



# Report on Financial Result First Quarter of Fiscal Year 2015 April to Jun 2014

July.30,2014

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# **Financial Highlights**

## **First Quarter of Fiscal Year 2015**

**April to Jun 2014**  
**(Consolidated First Quarter)**

# Financial Highlights of First Quarter Ended June 2014

## Consolidated Statement of Income

( million yen )

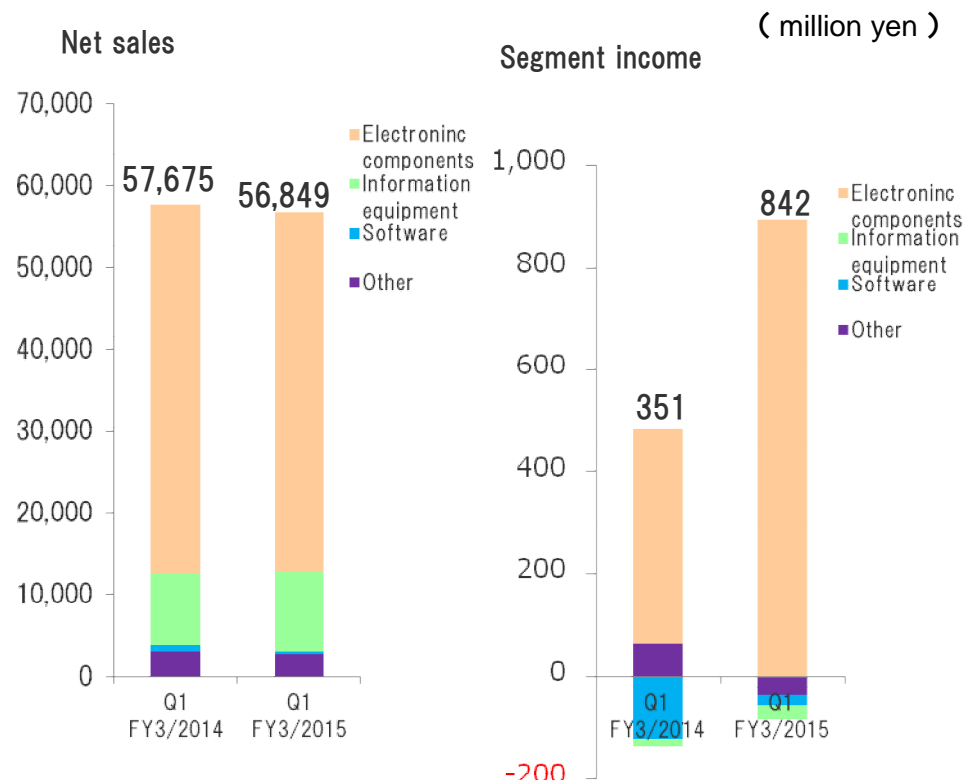
	1Q FY3/2014		1Q FY3/2015		Changes	
	Amount	Pct.	Amount	Pct.	Amonut	Pct.
Net Sales	57,675	100.0%	56,849	100.0%	-826	-1.4%
Cost of sales	50,619	87.8%	49,579	87.2%	-1,040	-2.1%
Gross profit	7,056	12.2%	7,269	12.8%	213	3.0%
SG&A expenses	6,704	11.6%	6,426	11.3%	-278	-4.1%
Operating income	351	0.6%	842	1.5%	491	139.9%
Non-operating income	237	0.4%	325	0.6%	88	37.1%
Non-operating expenses	69	0.1%	145	0.3%	76	110.1%
Ordinary income	520	0.9%	1,023	1.8%	503	96.7%
Extraordinary items	-74	-0.1%	-164	-0.3%	-90	-
Income before income taxaes	445	0.8%	859	1.5%	414	93.0%
Income taxes	286	0.5%	269	0.5%	-17	-5.9%
Income taxes-beferred	101	0.2%	134	0.2%	33	32.7%
Minority interests	2	0.0%	3	0.0%	1	50.0%
Net income	54	0.1%	451	0.8%	397	735.2%

