

# Information Meeting for Fiscal Year ended March 2014

May27, 2014

**KAGA ELECTRONICS CO., LTD.** (TSE 1<sup>st</sup> section, 8154)  
20 Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

TEL:+81-3-5657-0111

FAX:+81-3-3254-7131

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



# Financial Highlights FY3/2014

# Financial Highlights

## Segment information

(million yen)

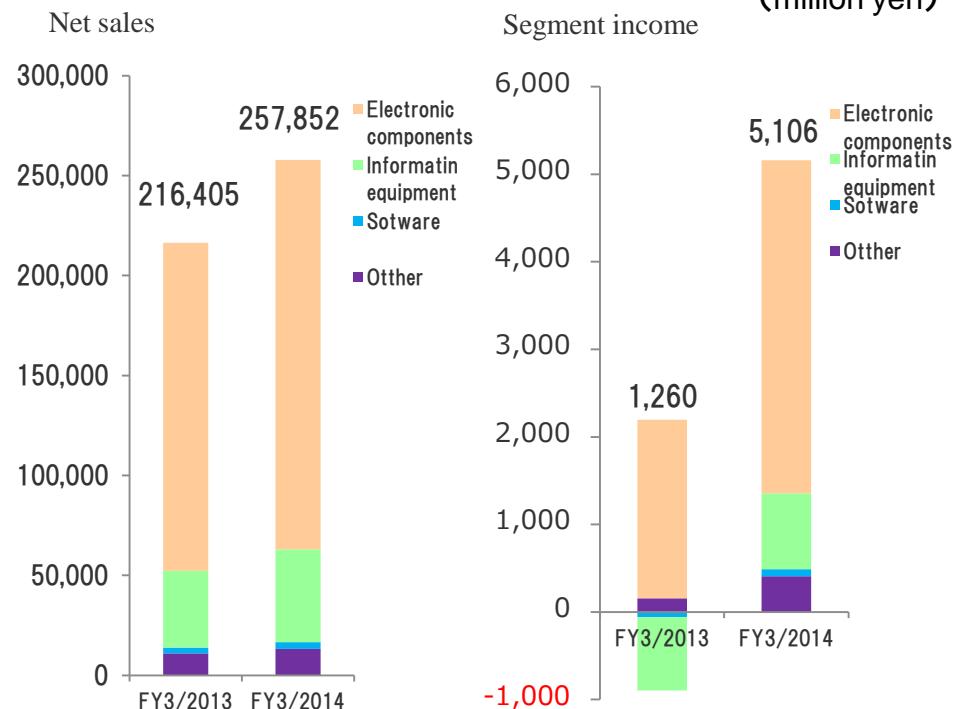
	FY3/2013		FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	216,405	100.0%	257,852	100.0%	41,447	19.2%
Cost of sales	188,943	87.3%	225,330	87.4%	36,387	19.3%
Gross profit	27,462	12.7%	32,522	12.6%	5,060	18.4%
SG&A expenses	26,202	12.1%	27,416	10.6%	1,214	4.6%
Operating income	1,260	0.6%	5,106	2.0%	3,846	305.2%
Non-operating income	955	0.4%	1,025	0.4%	70	7.3%
Non-operating expence	284	0.1%	284	0.1%	0	0.0%
Ordinary income	1,931	0.9%	5,847	2.3%	3,916	202.8%
Extraordinary items	503	0.2%	-188	-0.1%	-691	-
Income before income taxes	2,434	1.1%	5,659	2.2%	3,225	132.5%
Income taxes	1,594	0.7%	2,220	0.9%	626	39.3%
Income taxes-deferred	559	0.26%	-447	-0.2%	-1,006	-
Minority interests	-164	-0.08%	9	0.0%	173	-
Net income	444	0.2%	3,877	1.5%	3,433	773.2%

# Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2013		FY3/2014		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	164,164	75.9%	194,782	75.5%	30,618	18.7%
	2,040	161.9%	3,805	74.5%	1,765	86.5%
Information equipment	38,305	17.7%	46,505	18.0%	8,200	21.4%
	-836	-66.3%	866	17.0%	1,702	-
Software	2,874	1.3%	3,306	1.3%	432	15.0%
	-61	-4.8%	79	1.5%	140	-
Other	11,060	5.1%	13,258	5.1%	2,198	19.9%
	157	12.5%	410	8.0%	253	161.1%
Total	216,405	100.0%	257,852	100.0%	41,447	19.2%
	1,260	100.0%	5,106	100.0%	3,846	305.2%

\* 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, 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. Segment sales were 194,782 million yen.

