



Information Meeting for The First Quarter of Fiscal Year ending March 2012

August 11, 2011

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Financial Highlights

First Quarter of FY3/2012

Consolidated Statement of Income

(million yen)

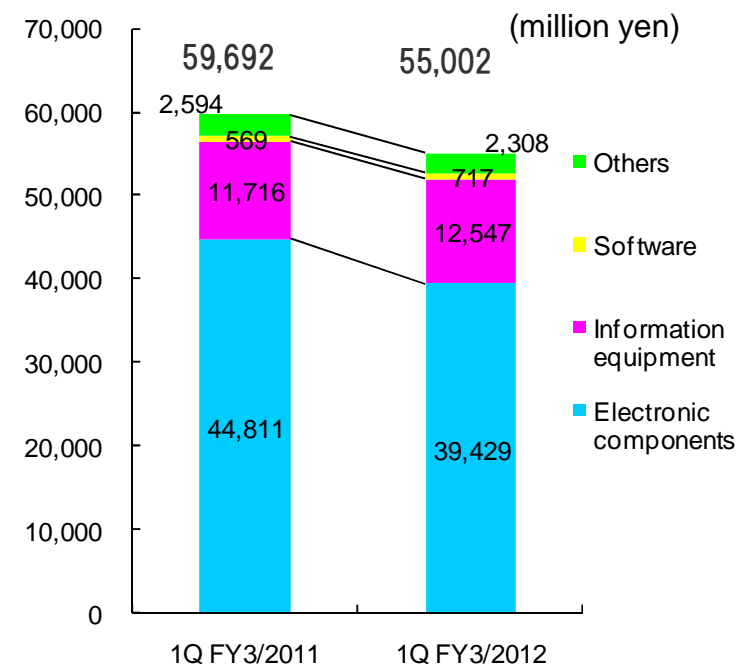
	1Q FY3/2011		1Q FY3/2012		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	59,692	100.0%	55,002	100.0%	-4,690	-7.9%
Cost of sales	51,900	86.9%	47,954	87.2%	-3,945	-7.6%
Gross profit	7,792	13.1%	7,047	12.8%	-745	-9.6%
SG&A expenses	6,875	11.5%	6,799	12.4%	-76	-1.1%
Operating income	916	1.5%	247	0.4%	-669	-73.0%
Non-operating income	196	0.3%	200	0.4%	4	2.0%
Non-operating expense	119	0.2%	75	0.1%	-44	-37.0%
Ordinary income	993	1.7%	373	0.7%	-620	-62.4%
Extraordinary items	90	0.2%	-60	-0.1%	-150	-166.7%
Income before income taxes	1,083	1.8%	312	0.6%	-771	-71.2%
Income taxes	386	0.6%	223	0.4%	-163	-42.2%
Income taxes-deferred	127	0.2%	-33	-0.1%	-161	-126.0%
Minority interests	16	0.0%	6	0.0%	-10	-62.5%
Net income	552	0.9%	115	0.2%	-436	-79.2%

Segment information (Net sales)

(million yen)

	1Q FY3/2011		1Q FY3/2012		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
Electronic components	44,811	75.1%	39,429	71.7%	-5,382	-12.0%
Information equipment	11,716	19.6%	12,547	22.8%	830	7.1%
Software	569	1.0%	717	1.3%	147	26.0%
Others	2,594	4.3%	2,308	4.2%	-286	-11.1%
Total	59,692	100.0%	55,002	100.0%	-4,690	-7.9%

Note: Segment information in the previous fiscal year is provided only for reference because business segments were revised in the current fiscal year.



Summary

- **Electronic components: Sales down 5,382 million yen (-12.0%)**

Lower production volume, slowing consumer spending and other effects of the March earthquake caused a drop in orders for semiconductors used in automobiles and consumer products, for EMS operations for amusement devices, and for other activities.