# Comparison of Consolidated Sales by Business Category

( million yen )

	1Q FY3/2014		1Q FY3/2015		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	45,007	78.0%	44,004	77.4%	-1,003	-2.2%
	423	-	893	-	469	111.1%
Information equipment	8,893	15.4%	9,812	17.3%	920	10.3%
	-17	-	-26	-	-10	-
Software	723	1.3%	268	0.5%	-455	-62.9%
	-121	-	-21	-	100	-
Other	3,050	5.3%	2,763	4.9%	-287	-9.4%
	63	-	-36	-	-99	-
Total	57,675	100.0%	56,849	100.0%	-827	-1.4%
	351	-	842	-	491	139.9%

\* 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)

Domestic sales in Japan saw a decrease due to weak demand for electronic components, semiconductors, EMS and amusement related equipment. Sales in Japan also declined due to restructuring of the distribution channels. In contrast to Domestic sales, Overseas sales increased due to strong demand for electronic components, semiconductors and EMS for electronic devices. Although Overseas sales were above forecasts, the overall sales results were 44,004 million yen, a decline of approximately 20% from previous years Q1 results.

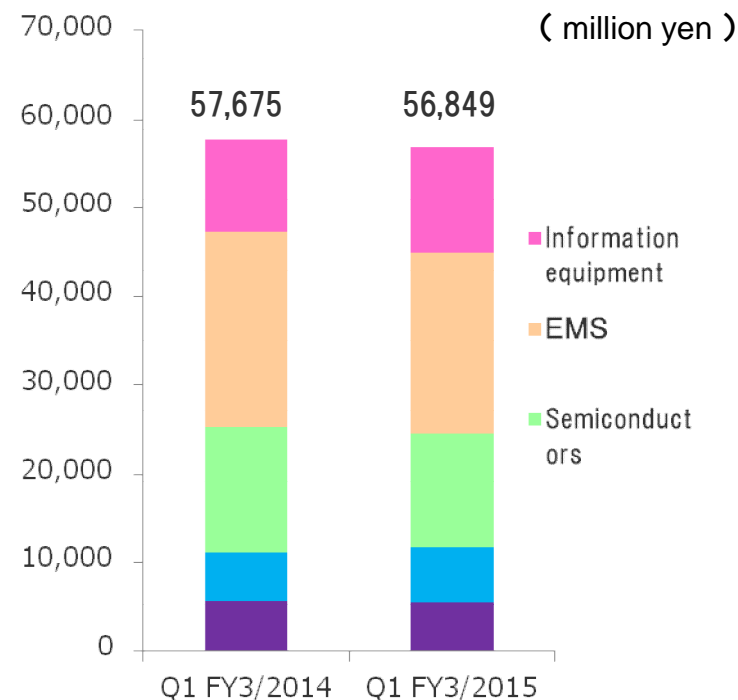
### ■ Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

Replacement demand of computers using Windows XP operating systems was the main reason for the sales increase in this segment. Thus, the business saw an increase in sales for consumer PC's and software. Increased demand was also seen in the public sector primarily sales to educational institutions. As a result, segment sales totaled 9,812M yen, which is an overall increase of 10% from previous years Q1 results.

# 【Reference】 Comparison of Consolidated Sales by Business Category

( million yen )

	1Q FY3/2014		1Q FY3/2015		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	10,342	17.9%	11,784	20.7%	1,441	13.9%
EMS	22,055	38.2%	20,546	36.1%	-1,509	-6.8%
Semiconductors	14,201	24.6%	12,881	22.7%	-1,321	-9.3%
Generalelectronic components	5,278	9.2%	5,982	10.5%	704	13.3%
Others	5,799	10.1%	5,656	9.9%	-142	-2.5%
<b>Total</b>	<b>57,675</b>	<b>100.0%</b>	<b>56,849</b>	<b>100.0%</b>	<b>-827</b>	<b>-1.4%</b>



## Summary

■ **Information equipment sales: Up 1,441 million yen (+13.9%)**

Sales increased to 11,784M yen due to strong demand in the areas of Personal PC's /Software and Education.

