

## Summary of Consolidated Financial Results For the Year Ended March 2015 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.  
 Stock Code: 8154 URL: <http://www.taxan.co.jp/>  
 Stock Exchange Listing: Tokyo Stock Exchange, First Section  
 Representative: Title: President & COO Name: Ryoichi Kado  
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 Phone: +81-(0)3-5657-0111  
 Date of regular general meeting of shareholders: June 26, 2015 (tentative)  
 Date of commencement of dividend payment: June 29, 2015 (tentative)  
 Date of filing of securities report: June 26, 2015 (tentative)  
 Supplementary explanatory documents: Yes  
 Earnings presentation: Yes (For institutional investors)

(Yen in millions, rounded down)

### 1. Financial results for the current fiscal year (April 1, 2014 - March 31, 2015)

#### (1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2015	255,143	(1.1)	6,362	24.6	7,664	31.1	4,416	13.9
Fiscal year ended March 2014	257,852	19.2	5,106	305.2	5,847	202.8	3,877	771.8

Note: Comprehensive income: FY ended March 31, 2015: 7,592 million yen 43.5%  
 FY ended March 31, 2014: 5,290 million yen 122.2%

	Net income per share	Net income per share fully diluted	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2015	156.28	-	7.8	6.0	2.5
Fiscal year ended March 2014	137.22	-	7.6	4.9	2.0

Ref.: Equity in income/losses of affiliates FY ended March 2015: -million yen FY ended March 2014: - million yen

#### (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	127,948	59,603	46.6	2,108.04
As of March 31, 2014	126,028	52,825	41.9	1,868.07

Ref.: Shareholders' equity FY ended March 2015: 59,564 million yen FY ended March 2014: 52,786 million yen

#### (3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2015	9,127	(1,465)	(4,431)	17,569
Fiscal year ended March 2014	3,334	(3,339)	1,024	13,361

### 2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2014	-	15.00	-	20.00	35.00	989	25.5	1.9
Fiscal year ended March 2015	-	15.00	-	25.00	40.00	1,130	25.6	2.0
Fiscal year ending March 2016 (estimated)	-	20.00	-	20.00	40.00		24.6	

Notes: Breakdown of year-end dividend for FY3/14: Ordinary dividend: 15.00 yen; Commemorative dividend: 5.00 yen (to commemorate completion of new head office building)

Breakdown of year-end dividend for FY3/15: Ordinary dividend: 15.00 yen; Extraordinary dividend: 10.00 yen

### 3. Forecast for the fiscal year ending March 2016 (Consolidated, April 1, 2015 - 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
First half	125,000	3.9	3,100	1.1	3,300	(9.3)	2,200	2.0	77.86
Full year	260,000	1.9	6,500	2.2	7,000	(8.7)	4,600	4.2	162.80

#### \* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):  
None

(2) Changes in accounting principles and estimates, and retrospective restatement

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

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer 5. Consolidated Financial Statements (5) Note to the consolidated financial statements (Changes in accounting policies) on page 16.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock) As of March 31, 2015: 28,702,118 As of March 31, 2014: 28,702,118

(b) Treasury stock As of March 31, 2015: 446,040 As of March 31, 2014: 445,002

(c) Average number of shares outstanding during the year As of March 31, 2015: 28,256,695 As of March 31, 2014: 28,257,761

#### (Reference) Non-consolidated Financial Results

##### 1. Financial results for the fiscal year ended March 2015 (April 1, 2014 - March 31, 2015)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2015	90,138	(4.6)	324	181.1	2,845	32.2	1,790	164.1
Fiscal year ended March 2014	94,517	14.2	115	-	2,152	(14.1)	678	-

	Net income per share	Net income per share fully diluted
	Yen	Yen
Fiscal year ended March 2015	63.37	-
Fiscal year ended March 2014	24.00	-

Note: Percent change of net income for FY2014 is shown as “-” because it exceeded 1000% (2359.5%), and percent change of operating income is shown as “-” because the previous year’s number was negative.

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2015	73,071	37,186	50.9	1,316.06
As of March 31, 2014	73,149	35,656	48.7	1,261.85

Ref.: Shareholders’ equity

Fiscal year ended March 2015: 37,186 million yen

Fiscal year ended March 2014: 35,656 million yen

#### \*Status of implementation of audit procedures

The rule mandating audit procedures (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. It is under the 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. For information about the forecasts, please see “Results of Operations” on page 2 of Supplementary Information.

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## 1. Results of Operations

### (1) Overview on consolidated business performance

In the fiscal year ended March 31, 2015, consumer spending following the April increase in the Consumption Tax was sluggish and raw material prices surged due a weaker yen. Although these factors caused concerns, the Japanese economy staged a gradual recovery as corporate earnings rebounded and the employment picture brightened because of economic measures by the Japanese government and the Bank of Japan's monetary easing.

In the electronics industry, the principal area of operations for the KAGA ELECTRONICS Group, demand for PCs and consumer electronics remained weak. But overall demand in the industry increased with growth fueled by strong demand for smartphones, tablets and other mobile devices, automotive devices and medical and healthcare products. In addition, there was growth in new market sectors for environmental and energy products, IoT (Note 1) and wearable terminals.

In this environment, the KAGA ELECTRONICS Group reinforced collaboration among group companies, worked on increasing sales to major current customers, added new products and strengthened its overseas network. There were also cost-cutting measures, such as moving the head office to lower rental expenses.

Consolidated net sales in the current fiscal year decreased 1.1% from the previous fiscal year to 255,143 million yen, operating income increased 24.6% to 6,362 million yen, ordinary income increased 31.1% to 7,664 million yen, and net income increased 13.9% to 4,416 million yen.

Note 1: IoT is the abbreviation for "Internet of Things," a service that connects all things through the Internet.