- **Information equipment: Sales up 830 million yen (+7.1%)**

Sales in some product categories declined due to the earthquake. But orders were higher because of activities to increase sales of PCs, PC peripherals and other existing products, higher demand for products for conserving electricity, and orders for terrestrial digital TV broadcast tuners leading up to the July end of these broadcasts in Japan.

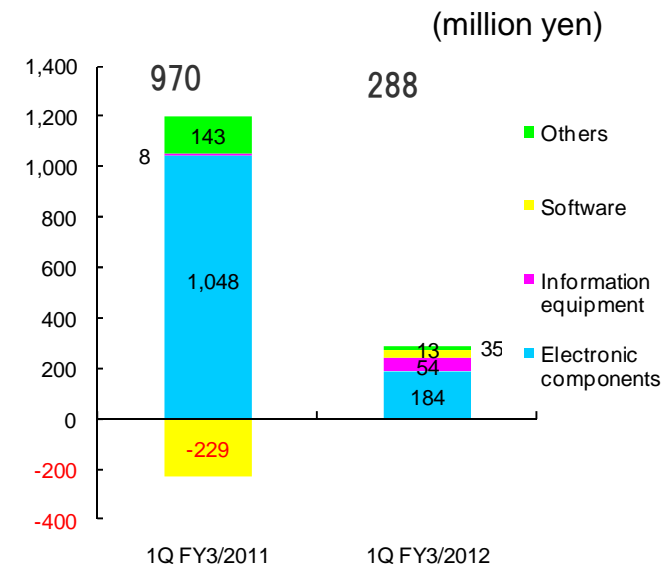
- **Others: Sales down 286 million yen (-11.1%)**

Orders decreased mainly because of weak sales of golf products and a downturn in the electronic devices recycling business because of the earthquake.

Segment information (Operating income)

	(million yen)		
	1Q FY3/2011	1Q FY3/2012	Change
Electronic components	1,048	184	-864
Information equipment	8	54	46
Software	-229	35	264
Others	143	13	-129
Total	971	288	-682

Note: Segment information in the previous fiscal year is provided only for reference because business segments were revised in the current fiscal year.



Summary

■ Electronic components

Operating income decreased 864 million yen mainly because of lower operating income in the EMS business in Japan as sales declined due to weak production activity and consumer spending following the earthquake.

■ Software

Operating income increased 264 million yen mainly because of higher sales of visual content using computer graphics and of game software.

■ Others

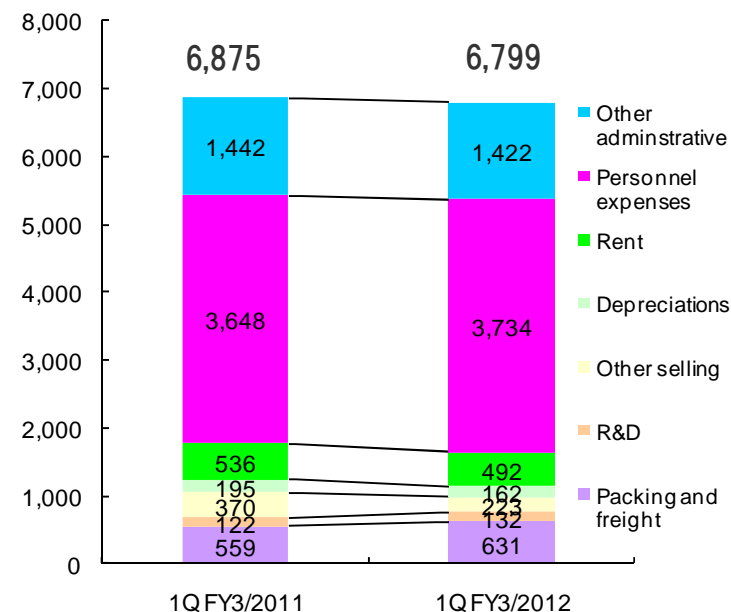
Operating income decreased 129 million yen mainly because of weak sales of golf products and a downturn in the electronic devices recycling business because of the earthquake.