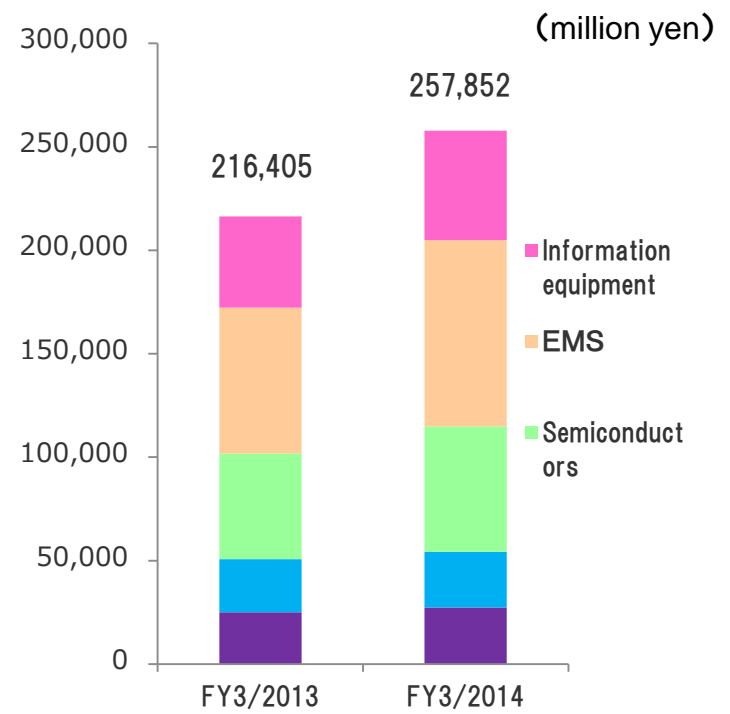
### ■ Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

Demand for PCs and other consumer products was sluggish. However, there was a small rebound the second half mainly due to replacement demand for Windows XP computers and buying prior to the April 2014 consumption tax hike. Furthermore, government economic stimulus measures in Japan raised sales of products for the home and environmental products. Segment sales totaled 46,505 million yen.

# ■【Reference】Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2013		FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	44,147	20.4%	52,874	20.5%	8,727	19.8%
EMS	70,546	32.6%	90,123	35.0%	19,577	27.8%
Semiconductor	50,960	23.5%	60,654	23.5%	9,694	19.0%
General electronics component	25,636	11.8%	26,825	10.4%	1,189	4.6%
Others	25,113	11.6%	27,375	10.6%	2,262	9.0%
<b>Total</b>	<b>216,405</b>	<b>100.0%</b>	<b>257,852</b>	<b>100.0%</b>	<b>41,447</b>	<b>19.2%</b>



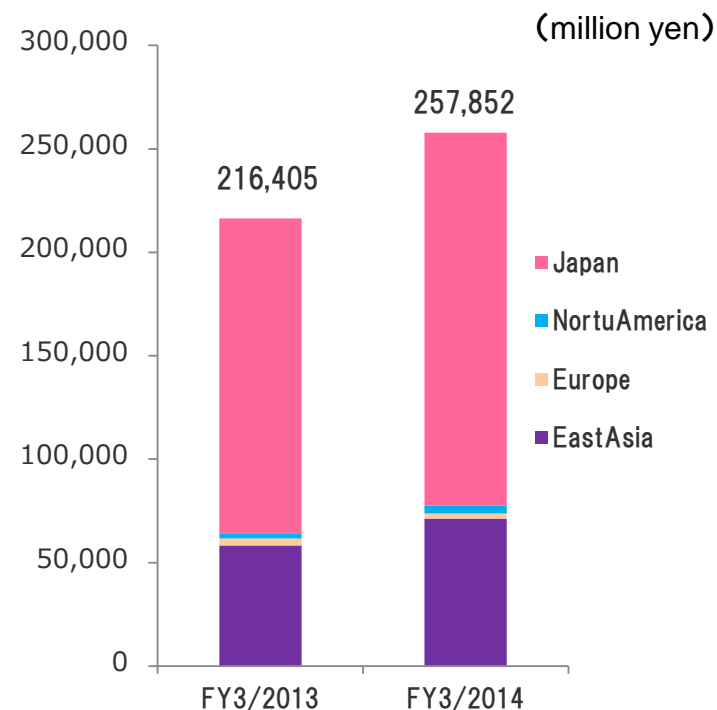
## Summary

- Information equipment sales: Up 8,727 million yen (+19.8%)**  
 Sales increased to 52,874 million yen mainly because of higher sales of products for the home, environmental products and other products.
- EMS sales: Up 19,577 million yen (+27.8%)**  
 Higher EMS volume for electronic devices overseas and other factors raised sales to 90,123 million yen.
- Semiconductor sales: Up 9,694 million yen (+19.0%)**  
 Sales increased to 60,654 million yen mainly because of growth in orders in Japan for semiconductors used in communication, automotive and other products.

# Overseas sales

(million yen)

	FY3/2013		FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Japan	152,303	70.4%	180,170	69.9%	27,867	18.3%
North America	2,428	1.1%	3,918	1.5%	1,490	61.4%
Europe	3,392	1.6%	2,430	0.9%	-962	-28.4%
East Asia	58,281	26.9%	71,333	27.7%	13,052	22.4%
計	216,405	100.0%	257,852	100.0%	41,447	19.2%



## Summary

### ■ Japan: Up 27,867 million yen (+18.3%)

Sales increased to 180,170 million yen. There were higher sales of electronic components and semiconductors for communication, automotive and other products and growth in EMS volume for electronic devices and amusement equipment. Higher sales of housing products and environmental products also contributed to sales growth in Japan.

### ■ Eastern Asia: Up 13,052 million yen (+22.4%)

Higher EMS volume for electronic devices and other factors raised sales to 71,333 million yen.