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) (Note 2), and other activities)

The volume of semiconductors for communication equipment in Japan decreased because of a change in distribution channels. But sales were higher overseas for electronic components and semiconductors, EMS for electronic devices, and in other sectors. The result was a 1.2% increase in segment sales to 197,188 million yen and a 27.5% increase in operating income to 4,852 million yen.

Note 2: 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)

Sales of PCs increased due to replacement demand created by the end of Windows XP support. Sales of housing-related products and environmental-related items were also strong. However, there was sluggish demand for digital consumer electronics. As a result, segment sales decreased 9.6% to 42,024 million yen and operating income was 707 million yen, down 18.4% from the previous fiscal year

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

In this segment, orders for development of amusement products such as electronic toys were sluggish. Activities in this segment increased focus on development and sales of computer graphics and game software, in addition to cost cutting. Segment sales decreased 12.6% to 2,889 million yen but operating income was up 458.0% to 442 million yen.

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

Sales of arcade amusement machines in Japan and sales of golf products were both weak. As a result, segment sales decreased 1.6% to 13,040 million yen and operating income was down 58.6% to 169 million yen.

In the fiscal year ending on March 31, 2016, in the electronics industry, more growth is anticipated in the new markets. In addition, markets that were strong in the current fiscal year are also expected to continue to expand.

In this environment, the KAGA ELECTRONICS Group will continue to strive to expand its business while strengthening its activities in automotive devices, communication products and other categories with good prospects for growth. Group companies will also concentrate on increasing sales in the EMS business and environmental business, which are operations where the group can add value.

Based on this outlook, the current forecast for consolidated performance in the fiscal year ending on March 31, 2016 is as follows:

(Consolidated performance forecast)		(Year on year)
Net sales	260,000 million yen	up 1.9%
Operating income	6,500 million yen	up 2.2%
Ordinary income	7,000 million yen	down 8.7%
Profit attributable to owners of parent	4,600 million yen	up 4.2%

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets increased 1,920 million yen from one year earlier to 127,948 million yen at the end of the fiscal year mainly because of an increase in cash and deposits.

Liabilities decreased 4,857 million yen to 68,345 million yen mainly because of a decrease in short-term loans payable and notes and accounts payable - trade.

Net assets increased 6,777 million yen to 59,603 million yen mainly because of net income.

(b) Cash flows

There was a net increase of 4,207 million yen in cash and cash equivalents to 17,569 million yen at the end of the fiscal year.

(Operating activities)

Net cash provided by operating activities was 9,127 million yen compared with 3,334 million yen one year earlier. The income before income taxes and minority interest was the major reason.

(Investing activities)

Net cash used in investing activities was 1,465 million yen compared with 3,339 million yen one year earlier. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash used by financing activities was 4,431 million yen compared with the positive cash flow 1,024 million yen one year earlier. This was primarily a decrease in short-term loans payable.

(Reference) Cash flow index trends

	Fiscal year ended March 2011	Fiscal year ended March 2012	Fiscal year ended March 2013	Fiscal year ended March 2014	Fiscal year ended March 2015
Shareholders' equity ratio	40.9%	40.5%	43.5%	41.9%	46.6%
Shareholders' equity ratio at market value	23.6%	20.9%	19.4%	32.0%	32.4%
Debt repayment multiple	2.12 years	14.97 years	2.15 years	5.17 years	1.60 years
Interest coverage ratio	52.0	6.6	51.6	25.2	77.9

Shareholders' equity ratio is shareholders' equity divided by total assets.

Shareholders' equity ratio at market value is market capitalization divided by total assets.

Debt repayment multiple is interest-bearing debt divided by operating cash flows.

Interest coverage ratio is operating cash flows divided by interest expenses.

Notes:

1. All figures are calculated based on consolidated financial data.
2. Market capitalization uses the number of shares issued less treasury stock.
3. Cash flows are operating cash flows.
4. Interest-bearing debt is the sum of all liabilities on the balance sheet on which the Group is obligated to pay interest.

(3) Fundamental policy for earnings allocations and dividends in the current and next fiscal years

The Company's fundamental policy is to pay a steady and consistent dividend to shareholders that reflect consolidated performance as well as the need to establish a more powerful financial position and base of operations from a long-term stable perspective.

