149

(2) Statements of income

(Million yen)

	FY 2013 (April 1, 2012 – March 31, 2013)	FY 2014 (April 1, 2013 – March 31, 2014)
Net sales	82,754	94,517
Cost of sales		
Beginning goods	5,776	3,271
Cost of purchased goods	71,558	85,579
Total	77,334	88,850
Goods transfer to other account	179	523
Ending goods	3,271	3,883
Cost of goods sold	73,883	84,443
Gross profit	8,871	10,074
Selling, general and administrative expenses	8,939	9,958
Operating income (loss)	(68)	115
Non-operating income		
Interest income	142	139
Dividend income	2,134	1,640
Foreign exchange gains	110	26
Other	372	392
Total non-operating income	2,760	2,199
Non-operating expenses		
Interest expense	116	109
Loss on investments in partnership	55	35
Other	13	17
Total non-operating expenses	185	162
Ordinary income	2,506	2,152
Extraordinary income		
Gain on sales of investment securities	82	-
Reversal of allowance for investment loss	-	198
Other	2	8
Total extraordinary income	85	207
Extraordinary losses		
Loss on valuation of investment securities	4	34
Provision of allowance for investment loss	1,057	-
Provision of allowance for doubtful accounts	1,309	590
Office transfer expenses	-	373
Impairment loss	-	116
Other	12	59
Total extraordinary losses	2,384	1,175
Income before income taxes	207	1,184
Income taxes-current	433	357
Income taxes-deferred	(253)	148
Total income taxes	179	506
Net income	27	678

(3) Statement of changes in shareholders' equity

Previous fiscal year (Apr. 1, 2012 –Mar. 31, 2013)

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	13,912	618	7,000	3,620	11,239
Changes of items during the period							
Dividends from surplus						(827)	(827)
Net income						27	27
Purchase of treasury stock							
Disposal of treasury stock						(271)	(271)
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-	-	-	(1,071)	(1,071)
Balance at the end of current period	12,133	13,912	13,912	618	7,000	2,548	10,167

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	1,333	35,952	(560)	(12)	(573)	35,378
Changes of items during the period						
Dividends from surplus		(827)				(827)
Net income		27				27
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	798	526				526
Net changes of items other than shareholders' equity			385	4	389	389
Total changes of items during the period	797	(273)	385	4	389	115
Balance at the end of current period	(535)	35,678	(175)	(8)	(183)	35,494

Current fiscal year (Apr. 1, 2013 –Mar. 31, 2014)

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	13,912	618	7,000	2,548	10,167
Changes of items during the period							
Dividends from surplus						(847)	(847)
Net income						678	678
Purchase of treasury stock							
Disposal of treasury stock						(0)	(0)
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-	-	-	(169)	(169)
Balance at the end of current period	12,133	13,912	13,912	618	7,000	2,379	9,997

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(535)	35,678	(175)	(8)	(183)	35,494
Changes of items during the period						
Dividends from surplus		(847)				(847)
Net income		678				678
Purchase of treasury stock	(1)	(1)				(1)
Disposal of treasury stock	0	0				0
Net changes of items other than shareholders' equity			324	8	332	332
Total changes of items during the period	(1)	(170)	324	8	332	161
Balance at the end of current period	(536)	35,507	148	0	148	35,656

6. Other Information

Not applicable