

Summary of Consolidated Financial Results For the First Half Ended September 30, 2013 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
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Date of quarterly securities report (tentative):	November 14, 2013
Date of commencement of dividend payment (tentative):	December 6, 2013
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes (for institutional investors)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2014 (April 1, 2013 – September 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 half ended September 2013	122,077	17.6	2,194	-	2,437	-	1,352	-
First half ended September 2012	103,845	(10.7)	(470)	-	(355)	-	(1,373)	-

Note: Comprehensive income: First half ended September 2013: 2,100 million yen (-%),

First half ended September 2012: (2,053) million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First half ended September 2013	47.88		-	
First half ended September 2012	(49.79)		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of September 30, 2013	116,658		50,364		43.1	
As of March 31, 2013	111,888		48,806		43.5	

Notes: Shareholders' equity As of September 30, 2013: 50,327 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	-	15.00	-	-	-
Fiscal year ending March 2014 (est.)	-	-	-	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
Full year	247,000	14.1	3,600	185.7	4,300	122.6	2,200	394.6	77.85

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 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 September 30, 2013: 28,702,118 As of March 31, 2013: 28,702,118

(b) Treasury stock

As of September 30, 2013: 444,319 As of March 31, 2013: 443,831

(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2013: 28,258,039 Period ended September 30, 2012: 27,596,838

* Description of quarterly review procedure implementation status

It is under the quarterly review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

* 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 half of the fiscal year, the Japanese economy recovered at a moderate pace despite lingering signs of uncertainty about the global economy, such as slowing growth in China and weakness in the European economy. Economic measures by the Japanese government and the Bank of Japan's monetary easing led to higher corporate earnings and a rebound in consumer spending as the yen weakened and stock prices rose.

In the electronics industry, there are strong sales of mobile devices like smartphones and tablets and of automotive components. However, the operating environment was difficult because of a continuation in sluggish demand for digital consumer electronics and information equipment, chiefly personal computers and peripherals.

In this environment, the KAGA ELECTRONICS Group reinforced collaboration among group companies, worked on increasing sales to major current customers, added new products and took other actions. At the same time, there were reviews of unprofitable businesses and cost-cutting measures.

First half consolidated net sales increased 17.6% from one year earlier to 122,077 million yen. Operating income was 2,194 million yen compared with a 470 million yen loss one year earlier and ordinary income was 2,437 million yen compared with a 355 million yen loss one year earlier. Net income improved from a loss of 1,373 million yen to a profit of 1,352 million yen.

Business segment performance was as follows.

(a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, electronics 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 a 21.6% increase in segment sales from one year earlier to 94,595 million yen and a 365.7% increase in operating income to 1,601 million yen.

* 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 have declined because of the popularity of smartphones, tablets and other mobile devices. Group companies worked on increasing sales of current products and adding new ones. There were higher sales of products for the home, personal computers and software for schools, environmental products and other products. As a result, segment sales increased 2.6% to 19,767 million yen and operating income was 184 million yen compared with a 337 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 1,548 million yen, 3.8% higher than one year earlier and operating income was 231 million yen from 403 million yen loss 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 increased and there were strong sales of golf products and other products in this segment. As a result, sales increased 16.3% from one year earlier to 6,165 million yen. Operating income was 175 million yen compared with a 27 million yen loss one year earlier.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets totaled 116,658 million yen at the end of the first half, 4,769 million yen more than at the end of the previous fiscal year mainly because of increases in cash and deposits and inventories.

Liabilities increased 3,211 million yen to 66,293 million yen mainly because of an increase in notes and accounts payable-trade.

Net assets increased 1,557 million yen to 50,364 million yen mainly because of the first half net income.

(b) Cash flows

There was a net increase of 2,217 million yen in cash and cash equivalents from the end of the previous fiscal year to 14,096 million yen at the end of the first half.

(Operating activities)

Net cash provided by operating activities was 3,772 million yen compared with 3,293 million yen one year earlier. The main source of cash was income before income taxes and minority interests.

(Investing activities)

Net cash used in investing activities decreased from 3,695 million yen to 1,033 million yen. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities increased from 258 million yen to 708 million yen. Repayments of long-term loans payable were the primary use of cash.

(3) Forecast

There are no revisions to the forecast for the fiscal year ending on March 31, 2014 that was announced on October 22, 2013 in a press release titled "Notice of Revisions in First Half and Fiscal Year Forecasts."

