February 2, 2016

Summary of Consolidated Financial Results
For the Third Quarter Ended December 31, 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/
Representative	Title:	President & COO
	Name:	Ryoichi Kado
Contact Person	Title:	Director, Administration Headquarters
	Name:	Eiji Kawamura
Phone:		+81-(0)3-5657-0111
Date of quarterly securities report (tentative):		February 12, 2016
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 three quarters of the fiscal year ending March 2016 (April 1, 2015 – December 31, 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 three quarters of FY3/2016	182,205	(2.9)	6,145	23.0	6,442	7.0	4,372	18.4
First three quarters of FY3/2015	187,556	(0.5)	4,998	21.6	6,018	33.6	3,691	31.4

Note: Comprehensive income: First three quarters of FY3/2016: 3,858 million yen (-39.2%)
First three quarters of FY3/2015: 6,341 million yen (43.8%)

	Earnings per share	Earnings per share fully diluted
	Yen	Yen
First three quarters of FY3/2016	154.73	-
First three quarters of FY3/2015	130.65	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2015	129,991	62,200	47.8
As of March 31, 2015	127,948	59,603	46.6

Reference: Shareholders' equity
As of December 31, 2015: 62,156 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	-	20.00	-		
Fiscal year ending March 2016 (est.)				35.00	55.00

Note: Change in the estimation of dividend from the latest announcement: Yes
FY3/2015: Yearend dividend includes ordinary dividend of 15.00 yen and special dividend of 10 yen
FY3/2016: Yearend dividend includes ordinary dividend of 20.00 yen and special dividend of 15 yen
Please refer the press release "Announcement of Revision to Dividend Forecast" announced on February 2, 2016.

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		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	252,000	(1.2)	7,200	13.2	7,700	0.5	5,000	13.2	176.96

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 restatements

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatements: None

Note: ~~Please refer (3) Changes in accounting principles and estimates, and retrospective restatement in 2. Other Information on page 3 of Supplementary Information.~~

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 December 31, 2015:	28,702,118	As of March 31, 2015:	28,702,118

(b) Treasury shares

As of December 31, 2015:	446,681	As of March 31, 2015:	446,040

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

Period ended December 31, 2015:	28,255,740	Period ended December 31, 2014:	28,256,838

* 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.

Index for Supplementary Information

1. Results of Operations

(1) Overview on consolidated business performance

In the first three quarters of the fiscal year, the Japanese economy recovered slowly due to a continuation of improvements in corporate earnings and employment because of economic measures by the Japanese government and the Bank of Japan's monetary easing. However, the outlook for the global economy remained uncertain due to slowing economic growth in China and other Asian emerging countries, the drop in the price of crude oil, and other events.

In the electronics industry, the principal area of operations for the KAGA ELECTRONICS Group, demand for PCs and consumer electronics remained weak and sales of mobile devices are slowing down. But demand for automotive devices and medical and healthcare products increased. In addition, there was growth in new market sectors, such as environmental and energy products and the IoT (Note 1).

Based on the management philosophy of "Everything we do, we do for our customers," the KAGA ELECTRONICS Group established the GR Management Headquarters to reinforce collaboration among group companies, worked on increasing sales to major current customers, strengthened its overseas network and implemented cost-cutting measures.

Consolidated net sales in the first three quarters decreased 2.9% from one year earlier to 182,205 million yen, operating income increased 23.0% to 6,145 million yen, ordinary income increased 7.0% to 6,442 million yen, and profit attributable to owners of parent increased 18.4% to 4,372 million yen.

(Note 1) IoT is the abbreviation for Internet of Things. It is a concept that supports or enables the creation of new services and business models by connecting all objects through the Internet

Business segment performance was as follows.

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

Sales in the first three quarters were higher in Japan for electronic components and semiconductors used in communications equipment. Overseas, there was growth in EMS operations for electronic devices. The result was a 3.2% decrease in segment sales to 141,964 million yen and a 31.4% increase in operating income to 5,480 million yen.

(Note 2) Abbreviation for Electronics Manufacturing Service which 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, home electric appliances, photographic and imaging products, original-brand products, and other products)

Due to a reexamination of the sales strategy for the consumer market, the main goals were adding new products and increasing sales of current products. But the volume of digital cameras decreased and sales of housing-related products and other products were weak. As a result, segment sales decreased 1.9% to 29,611 million yen and operating income was down 20.2% to 323 million yen.

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

There was a decline in orders for the development of electronic toys. The segment focused on development and sales of computer graphics and game software while cutting costs. Segment sales decreased 2.1% to 1,730 million yen and operating income was up 124.2% to 442 million yen.