# Consolidated Balance Sheets

(million yen)

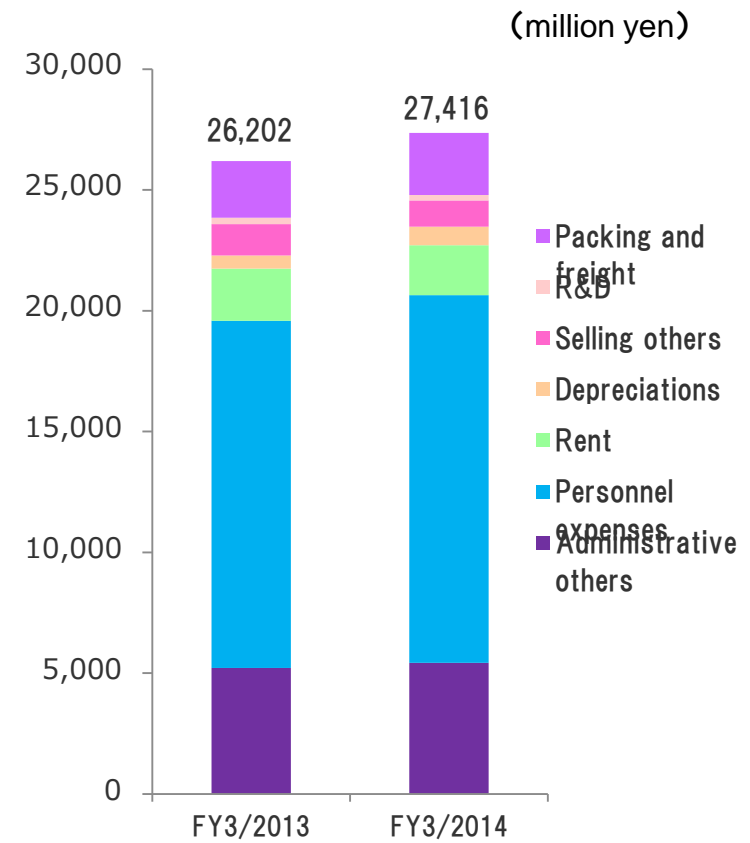
	End of FY3.2013	End of FY3/2014	Change
<b>Current assets</b>	89,945	102,930	12,985
Cash and cash equivalents	12,258	14,192	1,934
Notes and account receivable-trade	54,580	60,667	6,087
Merchandise and finished goods	14,075	16,378	2,303
Goods in progress	637	848	211
Raw materials and other supplies	4,065	3,991	-74
Others	4,330	6,854	2,524
<b>Fixed assets</b>	21,943	23,098	1,155
Property, plant and equipment	10,559	12,625	2,066
Intangible assets	2,226	1,533	-693
Investments and other assets	9,157	8,938	-219
<b>Total assets</b>	111,888	126,028	14,140

	End of FY3.2013	End of FY3/2014	Change
<b>Current liabilities</b>	53,355	63,410	10,055
Notes and accounts payable-trade	37,423	41,695	4,272
Short-term bank loans	9,567	12,172	2,605
Others	6,365	9,543	3,178
<b>Long-term liabilities</b>	9,726	9,792	66
Long-term bank loans	5,121	4,681	-440
Others	4,605	5,111	506
<b>Total liabilities</b>	63,082	73,202	10,120
<b>Shareholders' equity</b>			0
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	24,384	27,414	3,030
Treasury stock	-535	-536	-1
Valuation and translation adjustment	-1,238	-137	1,101
<b>Minority interests</b>	149	39	-110
<b>Total net assets</b>	48,806	52,825	4,019
<b>Total liabilities and net assets</b>	111,888	126,028	14,140

# ■ Selling, General and Administrative Expenses

(million yen)

	FY3/2012		FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	2,346	9.0%	2,569	9.4%	223	9.5%
R&D	265	1.0%	219	0.8%	-46	-17.4%
Others	1,306	5.0%	1,087	4.0%	-219	-16.8%
Total selling expenses	3,917	14.9%	3,875	14.1%	-42	-1.1%
Depreciations	543	2.1%	768	2.8%	225	41.4%
Rent	2,160	8.2%	2,061	7.5%	-99	-4.6%
Personnel expenses	14,363	54.8%	15,221	55.5%	858	6.0%
Others	5,217	19.9%	5,431	19.8%	214	4.1%
Total administrative	22,283	85.0%	23,481	85.6%	1,198	5.4%
Total SG&A expenses	26,202	100.0%	27,416	100.0%	1,214	4.6%



## Summary

- Selling, general and administrative expenses
  - Packing and freight: Up 223 million yen because sales increased
  - Depreciation: Up 225 million yen because of the growth in assets
  - Personnel expenses: Up 858 million yen because of salary revisions



# Consolidated Cash Flows

(million yen)

	FY3/2012	FY3/2013	Changes
Operating activities	7,041	3,334	-3,707
Investing activities	-4,910	-3,339	1,571
Financials activities	-403	1,024	1,427
Net change in cash and cash equivalents	456	463	7
Increase (decrease) in cash and cash equivalents	2,183	1,482	-701
Cash and cash equivalents at beginning of year	9,695	11,878	2,183
Cash and cash equivalents at end of year	11,878	13,361	1,483

## Summary

- **Operating activities:** Net cash provided was 3,334 million yen mainly due to income before income taxes and minority interest.
- **Investing activities:** Net cash used was 3,339 million yen mainly due to payments for the purchase of property, plant and equipment.
- **Financing activities:** Net cash provided was 1,024 million yen mainly due to an increase in short-term loans payable