Selling, General and Administrative Expenses

(million yen)

	1Q FY3/2011		1Q FY3/2012		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	559	8.1%	631	9.3%	72	12.9%
R&D	122	1.8%	132	1.9%	10	8.2%
Others	370	5.4%	223	3.3%	-147	-39.7%
Total selling expenses	1,051	15.3%	986	14.5%	-65	-6.2%
Depreciations	195	2.8%	162	2.4%	-33	-16.9%
Rent	536	7.8%	492	7.2%	-44	-8.2%
Personnel expenses	3,648	53.1%	3,734	54.9%	86	2.4%
Others	1,442	21.0%	1,422	20.9%	-20	-1.4%
Total administrative	5,822	84.7%	5,812	85.5%	-10	-0.2%
Total SG&A expenses	6,875	100.0%	6,799	100.0%	-76	-1.1%

(million yen)



Summary

■ Selling expenses

Decreased 65 million yen mainly because of a 124 million yen decrease in the provision for doubtful receivables

■ Administrative expenses

Rent: Decreased 44 million yen mainly because of lower leasing expenses at facilities operated by KAGA SPORTS

Personnel expenses: 86 million yen Workforce: +408 (from 5,361 to 5,769)

*Workforce increase: +462 at overseas EMS factories (+170 at KAGA (SHENZHEN) ELECTRONICS and +345 at KAGA TAXAN ELECTRONICS (SUZHOU))

Consolidated Balance Sheets

(million yen)

	End of FY3/2011	End of 1Q FY3/2012	Change		End of FY3/2011	End of 1Q FY3/2012	Change
(ASSETS)	114,686	111,352	-3,334	(LIABILITIES)	66,087	63,694	-2,393
Current assets	92,876	90,126	-2,750	Current liabilities	56,987	55,065	-1,922
Cash and cash equivalents	11,926	10,944	-982	Notes and accounts payable-trade	40,790	39,333	-1,457
Notes and account receivable-trade	54,173	50,896	-3,277	Short-term bank loans	8,505	9,759	1,254
Merchandise and finished goods	15,775	17,809	2,034	Others	7,692	5,973	-1,719
Goods in progress	555	674	119	Long-term liabilities	9,099	8,628	-471
Raw materials and other supplies	3,189	3,301	112	Long-term bank loans	4,636	4,182	-454
Others	7,256	6,499	-757	Others	4,463	4,446	-17
				(NET ASSETS)	48,598	47,657	-941
				Shareholders' equity	49,752	49,453	-299
Fixed assets	21,810	21,225	-585	Paid-in capital	12,133	12,133	0
Property, plant and equipment	9,724	9,595	-129	Capital surplus	13,912	13,912	0
Intangible assets	2,599	2,433	-166	Retained earnings	25,038	24,740	-298
Investments and other assets	9,485	9,196	-289	Treasury stock	-1,332	-1,332	0
				Valuation and translation adjustment	-2,817	-3,346	-529
				Minority interests	1,664	1,550	-114
Total assets	114,686	111,352	-3,334	Total liabilities and net assets	114,686	111,352	-3,334

Forecast for FY3/2012

Consolidated Statement of Income

(million yen)

	FY3/2011 (actual)		FY3/2012 (plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net sales	237,951	100.0%	238,000	100.0%	49	0.0%
Cost of sales	207,298	87.1%	209,000	87.8%	1,702	0.8%
Gross profit	30,653	12.9%	29,000	12.2%	-1,653	-5.4%
SG&A expenses	27,089	11.4%	26,900	11.3%	-189	-0.7%
Operating income	3,563	1.5%	2,100	0.9%	-1,463	-41.1%
Non-operating income	175	0.1%	500	0.2%	325	185.7%
Ordinary income	3,738	1.6%	2,600	1.1%	-1,138	-30.4%
Extraordinary income	-376	-0.2%	-100	0.0%	276	-73.4%
Income taxes	1,516	4.9%	1,200	4.1%	-316	-20.8%
Net income	1,854	0.9%	1,300	0.5%	-554	-29.9%