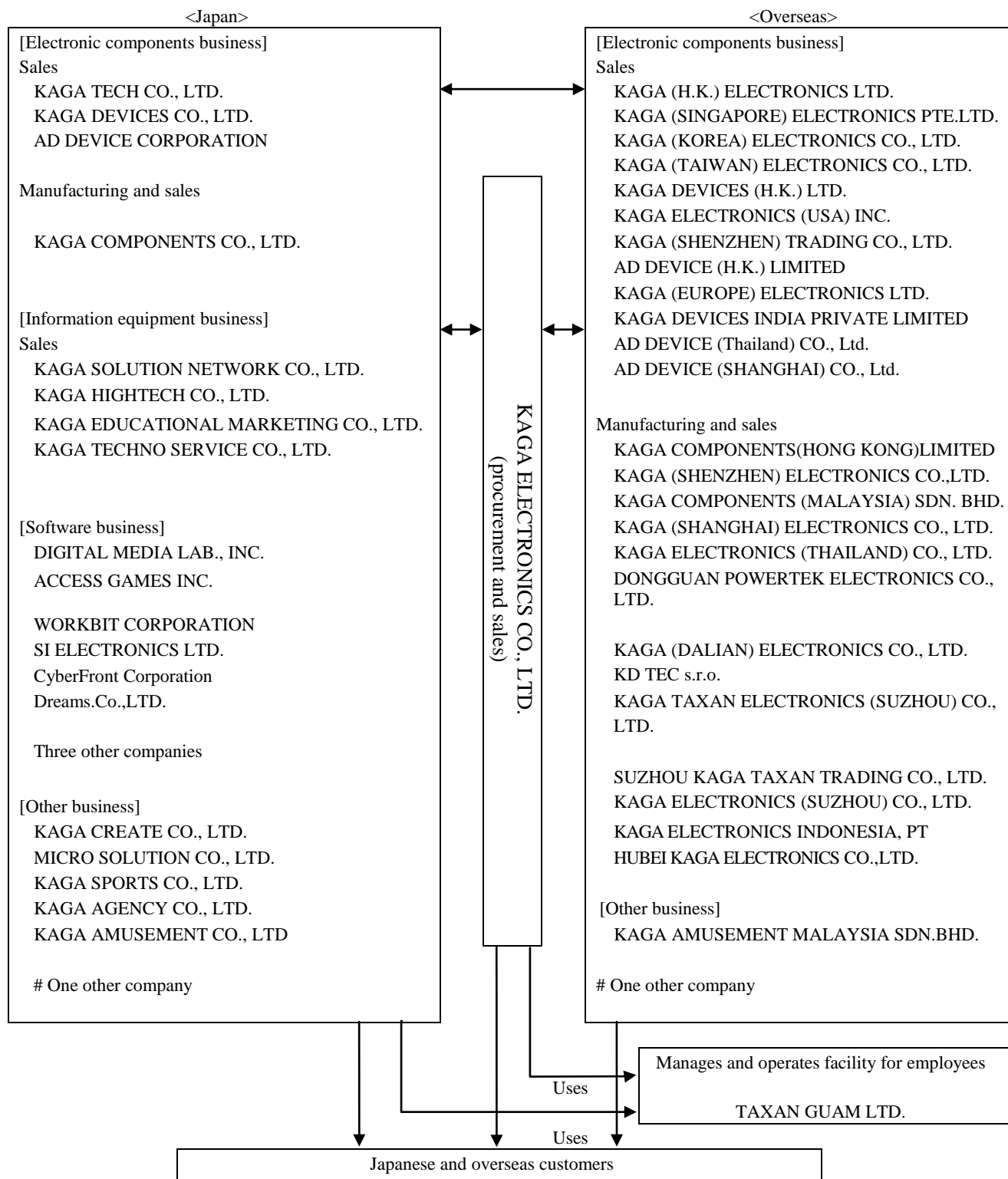
Based on the policy and performance in the fiscal year that ended on March 31, 2015, KAGA ELECTRONICS plans to pay a year-end dividend of 25 yen per share. This is the sum of a 15 yen ordinary dividend and a 10 yen extraordinary dividend.

With the interim dividend of 15 yen per share, this will result in an annual dividend of 40 yen per share.

For the fiscal year ending on March 31, 2016, The Company plans increase the ordinary dividend to dividend per share of 40 yen, including an interim dividend of 20 yen.

## 2. Corporate Group

The KAGA ELECTRONICS group of companies (the Group) is made up of KAGA ELECTRONICS CO., LTD. (the Company), 49 consolidated subsidiaries (22 in Japan, 27 overseas) and 2 affiliates that are not accounted for using the equity method (1 in Japan, 1 overseas). These companies are engaged primarily in the following activities: the electronic components business, including the development, manufacture and sale of semiconductors and general electronic components and EMS (electronic manufacturing services); and the information equipment business, including the sale of personal computers and peripherals, photography and imaging products, and original-brand products; and the software business includes the production of computer graphics for animation, the planning and development of products for amusement devices, and other activities. Other businesses include repair and support services for electronic devices, manufacturing and sales of amusement products, sales of sporting goods, and other activities.



(Notes) #: Affiliates that are not accounted for using the equity method.  
All other companies are consolidated subsidiaries.

(1) The following consolidated subsidiaries became our group company during the fiscal year that ended in March 2015.

Name	Address	Capital	Activities	Voting rights held %	Relationship with the Company			Leasing of facilities and equipment
					Joint directors Persons	Financial support Million yen	Business relationship	
[Electronic components business] KAGA ELECTRONICS INDONESIA, PT (Note 3)	Jakarta Indonesia	6,058 million IDR	Manufacture and sale of electronic components and equipment etc.	100.0 (Note 1) (99.8)	1	-	-	-
HUBEI KAGA ELECTRONICS CO.,LTD. (Note 5)	Hubei Province, China	325 thousand USD	Sale of electronic equipment etc.	100.0 (Note 1) (100.0)	1	-	-	-
Software business One other company (note 6)								

Notes:

- Percentages of voting rights in parentheses show indirectly owned voting rights.
- HANZAWA (HK) LTD., which was until March 31, 2014 a consolidated subsidiary, was liquidated on April 11, 2014.
- On May 13, 2014, KAGA ELECTRONICS (THAILAND) COMPANY LIMITED, a consolidated subsidiary, established KAGA ELECTRONICSINDONESIA, PT as a subsidiary in Jakarta, Indonesia to expand business with local customers.
- NUMATA (H.K.) CO., LTD., which was until March 31, 2014 a consolidated subsidiary, was liquidated on January 3, 2015
- On January 9, 2015, KAGA (SHENZHEN) ELECTRONICS CO.,LTD., a consolidated subsidiary of KAGA (H.K.) ELECTRONICS LIMITED, a consolidated subsidiary, established HUBEI KAGA ELECTRONICS CO.,LTD. (Hubei Province, China) as a subsidiary in order to cope with the expected increase in business.
- One other company is Izakul Co., Ltd. The company was converted into a consolidated subsidiary of DIGITAL MEDIA LAB, INC., a consolidated subsidiary, in order to supplement and strengthen its debug operations on October 1, 2014. On April 1, 2015, Izakul Co., Ltd. merged with Dreams Co., Ltd, a subsidiary of DIGITAL MEDIA LAB, as the surviving company and Izakul Co., Ltd. was dissolved.