2. Other Information

(1) Changes in significant subsidiaries:

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:

None

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	First half ended September 2013 (As of September 30, 2013)
ASSETS		
Current assets		
Cash and deposits	12,258	14,538
Notes and accounts receivable-trade	54,580	54,479
Short-term investment securities	111	110
Merchandise and finished goods	14,075	15,400
Work in process	637	1,068
Raw materials and supplies	4,065	3,914
Deferred tax assets	482	677
Other	3,823	4,324
Allowance for doubtful accounts	(90)	(102)
Total current assets	89,945	94,410
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	3,126	3,098
Machinery, equipment and vehicles, net	1,714	1,622
Tools, furniture and fixtures, net	805	733
Land	4,305	4,328
Construction in progress	606	1,096
Total property, plant and equipment	10,559	10,880
Intangible assets		
Goodwill	799	784
Software	435	394
Other	991	820
Total intangible assets	2,226	1,999
Investments and other assets		
Investment securities	4,491	4,796
Deferred tax assets	472	414
Other	5,239	5,168
Allowance for doubtful accounts	(1,046)	(1,011)
Total investments and other assets	9,157	9,367
Total noncurrent assets	21,943	22,247
Total assets	111,888	116,658

(Million yen)

	Fiscal year ended March 2013 (As of March 31, 2013)	First half ended September 2013 (As of September 30, 2013)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	37,423	39,223
Short-term loans payable	9,567	10,141
Income taxes payable	1,055	941
Other	5,309	6,785
Total current liabilities	53,355	57,091
Noncurrent liabilities		
Long-term loans payable	5,121	4,395
Provision for retirement benefits	1,643	1,458
Provision for directors' retirement benefits	1,398	1,393
Other	1,562	1,955
Total noncurrent liabilities	9,726	9,202
Total liabilities	63,082	66,293
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	24,384	25,313
Treasury stock	(535)	(535)
Total shareholder's equity	49,895	50,823
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	(180)	38
Deferred gains or losses on hedges	(6)	0
Foreign currency translation adjustments	(1,052)	(535)
Total accumulated other comprehensive income	(1,238)	(496)
Minority interests	149	37
Total net assets	48,806	50,364
Total liabilities and net assets	111,888	116,658

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income

For the first half (April 1, 2013 – September 30, 2013)

(Million yen)

	First half ended September 2012 (April 1, 2012 – September 30, 2012)	First half ended September 2013 (April 1, 2013 – September 30, 2013)
Net sales	103,845	122,077
Cost of sales	91,515	106,348
Gross profit	12,329	15,728
Selling, general and administrative expenses	12,800	13,534
Operating income (loss)	(470)	2,194
Non-operating income		
Interest income	20	26
Dividends income	42	56
Commission fee	117	103
Foreign exchange gains	-	15
Other	252	193
Total non-operating income	432	396
Non-operating expenses		
Interest expenses	66	64
Foreign exchange losses	188	-
Loss on investments in partnership	25	54
Other	38	34
Total non-operating expenses	318	153
Ordinary income (loss)	(355)	2,437
Extraordinary income		
Gain on sales of noncurrent assets	4	1
Gain on sales of investment securities	-	5
Gain on sales of subsidiaries and affiliates' stocks	6	-
Total extraordinary income	10	6
Extraordinary loss		
Loss on retirement of noncurrent assets	2	15
Loss on valuation of investment securities	184	34
Impairment loss	122	-
Loss on valuation of golf club membership	25	-
Office transfer expenses	-	26
Other	0	12
Total extraordinary loss	334	90
Income (loss) before income taxes and minority interests	(680)	2,354
Income, inhabitants and enterprise taxes	530	757
Income tax adjustment	238	236
Total income taxes	769	994
Income (loss) before minority interests	(1,449)	1,360
Minority interests in income (loss)	(75)	7
Net income (loss)	(1,373)	1,352
Minority interests in income (loss)	(75)	7
Income (loss) before minority interests	(1,449)	1,360

	First half ended September 2012 (April 1, 2012 – September 30, 2012)	First half ended September 2013 (April 1, 2013 – September 30, 2013)
Other comprehensive income		
Valuation difference on available-for-sale securities	(134)	219
Deferred gains or losses on hedges	26	6
Foreign currency translation adjustment	(495)	514
Total other comprehensive income	(603)	740
Comprehensive income	(2,053)	2,100
Comprehensive income attributable to owners of the parent	(1,984)	2,094
Comprehensive income attributable to minority interests	(68)	5

