

Summary of Consolidated Financial Results For the First Quarter Ended June 30, 2015 [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 13, 2014
 Date of commencement of dividend payment (tentative): -
 Quarterly earnings supplementary explanatory documents: None
 Quarterly earnings presentation: None

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending March 2016 (April 1, 2015 – June 30, 2015)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 2015	58,349	2.6	1,598	89.6	1,773	73.3	1,147	153.9
First quarter ended June 2014	56,849	(1.4)	842	139.9	1,023	96.8	451	723.0

Note: Comprehensive income: 1Q FY3/2016: 1,289 million yen [377.1%], 1Q FY3/2015: 270 million yen [-59.1%]

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First quarter ended June 2015	40.60		-	
First quarter ended June 2014	15.99		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2015	121,684	60,197	49.4
As of March 31, 2015	127,948	59,603	46.6

Reference: Shareholders' equity

As of June 30, 2015: 60,151 million yen As of March 31, 2015 59,564 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2015	-	15.00	-	25.00	40.00
Fiscal year ending March 2016	-				
Fiscal year ending March 2016 (est.)		20.00	-	20.00	40.00

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

Year-end dividend of FY3/15 includes ordinary dividend of 15.00 yen and commemorative dividend of 10.00 yen

3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 to March 31, 2016)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	125,000	3.9	3,100	1.1	3,300	(9.3)	2,200	2.0	77.86
Full year	260,000	1.9	6,500	2.2	7,000	(8.7)	4,600	4.2	162.80

Note: Change in the forecast from the latest announcement: None

*** Notes**

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): 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
 - (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 on page 3.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of June 30, 2015:	28,702,118	As of March 31, 2015:	28,702,118
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(b) Treasury shares

As of June 30, 2015:	446,123	As of March 31, 2015:	446,040
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2015:	28,256,017	Period ended June 30, 2014:	28,257,098
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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.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first quarter of the fiscal year, the slow recovery of the Japanese economy continued despite concerns about the declining economic growth rate in China, the European debt problem and other issues. Consumer spending as well is starting to rebound as companies report higher earnings and the number of jobs grows along with government economic stimulus measures and monetary easing by the Bank of Japan.

In the electronics industry, the principal area of operations for the KAGA ELECTRONICS Group, market conditions were generally favorable. Demand for PCs and consumer electronics remained sluggish. However, demand increased for mobile devices, automotive devices, and medical and healthcare products. There was also growth in new electronics market sectors like environmental and energy products, the Internet of things (*1) and wearable devices.

During the first quarter, based on its management philosophy of “Everything we do, we do for our customers,” the KAGA ELECTRONICS Group revised its organizational structure to enable group companies to work more closely together and worked on increasing sales to major current customers, adding new products and expanding overseas operations.

First quarter consolidated net sales were 58,349 million yen, 2.6% higher than one year earlier. Operating income increased 89.6% to 1,598 million yen, ordinary income increased 73.3% to 1,773 million yen and profit attributable to owners of parent increased 153.9% to 1,147 million yen.

*1 Internet of Things is a generic name given to new services and business models based on connecting all things through the Internet or underlying technologies that enable it.

Business segment performance was as follows.

(a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, EMS (*2), and other activities)

In Japan, sales of communication equipment and electronic components and semiconductors used in amusement products were higher. Overseas, the performance of the EMS business for electronic devices was strong. As a result, sales increased 3.6% from one year earlier to 45,592 million yen and operating income increased 64.8% to 1,472 million yen.

*2 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)

The volume of PCs, digital cameras and other products decreased due to soft demand but sales of housing-related products and some other products were higher. The result was a 1.5% decrease in sales from one year earlier to 9,666 million yen and operating income of 93 million yen compared with a 26 million yen loss one year earlier.

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

In this segment, activities focused mainly on the production of computer graphics for animation applications and on the development and sales of game software. There were also cost-cutting measures. Due to these activities, sales increased 75.9% from one year earlier to 471 million yen and operating income was 144 million yen compared with a 21 million yen loss one year earlier.

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

First quarter performance was weak for arcade amusement machines in Japan and the PC and communication equipment reuse business. Sales decreased 5.2% to 2,618 million yen and the operating loss increased to 88 million yen from 36 million yen one year earlier.

(2) Overview of financial condition

Assets, liabilities and net assets

Assets were 121,684 million yen at the end of the first quarter, 6,264 million yen less than at the end of the previous fiscal year. A decrease in notes and accounts receivable-trade was the main reason.

Liabilities decreased 6,858 million yen to 61,486 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets increased 594 million yen to 60,197 million yen mainly because of first quarter profit attributable to owners of parent.

(3) Forecast for fiscal year ending in March 2016

There is no change in the forecast for consolidated results of operations that was announced on May 7, 2015.