■ **EMS sales: Down 1,509million yen (-6.8%)**

Sales decreased to 20,546M yen due to a world-wide decrease in orders.

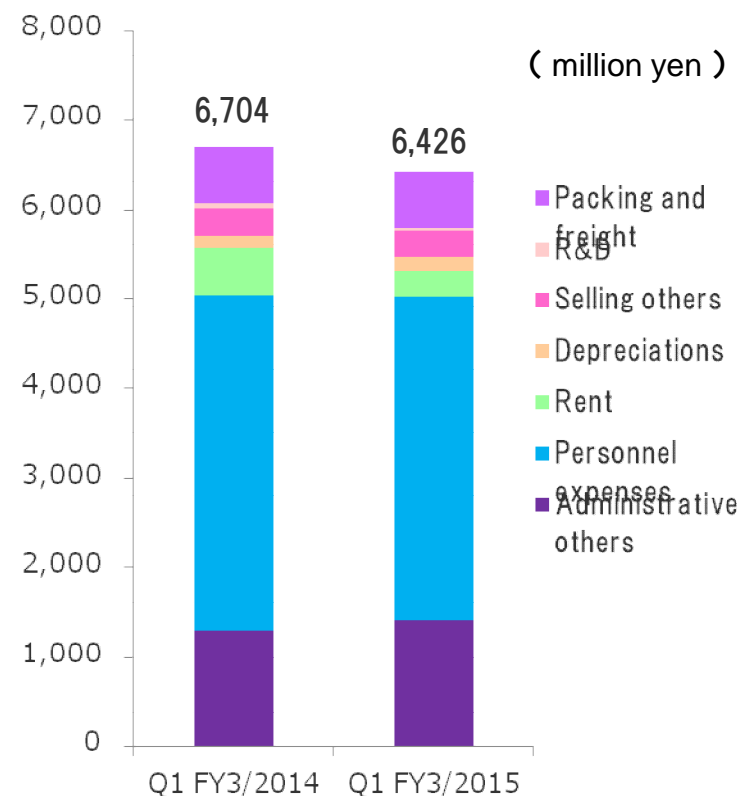
■ **Semiconductor sales: Down 1,321 million yen (-9.3%)**

Sales decreased to 12,881M yen due mainly to a demand decrease in amusement equipment field. We also believe that the recent restructuring of the distribution channels was a slight factor.

# Selling, General and Administrative Expenses

( million yen )

	1Q FY3/2014		1Q FY3/2015		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	628	9.4%	622	9.7%	-7	-1.0%
R&D	58	0.9%	32	0.5%	-26	-44.8%
Others	303	4.5%	299	4.7%	-4	48.1%
Total selling expenses	989	14.8%	953	14.8%	-36	-3.6%
Depreciations	144	2.1%	164	2.6%	21	2.5%
Rent	522	7.8%	288	4.5%	-235	1.0%
Personnel expenses	3,751	56.0%	3,607	56.1%	-145	-3.8%
Others	1,295	19.3%	1,414	22.0%	119	9.2%
Total administrative	5,714	85.2%	5,473	85.2%	110	-4.2%
Total SG&A expenses	6,704	100.0%	6,426	100.0%	-277	4.3%



## Summary

### ■ Selling, general and administrative expenses

The relocation of our corporate office led to a decrease in our rent expense of 234M yen compared to the previous year.

Also, Personnel expenses have decreased 144M yen, compared to the prior year.

