



Report on Financial Result First Quarter of Fiscal Year 2014 April to Jun 2013

August.8,2013

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

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

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

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



Financial Highlights

First Quarter of Fiscal Year 2014

April to Jun 2013
(Consolidated First Quarter)

Financial Highlights of First Quarter Ended December 2013

Consolidated Statement of Income

(million yen)

	1Q FY3/2013		1Q FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amonut	Pct.
Net Sales	49,686	100.0%	57,675	100.0%	7,988	16.1%
Cost of sales	43,545	87.6%	50,619	87.8%	7,073	16.2%
Gross profit	6,141	12.4%	7,056	12.2%	914	14.9%
SG&A expenses	6,431	12.9%	6,704	11.6%	273	4.3%
Operating income	-289	-0.6%	351	0.6%	641	-
Non-operating income	185	0.4%	237	0.4%	52	28.4%
Non-operating expenses	177	0.4%	69	0.1%	-108	-61.1%
Ordinary income	-282	-0.6%	520	0.9%	802	-
Extraordinary items	-83	-0.2%	-74	-0.1%	8	-
Income before income taxaes	-365	-0.7%	445	0.8%	811	-
Income taxes	195	0.4%	286	0.5%	90	46.4%
Income taxes-beferred	-178	-0.4%	101	0.2%	279	-
Minority interests	-32	-0.1%	2	0.0%	35	-
Net income	-350	-0.7%	54	0.1%	405	-

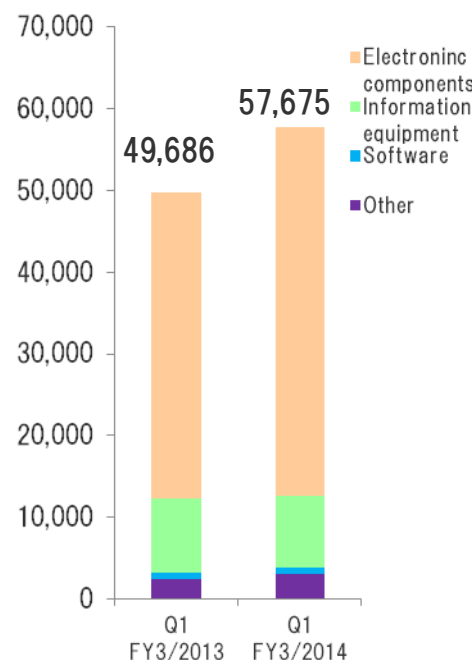
Comparison of Consolidated Sales by Business Category

(million yen)

	1Q FY3/2013		1Q FY3/2014		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	37,366	75.2%	45,007	78.0%	7,641	20.5%
	101	-	423	-	321	316.9%
Information equipment	9,180	18.5%	8,893	15.4%	-286	-3.1%
	-193	-	-17	-	175	-
Software	636	1.3%	723	1.3%	87	13.7%
	-169	-	-121	-	47	-
Other	2,503	5.0%	3,050	5.3%	547	21.9%
	-21	-	63	-	84	-
Total	49,686	100.0%	57,675	100.0%	7,988	16.1%
	-289	-	351	-	641	-

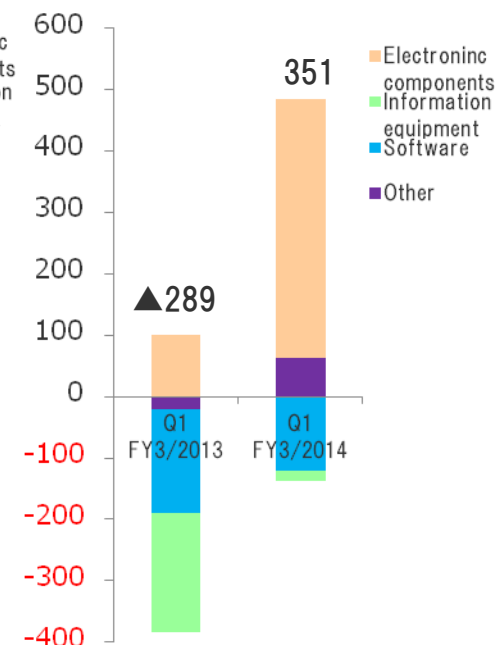
* Figures of each segment income are not inter-segment adjusted other than total.