2. Other Information (Note)

- (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 concerning business combinations and other accounting standards)

Beginning with the first quarter of the fiscal year ending on March 31, 2016, KAGA ELECTRONICS is using Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Standard No. 22, September 13, 2013) and Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013). As result, quarterly net income has been renamed and minority interests is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, first quarter and fiscal year consolidated financial statements for the previous fiscal year have been revised.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	First quarter ended June 2015 (As of June 30, 2015)
ASSETS		
Current assets		
Cash and deposits	18,130	17,272
Notes and accounts receivable-trade	58,167	52,095
Securities	127	125
Merchandise and finished goods	17,276	18,262
Work in process	401	832
Raw materials and supplies	5,024	4,819
Deferred tax assets	929	798
Other	4,497	4,103
Allowance for doubtful accounts	(131)	(127)
Total current assets	104,424	98,183
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,455	5,354
Machinery, equipment and vehicles, net	2,285	2,265
Tools, furniture and fixtures, net	936	880
Land	4,041	4,041
Construction in progress	6	6
Total property, plant and equipment	12,725	12,549
Intangible assets		
Goodwill	607	574
Software	479	498
Other	44	95
Total intangible assets	1,131	1,167
Investments and other assets		
Investment securities	6,351	6,535
Deferred tax assets	274	276
Other	4,210	4,146
Allowance for doubtful accounts	(1,169)	(1,174)
Total investments and other assets	9,667	9,783
Total noncurrent assets	23,524	23,500
Total assets	127,948	121,684

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	First quarter ended June 2015 (As of June 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,543	35,598
Short-term loans payable	5,925	5,106
Income taxes payable	1,286	800
Other	6,856	6,704
Total current liabilities	54,612	48,210
Noncurrent liabilities		
Long-term loans payable	8,253	7,896
Provision for directors' retirement benefits	1,501	1,155
Net defined benefit liability	1,643	1,711
Other	2,335	2,513
Total noncurrent liabilities	13,733	13,276
Total liabilities	68,345	61,486
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	31,029	31,470
Treasury shares	(537)	(537)
Total shareholders' equity	56,538	56,978
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	790	927
Deferred gains or losses on hedges	23	3
Foreign currency translation adjustment	2,462	2,542
Remeasurements of defined benefit plans	(250)	(300)
Total accumulated other comprehensive income	3,026	3,172
Non-controlling interests	38	45
Total net assets	59,603	60,197
Total liabilities and net assets	127,948	121,684

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first quarter (April 1, 2015 – June 30, 2015)

(Million yen)

	First quarter ended June 2014 (April 1, 2014 – June 30, 2014)	First quarter ended June 2015 (April 1, 2015 – June 30, 2015)
Net sales	56,849	58,349
Cost of sales	49,579	50,334
Gross profit	7,269	8,014
Selling, general and administrative expenses	6,426	6,416
Operating income	842	1,598
Non-operating income		
Interest income	41	26
Dividends income	58	63
Commission fee	77	53
Other	147	78
Total non-operating income	325	221
Non-operating expenses		
Interest expenses	29	27
Foreign exchange losses	91	3
Other	24	15
Total non-operating expenses	145	46
Ordinary income	1,023	1,773
Extraordinary income		
Gain on sales of noncurrent assets	7	0
Gain on sales of investment securities	-	1
Total extraordinary income	7	1
Extraordinary loss		
Loss on retirement of noncurrent assets	3	0
Loss on valuation of investment securities	163	2
Office transfer expenses	4	-
Other	-	0
Total extraordinary loss	171	2
Income before income taxes and minority interests	859	1,772
Income taxes-current	269	347
Income taxes-deferred	134	281
Total income taxes	403	629
Net income	455	1,143
Profit attributable to owners of parent	451	1,147
Profit (loss) attributable to non-controlling interests	3	(3)
Other comprehensive income		
Valuation difference on available-for-sale securities	42	136
Deferred gains or losses on hedges	(6)	(19)
Foreign currency translation adjustment	(238)	79
Remeasurements of defined benefit plans, net of tax	16	(50)
Total other comprehensive income	(185)	146
Comprehensive income	270	1,289
Comprehensive income attributable to owners of parent	266	1,293
Comprehensive income attributable to non-controlling interests	4	(3)

- (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 2014 (April. 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.

II For the first quarter ended June 2015 (April. 1, 2015 – June 30, 2015)

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	45,592	9,666	471	2,618	58,349	-	58,349
of which inter- segment	187	170	684	238	1,281	(1,281)	-
Total	45,779	9,837	1,156	2,857	59,631	(1,281)	58,349
Segment income (loss)	1,472	93	144	(88)	1,622	(24)	1,598

Notes:

1. The adjustment -24 million yen includes amounts for intersegment cancellation of 14 million yen and amortization of goodwill of -38 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.