# Financial Highlights

## Consolidated Balance Sheets

( million yen )

	End of FY3/2014	End of FY6/2014	Change
<b>Current assets</b>	102,930	93,863	-9,067
Cash and cash equivalents	14,192	15,685	1,493
Notes and account receivable-trade	60,667	49,820	-10,846
Merchandise and finished goods	16,378	16,937	558
Goods in progress	848	1,290	441
Raw materials and other supplies	3,991	4,308	316
Others	6,850	5,823	-1,027
<b>Fixed assets</b>	23,098	22,870	-228
Property, plant and equipment	12,625	12,274	-351
Intangible assets	1,533	1,449	-84
Investments and other assets	8,938	9,146	207
<b>Total assets</b>	126,028	116,733	-9,296

	End of FY3/2014	End of FY6/2014	Change
<b>Current liabilities</b>	63,410	54,653	-8,758
Notes and accounts payable-trade	41,695	36,032	-5,663
Short-term bank loans	12,172	10,951	-1,221
Others	9,540	7,670	-1,870
<b>Long-term liabilities</b>	9,792	9,360	-432
Long-term bank loans	4,681	4,324	-357
Others	5,111	5,036	-75
<b>Total liabilities</b>	73,202	64,014	-9,188
<b>Shareholders' equity</b>	52,923	52,998	75
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	27,414	27,489	75
Treasury stock	-536	-536	0
Valuation and translation adjustment	-137	-323	-187
<b>Minority interests</b>	39	43	3
<b>Total net assets</b>	52,825	52,719	-107
<b>Total liabilities and net assets</b>	126,028	116,733	-9,296

# Forecast for FY3/2015



## Forecast for FY3/2015

### Consolidated Statement of income

( million yen )

	FY3/2014(Actual)		FY3/2015(Plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
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%

# Forecast for FY3/2015(Consolidated Forecast by Segment)

( 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	-	4,000	-	195	5.1%
Information equipment	46,505	18.0%	43,000	16.5%	-3,505	-7.5%
	866	-	700	-	-166	-
Software	3,306	1.3%	3,000	1.2%	-306	-9.3%
	79	-	150	-	71	-
Other	13,258	5.1%	14,000	5.4%	742	5.6%
	410	-	450	-	40	9.8%
Total	257,852	100.0%	260,000	100.0%	2,148	0.8%
	5,106	-	5,300	-	194	3.8%

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

## Summary

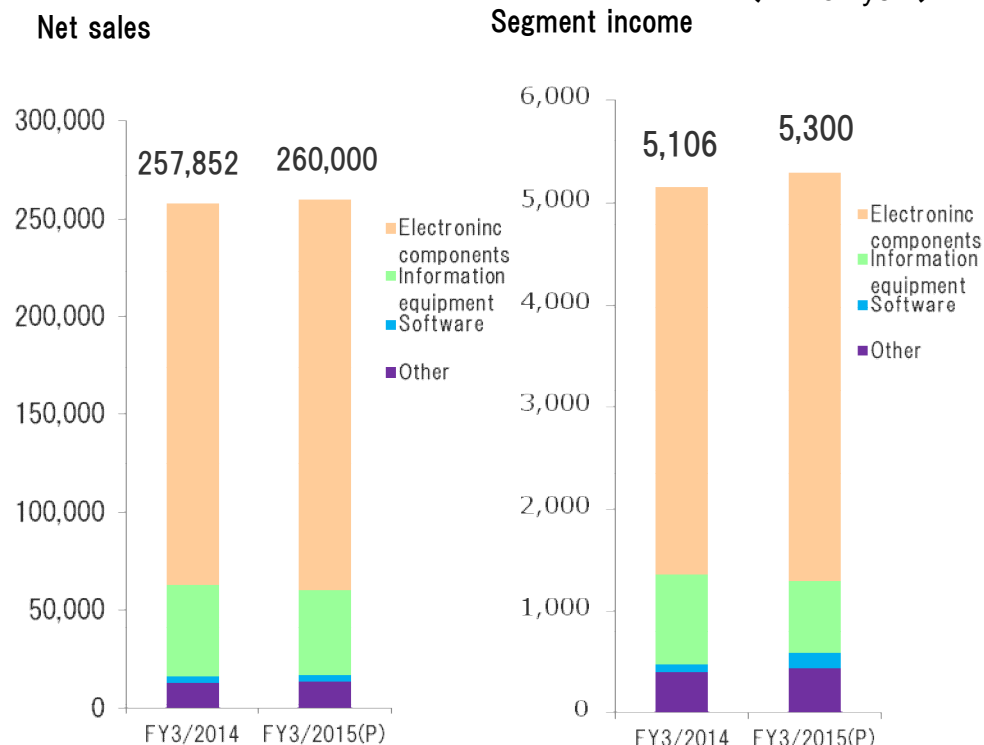
### ■ Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, electronic manufacturing service (EMS), and other activities)