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

Sales of arcade amusement machines in Japan and sales of used PCs and communications equipment in the recycling business were weak. As a result, segment sales decreased 0.2% to 8,899 million yen and there was an operating loss of 166 million yen compared with operating income of 105 million yen in the first three quarters of the previous fiscal year.

(2) Overview of financial condition

Assets, liabilities and net assets

Assets increased 2,042 million yen from the end of the previous fiscal year to 129,991 million yen at the end of the third quarter mainly because of an increase in cash and deposits.

Liabilities decreased 554 million yen to 67,791million yen mainly because of a decrease in long-term loans payable.

Net assets increased 2,596 million yen to 62,200 million yen mainly because of profit attributable to owners of parent.

(3) Forecast

There is no change in the forecast for consolidated results of operations in the current fiscal year that was announced in "Summary of Consolidated Financial Results For the First Half Ended September 30, 2015 [Japan GAAP]" on November 4, 2015.

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 restatements:

Changes in accounting policy

(Application of accounting standard for 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 a result, when ownership changes at a subsidiary where KAGA ELECTRONICS retains control, this difference is included in the capital surplus. In addition, the recognition of expenses associated with acquisitions has been changed to the consolidated fiscal year in which the corresponding expense occurred. Furthermore, there is a revision in the allocation of acquisition expenses for business combinations occurring on or after the beginning of the first quarter of the fiscal year ending on March 31, 2016. The revised method reflects in the consolidated financial statements of the quarter in which the business combination occurred any changes to the amount allocated to acquisition cost resulting from the confirmation of provisional accounting methods. There are also revisions to the presentation of quarterly net income and other items and minority interests is now called non-controlling interests. To reflect these changes in the presentation of the financial statements, third quarter and fiscal year consolidated financial statements for the previous fiscal year have been revised. For the application of these three accounting standards, the transitional measures specified in Accounting Standard for Business Combinations No. 58-2 (4), Accounting Standard for Consolidated Financial Statements No. 44-5 (4) and Accounting Standard for Business Divestitures No. 57-4 (4) were used. These three accounting standards will continue to be applied starting with the beginning of the first quarter of the fiscal year ending on March 31, 2016. The application of these accounting standards had no effect on the consolidated financial statements of the current fiscal year.

(4) Supplementary information:

(Memorandum of understanding concerning management integration)

The directors of KAGA ELECTRONICS and UKC Holdings Corporation approved resolutions on November 18, 2015 concerning a memorandum of understanding for a management integration with the spirit of equal partnership. The memorandum was signed on the same day.

As equal partners, the two companies will perform further examinations concerning specific actions in order to complete this integration.

1. Objectives of the management integration

KAGA ELECTRONICS and UKC Holdings plan to accomplish the following goals in order to become one of the industry leaders in Japan in terms of size and quality. In addition, the two companies plan to increase their corporate value by becoming one of the premier electronics trading companies in the world and meeting a broad spectrum of customers' needs.

(1) Reinforce the ability to meet customers' needs

The two companies will use the management integration to enlarge their business activities and product line-ups. A business platform will be constructed for the one-stop provision of solutions that target a diverse array of requirements at new and current customers.

(2) Implement global growth strategies faster

The two companies will use their overseas bases to increase cooperation among group companies with the goal of improving the ability to support the overseas operations of Japanese customers and to meet the needs of overseas customers.

(3) Reduce costs by improving efficiency

The two companies will improve the efficiency of the group and lower costs. Operations performed by both companies will be conducted more efficiently, logistics and other infrastructure components in Japan and other countries will be shared and streamlined, core IT systems will be integrated in the future, and other actions will be used for greater efficiency.

(4) Build a sound foundation for business operations

The two companies will establish a sound financial position capable of funding new investments and mergers and acquisitions and will strengthen fund procurement capabilities. Furthermore, the organization will be invigorated by utilizing the people and knowledge of the two companies in a mutually beneficial manner. All these activities will be aimed at building an even more powerful foundation for business operations.

2. Outline of the management integration

KAGA ELECTRONICS and UKC Holdings plan to complete the management integration as described below. This plan assumes that the shareholders of the two companies will approve the integration and that all required regulatory approvals will be received. Items not contained in this outline will be determined in the management integration contract that will be finalized afterward by the two companies.

(1) Method

A holding company structure has been selected for the two companies following the management integration for the purpose of utilizing the strengths of the two companies while preserving the distinct characteristics of each one. To accomplish this integration, the two companies plan to use the following measures to complete the integration.

(a) Exchange of stock

An exchange of stock will take place that makes UKC Holdings a wholly owning parent company and KAGA ELECTRONICS a wholly owned subsidiary. After this exchange of stock, KAGA ELECTRONICS will be a wholly owned subsidiary of UKC Holdings. As a result, the Tokyo Stock Exchange listing of KAGA ELECTRONICS common stock will be terminated prior to the date of the exchange of stock in accordance with the delisting standard of the Tokyo Stock Exchange.

