

## Summary of Consolidated Financial Results For the First Quarter Ended June 30, 2013 [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, 2013
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 2014 (April 1, 2013 – June 30, 2013)

(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 2013	57,675	16.1	351	-	520	-	54	-
First quarter ended June 2012	49,686	(9.7)	(289)	-	(282)	-	(350)	-

Note: Comprehensive income: First quarter of FY3/2014: 661 million yen [-%], First quarter of FY3/2013: (865) million yen [-%]

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First quarter ended June 2013	1.94		-	
First quarter ended June 2012	(12.71)		-	

## (2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of June 30, 2013	116,646		49,043		41.9	
As of March 31, 2013	111,888		48,806		43.5	

Reference: Shareholders' equity

As of June 30, 2013: 48,893 million yen As of March 31, 2013 48,656 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 2013	-	15.00	-	15.00	30.00
Fiscal year ending March 2014	-				
Fiscal year ending March 2014 (est.)		15.00	-	15.00	30.00

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

### 3. Forecast for the fiscal year ending March 2014 (Consolidated, April 1, 2013 to March 31, 2014)

(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	114,000	9.8	100	-	300	-	(200)	-	(7.08)
Full year	230,000	6.3	1,800	42.8	2,300	19.1	1,200	169.8	42.47

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

Please refer "Notice of Revision in Forecast for Fiscal Year Ending March 2014" announced on 31 July, 2013.

**\* 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: None
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of June 30, 2013:	28,702,118	As of March 31, 2013:	28,702,118
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(b) Treasury stock

As of June 30, 2013:	444,046	As of March 31, 2013:	443,831
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2013:	28,258,153	Period ended June 30, 2012:	27,596,898
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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, there were signs of a recovery of the Japanese economy. The yen weakened and stock prices rose because of expectations about the benefits of economic measures by the new government and monetary easing by the Bank of Japan. However, there are still sources of uncertainty about the Japanese economy. There are concerns about slowing overseas economic growth, partly because of slowing growth in China and the sluggish European economy, and the weaker yen is making raw materials more costly in Japan.

In the electronics industry, which the KAGA ELECTRONICS Group belongs to, sales of portable information devices like smartphones and tablets are strong. But the demand is weak in the markets for digital consumer electronics and information equipment, particularly personal computers and peripherals. As a result, the operating environment in this industry remained difficult.

In this environment, the KAGA ELECTRONICS Group worked on strengthening ties among group companies, increasing sales to current large customers and adding new products. Taking these and other actions resulted in growth in sales in the amusement equipment sector, overseas EMS\* sales and sales in other categories.

First quarter consolidated net sales were 57,675 million yen, 16.1% higher than one year earlier. Operating income was 351 million yen compared with a 289 million yen loss one year earlier, ordinary income was 520 million yen compared with a 282 million yen loss one year earlier, and net income was 54 million yen compared with a 350 million yen net loss one year earlier.

\* EMS: Electronics Manufacturing Service is a term used for the provision of product development and manufacturing services on an outsourcing basis.

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)

There were higher sales in Japan for EMS involving amusement equipment and for semiconductors. Overseas EMS sales increased, too. The result was a 20.4% increase in segment sales from one year earlier to 45,007 million yen and a 316.9% increase in operating income to 423 million yen.

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

Actions were taken to increase sales of existing products and add new products. Sales increased for personal computers and software for schools and for environmental products and some other products. But sales of personal computers to consumers decreased because of the increasing use of smartphones, tablets and other mobile devices. As a result, sales decreased 3.1% from one year earlier to 8,893 million yen. The operating loss was 17 million yen compared with a 193 million yen loss one year earlier.

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

Activities in this segment focused on the production of computer graphics for animation applications, image processing for amusement equipment and game software development and sales. Sales were 723 million yen, 13.7% higher than one year earlier, the operating loss decreased to 121 million yen from 169 million yen one year earlier.

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

Sales of amusement machines to arcades in Japan recovered and there were strong sales of golf products and other products in this segment. As a result, sales increased 21.9% from one year earlier to 3,050 million yen. Operating income was 63 million yen compared with a 21 million yen loss one year earlier.

### (2) Overview of financial condition

#### Assets, liabilities and net assets

Assets totaled 116,646 million yen at the end of the first quarter, 4,757 million yen higher than at the end of the previous fiscal year mainly because of increases in cash and deposits in current assets.

Liabilities increased 4,520 million yen to 67,602 million yen mainly because of an increase in notes and accounts payable-trade in current liabilities.

Net assets increased 236 million yen to 49,043 million yen. This was primarily the result of an increase in the foreign currency translation adjustment caused by foreign exchange rate movements.

(3) Forecast

(a) Consolidated forecast for the first half ending September 2013 (April 1, 2013 – September 30, 2013)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
Previous forecast (A)	Million yen 104,000	Million yen (600)	Million yen (300)	Million yen (500)	Yen (17.69)
Revised forecast (B)	114,000	100	300	(200)	(7.08)
Difference (B-A)	10,000	700	600	300	-
Pct. change (%)	9.6	-	-	-	-
(Ref.) Previous first half (first half ended September 30, 2012)	103,845	(470)	(355)	(1,373)	(49.79)

(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 Japan and overseas are higher than initially expected.