Expected growth in Overseas sales of electronic components, semiconductors and EMS for Amusement equipment has allowed us to forecast higher sales and earnings for next quarter.

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

Although we saw an increase in sales this past quarter resulting in strong demand for replacement PC's for computers running Windows XP operating systems, we expect the demand to be temporary. As a result, we will forecast lower sales and earnings for the next quarter.

( million yen )

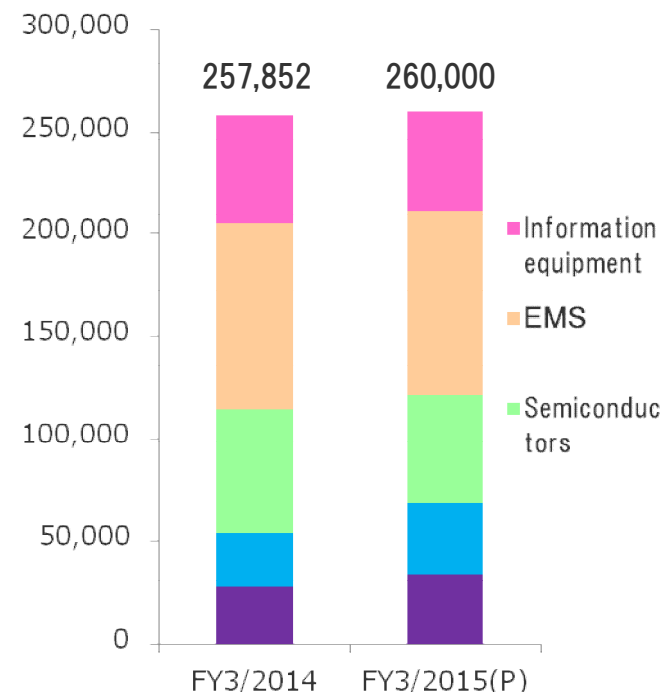


# 【Reference】 Forecast for FY3/2015(Net Sales by Product)

( million yen )

	FY3/2014(Actual)		FY3/2015(Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	52,874	20.5%	49,000	18.8%	-3,874	-7.3%
EMS	90,123	35.0%	89,300	34.3%	-823	-0.9%
Semiconductors	60,654	23.5%	52,900	20.3%	-7,754	-12.8%
General electronic components	26,825	10.4%	34,900	13.4%	8,075	30.1%
Others	27,375	10.6%	33,900	13.0%	6,525	23.8%
<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>

( million yen )