(b) Divestiture

Once the exchange of stock has been completed, UKC Holdings will divest all of its business operations (excluding some functions that will be required for UKC Holdings, after the exchange of stock, to become a holding company, same hereafter) The divested business operations will be transferred to either a newly established company or a succeeding company that is wholly owned by UKC Holdings. UKC Holdings will then be a holding company.

(2) Schedule (Planned)

November 18, 2015	Signing of the memorandum of understanding
By May 2016 (planned)	Signing of final contract for the management integration (including a contract for the exchange of stock and either preparation of the plan for a divestiture using a new company or signing of an absorption-type demerger contract)
Late June 2016 (planned)	Approval of the contract for the exchange of stock at the KAGA ELECTRONICS shareholders meeting
Late June 2016 (planned)	Approval of the contract for the exchange of stock and either a plan for a divestiture using a new company or an absorption-type demerger contract contract at the UKC Holdings shareholders meeting
October 1, 2016 (planned)	Effective date of the exchange of stock and divestiture

By May 2016, the two companies plan to sign a final agreement regarding the management integration, sign a contract for the exchange of stock and either prepare a plan for a divestiture using a new company or sign an absorption-type demerger contract. Proposals for the exchange of stock and the divestiture are to be submitted at the annual meetings of KAGA ELECTRONICS and UKC Holdings (the divestiture proposal will be submitted only to UKC Holdings shareholders) that are to be held in late June 2016.

However, if the two companies agree, this schedule may be revised as necessary to perform procedures or for other reasons. In addition, as procedures and discussions concerning the management integration take place, the two companies will promptly announce any events that may delay or impede this progress. These events include documents submitted to the Japan Fair Trade Commission and other regulatory agencies (including documents required by laws of other countries), the receipt of approvals and other activities.

(3) Holding company profile

(a) Name (planned)

UKC Kaga Holdings Corporation

(b) Head office location (planned)

20 Kanda-Matsunaga-cho, Chiyoda-ku, Tokyo

Note: The head office location is the registered location of the head office. KAGA ELECTRONICS and UKC Holdings will hold discussions about the location of the holding company’s main office and make a decision later.

(c) Executives (planned)

UKC Kaga Holdings is expected to have six directors including the following four.

Chairman:	Isao Tsukamoto (currently Chairman & CEO of KAGA ELECTRONICS)
Representative Director and President:	Yukio Fukuju (currently Representative Director and President of UKC Holdings)
Representative Director and Executive Vice President:	Ryoichi Kado (currently President & COO of KAGA ELECTRONICS)
Director and Executive Vice President:	Masaaki Taguchi (currently Executive Vice President of UKC Holdings)

(d) Other items

Other items concerning the management integration will be determined in the management integration contract that will be finalized afterward by KAGA ELECTRONICS and UKC Holdings.

(4) Ratio for the exchange of stock

This ratio will be determined by KAGA ELECTRONICS and UKC Holdings prior to the signing of the final contract for the management integration.

(5) Establishment of Integration Preparation Committee

An Integration Preparation Committee will be established for discussions and studies by KAGA ELECTRONICS and UKC Holdings concerning matters involving the management integration.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Third quarter ended December 2015 (As of December 31, 2015)
ASSETS		
Current assets		
Cash and deposits	18,130	22,791
Notes and accounts receivable-trade	58,167	55,183
Securities	127	146
Merchandise and finished goods	17,276	17,852
Work in process	401	940
Raw materials and supplies	5,024	5,156
Deferred tax assets	929	512
Other	4,497	4,860
Allowance for doubtful accounts	(131)	(150)
Total current assets	104,424	107,294
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,455	5,189
Machinery, equipment and vehicles, net	2,285	2,079
Tools, furniture and fixtures, net	936	854
Land	4,041	4,041
Construction in progress	6	11
Total property, plant and equipment	12,725	12,177
Intangible assets		
Goodwill	607	517
Software	479	449
Other	44	89
Total intangible assets	1,131	1,055
Investments and other assets		
Investment securities	6,351	6,790
Deferred tax assets	274	272
Other	4,210	3,565
Allowance for doubtful accounts	(1,169)	(1,165)
Total investments and other assets	9,667	9,464
Total noncurrent assets	23,524	22,697
Total assets	127,948	129,991

