

Summary of Consolidated Financial Results For the First Quarter Ended June 30, 2014 [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):	August 12, 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 quarter of the fiscal year ending March 2015 (April 1, 2014 – June 30, 2014)

(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 quarter ended June 2014	56,849	(1.4)	842	139.9	1,023	96.8	451	723.0
First quarter ended June 2013	57,675	16.1	351	-	520	-	54	-

Note: Comprehensive income: First quarter of FY3/2015: 270 million yen [-59.1%], First quarter of FY3/2014: (661) million yen [-%]

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First quarter ended June 2014	15.99		-	
First quarter ended June 2013	1.94		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2014	116,733		52,719		45.1	
As of March 31, 2014	126,028		52,825		41.9	

Reference: Shareholders' equity

As of June 30, 2014: 52,675 million yen As of March 31, 2014 52,786 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 2014	-	15.00	-	20.00	35.00
Fiscal year ending March 2015	-				
Fiscal year ending March 2015 (est.)		15.00	-	15.00	30.00

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

Yearend dividend of FY3/14 includes ordinary dividend of 15.00 yen and commemorative dividend of 5 yen (completion of new headquarter building)

3. Forecast for the fiscal year ending March 2015 (Consolidated, April 1, 2014 to 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)	1,200	(45.3)	1,500	(38.5)	600	(55.7)	21.23
Full year	260,000	0.8	5,300	3.8	6,000	2.6	4,000	3.2	141.56

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

Please refer "Notice of Revision in Forecast for Fiscal Year Ending March 2015" announced on 31 July, 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 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 see 2. Other Information (3) Changes in accounting principles and estimates, and retrospective restatement

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of June 30, 2014:	28,702,118	As of March 31, 2014:	28,702,118
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(b) Treasury stock

As of June 30, 2014:	445,076	As of March 31, 2014:	445,002
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2014:	28,257,098	Period ended June 30, 2013:	28,258,153
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*** Information concerning quarterly review procedure**

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The financial statements for the first quarter were under review at the time this Summary of Financial Results was released.

*** 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 quarter, the Japanese economy staged a gentle recovery despite a temporary decline in consumer spending in reaction to the hike in the consumption tax rates as positive factors including improvement in corporate earnings and in the employment situation took hold.

In the electronics industry, although overall demand for consumer electronics remained weak, demand in the markets for tablets and for devices installed in automobiles continued to expand, and, in addition to strong growth in sales of electronics in the environmental, energy, and health-care sectors, other areas including the PC market, which benefited from replacement demand for Windows XP computers, recorded solid performance.

In this environment, the KAGA ELECTRONICS Group reinforced collaboration among group companies, worked on increasing sales to major current customers, developed additional new products and expanded its network of overseas facilities, as well as engaging in cost-cutting measures.

Consequently, consolidated net sales in the first quarter decreased 1.4% from one year earlier to 56,849 million yen, operating income increased 139.9% to 842 million yen, ordinary income increased 96.8% to 1,023 million yen, and net income increased 723.0% to 451 million yen.

Business segment performance was as follows.

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

In Japan, there were declines in demand for electronic components, semiconductors, EMS and other items used in amusement equipment and sales also decreased as a result of partial alterations in distribution channels for some products handled. Overseas, however, demand for electronic components, semiconductors, and EMS for electronic devices was strong. The result was a 2.2% decrease in segment sales to 44,004 million yen and a 111.1% increase in operating income to 893 million yen.

* EMS: 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 increased due to replacement demand for Windows XP computers. Moreover, sales of housing-related products and PCs, software, and other items for educational institutions were strong. As a result, segment sales increased 10.3% to 9,812 million yen and there was an operating loss of 26 million yen (compared with a 17 million yen loss in the same quarter 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 sales of image processing systems for use in amusement equipment. Segment sales decreased 62.9% to 268 million yen and there was an operating loss of 21 million yen (compared with a 121 million yen loss in the same quarter 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 weak performance and sales of golf products and other products were lower. Segment sales decreased 9.4% to 2,763 million yen and there was an operating loss of 36 million yen compared with an operating profit of 63 million yen for the segment in the same quarter one year earlier.