# Forecast for FY3/2015

# Forecast for FY3/2014

## Consolidated Statement of Income

(million yen)

	FY3/2014(actual)		FY3/2015(plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amonut	Pct.
Net Sales	257,852	100.0%	260,000	100.0%	2,148	0.8%
Cost of sales	225,330	87.4%	227,200	87.4%	1,870	0.8%
Gross profit	32,522	12.6%	32,800	12.6%	278	0.9%
SG&A expenses	27,416	10.6%	27,500	10.6%	84	0.3%
Operating income	5,106	2.0%	5,300	2.0%	194	3.8%
Non-operating income	741	0.3%	700	0.3%	-41	-5.5%
Ordinary income	5,847	2.3%	6,000	2.3%	153	2.6%
Net income	3,877	1.7%	4,000	1.8%	123	3.2%

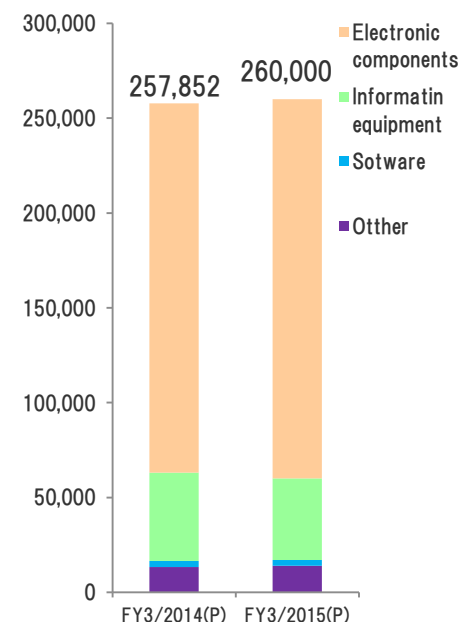
# Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2014(Actual)		FY3/2015(Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	194,782	75.5%	200,000	76.9%	5,218	2.7%
	3,805	74.5%	3,850	72.6%	45	1.2%
Information equipment	46,505	18.0%	43,000	16.5%	-3,505	-7.5%
	866	17.0%	800	15.1%	-66	-7.6%
Software	3,306	1.3%	3,000	1.2%	-306	-9.3%
	79	1.5%	150	2.8%	71	89.9%
Other	13,258	5.1%	14,000	5.4%	742	5.6%
	410	8.0%	500	9.4%	90	22.0%
Total	257,852	100.0%	260,000	100.0%	2,148	0.8%
	5,106	100.0%	5,300	100.0%	194	3.8%

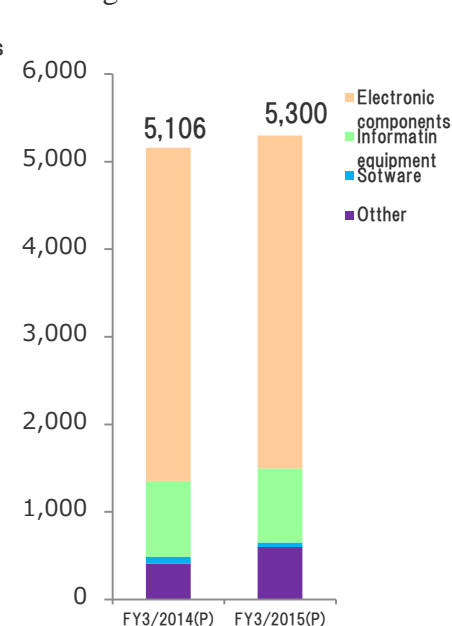
\* Figures of each segment income are not inter-segment adjusted other than total.

Net sales



(million yen)

Segment income



## Summary

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

Forecast sales and earnings growth mainly because of higher EMS and semiconductor sales in Japan and higher EMS sales overseas.

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

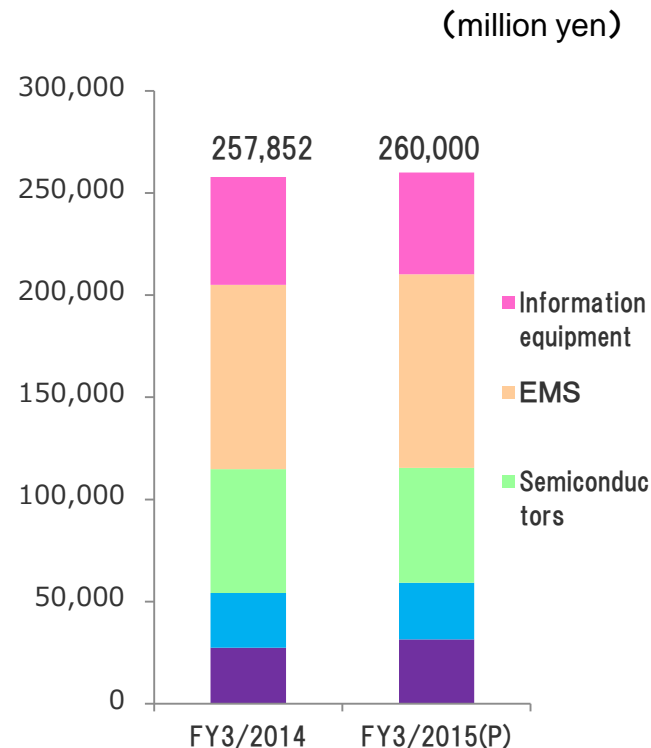
Forecast declines in sales and earnings. There will be measures to increase sales of current products and demand will continue to exist for products for the home and PC software for schools. But also expect a downturn in one-time sales following the April 2014 consumption tax hike.

