

Summary of Consolidated Financial Results For the First Half Ended September 30, 2015 [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 12, 2015
 Date of commencement of dividend payment (tentative): December 4, 2015
 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 2016 (April 1, 2015 – September 30, 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 half ended September 2015	122,975	2.2	4,195	36.8	4,427	21.7	2,943	36.4
First half ended September 2014	120,318	(1.4)	3,067	39.8	3,636	49.2	2,157	59.4

Note: Comprehensive income: First half of FY3/2016: 2,017 million yen (-34.4%), First half of FY3/2015: 3,073 million yen (46.3%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2015	104.17	-
First half ended September 2014	76.34	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2015	123,959	60,924	49.1
As of March 31, 2015	127,948	59,603	46.6

Reference: Shareholders' equity

As of September 30, 2015: 60,882 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.)			-	20.00	40.00

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

Year-end dividend of FY3/15 includes ordinary dividend of 15.00 yen and commemorative dividend of 10 yen

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		Profit attributable to owners of parent		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: Yes

* Notes

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

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

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

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

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

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

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of September 30, 2015: 28,702,118 As of March 31, 2015: 28,702,118

(b) Treasury shares

As of September 30, 2015: 446,606 As of March 31, 2015: 446,040

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

Period ended September 30, 2015: 28,255,854 Period ended September 30, 2014: 28,256,963

* Information concerning quarterly review procedure

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The financial statements for the first quarter were under review at the time this Summary of Financial Results was released.

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "(3) Forecast for fiscal year ending March 2016" on page 3.

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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 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 economy remained uncertain due to slowing economic growth in China 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. But overall demand in the industry increased because of higher demand for mobile devices, automotive devices, and medical and healthcare products. In addition, there was growth in new market sectors for environmental and energy products, the IoT (Note 1), and wearable terminals.

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, added new products, strengthened its overseas network and implemented cost-cutting measures.

First half consolidated net sales increased 2.2% from one year earlier to 122,975 million yen, operating income increased 36.8% to 4,195 million yen, ordinary income increased 21.7% to 4,427 million yen, and profit attributable to owners of parent increased 36.4% to 2,943 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)

First half sales were higher in Japan for electronic components and semiconductors used in communications equipment and amusement products. Overseas, there was growth in EMS operations for electronic devices. The result was a 2.5% increase in segment sales to 95,815 million yen and a 41.8% increase in operating income to 3,755 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)

The volume of PCs and digital cameras decreased but there were higher sales of housing-related products and other products. As a result, segment sales increased 1.5% to 20,120 million yen and operating income increased 40.9% to 229 million yen.

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

This segment is focusing on development and sales of computer graphics and game software while cutting costs. Segment sales increased 8.5% to 1,136 million yen and operating income was up 134.9% to 288 million yen.

(d) Others (Electronic device repairs and support, 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 0.4% to 5,901 million yen and there was an operating loss of 102 million yen compared with operating income of 51 million yen in the first half of the previous fiscal year.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets decreased 3,989 million yen from the end of the previous fiscal year to 123,959 million yen at the end of the first half mainly because of a decrease in notes and accounts receivable-trade. Liabilities decreased 5,310 million yen to 63,034 million yen mainly because of a decrease in notes and accounts payable-trade. Net assets increased 1,321 million yen to 60,924 million yen mainly because of profit attributable to owners of parent.

(b) Cash flows

There was a net increase of 2,790 million yen in cash and cash equivalents to 20,360 million yen at the end of the first half. (Operating activities)

Net cash provided by operating activities was 4,344 million yen compared with 4,940 million yen one year earlier. Income before income taxes and minority interests was the major source of cash.

(Investing activities)

Net cash provided by investing activities was 385 million yen compared with net cash used of 730 million yen one year earlier. The primary sources of cash were proceeds from sales of property, plant and equipment and proceeds from cancellation of insurance funds.

(Financing activities)

Net cash used by financing activities was 1,614 million yen compared with 3,409 million yen one year earlier. Cash was used primarily for repayments of long-term loans payable and cash dividends paid.