(2) Overview of financial condition

Assets, liabilities and net assets

Assets totaled 116,733 million yen at the end of the first quarter, 9,294 million yen lower than at the end of the previous fiscal year mainly because of decreases in notes and accounts receivable-trade.

Liabilities decreased 9,188 million yen to 64,014 million yen mainly because of a decrease in notes and accounts payable-trade in current liabilities.

Net assets decreased 106 million yen to 52,719 million yen. This was primarily the result of payment of dividend and others.

(3) Forecast

(a) Consolidated forecast for the first half ending September 2014 (April 1, 2014 – September 30, 2014)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	Million yen 115,000	Million yen 600	Million yen 900	Million yen 400	Yen 14.16
Revised forecast (B)	115,000	1,200	1,500	600	21.23
Difference (B-A)	-	600	600	200	-
Pct. change (%)	-	100.0	66.7	50.0	-
(Ref.) Previous first half (first half ended September 30, 2013)	122,077	2,194	2,437	1,352	47.88

(b) Reason for revisions

The forecast for the first half of the fiscal year has been revised mainly because sales in the EMS business in overseas are higher than initially expected, and effect of cost cut measures throughout the Group.

There are no revisions to the fiscal year forecast because the outlook is still unclear. An announcement will be made promptly if there is a need to revise this forecast later in the fiscal year.

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 restatement:

Changes in accounting policy

(Application of accounting standard for retirement benefits)

Beginning at the start of the first quarter of the fiscal year ending on March 31, 2015, the Company 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) as prescribed in paragraph 35 of this accounting standard and paragraph 67 of this guidance. The method for setting the discount rate has been changed from a method based on determining a base value for the number of years approximating to employees' average remaining service period to a method using a simple weighted average discount rate that reflects the anticipated payment period for accrued retirement benefits and the amounts to be paid in for each period.

For the application of the accounting standard for retirement benefits, in accordance with the transitional handling prescribed in paragraph 37 of this standard, the effect of the change in the method for calculating retirement benefit liabilities and service cost as of the beginning of the first quarter is included in retained earnings.

As a result, at the beginning of the first quarter, retained earnings increased 188 million yen. However, effects on first quarter operating income, ordinary income and income before income taxes and minority interests were negligible.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2014 (As of March 31, 2014)	First quarter ended June 2014 (As of June 30, 2014)
ASSETS		
Current assets		
Cash and deposits	14,192	15,685
Notes and accounts receivable-trade	60,667	49,820
Short-term investment securities	114	125
Merchandise and finished goods	16,378	16,937
Work in process	848	1,290
Raw materials and supplies	3,991	4,308
Deferred tax assets	993	966
Other	5,836	4,812
Allowance for doubtful accounts	(93)	(85)
Total current assets	102,930	93,863
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	5,737	5,618
Machinery, equipment and vehicles, net	1,711	1,768
Tools, furniture and fixtures, net	1,004	842
Land	4,038	4,038
Construction in progress	133	6
Total property, plant and equipment	12,625	12,274
Intangible assets		
Goodwill	715	679
Software	486	492
Other	332	277
Total intangible assets	1,533	1,449
Investments and other assets		
Investment securities	5,377	5,521
Deferred tax assets	562	529
Other	4,015	4,022
Allowance for doubtful accounts	(1,017)	(928)
Total investments and other assets	8,938	9,146
Total noncurrent assets	23,098	22,870
Total assets	126,028	116,733

(Million yen)

	Fiscal year ended March 2014 (As of March 31, 2014)	First quarter ended June 2014 (As of June 30, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	41,695	36,032
Short-term loans payable	12,172	10,951
Income taxes payable	1,525	625
Other	8,016	7,043
Total current liabilities	63,410	54,653
Noncurrent liabilities		
Long-term loans payable	4,681	4,324
Provision for directors' retirement benefits	1,437	1,433
Net defined benefit liability	1,954	1,649
Other	1,719	1,954
Total noncurrent liabilities	9,792	9,360
Total liabilities	73,202	64,014
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	27,414	27,489
Treasury stock	(536)	(536)
Total shareholders' equity	52,923	52,998
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	203
Deferred gains or losses on hedges	0	(5)
Foreign currency translation adjustment	5	(232)
Remeasurements of defined benefit plans	(304)	(288)
Total accumulated other comprehensive income	(137)	(323)
Minority interests	39	43
Total net assets	52,825	52,719
Total liabilities and net assets	126,028	116,733