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)**

There were higher sales in Japan for EMS involving amusement equipment and for semiconductors. Overseas EMS sales increased, too. The result was sales of 45,007 million yen

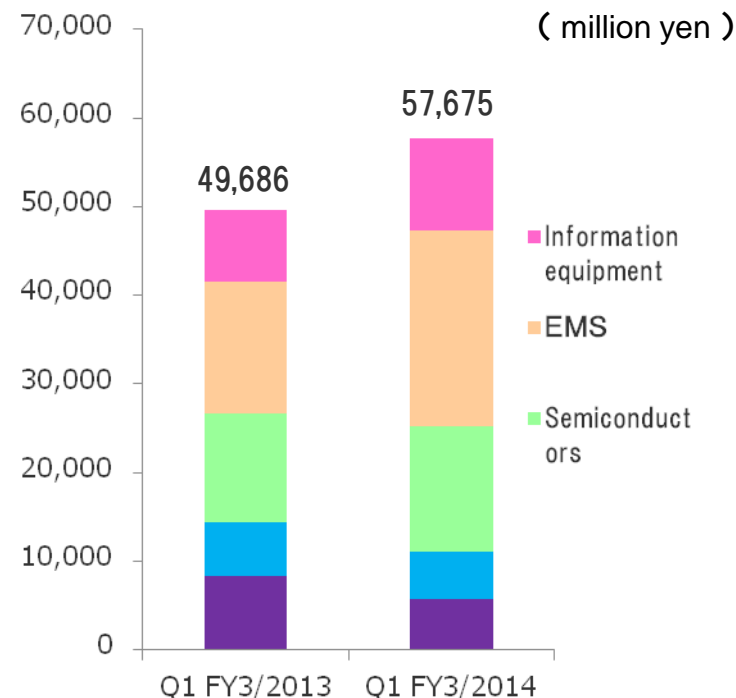
■ **Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)**

Actions were taken to increase sales of current products and add new products. Sales increased for PCs and software for schools and for environmental products and some other products. But sales of PCs to consumers decreased because of the popularity of smartphones, tablets and other mobile devices. As a result, sales decreased to 8,893 million yen.

【Reference】 Comparison of Consolidated Sales by Business Category

(million yen)

	1Q FY3/2013		1Q FY3/2014		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	9,941	20.0%	10,342	17.9%	400	4.0%
EMS	14,966	30.1%	22,055	38.2%	7,089	47.4%
Semiconductors	12,194	24.5%	14,201	24.6%	2,006	16.5%
General electronic components	6,067	12.2%	5,278	9.2%	-789	-13.0%
Others	6,516	13.1%	5,797	10.1%	-718	-11.0%
Total	49,686	100.0%	57,675	100.0%	7,988	16.1%



Summary

■ Information equipment sales: Up 401 million yen (+4.0%)

Actions were taken to increase sales of current products and add new products. Sales increased for PCs and software for schools and for environmental products and some other products. Due to the resulting increase in orders, sales increased to 10,342 million yen.

■ EMS sales: Up 7,088 million yen (+47.4%)

Higher EMS orders in Japan and overseas raised sales to 22,055 million yen.

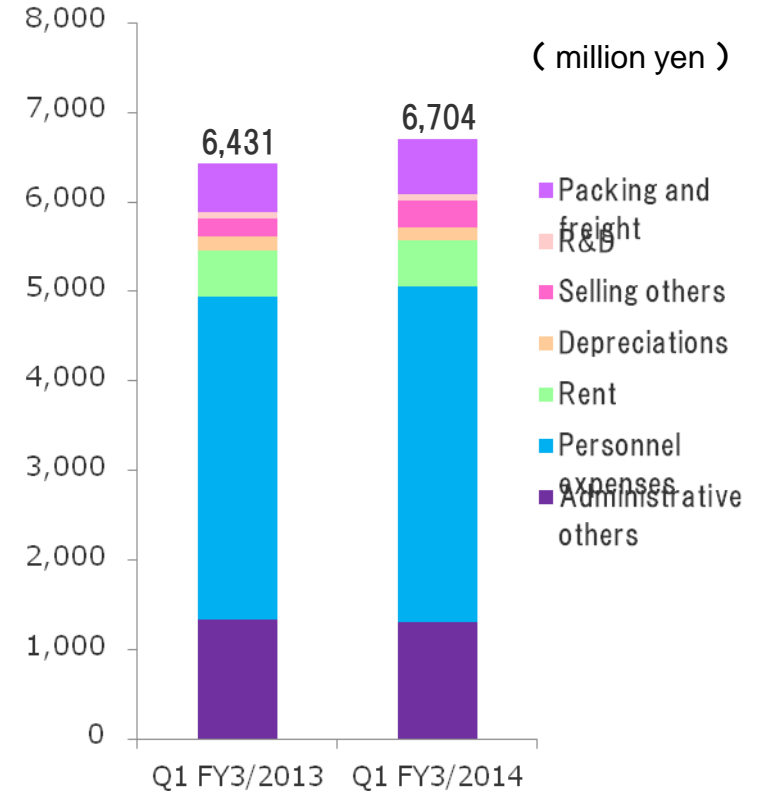
■ Semiconductor sales: Up 2,007 million yen (+16.5%)

Sales increased to 14,201 million yen mainly because of growth in orders in Japan for semiconductors used in amusement equipment.