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:

None

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	First quarter ended June 2013 (As of June 30, 2013)
<b>ASSETS</b>		
Current assets		
Cash and deposits	12,258	15,201
Notes and accounts receivable-trade	54,580	52,048
Short-term investment securities	111	111
Merchandise and finished goods	14,075	15,780
Work in process	637	998
Raw materials and supplies	4,065	4,728
Deferred tax assets	482	835
Other	3,823	4,383
Allowance for doubtful accounts	(90)	(83)
Total current assets	89,945	94,003
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	3,126	3,093
Machinery, equipment and vehicles, net	1,714	1,690
Tools, furniture and fixtures, net	805	873
Land	4,305	4,305
Construction in progress	606	1,103
Total property, plant and equipment	10,559	11,066
Intangible assets		
Goodwill	799	752
Software	435	393
Other	991	896
Total intangible assets	2,226	2,042
Investments and other assets		
Investment securities	4,491	4,879
Deferred tax assets	472	452
Other	5,239	5,270
Allowance for doubtful accounts	(1,046)	(1,068)
Total investments and other assets	9,157	9,533
Total noncurrent assets	21,943	22,642
Total assets	111,888	116,646

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	First quarter ended June 2013 (As of June 30, 2013)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	37,423	40,760
Short-term loans payable	9,567	11,187
Income taxes payable	1,055	588
Other	5,309	5,535
Total current liabilities	53,355	58,072
Noncurrent liabilities		
Long-term loans payable	5,121	4,752
Provision for retirement benefits	1,643	1,475
Provision for directors' retirement benefits	1,398	1,403
Other	1,562	1,900
Total noncurrent liabilities	9,726	9,530
Total liabilities	63,082	67,602
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	24,384	24,015
Treasury stock	(535)	(535)
Total shareholders' equity	49,895	49,526
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(180)	(59)
Deferred gains or losses on hedges	(6)	(0)
Foreign currency translation adjustment	(1,052)	(572)
Total accumulated other comprehensive income	(1,238)	(632)
Minority interests	149	150
Total net assets	48,806	49,043
Total liabilities and net assets	111,888	116,646

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
For the first quarter (April 1, 2013 – June 30, 2013)

(Million yen)

	First quarter ended June 2012 (April 1, 2012 – June 30, 2012)	First quarter ended June 2013 (April 1, 2013 – June 30, 2013)
Net sales	49,686	57,675
Cost of sales	43,545	50,619
Gross profit	6,141	7,056
Selling, general and administrative expenses	6,431	6,704
Operating income (loss)	(289)	351
Non-operating income		
Interest income	11	18
Dividends income	36	50
Commission fee	46	33
Other	90	135
Total non-operating income	185	237
Non-operating expenses		
Interest expenses	32	32
Foreign exchange losses	118	-
Loss on investments in partnership	9	21
Other	16	15
Total non-operating expenses	177	69
Ordinary income (loss)	(282)	520
Extraordinary income		
Gain on sales of noncurrent assets	2	1
Total extraordinary income	2	1
Extraordinary loss		
Loss on retirement of noncurrent assets	1	1
Loss on valuation of investment securities	82	73
Loss on valuation of golf club membership	1	-
Other	0	1
Total extraordinary loss	85	76
Income (loss) before income taxes	(365)	445
Income taxes-current	195	286
Income taxes-deferred	(178)	101
Total income taxes	17	388
Income (loss) before minority interests	(383)	57
Minority interests in income (loss)	(32)	2
Net income (loss)	(350)	54
Minority interests in income (loss)	(32)	2
Income (loss) before minority interests	(383)	57



(Million yen)

	First quarter ended June 2012 (April 1, 2012 – June 30, 2012)	First quarter ended June 2013 (April 1, 2013 – June 30, 2013)
Other comprehensive income		
Valuation difference on available-for-sale securities	(88)	121
Deferred gains or losses on hedges	28	5
Foreign currency translation adjustment	(422)	476
Total other comprehensive income	(482)	603
Comprehensive income	(865)	661
Comprehensive income attributable to owners of the parent	(838)	660
Comprehensive income attributable to minority interests	(27)	0

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

(Significant change in shareholders' equity)  
None

(Segment information)

I For the first quarter ended June 2012 (Apr. 1, 2012 – June 30, 2012)

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	37,366	9,180	636	2,503	49,686	-	49,686
of which inter- segment	246	209	209	839	1,505	(1,505)	-
Total	37,612	9,390	846	3,342	51,192	(1,505)	49,686
Segment income (loss)	101	(193)	(169)	(21)	(282)	(7)	(289)

Notes:

1. The adjustment reducing segment income by 7 million yen includes amounts for intersegment cancellation of 9 million yen and for goodwill amortization of -16 million.
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 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.
2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income and consolidated statements of comprehensive income.