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first quarter (April 1, 2014 – June 30, 2014)

(Million yen)

	First quarter ended June 2013 (April 1, 2013 – June 30, 2013)	First quarter ended June 2014 (April 1, 2014 – June 30, 2014)
Net sales	57,675	56,849
Cost of sales	50,619	49,579
Gross profit	7,056	7,269
Selling, general and administrative expenses	6,704	6,426
Operating income (loss)	351	842
Non-operating income		
Interest income	18	41
Dividends income	50	58
Commission fee	33	77
Other	135	147
Total non-operating income	237	325
Non-operating expenses		
Interest expenses	32	29
Foreign exchange losses	-	91
Loss on investments in partnership	21	—
Other	15	24
Total non-operating expenses	69	145
Ordinary income (loss)	520	1,023
Extraordinary income		
Gain on sales of noncurrent assets	1	7
Total extraordinary income	1	7
Extraordinary loss		
Loss on retirement of noncurrent assets	1	3
Loss on valuation of investment securities	73	163
Office transfer expenses	-	4
Other	1	—
Total extraordinary loss	76	171
Income (loss) before income taxes	445	859
Income taxes-current	286	269
Income taxes-deferred	101	134
Total income taxes	388	403
Income (loss) before minority interests	57	455
Minority interests in income (loss)	2	3
Net income (loss)	54	451
Minority interests in income (loss)	2	3
Income (loss) before minority interests	57	455

(Million yen)

	First quarter ended June 2013 (April 1, 2013 – June 30, 2013)	First quarter ended June 2014 (April 1, 2014 – June 30, 2014)
Other comprehensive income		
Valuation difference on available-for-sale securities	121	42
Deferred gains or losses on hedges	5	(6)
Foreign currency translation adjustment	476	(238)
Remeasurements of defined benefit plans, net of tax	-	16
Total other comprehensive income	603	(185)
Comprehensive income	661	270
Comprehensive income attributable to owners of the parent	660	266
Comprehensive income attributable to minority interests	0	4

- (3) Notes to quarterly consolidated financial statement
(Notes to going concern assumptions)
None

(Significant change in shareholders' equity)
None

(Segment information)

I For the first quarter ended June 2013 (Apr. 1, 2013 – June 30, 2013)

Information about sales and income (loss) by reportable segments

(Million yen)

	Reporting segments					Adjustment (Note 1)	Amount on the quarterly 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	45,007	8,893	723	3,050	57,675	-	57,675
of which inter- segment	329	136	362	700	1,528	(1,528)	-
Total	45,337	9,030	1,085	3,751	59,204	(1,528)	57,675
Segment income (loss)	423	(17)	(121)	63	347	4	351

Notes:

1. The adjustment increasing segment income by 4 million yen includes amounts for intersegment cancellation of 20 million yen and for goodwill amortization of -16 million yen.
2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income and consolidated statements of comprehensive income.

II For the first quarter ended June 2014 (Apr. 1, 2014 – June 30, 2014)

Information about sales and income (loss) by reportable segments

(Million yen)

	Reporting segments					Adjustment (Note 1)	Amount on the quarterly 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	44,004	9,812	268	2,763	56,849	-	56,849
of which inter- segment	281	158	729	622	1,792	(1,792)	-
Total	44,286	9,971	997	3,386	58,641	(1,792)	56,849
Segment income (loss)	893	(26)	(21)	(36)	809	33	842

Notes:

1. The adjustment 33 million yen includes amounts for intersegment cancellation of 33 million yen.
2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income and consolidated statements of comprehensive income.