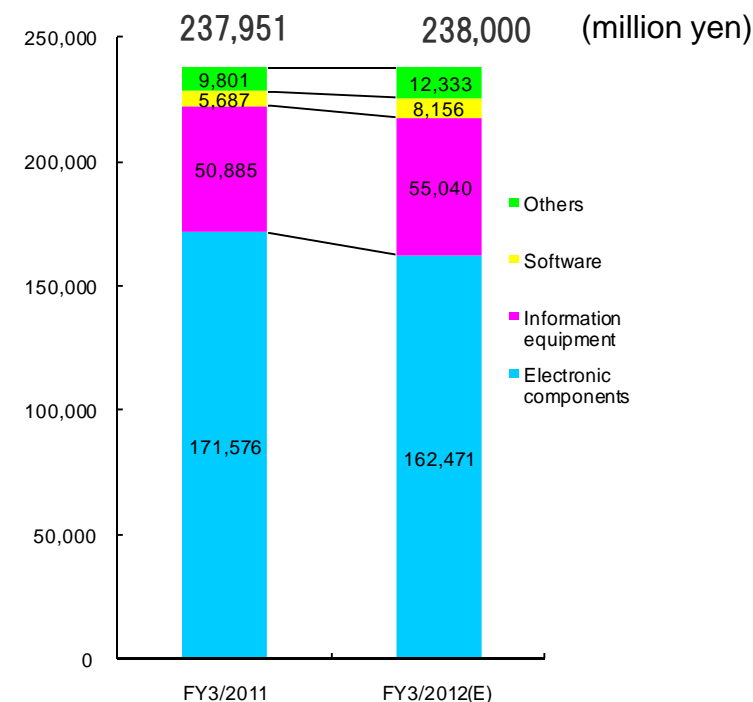
Forecast for FY3/2012 by segment

Net Sales

(million yen)

	FY3/2011		FY3/2012 (E)		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
Electronic components	171,576	72.1%	162,471	68.3%	-9,105	-5.3%
Information equipment	50,885	21.4%	55,040	23.1%	4,155	8.2%
Software	5,687	2.4%	8,156	3.4%	2,469	43.4%
Others	9,801	4.1%	12,333	5.2%	2,532	25.8%
Total	237,951	100.0%	238,000	100.0%	49	0.0%

Note: Segment information in the previous fiscal year is provided only for reference because business segments were revised in the current fiscal year.



Summary

■ Electronic components

A rebound in supplies of electronic components, semiconductors and other components is expected along with earthquake recovery progress and overseas EMS business volume is expected to grow. But a sales decline of 9,105 million yen (-5.3%) is forecast because of lower sales in the EMS business in Japan due to lower production volume and slowing consumer spending caused by the earthquake.

■ Information equipment

Up 4,155 million yen (+8.2%) because of growth in the volume of products handled due mainly to activities to increase sales of PCs, PC peripherals and other existing products and to the addition of new products.

■ Software

Up 2,469 million yen (+43.4%) because of higher sales of visual content and game software.