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

Forecast lower sales and higher earnings following the liquidation of CyberFront Corporation.

# ■【Reference】Comparison of Consolidated Sales by Business Category

	FY3/2014(Actual)		FY3/2015(Plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	52,874	20.5%	49,800	19.2%	-3,074	-5.8%
EMS	90,123	35.0%	94,800	36.5%	4,677	5.2%
Semiconductors	60,654	23.5%	56,200	21.6%	-4,454	-7.3%
General electronic components	26,825	10.4%	27,800	10.7%	975	3.6%
Others	27,375	10.6%	31,400	12.1%	4,025	14.7%
<b>Total</b>	<b>257,852</b>	<b>100.0%</b>	<b>260,000</b>	<b>100.0%</b>	<b>2,148</b>	<b>0.8%</b>



## Summary

■ **Information equipment:** Sales down 3,074 million yen (-5.8%)

mainly due to a downturn in one-time sales following higher replacement demand prior to the April 2014 consumption tax hike

■ **EMS:** Sales up 4,677 million yen (+5.2%)

because of growth in EMS operations in Higher EMS volume for electronic devices overseas and other factors raised sales to 90,123 million yen.

■ **Semiconductor:** Sales down 4,454 million yen (-7.3%)

mainly because of a change in sales and distribution channels

■ **General electronic components:** Sales up 975 million yen (+3.6%)

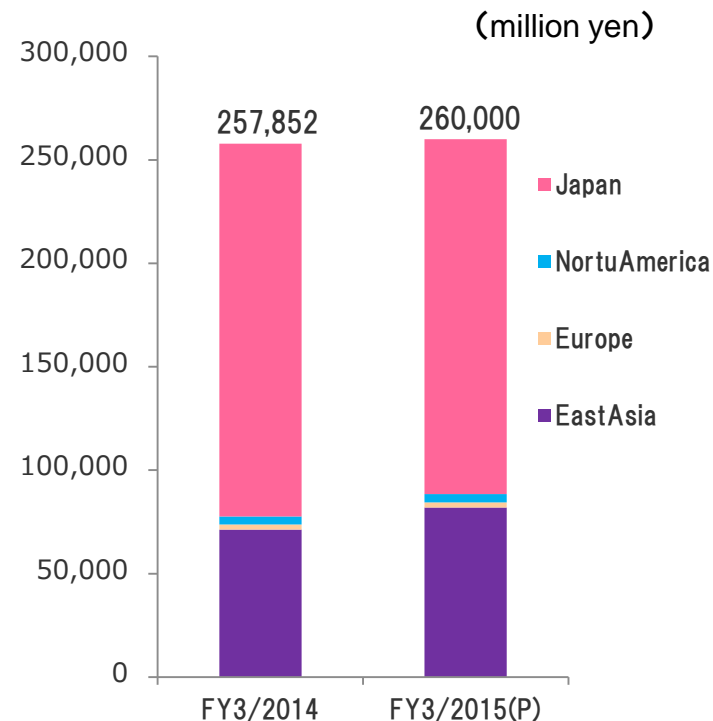
mainly due to higher sales of components used in communication equipment and automobiles

■ **Others:** Sales up 4,025 million yen (+14.7%) mainly due to an increase in sales of game machines to amusement centers and higher sales of golf products

# Overseas sales

(million yen)

	FY3/2014 (Actual)		FY3/2015 (Plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Japan	180,170	69.9%	171,600	66.0%	-8,570	-4.8%
North America	3,918	1.5%	4,000	1.5%	82	2.1%
Europe	2,430	0.9%	2,400	0.9%	-30	-1.2%
East Asia	71,833	27.9%	82,000	31.5%	10,167	14.2%
Total	257,852	100.0%	260,000	100.0%	2,148	0.8%



## Summary

### ■ Japan

Sales down 8,570 million yen (-4.8%) primarily because of a change in sales and distribution channels and lower one-time sales following the April 2014 consumption tax hike

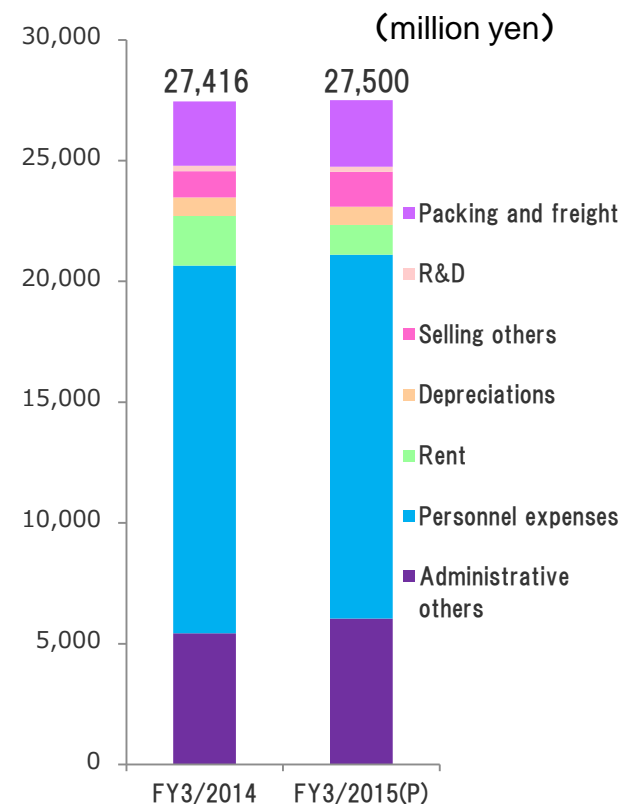
### ■ Eastern Asia

Sales up 10,167 million yen (+14.2%) because of growth in orders in the electronic components segment (electronic components, semiconductors, EMS)