## Summary

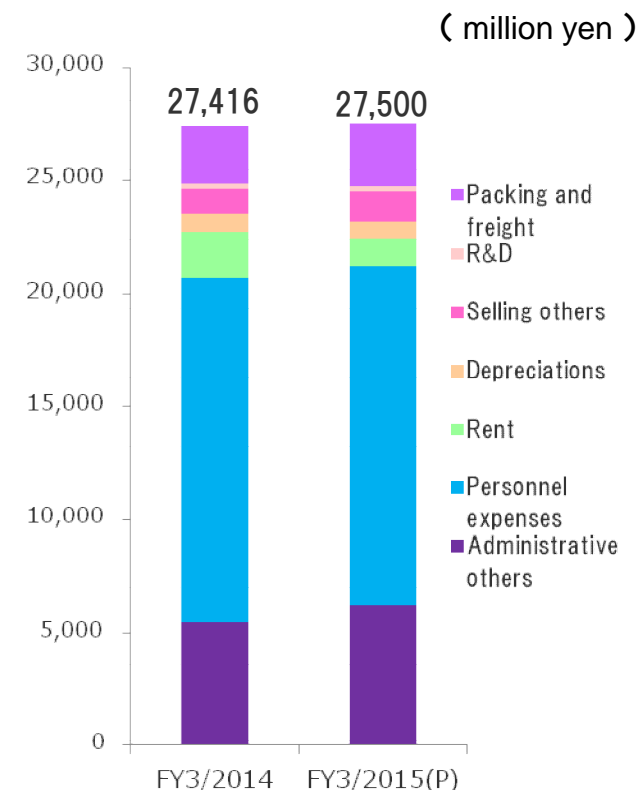
- **Information equipment**: Sales decrease 3,874M yen(-7.3%), as we expect slowing in the Consumer PC market.
- **EMS**: Sales decrease 823M yen(-0.9%), due to decreasing sales in amusement equipment
- **Semiconductors**: Sales decrease 7,754M yen(-12.8%), due to decreasing sales in amusement equipment and also due to the restructuring of the distribution channels.
- **General electronic components**: Sales increase 8,075M yen(+30.1%), due to expected sales increase world- wide for amusement equipment.
- **Others**: Sales increase 6,525M yen(+23.8%). We expect an increase in demand for computer graphics design, game software and application software.

# Forecast for FY3/2014

## Selling, General and Administrative Expenses

( million yen )

	FY3/2014(Actual)		FY3/2015(Plan)		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	5,491	20.0%	6,200	22.5%	709
<b>Total administrative expenses</b>	<b>23,541</b>	<b>85.9%</b>	<b>23,200</b>	<b>84.4%</b>	<b>-341</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

Decrease in rent by 811M yen due to relocation of our corporate office.  
Decrease in personnel expenses by 211M yen.

# Topics

# Topics – Expansion of Overseas Network

## ■ Subsidiary in Indonesia

A subsidiary was established in Indonesia in May 2014 for the purpose of expanding EMS operations in Asia.

Name	PT. KAGA ELECTRONICS INDONESIA
CEO	Hironaga Nagasaka
Location	Jakarta, Indonesia
Established	May 13, 2014
Employees	2
Activities	Manufacture and sales of electronic devices, electric devices and other products
Capital	6,058,000 rupiah



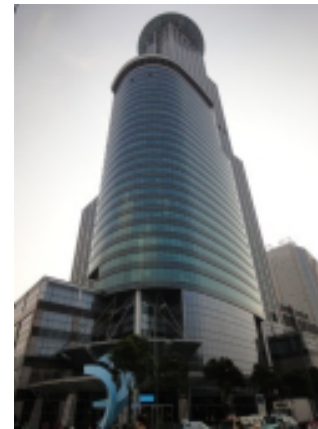
With bases in Thailand and Indonesia for EMS operations in Eastern Asia, KAGA ELECTRONICS is aiming for more growth in this region.

## Topics – Expansion of Overseas Network

### ■ Operations start at AD DEVICE (SHANGHAI)

KAGA ELECTRONICS Group member AD DEVICE, which specializes in automotive products, established AD DEVICE (SHANGHAI) in China in November 2013 and this company started full-scale operations in April 2014.

Name	AD DEVICE (SHANGHAI) CO., LTD.
CEO	Yoshifumi Tsuji
Location	Shanghai, China
Established	November 2013
Employees	3
Activities	Sales of Toshiba semiconductors, storage products and electronic components
Capital	US\$400,000



The Shanghai subsidiary plans to assemble a sales network in China for the automotive products business. The goal is annual sales of 5 billion yen in the fifth year of operations.



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