■ Others

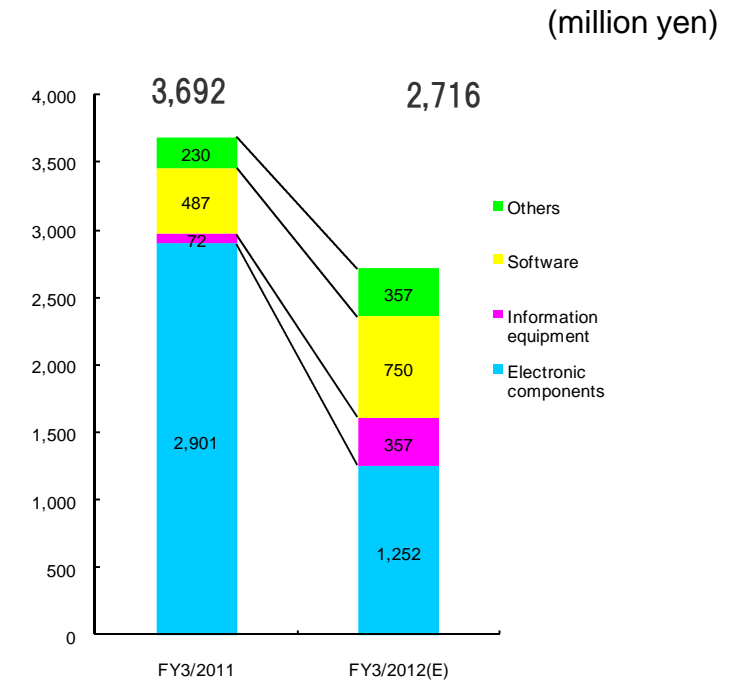
Up 2,532 million yen (+25.8%) because of growth in the recycling of amusement and electronics equipment associated with earthquake recovery activities.

Forecast for FY3/2012 by segment

Operating income (million yen)

	FY3/2011	FY3/2012(E)	Change
Electronic components	2,901	1,252	-1,649
Information equipment	72	357	285
Software	487	750	263
Others	230	357	127
Total	3,692	2,716	-976

Note: Segment information in the previous fiscal year is provided only for reference because business segments were revised in the current fiscal year.



Summary

■ Electronic components

Down 1,649 million yen (-56.8%) because of lower sales in the EMS business in Japan due to declines in production and consumer spending and to declining prices of semiconductors and other components.

■ Information equipment

Up 285 million yen (+395.8%) mainly because of growth in sales of PCs and PC peripherals.

■ Software

Up 263 million yen (+54%) mainly because of growth in production and sales of visual content and game software.

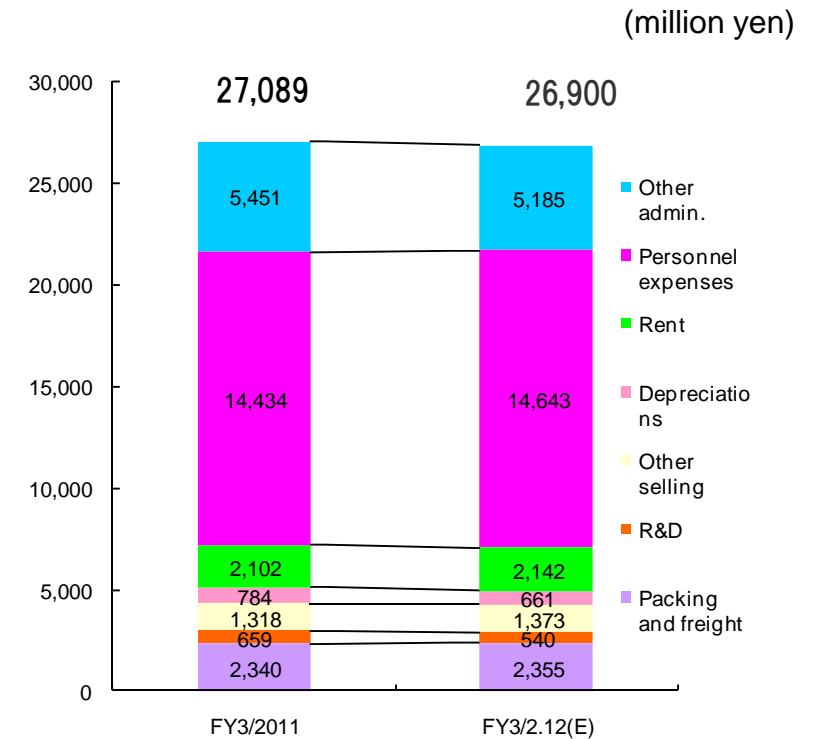
■ Others

Up 127 yen million (+55.2%) mainly because of higher sales from the recycling of amusement and electronics equipment.

