

Summary of Consolidated Financial Results For the Third Quarter Ended December 31, 2014 [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):	February 12, 2015
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 2015 (April 1, 2014 – December 31, 2014)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters of FY3/2015	187,556	(0.5)	4,998	21.6	6,018	33.6	3,691	31.4
First three quarters of FY3/2014	188,460	20.1	4,109	-	4,506	-	2,809	-

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

First three quarters of FY3/2014: 4,410 million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First three quarters of FY3/2015	130.65		-	
First three quarters of FY3/2014	99.42		-	

Note: The percentage of ordinary income for the first three quarters of FY3/2014 is shown as “-” because it exceeds 1,000% (1,180.8%), and operating income and net income are also shown as “-” since these income of previous period were negative figures.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2014	131,675	58,353	44.3
As of March 31, 2014	126,028	52,825	41.9

Reference: Shareholders' equity

As of December 31, 2014: 58,315 million yen

As of March 31, 2014: 52,786 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 2014	-	15.00	-	20.00	35.00
Fiscal year ending March 2015	-	15.00	-		
Fiscal year ending March 2015 (est.)				15.00	30.00

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

Yearend dividend of FY3/14 includes ordinary dividend of 15.00 yen and commemorative dividend of 5 yen (completion of new headquarter building)

3. Forecast for the fiscal year ending March 2014 (Consolidated, April 1, 2014 to March 31, 2015)

(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	(2.3)	5,600	9.7	6,500	11.2	4,000	3.2	141.56

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 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.

- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury stock)

	As of December 31, 2014:	28,702,118	As of March 31, 2014:	28,702,118
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 - (b) Treasury stock

	As of December 31, 2014:	445,682	As of March 31, 2014:	445,002
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 - (c) Average number of shares (quarterly consolidated cumulative period)

	Period ended December 31, 2014:	28,256,838	Period ended December 31, 2013:	28,257,908
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* 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. Please refer (3) Forecast in 1. Results of Operations on page 3 of Supplementary Information for further information.

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1. Results of Operations

(1) Overview on consolidated business performance

During the first three quarters of the fiscal year, there was a recovery in corporate earnings and growth in the number of jobs in Japan because of economic measures by the Japanese government and the Bank of Japan's monetary easing. However, the economic outlook is uncertain due in part to lackluster consumer spending following the consumption tax hike and concerns about the impact on consumer prices of the rising cost of raw materials caused by the yen's depreciation.

In the electronics industry, 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 and for automotive devices. In addition, there was growth in emerging market sectors for electronics, such as the markets for environmental and energy products and for health care products.

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 first three quarters decreased 0.5% from one year earlier to 187,556 million yen, operating income increased 21.6% to 4,998 million yen, ordinary income increased 33.6% to 6,018 million yen, and net income increased 31.4% to 3,691 million yen.

Business segment performance was as follows.

(a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, electronic manufacturing service (EMS*), 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 1.0% increase in segment sales to 146,698 million yen and a 39.8% increase in operating income to 4,169 million yen.

* 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, photographic 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 in the fiscal year's first half. Sales of housing-related products and environmental-related items were strong, too. However, there was sluggish demand for digital consumer electronics. As a result, segment sales decreased 4.6% to 30,173 million yen and operating income was 406 million yen, down 1.9% from one year earlier.

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

Activities in this segment focused mostly on the production of computer graphics for animation applications and on the development and sales of game software. However, orders for the development of electronic games declined. Segment sales decreased 13.5% to 1,767 million yen and operating income was down 47.5% from one year earlier to 197 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 golf products were both weak. As a result, segment sales decreased 6.9% to 8,917 million yen and operating income was down 70.0% from one year earlier to 105 million yen.

(2) Overview of financial condition

Assets, liabilities and net assets

Total assets as of December 31, 2014 were 131,675 million yen, 5,646 million yen higher than at the end of the previous fiscal year. This was mainly due to an increase in cash and deposits.

Total liabilities were 73,322 million yen, an increase of 119 million yen compared with the end of the previous fiscal year. The main reason was an increase in trade notes and accounts payable.

Net assets totaled 58,353 million yen, 5,527 million yen more than at the end of the previous fiscal year mainly because of net income.

(3) Forecast

(a) Consolidated forecast for the fiscal year ending March 2015 (April 1, 2014 – March 31, 2015)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	260,000	5,300	6,000	4,000	141.56
Revised forecast (B)	252,000	5,600	6,500	4,000	141.56
Difference (B-A)	(8,000)	300	500	-	-
Difference (%)	(3.1)	5.7	8.3	-	-
(Ref.) Previous fiscal year (Fiscal year ended March 2014)	257,852	5,106	5,847	3,877	137.22

(b) Reason for revisions

The forecast for consolidated results of operations in the current fiscal year has been revised as shown in the above table. The sales forecast has been lowered slightly mainly because of declines in sales in Japan of electronic components and semiconductors used in amusement equipment and in EMS sales. The operating income and ordinary income forecasts are higher because of an improvement in the gross profit margin and a decrease in selling, general and administrative expenses.