Selling, General and Administrative Expenses

(million yen)

	1Q FY3/2012		1Q FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	546	8.5%	628	9.4%	81	15.0%
R&D	70	1.1%	58	0.9%	-12	-17.1%
Others	204	3.2%	303	4.5%	99	48.1%
Total selling expenses	821	12.8%	989	14.8%	168	20.5%
Depreciations	149	2.3%	145	2.2%	-3	2.5%
Rent	516	8.0%	522	7.8%	5	1.0%
Personnel expenses	3,601	56.0%	3,751	56.0%	149	4.2%
Others	1,341	20.8%	1,295	19.3%	-46	-3.4%
Total administrative	5,609	87.2%	5,714	85.2%	110	1.9%
Total SG&A expenses	6,432	100.0%	6,704	100.0%	273	4.3%



Summary

■ Selling, general and administrative expenses

Packing and freight: Up 82 million yen because of the growth in sales

Personnel expenses: Up 150 million yen

Financial Highlights

Consolidated Balance Sheets

(million yen)

	End of FY3/2013	End of FY6/2013	Change
Current assets	89,945	94,003	4,058
Cash and cash equivalents	12,258	15,201	2,943
Notes and account receivable-trade	54,580	52,048	-2,531
Merchandise and finished goods	14,075	15,780	1,704
Goods in progress	637	998	360
Raw materials and other supplies	4,065	4,728	662
Others	4,327	5,246	919
Fixed assets	21,943	22,642	699
Property, plant and equipment	10,559	11,066	507
Intangible assets	2,226	2,042	-184
Investments and other assets	9,157	9,533	375
Total assets	111,888	116,646	4,757

	End of FY3/2013	End of FY3/2013	Change
Current liabilities	53,355	58,072	4,716
Notes and accounts payable-trade	37,423	40,760	3,337
Short-term bank loans	9,567	11,187	1,620
Others	6,365	6,125	-240
Long-term liabilities	9,726	9,530	-196
Long-term bank loans	5,121	4,752	-369
Others	4,605	4,778	173
Total liabilities	63,082	67,602	4,520
Shareholders' equity			0
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	24,384	24,015	-369
Treasury stock	-535	-535	0
Valuation and translation adjustment	-1,238	-632	605
Minority interests	149	150	0
Total net assets	48,806	49,043	236
Total liabilities and net assets	111,888	116,646	4,757

Forecast for FY3/2014

Consolidated Statement of income

(million yen)

	FY3/2013(Actual)		FY3/2014(Plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	216,405	100.0%	230,000	100.0%	13,595	6.3%
Cost of sales	188,943	87.3%	201,000	87.4%	12,057	6.4%
Gross profit	27,462	12.7%	29,000	12.6%	1,538	5.6%
SG&A expenses	26,202	12.1%	27,200	11.8%	998	3.8%
Operating income	1,260	0.6%	1,800	0.8%	540	42.9%
Non-operating income	671	0.3%	500	0.2%	-171	-25.5%
Ordinary income	1,931	0.9%	2,300	1.0%	369	19.1%
Net income	444	0.2%	1,200	0.6%	756	170.3%

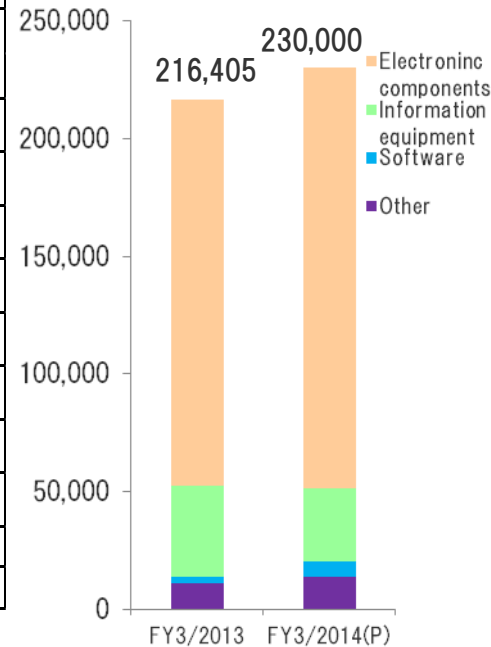
Forecast for FY3/2014(Consolidated Forecast by Segment)