# Forecast for FY3/2015

(million yen)

	FY3/2013		FY3/2014		Changes
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,569	9.4%	2,750	10.0%	181
R&D	219	0.8%	220	0.8%	1
Others	1,087	4.0%	1,330	4.8%	243
<b>Total selling expenses</b>	<b>3,875</b>	<b>14.1%</b>	<b>4,300</b>	<b>15.6%</b>	<b>425</b>
Depreciations	768	2.8%	750	2.7%	-18
Rent	2,061	7.5%	1,250	4.5%	-811
Personnel expenses	15,221	55.5%	15,000	54.5%	-221
Others	5,431	19.8%	6,200	22.5%	769
<b>Total administrative</b>	<b>23,481</b>	<b>85.6%</b>	<b>23,200</b>	<b>84.4%</b>	<b>-281</b>
<b>Total SG&amp;A expenses</b>	<b>27,416</b>	<b>100.0%</b>	<b>27,500</b>	<b>100.0%</b>	<b>84</b>



## Summary

### ■ Selling, general and administrative expenses

- Packing and freight: Up 181 million yen because of sales growth
- Rent: Down 820 million yen because of the head office relocation
- Personnel expenses: Down 221 million yen

# topics

**(1) Initiatives of the fiscal year ended  
March 2014**

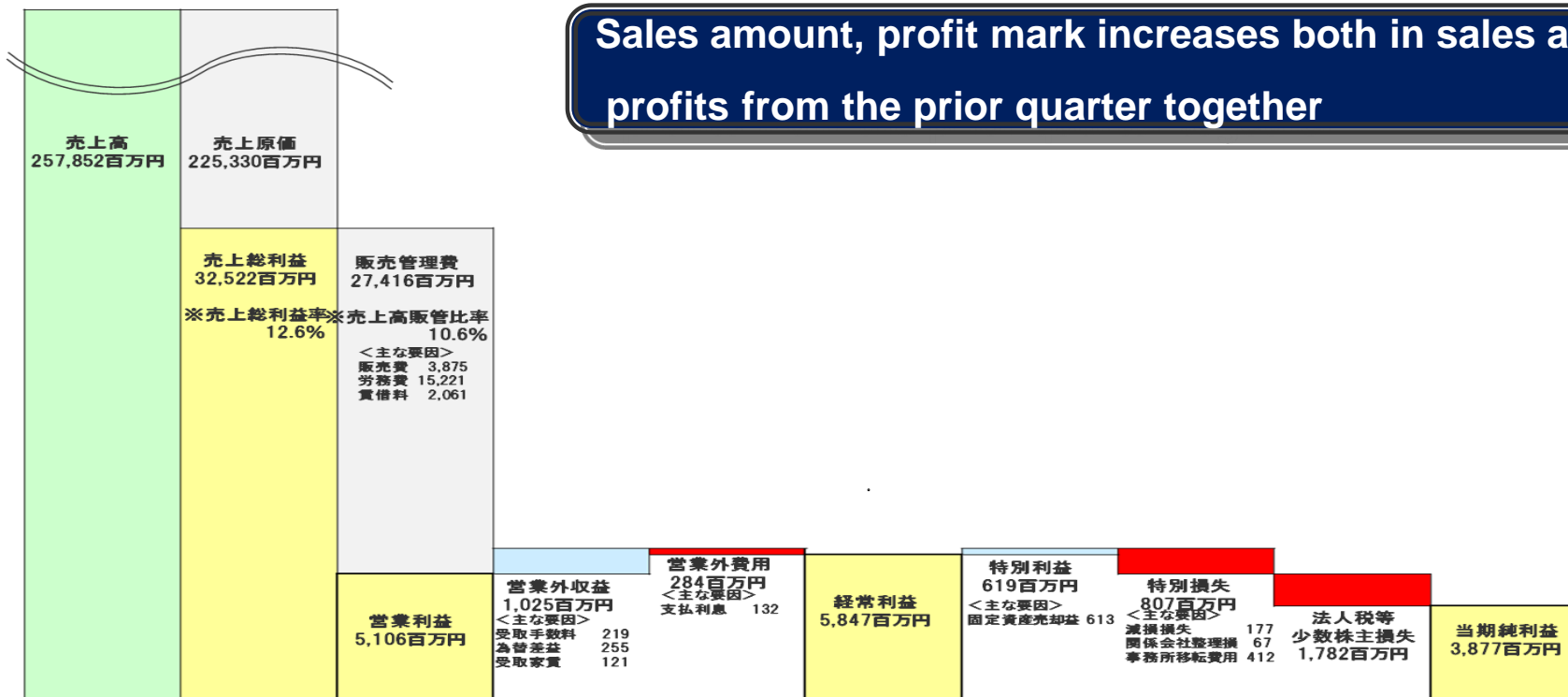
**(2) Goals for the fiscal year ending  
March 2015**