### 3. Management Policies

#### (1) Fundamental management policy

Based on the management philosophy of “Everything we do, we do for our customers,” the KAGA ELECTRONICS Group is guided by the fundamental policy of “remaining a company that contributes to the happiness of all stakeholders, including shareholders, customers and employees, and fulfills its responsibilities to society.” The Group is dedicated to growing consistently by responding with speed and agility to globalization of the economy and the rapidly changing electronics industry. To accomplish this, the Group will expand its network in Japan and overseas and deepen ties among Group companies to enhance collective strengths. The Group also has a strong commitment to corporate social responsibility, positioning compliance and protecting the global environment as important elements of its operations.

Based on the above management philosophy and fundamental management policy, the companies of the KAGA ELECTRONICS Group, which are active primarily in the electronics industry, seek to improve their results of operations while cooperating with each other by doing business in a speedy manner that places the highest priority on rapid decision-making.

The key word is “F.Y.T.”

F = Flexibility (adapting adeptly to external changes)

Y = Young (staying young in thought and action)

T = Try (the spirit of always taking on challenges)

#### (2) Targeted performance indicators

As the electronics industry, where the Group is active, is expected to continue to grow, priority will continue to be placed on raising the rate of sales growth and improving the return on equity.

#### (3) Medium- and long-term management strategies

The rapid pace of change in the electronics industry is expected to continue. New products are appearing and existing products going out of date faster. Companies are moving production bases out of Japan faster, too. Amid these changes, more growth is foreseen for the electronics industry.

In this environment, The Group is aiming to grow with KAGA ELECTRONICS, an independent electronics trading company, as its nucleus by utilizing its ability to handle all aspects of the electronics business, from upstream to downstream, including product planning, development and processing (EMS). Backed by these distinctive strengths, the Group will work even more closely together to capture synergies with the goal of increasing sales and earnings while growing on a global scale.

The key word is “3G.”

General (covering everything)

Global (worldwide coverage)

Group (leveraging the collective power of the Group)

#### (4) Key issues

The KAGA ELECTRONICS Group is determined to continue growing while adhering to its fundamental management policy. Based on the “F.Y.T.” and “3G” management policies explained earlier as well as on the reinforcement of corporate governance, the Group’s management will be strengthened with the aim of increasing enterprise value while preserving strong relationships with all stakeholders.

Additionally, the Group conducts reorganizations whenever needed in order to respond rapidly to changes in market conditions and customer needs. Another goal is enhancing the ability to gather information quickly. At the same time, the Group aims to capture more synergies by building stronger ties among Group companies and fostering more collaboration and mutual assistance within the Group, thereby expanding operations and improving efficiency.

• At present, the Group is concentrating on the following issues:

- i) Strengthening corporate governance system
- ii) Strengthening relationships, collaboration and mutual assistance among Group companies to realize greater synergies
- iii) Reinforcing operations overseas and expanding the global network
- iv) Upgrading technological skills and improving the ability to gather information with speed
- v) Revitalizing underperforming subsidiaries
- vi) Tackling environmental problems

The Group regards other key issues as well as matters that require constant attention and initiatives and will work on making the necessary refinements and improvements.

#### (5) Other important items concerning management

Not applicable



#### **4. Fundamental policy regarding choice of accounting standard**

The KAGA ELECTRONICS Group prepares consolidated financial statements based on Japanese accounting standards. Going forward, the KAGA ELECTRONICS Group will as needed study the possibility of adopting IFRS standards with due consideration to financial market trends, share of foreign investors and the organizational costs resulting from the adoption of IFRS standards.

## 5. Consolidated Financial Statements

### (1) Consolidated balance sheet

(Million yen)

	FY 2014 (As of March 31, 2014)	FY 2015 (As of March 31, 2015)
<b>ASSETS</b>		
Current assets		
Cash and deposits	14,192	18,130
Notes and accounts receivable-trade	60,667	58,167
Securities	114	127
Merchandise and finished goods	16,378	17,276
Work in process	848	401
Raw materials and supplies	3,991	5,024
Deferred tax assets	993	929
Other	5,836	4,497
Allowance for doubtful accounts	(93)	(131)
Total current assets	102,930	104,424
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	8,089	7,834
Accumulated depreciation	(2,351)	(2,379)
Buildings and structures, net	5,737	5,455
Machinery, equipment and vehicles	4,615	5,689
Accumulated depreciation	(2,903)	(3,403)
Machinery, equipment and vehicles, net	1,711	2,285
Tools, furniture and fixtures	4,442	4,159
Accumulated depreciation	(3,438)	(3,222)
Tools, furniture and fixtures, net	1,004	936
Land	4,038	4,041
Construction in progress	133	6
Total property, plant and equipment	12,625	12,725
Intangible assets		
Goodwill	715	607
Software	486	479
Other	332	44
Total intangible assets	1,533	1,131
Investments and other assets		
Investment securities	5,377	6,351
Deferred tax assets	562	274
Guarantee deposits	821	846
Insurance funds	1,357	1,280
Other	1,836	2,084
Allowance for doubtful accounts	(1,017)	(1,169)
Total investments and other assets	8,938	9,667
Total noncurrent assets	23,098	23,524
Total assets	126,028	127,948

(Million yen)

	FY 2014 (As of March 31, 2014)	FY 2015 (As of March 31, 2015)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	41,695	40,543
Short-term loans payable	12,172	5,925
Accrued expenses	3,133	3,377
Income taxes payable	1,525	1,286
Provision for directors' bonuses	174	189
Other	4,708	3,289
Total current liabilities	63,410	54,612
Noncurrent liabilities		
Long-term loans payable	4,681	8,253
Deferred tax liabilities	686	1,231
Provision for directors' retirement benefits	1,437	1,501
Net defined benefit liability	1,954	1,643
Asset retirement obligations	123	140
Other	909	963
Total noncurrent liabilities	9,792	13,733
Total liabilities	73,202	68,345
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	27,414	31,029
Treasury stock	(536)	(537)
Total shareholder's equity	52,923	56,538
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	790
Deferred gains or losses on hedges	0	23
Foreign currency translation adjustment	5	2,462
Remeasurements of defined benefit plans	(304)	(250)
Total accumulated other comprehensive income	(137)	3,026
Minority interests	39	38
Total net assets	52,825	59,603
Total liabilities and net assets	126,028	127,948