(million yen)

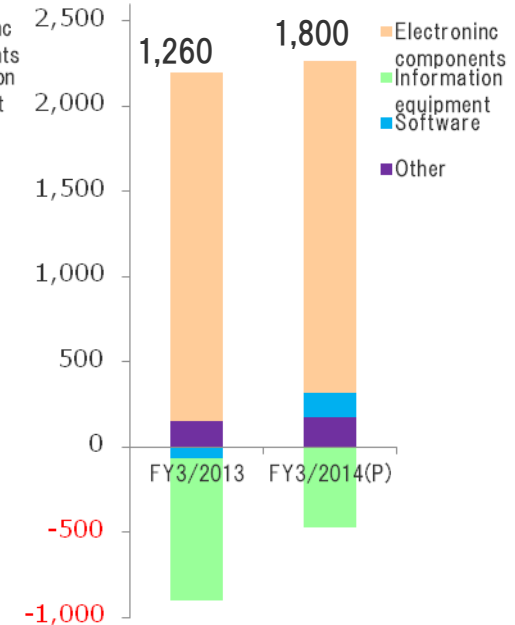
	FY3/2013(Actual)		FY3/2014(Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	164,164	75.9%	178,500	77.6%	14,336	8.7%
	2,040	-	1,950	-	-90	-4.4%
Information equipment	38,305	17.7%	31,000	13.5%	-7,305	-19.1%
	-836	-	-470	-	366	-
Software	2,874	1.3%	6,800	3.0%	3,926	136.6%
	-61	-	140	-	201	-
Other	11,060	5.1%	13,700	6.0%	2,640	23.9%
	157	-	180	-	23	14.6%
Total	216,405	100.0%	230,000	100.0%	13,595	6.3%
	1,260	-	1,800	-	540	42.9%

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

Net sales



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 higher sales mainly because of increases in EMS and semiconductor sales in Japan and EMS sales overseas.

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

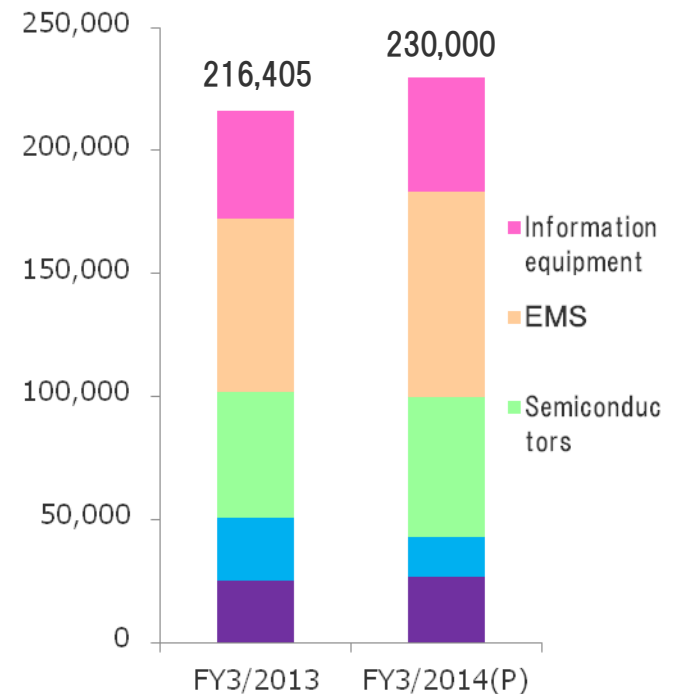
Forecast a decrease in sales because of a decline in sales of PCs and other products to consumers.