(3) Forecast

(a) Consolidated fiscal year forecast (April 1, 2015 to March 31, 2016)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	260,000	6,500	7,000	4,600	162.80
New forecast (B)	252,000	7,200	7,700	5,000	176.96
Change (B) – (A)	(8,000)	700	700	400	-
Percent change (%)	(3.1)	10.8	10.0	8.7	-
(Ref.) Previous fiscal year (FY3/15)	255,143	6,362	7,664	4,416	156.28

(b) Reasons of revision of forecast

There is a small reduction in the sales forecast because of weak demand for PCs, digital cameras and other products in the information equipment segment. The earnings forecasts are higher because of the outlook for an improvement in the gross profit margin resulting mainly from a focus on EMS operations in Japan and overseas and other operations where group companies can add value.

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, first half 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 for the first half of the current fiscal year.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	First half ended September 2015 (As of September 30, 2015)
ASSETS		
Current assets		
Cash and deposits	18,130	20,475
Notes and accounts receivable-trade	58,167	55,036
Securities	127	121
Merchandise and finished goods	17,276	16,083
Work in process	401	665
Raw materials and supplies	5,024	4,459
Deferred tax assets	929	682
Other	4,497	4,302
Allowance for doubtful accounts	(131)	(155)
Total current assets	104,424	101,671
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,455	5,257
Machinery, equipment and vehicles, net	2,285	2,106
Tools, furniture and fixtures, net	936	845
Land	4,041	4,041
Construction in progress	6	5
Total property, plant and equipment	12,725	12,256
Intangible assets		
Goodwill	607	539
Software	479	476
Other	44	90
Total intangible assets	1,131	1,106
Investments and other assets		
Investment securities	6,351	6,259
Deferred tax assets	274	275
Other	4,210	3,552
Allowance for doubtful accounts	(1,169)	(1,163)
Total investments and other assets	9,667	8,924
Total noncurrent assets	23,524	22,287
Total assets	127,948	123,959

(Million yen)

	Fiscal year ended March 2015 (As of March 31, 2015)	First half ended September 2015 (As of September 30, 2015)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,543	36,661
Short-term loans payable	5,925	5,774
Income taxes payable	1,286	1,101
Other	6,856	6,712
Total current liabilities	54,612	50,249
Noncurrent liabilities		
Long-term loans payable	8,253	7,539
Provision for directors' retirement benefits	1,501	1,175
Net defined benefit liability	1,643	1,685
Other	2,335	2,385
Total noncurrent liabilities	13,733	12,784
Total liabilities	68,345	63,034
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	31,029	33,266
Treasury shares	(537)	(538)
Total shareholders' equity	56,538	58,774
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	790	636
Deferred gains or losses on hedges	23	(5)
Foreign currency translation adjustment	2,462	1,759
Remeasurements of defined benefit plans	(250)	(281)
Total accumulated other comprehensive income	3,026	2,108
Non-controlling interests	38	42
Total net assets	59,603	60,924
Total liabilities and net assets	127,948	123,959

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

For the first half (April 1, 2015 – September 30, 2015)

(Million yen)

	First half ended September 2014 (April 1, 2014 – September 30, 2014)	First half ended September 2015 (April 1, 2015 – September 30, 2015)
Net sales	120,318	122,975
Cost of sales	104,521	105,983
Gross profit	15,796	16,991
Selling, general and administrative expenses	12,729	12,796
Operating income (loss)	3,067	4,195
Non-operating income		
Interest income	78	38
Dividends income	65	70
Commission fee	170	113
Foreign exchange gains	161	-
Other	197	160
Total non-operating income	674	382
Non-operating expenses		
Interest expenses	58	58
Foreign exchange losses	-	44
Other	46	47
Total non-operating expenses	105	150
Ordinary income (loss)	3,636	4,427
Extraordinary income		
Gain on sales of noncurrent assets	7	2
Gain on sales of investment securities	3	1
Other	1	-
Total extraordinary income	12	3
Extraordinary loss		
Loss on retirement of noncurrent assets	4	4
Loss on valuation of investment securities	166	4
Impairment loss	8	-
Business structure improvement expenses	-	13
Office transfer expenses	4	-
Special retirement expenses	-	15
Settlement package	64	-
Other	1	0
Total extraordinary loss	249	39
Income before income taxes and minority interests	3,400	4,392
Income taxes - current	998	1,100
Income taxes - deferred	237	355
Total income taxes	1,236	1,455
Net income	2,164	2,936
Profit attributable to owners of parent	2,157	2,943
Profit (loss) attributable to non-controlling interests	7	(6)

(Million yen)