## (2) Consolidated statements of income and comprehensive income

(Million yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Net sales	257,852	255,143
Cost of sales	225,330	222,405
Gross profit	32,522	32,738
Selling, general and administrative expenses	27,416	26,376
Operating income	5,106	6,362
Non-operating income		
Interest income	68	150
Dividends income	79	95
Commission fee	219	292
Amortization of negative goodwill	29	-
Foreign exchange gains	255	560
House rent income	121	116
Other	251	308
Total non-operating income	1,025	1,522
Non-operating expenses		
Interest expenses	132	117
Loss on investments in partnership	80	25
Other	71	77
Total non-operating expenses	284	219
Ordinary income	5,847	7,664
Extraordinary income		
Gain on sales of noncurrent assets	613	6
Gain on sales of investment securities	5	28
Other	-	1
Total extraordinary income	619	36
Extraordinary loss		
Loss on retirement of noncurrent assets	28	25
Loss on valuation of investment securities	46	257
Impairment loss	177	25
Loss on liquidation of subsidiaries and associates	67	-
Office transfer expenses	412	4
Settlement package	-	64
Other	74	42
Total extraordinary loss	807	419
Income before income taxes	5,659	7,281
Income taxes-current	2,220	2,329
Income taxes-deferred	(447)	525
Total income taxes	1,772	2,855
Income before minority interests	3,887	4,426
Minority interests in income (loss)	9	10
Net income	3,877	4,416

(Million yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Minority interests in income (loss)	9	10
Income before minority interests	3,887	4,426
Other comprehensive income		
Valuation difference on available-for-sale securities	341	630
Deferred gains or losses on hedges	6	23
Foreign currency translation adjustment	1,054	2,457
Remeasurements of defined benefit plans, net of tax	-	54
Total other comprehensive income	1,403	3,166
Comprehensive income	5,290	7,592
Comprehensive income attributable to owners of the parent	5,283	7,580
Comprehensive income attributable to minority interests	7	12

## (3) Statements of changes in net assets

Previous fiscal year (Apr. 1, 2013 – Mar. 31, 2014)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	24,384	(535)	49,895
Changes of items during the period					
Dividends from surplus			(847)		(847)
Net income			3,877		3,877
Purchase of treasury stock				(1)	(1)
Disposal of treasury stock			(0)	0	0
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	3,029	(1)	3,028
Balance at the end of current period	12,133	13,912	27,414	(536)	52,923

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	(180)	(6)	(1,052)	-	(1,238)	149	48,806
Changes of items during the period							
Dividends from surplus							(847)
Net income							3,877
Purchase of treasury stock							(1)
Disposal of treasury stock							0
Net changes of items other than shareholders' equity	341	6	1,057	(304)	1,100	(110)	990
Total changes of items during the period	341	6	1,057	(304)	1,100	(110)	4,019
Balance at the end of current period	161	0	5	(304)	(137)	39	52,825

Current fiscal year (Apr. 1, 2014 –Mar. 31, 2015)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the beginning of current period	12,133	13,912	27,414	(536)	52,923
Cumulative effects of changes in accounting policies			188		188
Restated balance	12,133	13,912	27,602	(536)	53,112
Changes of items during the period					
Dividends from surplus			(988)		(988)
Net income			4,416		4,416
Purchase of treasury stock				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during the period	-	-	3,427	(1)	3,425
Balance at the end of current period	12,133	13,912	31,029	(537)	56,538

	Accumulated other comprehensive income					Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	161	0	5	(304)	(137)	39	52,825
Cumulative effects of changes in accounting policies							188
Restated balance	161	0	5	(304)	(137)	39	53,014
Changes of items during the period							
Dividends from surplus							(988)
Net income							4,416
Purchase of treasury stock							(1)
Net changes of items other than shareholders' equity	629	23	2,456	54	3,164	(1)	3,163
Total changes of items during the period	629	23	2,456	54	3,164	(1)	6,588
Balance at the end of current period	790	23	2,462	(250)	3,026	38	59,603

## (4) Consolidated statements of cash flows

(Million yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Cash flows from operating activities		
Income before income taxes and minority interest	5,659	7,281
Depreciation	2,418	1,907
Impairment loss	177	25
Amortization of goodwill	128	127
Increase (decrease) in provision for retirement benefits	(1,630)	-
Increase (decrease) in net defined benefit liability	1,467	82
Increase (decrease) in provision for directors' retirement benefits	38	64
Increase (decrease) in provision for directors' bonuses	94	16
Increase (decrease) in allowance for doubtful accounts	13	141
Interest and dividend income	(147)	(245)
Interest expenses	132	117
Loss (gain) on sales of property, plant and equipment	(609)	(4)
Loss on retirement of non-current assets	28	25
Loss (gain) on sales of investment securities	(0)	(21)
Loss (gain) on valuation of investment securities	46	257
Decrease (increase) in notes and accounts receivable - trade	(5,326)	4,182
Decrease (increase) in inventories	(1,708)	79
Increase (decrease) in notes and accounts payable - trade	2,998	(3,141)
Decrease (increase) in accounts receivable - other	48	(308)
Increase (decrease) in accrued expenses	320	129
Decrease (increase) in advance payments	(389)	478
Decrease (increase) in consumption taxes refund receivable	(359)	96
Decrease (increase) in other current assets	2	1,485
Increase (decrease) in other current liabilities	1,460	(1,319)
Other, net	382	284
Subtotal	5,246	11,741
Interest and dividend income received	145	241
Interest expenses paid	(132)	(118)
Income taxes paid	(1,810)	(2,687)
Other, net	(114)	(49)
Cash flows from operating activities	3,334	9,127