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	Third quarter ended December 2015 (As of December 31, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,543	40,810
Short-term loans payable	5,925	7,619
Income taxes payable	1,286	903
Other	6,856	6,895
Total current liabilities	54,612	56,228
Noncurrent liabilities		
Long-term loans payable	8,253	6,270
Provision for directors' retirement benefits	1,501	1,195
Net defined benefit liability	1,643	1,684
Other	2,335	2,412
Total noncurrent liabilities	13,733	11,562
Total liabilities	68,345	67,791
NET ASSETS		
Shareholder’s equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	31,029	34,130
Treasury shares	(537)	(538)
Total shareholders' equity	56,538	59,637
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	790	1,029
Deferred gains or losses on hedges	23	0
Foreign currency translation adjustment	2,462	1,750
Remeasurements of defined benefit plans	(250)	(262)
Total accumulated other comprehensive income	3,026	2,518
Non-controlling interests	38	44
Total net assets	59,603	62,200
Total liabilities and net assets	127,948	129,991

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first three quarters (April 1, 2015 – December 31, 2015)

(Million yen)

	Third quarter ended December 2014 (April 1, 2014 - December 31, 2014)	Third quarter ended December 2015 (April 1, 2015 - December 31, 2015)
Net sales	187,556	182,205
Cost of sales	163,352	156,974
Gross profit	24,204	25,231
Selling, general and administrative expenses	19,205	19,085
Operating income	4,998	6,145
Non-operating income		
Interest income	114	53
Dividend income	89	96
Commission fee	250	156
Foreign exchange gains	455	-
Other	263	254
Total non-operating income	1,172	560
Non-operating expenses		
Interest expense	88	93
Foreign exchange losses	-	114
Other	63	54
Total non-operating expenses	152	263
Ordinary income	6,018	6,442
Extraordinary income		
Gain on sales of noncurrent assets	7	3
Gain on sales of investment securities	24	1
Other	1	-
Total extraordinary income	33	4
Extraordinary losses		
Loss on retirement of noncurrent assets	5	5
Loss on valuation of investment securities	166	2
Management integration expenses	-	67
Impairment loss	20	-
Business structure improvement expenses	-	9
Loss on valuation of golf club membership	0	39
Special retirement expenses	-	20
Office transfer expenses	4	-
Settlement package	64	-
Other	6	15
Total extraordinary losses	268	160
Income before income taxes and minority interests	5,783	6,287
Income taxes - current	1,339	1,492
Income taxes - deferred	742	427
Total income taxes	2,082	1,920
Profit	3,701	4,366
Profit attributable to owners of parent	3,691	4,372
Profit (loss) attributable to non-controlling interests	9	(5)

(Million yen)

	Third quarter ended December 2014 (April 1, 2014 - December 31, 2014)	Third quarter ended December 2015 (April 1, 2015 - December 31, 2015)
Other comprehensive income		
Valuation difference on available-for-sale securities	424	238
Deferred gains or losses on hedges	92	(23)
Foreign currency translation adjustment	2,072	(711)
Remeasurements of defined benefit plans, net of tax	50	(12)
Total other comprehensive income	2,640	(508)
Comprehensive income	6,341	3,858
Comprehensive income attributable to owners of parent	6,330	3,863
Comprehensive income attributable to non-controlling interests	10	(5)

(3) Notes to quarterly consolidated financial statement

(Notes to ongoing concern assumptions)
None

(Significant change in shareholders' equity)
None

(Segment information, etc.)
Segment information

I. For the first three quarters ended December 2014 (April 1, 2014 – December 31, 2014)

1. Information about sales and income (loss) by reportable 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	146,698	30,173	1,767	8,917	187,556	-	187,556
of which inter-segment	806	457	3,160	1,617	6,041	(6,041)	-
Total	147,504	30,630	4,928	10,534	193,598	(6,041)	187,556
Segment income	4,169	406	197	105	4,878	119	4,998

Note: 1. Adjustment of segment income of 119 million yen includes 119 million yen of elimination of inter-segment trade.

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)
Omitted because insufficiently significant

(Major changes in goodwill)
Omitted because insufficiently significant

(Significant gain on bargain purchase)
Omitted because insufficiently significant

II. For the first three quarters ended December 2015 (April 1, 2015 – December 31, 2015)

1. Information about sales and income (loss) by reportable 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	141,964	29,611	1,730	8,899	182,205	-	182,205
of which inter-segment	713	424	2,495	1,437	5,070	(5,070)	-
Total	142,677	30,036	4,225	10,336	187,276	(5,070)	182,205
Segment income (loss)	5,480	323	442	(166)	6,081	64	6,145

Note: 1. Adjustment of segment income of 64 million yen includes 102 million yen of elimination of inter-segment trade and -38 million yen of amortization of goodwill

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)
Omitted because insufficiently significant

(Major changes in goodwill)
Omitted because insufficiently significant

(Significant gain on bargain purchase)
Omitted because insufficiently significant