	First half ended September 2014 (April 1, 2014 – September 30, 2014)	First half ended September 2015 (April 1, 2015 – September 30, 2015)
Other comprehensive income		
Valuation difference on available-for-sale securities	214	(154)
Deferred gains or losses on hedges	40	(29)
Foreign currency translation adjustment	620	(703)
Remeasurements of defined benefit plans, net of tax	33	(31)
Total other comprehensive income	909	(919)
Comprehensive income	3,073	2,017
Comprehensive income attributable to owners of parent	3,066	2,024
Comprehensive income attributable to non-controlling interests	7	(7)

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended Sept. 2014 (April. 1, 2014 – September. 30, 2014)	First half ended Sept. 2015 (April. 1, 2015 – September. 30, 2015)
Operating activities		
Income before income taxes and minority interests	3,400	4,392
Depreciation and amortization	968	764
Amortization of goodwill	61	106
Increase (decrease) in provision for directors' retirement benefits	20	(326)
Decrease (Increase) in allowance for doubtful accounts	(130)	23
Interest and dividends income	(144)	(109)
Interest expenses	58	58
Loss on valuation of investment securities	166	4
Decrease in notes and accounts receivable-trade	4,693	2,766
Increase (decrease) in inventories	(546)	1,178
Increase (decrease) in accounts receivable-other	(40)	237
Increase in advance payments	(192)	(514)
Decrease in notes and accounts payable-trade	(3,147)	(3,430)
Increase (decrease) in accounts payable-other and accrued expenses	47	(149)
Decrease in consumption taxes refund receivable	369	367
Decrease (increase) in other current assets	1,276	(26)
Decrease (Increase) in other current liabilities	(657)	303
Other, net	94	(66)
Sub-total	6,297	5,580
Interest and dividends income received	142	112
Interest expenses paid	(58)	(57)
Income taxes paid	(1,439)	(1,283)
Other, net	(1)	(7)
Net cash provided by operating activities	4,940	4,344
Investing activities		
Purchase of property, plant and equipment	(646)	(701)
Proceeds from sales of property, plant and equipment	152	320
Purchase of intangible assets	(119)	(144)
Purchase of investment securities	(527)	(160)
Proceeds from sales of investment securities	243	61
Purchase of investments in subsidiaries	(11)	-
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	-	8
Payments of short-term loans receivable	(13)	(3)
Proceeds from cancellation of insurance funds	100	375
Payments for guarantee deposits	(8)	(4)
Proceeds from collection of guarantee deposits	12	71
Other payments	(195)	(32)
Other proceeds	280	595
Net cash used in by (provided) investing activities	(730)	385
Financing activities		
Net decrease in short-term loans payable	(2,061)	(145)
Repayment of long-term loans payable	(714)	(714)
Cash dividends paid	(563)	(705)
Other, net	(70)	(49)
Net cash used in financing activities	(3,409)	(1,614)
Effect of exchange rate change on cash and cash equivalents	202	(325)
Net increase in cash and cash equivalents	1,003	2,790
Cash and cash equivalents, beginning of period	13,361	17,569
Cash and cash equivalents, end of period	14,365	20,360

(4) Notes to quarterly consolidated financial statement

(Notes to going concern assumptions)

None

(Significant change in shareholders' equity)

None

(Segment information)

I. For the first half ended September 2014 (April 1, 2014 – September 30, 2014)

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	93,519	19,828	1,047	5,922	120,318	-	120,318
of which inter- segment	584	325	2,022	879	3,811	(3,811)	-
Total	94,103	20,154	3,070	6,802	124,130	(3,811)	120,318
Segment income	2,648	162	122	51	2,985	81	3,067

- Notes:
1. Adjustment in segment income of 81 million yen includes 81 million yen for elimination of inter-segment trade.
 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)

Omitted because insufficiently significant.

(Significant changes in goodwill)

There were no significant change in goodwill.

(Significant changes in gain on bargain purchase)

Omitted because insufficiently significant

II. For the first half ended September 2015 (April 1, 2015 – September 30, 2015)

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 (of which inter- segment)	95,815	20,120	1,136	5,901	122,975	-	122,975
	422	310	1,705	920	3,358	(3,358)	-
Total	96,238	20,431	2,842	6,822	126,333	(3,358)	122,975
Segment income (loss)	3,755	229	288	(102)	4,170	24	4,195

- Notes:
1. Adjustment in segment income of 24 million yen includes 63 million yen for elimination of inter-segment trade and -38 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 losses.

(Significant changes in goodwill)

There were no significant change in goodwill.

(Significant changes in gain on bargain purchase)

There were no significant changes in gain on bargain purchase