(Million yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Cash flows from investing activities		
Payments into time deposits	(430)	(0)
Purchase of property, plant and equipment	(2,997)	(1,360)
Proceeds from sales of property, plant and equipment	1,228	374
Purchase of intangible assets	(259)	(294)
Purchase of investment securities	(830)	(994)
Proceeds from sales of investment securities	548	624
Purchase of shares of subsidiaries	(184)	(11)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(10)
Payments of short-term loans receivable	(4)	(14)
Collection of short-term loans receivable	1	12
Purchase of insurance funds	(61)	(23)
Payments of long-term loans receivable	(37)	(0)
Proceeds from cancellation of insurance funds	-	100
Payments for guarantee deposits	(263)	(21)
Proceeds from collection of guarantee deposits	137	16
Other payments	(222)	(237)
Other proceeds	35	374
Cash flows from investing activities	<u>(3,339)</u>	<u>(1,465)</u>
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	3,221	(6,832)
Proceeds from long-term loans payable	1,000	5,000
Repayments of long-term loans payable	(2,223)	(1,436)
Purchase of treasury shares	(1)	(1)
Cash dividends paid	(847)	(987)
Cash dividends paid to minority shareholders	(5)	(0)
Other, net	(119)	(174)
Cash flows from financing activities	<u>1,024</u>	<u>(4,431)</u>
Effect of exchange rate change on cash and cash equivalents	<u>463</u>	<u>977</u>
Net increase (decrease) in cash and cash equivalents	<u>1,482</u>	<u>4,207</u>
Cash and cash equivalents at beginning of period	<u>11,878</u>	<u>13,361</u>
Cash and cash equivalents at end of period	<u>13,361</u>	<u>17,569</u>

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

None

(Changes in accounting policies)

(Accounting Standard for Retirement Benefits)

Beginning at the current fiscal year, the Company is using Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012) as prescribed in paragraph 35 of this accounting standard and paragraph 67 of this guidance. The method for setting the discount rate has been changed from a method based on determining a base value for the number of years approximating to employees' average remaining service period to a method using a simple weighted average discount rate that reflects the anticipated payment period for accrued retirement benefits and the amounts to be paid in for each period.

For the application of the accounting standard for retirement benefits, in accordance with the transitional handling prescribed in paragraph 37 of this standard, the effect of the change in the method for calculating retirement benefit liabilities and service cost as of the beginning of the current period is included in retained earnings.

As a result, at the beginning of the current period, retirement benefit liabilities decreased 292 million yen and retained earnings increased 188 million yen. However, effects on the operating income, ordinary income and income before income taxes and minority interests were negligible.

(Segment information etc.)

**a. Segment information**

1. Summary of reporting segments

Segments used for financial reporting are the constituent units of KAGA ELECTRONICS for which separate financial information is available and for which the board of directors performs regular reviews for the purposes of determining the distribution of resources and evaluating results of operations.

KAGA ELECTRONICS conducts business activities by grouping affiliated companies based on products and services and based on comprehensive strategies for operations in Japan and overseas for products and services handled.

Consequently, KAGA ELECTRONICS and its affiliated companies have four reporting segments that are made up of different categories of products and services: electronic components, information equipment, software, and others.

The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The others segment includes the maintenance and support for electronics equipments, and sales of sports goods, and others.

2. The accounting method used for reporting business segments

The accounting method used for reporting business segments is the same as the method of presenting the consolidated financial statements.

3. Information concerning sales, earnings or losses, assets, liabilities and other items for individual reporting segments

For the previous fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

(Million yen)

	Reporting segments				Total	Adjustments *1	Amount in the consolidated statement of income *2
	Electronic components	Information equipment	Software	Others			
Net sales							
of which to outside customers	194,782	46,505	3,306	13,258	257,852	-	257,852
of which inter- segment	1,439	1,144	5,430	2,047	10,061	(10,061)	-
Total	196,221	47,649	8,737	15,306	267,914	(10,061)	257,852
Segment income (loss)	3,805	866	79	410	5,161	(54)	5,106
Segment assets	109,007	15,614	3,138	7,110	134,871	(8,842)	126,028
Others							
Depreciation and amortization	1,051	78	727	105	1,962	(4)	1,957
Increase in property, plant and equipment and intangible assets	2,695	105	195	278	3,274	(17)	3,257

For the current fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

(Million yen)

	Reporting segments				Total	Adjustments *1	Amount in the consolidated statement of income *2
	Electronic components	Information equipment	Software	Others			
Net sales							
of which to outside customers	197,188	42,024	2,889	13,040	255,143	-	255,143
of which inter- segment	1,134	611	4,145	2,301	8,192	(8,192)	-
Total	198,322	42,635	7,035	15,342	263,336	(8,192)	255,143
Segment income (loss)	4,852	707	442	169	6,171	190	6,362
Segment assets	112,749	15,106	2,601	7,362	137,819	(9,870)	127,948
Others							
Depreciation and amortization	1,085	82	342	93	1,603	(21)	1,581
Increase in property, plant and equipment and intangible assets	1,824	42	123	240	2,230	(575)	1,655

Notes:

1. The adjustment for segment information is as follows

(1) Segment income

(Million yen)

	Fiscal year ended March 2014	Fiscal year ended March 2015
Elimination of inter-segment trade	(37)	190
Amortization of goodwill	(16)	-
Total	(54)	190

(2) Segment assets

(Million yen)

	Fiscal year ended March 2014	Fiscal year ended March 2015
Elimination of inter-segment trade	(11,563)	(12,615)
Corporate *	2,720	2,744
Total	(8,842)	(9,870)

\* Major component of corporate assets is investment of idle assets (cash and investment securities etc.).