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 retirement benefits)

Beginning at the start of the first quarter of the fiscal year ending on March 31, 2015, 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 first three quarters operating income, ordinary income and income before income taxes and minority interests were negligible.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2014 (As of March 31, 2014)	Third quarter ended December 2014 (As of December 31, 2014)
ASSETS		
Current assets		
Cash and deposits	14,192	16,618
Notes and accounts receivable-trade	60,667	60,211
Short-term investment securities	114	108
Merchandise and finished goods	16,378	18,925
Work in process	848	1,198
Raw materials and supplies	3,991	5,076
Deferred tax assets	993	505
Other	5,836	5,934
Allowance for doubtful accounts	(93)	(54)
Total current assets	102,930	108,523
Noncurrent assets		
Property, plant and equipment		
Buildings and structures, net	5,737	5,552
Machinery, equipment and vehicles, net	1,711	2,078
Tools, furniture and fixtures, net	1,004	851
Land	4,038	4,040
Construction in progress	133	11
Total property, plant and equipment	12,625	12,534
Intangible assets		
Goodwill	715	643
Software	486	442
Other	332	110
Total intangible assets	1,533	1,195
Investments and other assets		
Investment securities	5,377	5,959
Deferred tax assets	562	454
Other	4,015	4,042
Allowance for doubtful accounts	(1,017)	(1,035)
Total investments and other assets	8,938	9,421
Total noncurrent assets	23,098	23,151
Total assets	126,028	131,675

(Million yen)

	Fiscal year ended March 2014 (As of March 31, 2014)	Third quarter ended December 2014 (As of December 31, 2014)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	41,695	45,116
Short-term loans payable	12,172	10,864
Income taxes payable	1,525	822
Other	8,016	7,501
Total current liabilities	63,410	64,304
Noncurrent liabilities		
Long-term loans payable	4,681	3,610
Provision for directors' retirement benefits	1,437	1,481
Net defined benefit liability	1,954	1,653
Other	1,719	2,272
Total noncurrent liabilities	9,792	9,017
Total liabilities	73,202	73,322
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	27,414	30,305
Treasury stock	(536)	(537)
Total shareholder's equity	52,923	55,814
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	161	585
Deferred gains or losses on hedges	0	93
Foreign currency translation adjustments	5	2,077
Remeasurements of defined benefit plans	(304)	(254)
Total accumulated other comprehensive income	(137)	2,501
Minority interests	39	37
Total net assets	52,825	58,353
Total liabilities and net assets	126,028	131,675

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first three quarters (April 1, 2014 – December 31, 2014)

(Million yen)

	Third quarter ended December 2013 (April 1, 2013 - December 31, 2013)	Third quarter ended December 2014 (April 1, 2014 - December 31, 2014)
Net sales	188,460	187,556
Cost of sales	164,066	163,352
Gross profit	24,394	24,204
Selling, general and administrative expenses	20,284	19,205
Operating income	4,109	4,998
Non-operating income		
Interest income	44	114
Dividend income	76	89
Commission fee	175	250
Foreign exchange gains	44	455
Other	272	263
Total non-operating income	613	1,172
Non-operating expenses		
Interest expense	98	88
Loss on investments in partnership	66	1
Other	52	62
Total non-operating expenses	217	152
Ordinary income	4,506	6,018
Extraordinary income		
Gain on sales of noncurrent assets	4	7
Gain on sales of investment securities	5	24
Other	-	1
Total extraordinary income	9	33
Extraordinary losses		
Loss on retirement of noncurrent assets	23	5
Loss on valuation of investment securities	45	166
Impairment loss	44	20
Loss on liquidation of subsidiaries and affiliates	91	-
Office transfer expenses	80	4
Settlement package	-	64
Other	16	6
Total extraordinary losses	301	268
Income before income taxes and minority interests	4,213	5,783
Income taxes-current	1,305	1,339
Income taxes-deferred	89	742
Total income taxes	1,394	2,082
Income before minority interests	2,818	3,701
Minority interests in income	9	9
Net income	2,809	3,691

(Million yen)

	Third quarter ended December 2013 (April 1, 2013 - December 31, 2013)	Third quarter ended December 2014 (April 1, 2014 - December 31, 2014)
Minority interests in income (loss)	9	9
Income (loss) before minority interests	2,818	3,701
Other comprehensive income		
Valuation difference on available-for-sale securities	431	424
Deferred gains or losses on hedges	20	92
Foreign currency translation adjustment	1,140	2,072
Remeasurements of defined benefit plans, net of tax	-	50
Total other comprehensive income	1,592	2,640
Comprehensive income	4,410	6,341
Comprehensive income attributable to owners of the parent	4,398	6,330
Comprehensive income attributable to minority interests	12	10

(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 2013 (April 1, 2013 – December 31, 2013)

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	145,213	31,623	2,043	9,579	188,460	-	188,460
of which inter- segment	1,094	496	4,468	1,741	7,800	(7,800)	-
Total	146,308	32,119	6,512	11,321	196,261	(7,800)	188,460
Segment income (loss)	2,983	413	376	350	4,124	(14)	4,109

Note: 1. Adjustment of segment loss of 14 million yen includes 2 million yen of elimination of inter-segment trade and -16 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

II. 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 (loss)	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