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended September 2012 (April 1, 2012 - September 30, 2012)	First half ended September 2013 (April 1, 2013 - September 30, 2013)
Operating activities		
Income (loss) before income taxes	(680)	2,354
Depreciation and amortization	1,260	1,006
Impairment loss	122	-
Amortization of goodwill	2	57
Increase (decrease) in allowance for doubtful accounts	(384)	(26)
Interest and dividends income	(62)	(83)
Interest expenses	66	64
Loss (gain) on valuation of investment securities	184	34
Decrease (increase) in notes and accounts receivable-trade	11,444	806
Decrease (increase) in inventories	(570)	(1,284)
Decrease (increase) in accounts receivable-other	829	46
Decrease (increase) in advance payments	618	(791)
Increase (decrease) in notes and accounts payable-trade	(8,312)	1,209
Increase (decrease) in accounts payable-other and accrued expenses	(280)	27
Increase (decrease) in other current liabilities	(465)	1,323
Other, net	143	(87)
Sub-total	3,914	4,658
Interest and dividends income received	63	82
Interest expenses paid	(66)	(65)
Income taxes paid	(1,312)	(905)
Other, net	693	2
Net cash provided by (used in) operating activities	3,293	3,772
Investing activities		
Purchase of property, plant and equipment	(1,415)	(940)
Purchase of intangible assets	(205)	(50)
Purchase of investment securities	(525)	(351)
Proceeds from sales of investment securities	30	497
Purchase of investments in subsidiaries	(43)	(184)
Payments for merger	(350)	-
Payments of short-term loans receivable	(1,208)	(2)
Payments for guarantee deposits	(26)	(51)
Proceeds from collection of guarantee deposits	21	68
Other payments	(105)	(177)
Other proceeds	133	158
Net cash provided by (used in) investing activities	(3,695)	(1,033)
Financing activities		
Net increase (decrease) in short-term loans payable	1,152	1,204
Repayment of long-term loans payable	(906)	(1,425)
Cash dividends paid	(413)	(423)
Other, net	(90)	(64)
Net cash provided by (used in) financing activities	(258)	(708)
Effect of exchange rate change on cash and cash equivalents	(129)	186
Net increase (decrease) in cash and cash equivalents	(789)	2,217
Cash and cash equivalents, beginning of period	9,695	11,878
Cash and cash equivalents, end of period	8,905	14,096

(4) Notes to quarterly consolidated financial statement

(Notes to ongoing concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information)

I. For the first half ended September 2012 (April 1, 2012 – September 30, 2012)

1. Information about sales and income (loss) by reporting segments

(Million yen)

	Reporting segments					Adjustments (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)	77,783	19,270	1,491	5,299	103,845	—	103,845
(of which inter- segment)	671	349	766	1,164	2,952	(2,952)	—
Total	78,455	19,619	2,258	6,464	106,798	(2,952)	103,845
Segment income (loss)	343	(337)	(403)	(27)	(424)	(46)	(470)

- Notes:
1. Adjustment in segment income of -46 million yen includes -12 million yen for elimination of inter-segment trade and -33 million yen for amortization of goodwill.
 2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income and consolidated statements of comprehensive income.

2. Reportable segment information concerning impairment losses or goodwill amortization

(Significant impairment losses for noncurrent assets)

In the information equipment segment, an impairment loss was posted for business assets in association with a decline in earnings. This impairment loss was 122 million yen in the first half of the fiscal year.

(Significant changes in goodwill)

In the electronic components segment, goodwill was posted due to the merger of AD DEVICE CORPORATION and AS Device Co., Ltd. The increase in goodwill in the first half of the current fiscal year resulting from this merger was 718 million yen.

II. For the first half ended September 2013 (April 1, 2013 – September 30, 2013)

1. Information about sales and income (loss) by reporting segments

(Million yen)

	Reporting segments					Adjustments (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)	94,595	19,767	1,548	6,165	122,077	—	122,077
(of which inter- segment)	793	310	2,600	1,038	4,742	(4,742)	—
Total	95,388	20,077	4,149	7,204	126,819	(4,742)	122,077
Segment income (loss)	1,601	184	231	175	2,193	0	2,194

- Notes:
1. Adjustment in segment income of 0 million yen includes 17 million yen for elimination of inter-segment trade and -16 million yen for amortization of goodwill.
 2. Segment income (loss) is adjusted for operating income (loss) on the quarterly consolidated statements of income and consolidated statements of comprehensive income.

2. Reportable segment information concerning impairment losses or goodwill amortization
(Significant impairment losses for noncurrent assets)

There were no significant impairment loss or goodwill amortization.

(Significant changes in goodwill)

Omitted because insufficiently significant