【Reference】 Forecast for FY3/2014(Net Sales by Product)

(million yen)

	FY3/2013(Actual)		FY3/2014(Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	44,147	20.4%	46,500	20.2%	2,353	5.3%
EMS	70,546	32.6%	84,000	36.5%	13,454	19.1%
Semiconductors	50,960	23.5%	56,500	24.6%	5,540	10.9%
General electronic components	25,636	11.8%	16,500	7.2%	-9,136	-35.6%
Others	25,113	11.6%	26,500	11.5%	1,387	5.5%
Total	216,405	100.0%	230,000	100.0%	13,595	6.3%

(million yen)



Summary

- **Information equipment**: Sales up 2,353 million yen year on year (+5.3%) mainly due to higher sales of current products, adding new products and growth of new businesses
- **EMS**: Sales up 13,454 million yen year on year (+19.1%) because of growth in EMS operations in Japan and overseas
- **Semiconductors**: Sales up 5,540 million yen year on year (+10.9%) mainly due to higher sales of semiconductors for amusement equipment, automobiles and communication equipment
- **General electronic components**: Sales down 9,136 million yen year on year (-35.6%) mainly due to lower orders for components used in digital consumer electronics products
- **Others**: Sales up 1,387 million yen year on year (+5.5%) mainly due to increases in computer graphics production, application software and game software sales

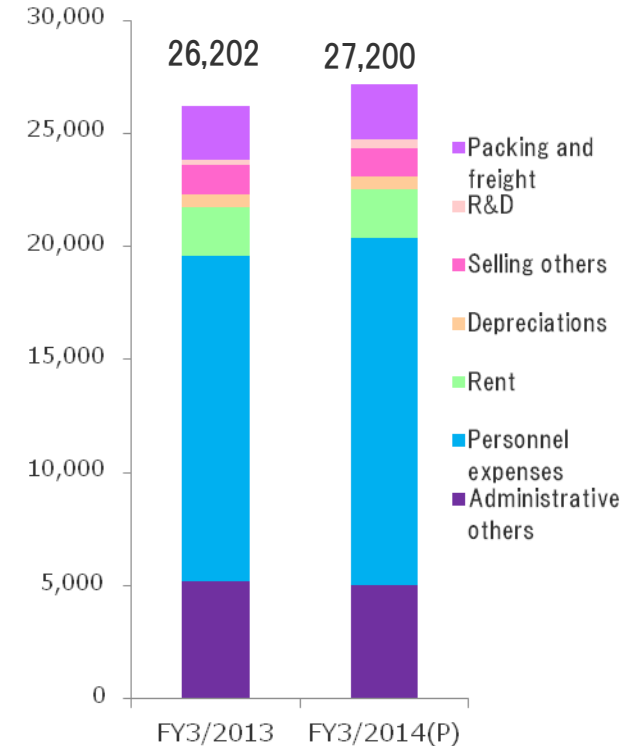
Forecast for FY3/2014

Selling, General and Administrative Expenses

(million yen)

	FY3/2013(Actual)		FY3/2014(Plan)		Changes
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,346	9.0%	2,446	9.0%	100
R&D	265	1.0%	422	1.6%	157
Others	1,306	5.0%	1,215	4.5%	-91
Total selling expenses	3,917	14.9%	4,083	15.0%	166
Depreciations	543	2.1%	569	2.1%	26
Rent	2,160	8.2%	2,186	8.0%	26
Personnel expenses	14,363	54.8%	15,329	56.4%	966
Others	5,217	19.9%	5,033	18.5%	-184
Total administrative expenses	22,283	85.0%	23,117	85.0%	834
Total SG&A expenses	26,202	100.0%	27,200	100.0%	998

(million yen)



Summary

■ Selling, general and administrative expenses

Packing and freight: Forecast a 100 million yen increase because of sales growth

R&D: Forecast a 157 million yen increase because of increases at KAGA ELECTRONICS, KAGA DEVICES and SI ELECTRONICS

Personnel expenses: Forecast a 966 million yen increase because of higher expenses at KAGA ELECTRONICS

Topics

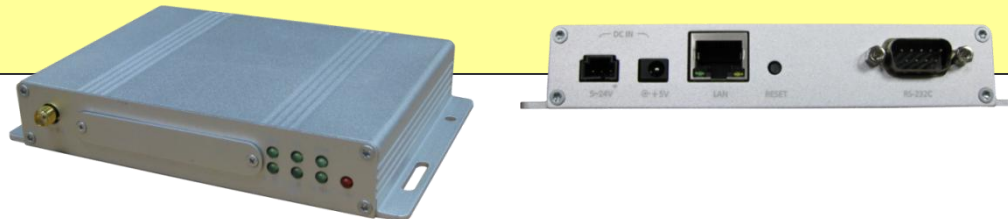
■ KAGA ELECTRONICS Starts Selling B2B Connector Communication Module for M2M Connectivity

KAGA ELECTRONICS has started selling a B2B connector wireless network card with a high-speed 3G modem made by u-blox AG (Switzerland), a supplier of semiconductor solutions for wireless communications. (announced April 17)