(3) Depreciation and amortization

(Million yen)

	Fiscal year ended March 2014	Fiscal year ended March 2015
Elimination of inter-segment trade	(4)	(21)
Total	(4)	(21)

(4) Increase in property, plant and equipment and intangible assets

(Million yen)

	Fiscal year ended March 2014	Fiscal year ended March 2015
Elimination of inter-segment trade	(17)	(575)
Total	(17)	(575)

2. Segment income is adjusted with operating income on the consolidated statements of income and comprehensive income

**b. Associated information**

For the previous fiscal year ended March 2014 (April 1, 2013 – March 31, 2014)

## 1. Information about individual products and services

This information is not presented because KAGA ELECTRONICS Group prepares reports in accordance with a management approach based on individual products and services.

## 2. Geographic information

## (1) Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
180,170	3,918	2,430	71,333	257,852

Note: Net sales are classified based on the client's geographic location.

## (2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	East Asia	Total
9,742	36	74	2,771	12,625

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: United States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand and India

## 3. Information by major customers

Information by major customers is not presented because outside sales for major customers accounted for less than 10% of net sales on the consolidated statements of income.

For the current fiscal year ended March 2015 (April 1, 2014 – March 31, 2015)

## 1. Information about individual products and services

This information is not presented because KAGA ELECTRONICS Group prepares reports in accordance with a management approach based on individual products and services.

## 2. Geographic information

## (1) Net sales

(Million yen)

Japan	North America	Europe	East Asia	Total
173,048	5,363	2,506	74,225	255,143

Note: Net sales are classified based on the client's geographic location.

## (2) Property, plant and equipment

(Million yen)

Japan	North America	Europe	East Asia	Total
9,406	41	71	3,206	12,725

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas:

- (1) North America: United States
- (2) Europe: United Kingdom, Czech Republic, and Russia
- (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand and India

## 3. Information by major customers

Information by major customers is not presented because outside sales for major customers accounted for less than 10% of net sales on the consolidated statements of income.

(Per-share information)

(Yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Net assets per share	1,868.07	2,108.04
Net income (loss) per share	137.22	156.28

Note: 1. Net income per share (diluted) is not presented, since there is no potential stock which has dilution effect.

2. The basis for calculating net income (loss) per share is as follows.

Item	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Net income per share		
Net income (loss) (million yen)	3,877	4,416
Net income (loss) not available to common shareholders (million yen)	-	-
Net income (loss) available to common shareholders (million yen)	3,877	4,416
Weighted average number of shares outstanding	28,257,761	28,256,695

(Subsequent events)

None

## 6. Non-consolidated Financial Statements

### (1) Balance sheets

(Million yen)

	FY 2014 (As of March 31, 2014)	FY 2015 (As of March 31, 2015)
<b>ASSETS</b>		
Current assets		
Cash and deposits	5,826	7,933
Notes receivable-trade	3,813	2,859
Accounts receivable-trade	21,588	21,259
Securities	114	127
Merchandise	3,693	3,433
Work in process	190	19
Supplies	30	37
Advance payments-trade	856	426
Prepaid expenses	149	121
Deferred tax assets	587	498
Short-term loans receivable from subsidiaries and associates	17,154	17,843
Accounts receivable-other	2,215	2,528
Other	1,474	586
Allowance for doubtful accounts	(6,182)	(6,656)
Total current assets	51,512	51,018
Noncurrent assets		
Property, plant and equipment		
Buildings	3,010	2,861
Structures	26	22
Vehicles	4	2
Tools, furniture and fixtures	413	325
Land	3,213	3,314
Lease assets	0	37
Total property, plant and equipment	6,668	6,563
Intangible assets		
Trademark right	9	6
Software	200	183
Other	68	26
Total intangible assets	278	217

(Million yen)

	FY 2014 (As of March 31, 2014)	FY 2015 (As of March 31, 2015)
Investments and other assets		
Investment securities	4,801	5,666
Shares of subsidiaries and associates	7,657	7,658
Investments in capital	32	28
Investments in capital of subsidiaries and associates	8	11
Long-term loans receivable from subsidiaries and associates	1,687	1,337
Claims provable in bankruptcy, claims provable in rehabilitation and other	1,839	1,971
Long-term prepaid expenses	208	261
Deferred tax assets	633	275
Other	1,850	1,793
Allowance for doubtful accounts	(2,569)	(2,629)
Allowance for investment loss	(1,461)	(1,103)
Total investments and other assets	14,689	15,272
Total noncurrent assets	21,636	22,053
Total assets	73,149	73,071



(Million yen)

	FY 2014 (As of March 31, 2014)	FY 2015 (As of March 31, 2015)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable-trade	1,795	2,275
Accounts payable-trade	13,979	14,640
Short-term loans payable	6,903	1,562
Short-term loans payable to subsidiaries and associates	1,637	2,043
Current portion of long-term loans payable	1,428	1,428
Lease obligations	36	43
Accounts payable-other	1,339	885
Accrued expenses	1,435	1,608
Income taxes payable	144	426
Advances received	1,319	416
Deposits received	49	64
Provision for directors' bonuses	160	180
Asset retirement obligations	150	-
Other	207	34
Total current liabilities	<u>30,586</u>	<u>25,610</u>
Noncurrent liabilities		
Long-term loans payable	4,681	8,253
Lease obligations	126	120
Provision for retirement benefits	502	239
Provision for directors' retirement benefits	1,209	1,270
Asset retirement obligations	94	95
Other	293	294
Total noncurrent liabilities	<u>6,906</u>	<u>10,274</u>
Total liabilities	<u>37,493</u>	<u>35,884</u>
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus		
Legal capital surplus	13,912	13,912
Total capital surplus	<u>13,912</u>	<u>13,912</u>
Retained earnings		
Legal retained earnings	618	618
Other retained earnings		
General reserve	7,000	7,000
Retained earnings brought forward	2,379	3,369
Total retained earnings	<u>9,997</u>	<u>10,987</u>
Treasury stock	(536)	(537)
Total shareholder's equity	<u>35,507</u>	<u>36,496</u>
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	148	672
Deferred gains or losses on hedges	0	18
Total valuation and translation adjustments	<u>148</u>	<u>690</u>
Total net assets	<u>35,656</u>	<u>37,186</u>
Total liabilities and net assets	<u>73,149</u>	<u>73,071</u>