Forecast for FY3/2012

Selling, General and Administrative Expenses

	FY3/2011		FY3/2012(E)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,340	8.6%	2,355	8.8%	15
R&D	659	2.4%	540	2.0%	-119
Others	1,318	4.9%	1,373	5.1%	55
Total selling expenses	4,317	15.9%	4,268	15.9%	-49
Depreciations	784	2.9%	661	2.5%	-123
Rent	2,102	7.8%	2,142	8.0%	40
Personnel expenses	14,434	53.3%	14,643	54.4%	209
Others	5,451	20.1%	5,185	19.3%	-266
Total administrative	22,771	84.1%	22,631	84.1%	-140
Total SG&A expenses	27,089	100.0%	26,900	100.0%	-189



Summary

■ Selling expenses

Forecast 119 million yen decrease in R&D expenses mainly because of completion of development of products at SI ELECTRONICS.

■ Administrative expenses

Forecast 209 million yen increase in personnel expenses mainly because of growth in the workforce at overseas EMS factories.

Business initiatives for FY3/2012

Business Units

■ Development of Business Units (No.1)

Components Business Unit

The electronic component/semiconductor/module business
The foundation for operations of the KAGA ELECTRONICS Group

(KAGA ELECTRONICS, KAGA TECH, KAGA DEVICES, AD DEVICE, ADM, WORKBIT, KAGA (USA), KAGA DEVICES (H.K.),
KAGA (DALIAN), KAGA (KOREA), KAGA (SINGAPORE), KAGA (TAIWAN))

■ Business initiatives

(1) Sell new products to major customers and add more suppliers

Procure goods from overseas and build a sales network in Japan to meet customers' diversifying needs and overcome increasingly heated competition. Conduct global activities that capitalize on KAGA's position as an independent corporate group. Capture business by creating added value, such as by developing semiconductors (microprocessors).

(2) Increase sales to companies in other countries

Started strengthening operations in past fiscal year to increase sales to companies based in China; plan to continue expanding these sales activities

(3) Start operations in emerging countries by forming alliances with major customers

Established KAGA DEVICES INDIA PVT LTD. in August 2011 to start business activities in India; moving forward with plans to start operations in Brazil and other emerging countries

(4) Further deepen ties among group companies to become a global organization

Pursue more synergies by creating centralized business units within the KAGA Group consisting of companies with the same types of operations



Use value-added businesses to target growing markets

■ Development of Business Units (No.2)

Manufacturing Business Unit

A manufacturing business that uses manufacturing and EMS capabilities to perform all steps from development and design to production for semi-finished and finished products

KAGA ELECTRONICS, KAGA COMPONENTS, KAGA (H.K.) ELECTRONICS, KAGA (SHANGHAI) ELECTRONICS, KAGA ELECTRONICS (THAILAND), KAGA (EUROPE) ELECTRONICS, DONGGUAN POWERTEK ELECTRONICS, KAGA COMPONENTS (MALAYSIA), KD TEC, KAGA TAXAN ELECTRONICS (SUZHOU)

■ Business initiatives

(1) Upgrade procurement = Implement centralized procurement strategy/Transferred businesses = Deepen ties within the group

Put the EMS business and power supply business (KAGA COMPONENTS) in the same business unit to cut costs by unifying the procurement of parts and materials, use factories more effectively and benefit from other synergies.

(2) Capitalize on business opportunities anywhere in the world/operate a manufacturing network able to immediately meet customers' diversifying needs

Receive more EMS orders from operations of Japanese companies in China, Thailand and other countries; expand manufacturing activities



Centralize manufacturing operations to make high-performance, high-quality products



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