■ KAGA ELECTRONICS Starts Selling M2M 3G Adapter with Softbank Compatibility

KAGA ELECTRONICS has started selling a 3G adapter for M2M applications that can be used with the Softbank wireless network. (announced June 11)



⇒ New products to meet the rapidly growing demand for M2M connectivity

■ AGA SOLUTION NETWORK (KSN) Becomes Sales Agent for GENETEC

KSN has signed a sales agent agreement with Genetec, a Canadian company that produces video management software for digital surveillance cameras, and started selling this company's integrated digital surveillance camera management software, which is the market leader worldwide.
(announced June 18)

- KSN has been selling the products of Genetec in Japan for some time. Over the past three years, KSN has sold more than 4,000 Genetec cameras for data centers, large shopping centers, major hotels and other locations. KSN will use this sales agent agreement to aim for even more growth in sales of Genetec products.



Example of a video management software screen

■ KAGA ELECTRONICS and ITEC

Establish Alliance for Sale of Ermine Wireless Devices that Require No Battery

KAGA ELECTRONICS and ITEC Corporation have agreed to strengthen their sales alliance along with expansion of the lineup of the Ermine Series of sensors, switches and other products. (announced June 26)

- ITEC has been enlarging the lineup of the Ermine Series since introducing the first product in this series in April 2012. Now that the lineup has grown to the point of meeting the demands of customers, the decision was made to strengthen the sales alliance between KAGA ELECTRONICS and ITEC. The goal is to speed up the use of energy harvesting technologies in Japan.



■ KAGA SPORTS Opens Rooftop Batting Center near Akihabara Station on April 27

The center has become a popular new destination in Akihabara, attracting many people every day since its opening.



■ DIGITAL MEDIA LAB Movie Vegetable Fairy Quiz Theater Debuted on June 22

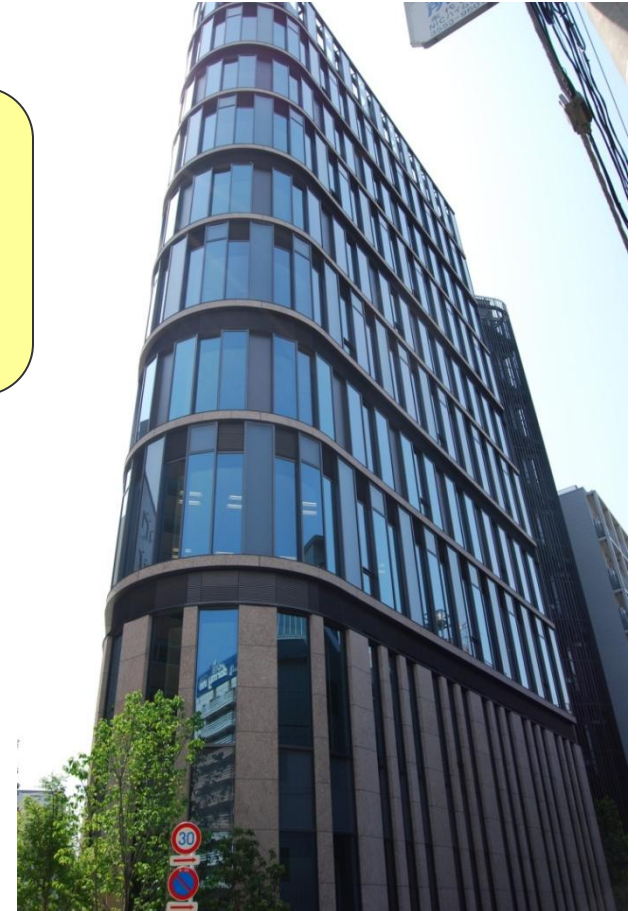


The movie was shown at 61 Warner MYCAL theaters throughout Japan. This “event movie” uses many techniques to be appealing to small children and was very successful.

■ Head Office of KAGA COMPONENTS and CyberFront move to Hatchobori, Chuo-ku, Tokyo

The two companies moved to a newly constructed building near the KAGA ELECTRONICS head office in Akihabara in order to continue growing as members of the KAGA ELECTRONICS Group.

■ Hatchobori Office
〒104-0032
KSK East Building
3-27-10 Hatchobori, Chuo-ku, Tokyo





Contact: Public Relations Department

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

TEL:03-4455-3131

FAX:03-3254-7132

E-mail: webmaster@taxan.co.jp

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