# ① Initiatives of the fiscal year ended March 2014

## Financial Highlights

Sales amount, profit mark increases both in sales and profits from the prior quarter together



- Markets recovered
- Japan - Higher sales of electronic components and semiconductors used in communication and automotive products
- Overseas - Growth in EMS operations
  - (1) Higher volume of business with Japanese companies
  - (2) Enlarged overseas network (AD DEVICE (SHANGHAI), KAGA ELECTRONICS (SUZHOU), etc.)
- Sales of PCs and peripherals recovered due to replacement demand fueled by the end of Windows XP and the rush to buy before the April 2014 consumption tax hike
- Sales and earnings at poorly performing subsidiaries recovered.

# ① Initiatives of the fiscal year ended March 2014

The October merger of KAGA DEVICES and ADM created the New KAGA DEVICES

## 加賀デバイス株式会社

Sells semiconductors and electronic parts and devices as the agent of Mitsubishi Electric, Renesas Electronics, SK hynix Japan and other companies

+

## エー・ディ・エム株式会社

Sells semiconductors and electronic parts and devices as the sales agent of Analog Devices, Omnivision Technology and other companies

## 加賀デバイス株式会社

FY3/15 sales **329billion yen**

CEO Shigeru Matsushita

Activities Sale of semiconductors and electronic parts and devices as the agent of Mitsubishi Electric, Renesas Electronics, SK hynix Japan and other companies and as the sales agent of Analog Devices, Omnivision Technology and other companies

Capital 395 million yen

Affiliates KAGA DEVICES(H.K)LIMITED、KAGA (SHENZHEN) TRADING CO., LTD、KAGA DEVICES INDIA PRIVATE LIMITED

### < Expected synergies from the merger >

- ◆ Growth by sharing the two companies' customers the products (higher sales)
- ◆ Growth of the overseas network (Hong Kong, Shenzhen, India, Singapore)
- ◆ Growth of functions by sharing technical teams (creation of new businesses)

Goal is to use merger synergies to increase sales to **50 billion yen** in three years

# ① Initiatives of the fiscal year ended March 2014

December 19, 2013 - Resolution approved to liquidate CyberFront

KAGA ELECTRONICS acquired CyberFront Corporation in April 2011 and took numerous actions to rebuild a sound base for operations. However, due to the difficulty of improving operations, the decision was made to liquidate this company. Liquidation proceedings are now under way.

## CyberFront Corporation

Representative:	Satoru Enomoto, Liquidator
Activities :	Planning, development, production and sale of game software and application software
Capital :	100 million yen

# ① Initiatives of the fiscal year ended March 2014

## Demonstration Test of Multi e-Money Payment System for Amusement Centers

KAGA AMUSEMENT participated in a joint demonstration test of an e-money payment system for use at game centers and other amusement facilities. The other participants were Yamato System Development and Yamato Financial, which are members of the Yamato Holdings Group. The goal is to supply an easy-to-use comprehensive infrastructure that reflects the distinctive characteristics of the amusement industry. Discussions and studies will continue to prepare for the start of sales of this new e-money payment system.



### 当実証実験用マルチ電子マネー決済システムの特徴

- ①複数の電子マネーに対応したシステム  
・Suica ・PASMO ・nanaco ・WAON ・楽天Edy
- ②柔軟なプレイ単価の設定を実現
- ③無人オペレーションでの稼働を実現
- ④各種電子マネー事業者のポイントサービスを提供
- ⑤ゲーム機器それぞれに設置可能なコンパクトな端末

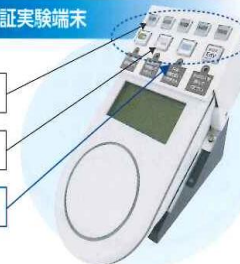
### マルチ電子マネー決済実証実験端末

支払い金額設定ボタン

電子マネー種別選択ボタン

状態LED(誘導メッセージ)