## (2) Statements of income

(Million yen)

	FY 2014 (April 1, 2013 – March 31, 2014)	FY 2015 (April 1, 2014 – March 31, 2015)
Net sales	94,517	90,138
Cost of sales	84,443	80,706
Gross profit	10,074	9,431
Selling, general and administrative expenses	9,958	9,107
Operating income	115	324
Non-operating income		
Interest income	139	116
Dividend income	1,640	1,898
Foreign exchange gains	26	123
Other	392	558
Total non-operating income	2,199	2,697
Non-operating expenses		
Interest expenses	109	97
Loss on investments in partnership	35	22
Other	17	56
Total non-operating expenses	162	177
Ordinary income	2,152	2,845
Extraordinary income		
Gain on sales of investment securities	-	20
Reversal of allowance for investment loss	198	347
Other	8	2
Total extraordinary income	207	370
Extraordinary losses		
Loss on valuation of investment securities	34	253
Provision of allowance for doubtful accounts	590	235
Office transfer expenses	373	4
Impairment loss	116	-
Other	59	9
Total extraordinary losses	1,175	502
Income before income taxes	1,184	2,713
Income taxes - current	357	793
Income taxes - deferred	148	129
Total income taxes	506	922
Net income	678	1,790

## (3) Statement of changes in shareholders' equity

Previous fiscal year (Apr. 1, 2013 –Mar. 31, 2014)

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Other retained earnings Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	13,912	618	7,000	2,548	10,167
Changes of items during the period							
Dividends from surplus						(847)	(847)
Net income						678	678
Purchase of treasury stock							
Disposal of treasury stock						(0)	(0)
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-	-	-	(169)	(169)
Balance at the end of current period	12,133	13,912	13,912	618	7,000	2,379	9,997

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(535)	35,678	(175)	(8)	(183)	35,494
Changes of items during the period						
Dividends from surplus		(847)				(847)
Net income		678				678
Purchase of treasury stock	(1)	(1)				(1)
Disposal of treasury stock	0	0				0
Net changes of items other than shareholders' equity			324	8	332	332
Total changes of items during the period	(1)	(170)	324	8	332	161
Balance at the end of current period	(536)	35,507	148	0	148	35,656

Current fiscal year (Apr. 1, 2014 –Mar. 31, 2015)

(Million yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings		Total retained earnings
		Legal capital surplus	Total capital surplus		General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	13,912	618	7,000	2,379	9,997
Cumulative effects of changes in accounting policies						188	188
Restated balance	12,133	13,912	13,912	618	7,000	2,567	10,186
Changes of items during the period							
Dividends from surplus						(988)	(988)
Net income						1,790	1,790
Purchase of treasury stock							
Net changes of items other than shareholders' equity							
Total changes of items during the period	-	-	-	-	-	801	801
Balance at the end of current period	12,133	13,912	13,912	618	7,000	3,369	10,987

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(536)	35,507	148	0	148	35,656
Cumulative effects of changes in accounting policies		188				188
Restated balance	(536)	35,695	148	0	148	35,844
Changes of items during the period						
Dividends from surplus		(988)				(988)
Net income		1,790				1,790
Purchase of treasury stock	(1)	(1)				(1)
Net changes of items other than shareholders' equity			523	18	541	541
Total changes of items during the period	(1)	800	523	18	541	1,342
Balance at the end of current period	(537)	36,496	672	18	690	37,186

## 7. Other Information

### (1) Changes in directors and corporate auditors

#### (a) Changes in representative director

Resigning representative director  
 Representative director and vice chairperson Tomohisa Tsukamoto To be assigned as an Advisor

#### (b) Changes in directors and auditors

##### Candidates for new director

New title	Name	Current position
Director and Manager of EMS Department	Motonori Toshinari	Executive Officer and Manager of EMS Department
Director and Manager of Electronic Business Department	Mitsuhiro Nohara	Executive Officer and Manager of Electronic Business Department
Director	Susumu Miyoshi	Adviser, Toyota Motor Corporation Executive Advisor, TOYOTA Auto Body, Co. Ltd Executive Advisor, Hitachi Maxell, Ltd.
Director	Akira Tamura	Corporate Auditor (part time), The Resolution and Collection Corporation Adviser, Okigin Economic Research Institute, Ltd. Adviser, Niigata Sohogo Security Services Co., Ltd.

(Note) Susumu Miyoshi and Akira Tamura are the candidates of external director.

#### Resigning director

Senior Managing Director Waichiro Shimoyama To be assigned as an Advisor

#### Candidates for new corporate auditor

Corporate Auditor (full time) Kazunori Kameda  
 Corporate Auditor (full time) Takahiro Ishida

#### Resigning corporate auditor

Corporate Auditor (full time) Masahiro Ishikawa To be assigned as an advisor  
 Corporate Auditor (full time) Kikuo Sumino

#### Change of director

New title	Name	Current title
Managing Director, Administration Headquarters	Eiji Kawamura	Director, Administration Headquarters

#### (c) Planned date of the changes

June 26, 2015

### (2) Other information

Not applicable