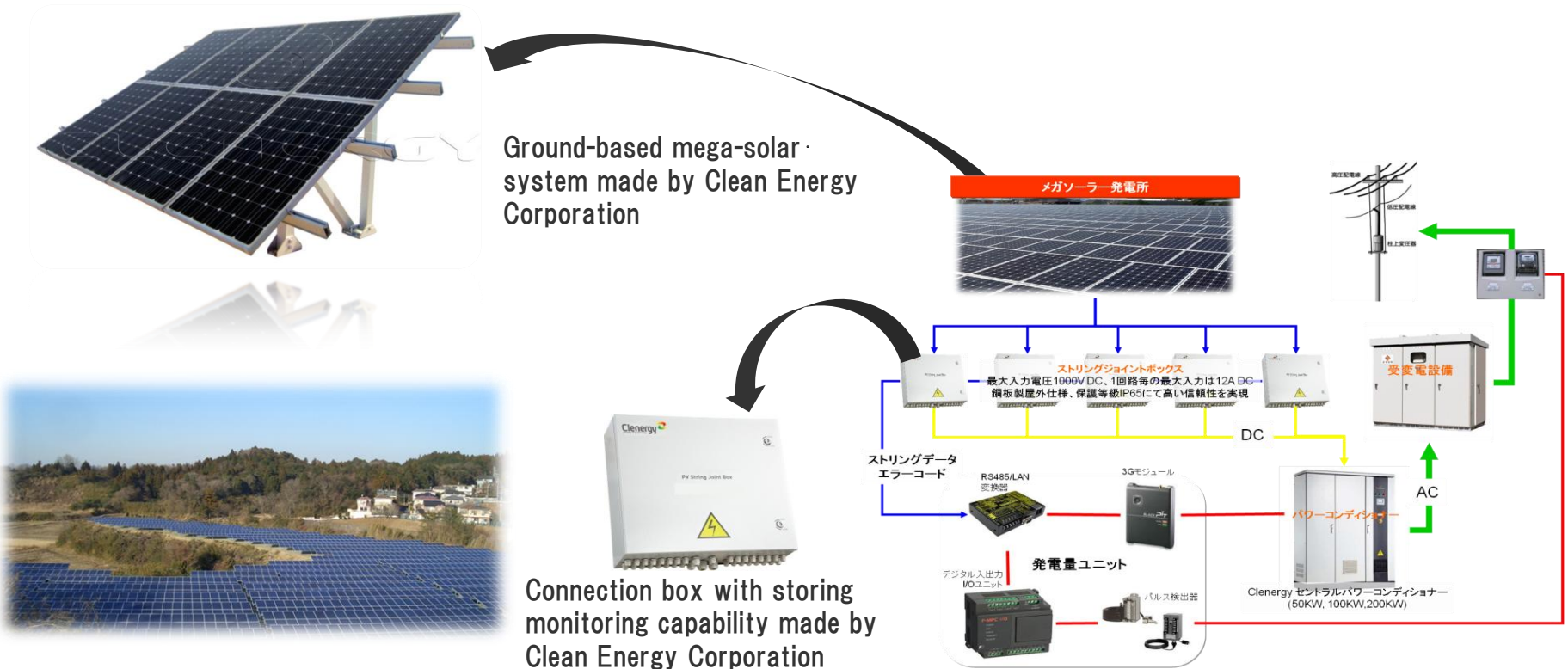
※端末画像はイメージです。



# ① Initiatives of the fiscal year ended March 2014

## Participation in Solar Power (Mega Solar) Remote Monitoring Service

KAGA DEVICES started offering a connection box and cloud monitoring service for solar power generation systems in April 2014. This business uses a connection box with a monitoring capability that is made by Clean Energy Corporation Australia. Power storage, power conditioner and power meter data are all monitored remotely. This system also greatly reduces the cost.



# Business Environment

## Operating environment for the KAGA ELECTRONICS Group

- In Japan's semiconductor market, there is significant demand but no prospects for growth.
- Sales continue to be strong for automotive devices, environmental and energy equipment, wireless and other communication equipment, and smartphones and tablets.

## Actions of the KAGA ELECTRONICS Group

- ① Focus on growing market sectors
  - Automotive devices
  - The environment and energy
  - Social infrastructure
  - Wireless and other communications
  - Medical services and health care
- ② Expand overseas operations
  - Reinforce bases in Eastern and Southeast Asia
  - Add service bases in line with growth of overseas operations at Japanese companies
  - Increase volume of business with companies in other countries

## ②Goals for the fiscal year ending March 2015

### Eliminate waste to operate efficiently

Action - Improve poorly performing subsidiaries

FY3/13			FY3/14	
Unprofitable subsidiaries	15 out of 50		Unprofitable subsidiaries	11 out of 50
Net losses at these subsidiaries	2.9 billion yen		Net losses at these subsidiaries	1.2 billion yen

**Big cut in subsidiary losses was a major cause of the FY3/14 recovery in consolidated earnings**



#### Activities at poorly performing subsidiaries

- KAGA COMPONENTS Reorganized money-losing operations, cut production in Japan, joint activities with other group companies
- KAGA HIGHTECH Used reorganization, reexamination of workforce composition and focus on carefully selected businesses to improve profitability
- ADM Merged with KAGA DEVICES in October 2013, used the new structure to streamline operations
- CyberFront Liquidation resolution was approved in December 2013
- SI ELECTRONICS Strengthened ability to capture technology development projects by transferring KAGA ELECTRONICS technology operations to this company
- KAGA CREATE A tight focus on strategic operations (event and content businesses were moved to another subsidiary to allow this company to concentrate exclusively on the game business)

- Make operations profitable by reexamining current businesses and eliminating waste
- External consultants are currently studying management systems and structures

## ②Goals for the fiscal year ending March 2015

### KAGA ELECTRONICS Group goals for FY3/15

Continue current initiatives based on the management philosophy of “Everything we do, we do for our customers.”

#### Goal

Place priority on profits. Aim for ordinary income of 10 billion yen.



- Improve the profitability of all business units by utilizing the originality of the KAGA ELECTRONICS Group.
- Eliminate waste to operate efficiently
  - Rebuild or shut down unprofitable businesses
  - Rigorously cut costs





## Contact: Public Relations Department

20Kandamatsunagacho, Chiyoda-ku, Tokyo 101-8629

TEL:+81-3-5657-0106

FAX:+81-3-3254-7132

E-mail: [webmaster@taxan.co.jp](mailto:webmaster@taxan.co.jp)

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