



Report on Financial Result First Half of Fiscal Year Ending March 2011

November 16, 2010

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Financial Highlights

First half of fiscal year ending in March 2011

April to September 2010 (Consolidated First Half)

■ Financial Highlights of Interim FY 2011

Comparative Consolidated Income Statement

(millions of yen)

	Interim FY2010		Interim FY2011		Change	
Net sales	113,926	100.0%	120,470	100.0%	6,544	5.7%
Cost of sales	100,265	88.0%	104,410	86.7%	4,145	4.1%
Gross profit	13,661	12.0%	16,060	13.3%	2,399	17.6%
Selling, general and administrative expenses	13,293	11.7%	13,465	11.2%	172	1.3%
Operating income	367	0.3%	2,594	2.2%	2,227	606.8%
Non-operating income	363	0.3%	388	0.3%	25	6.9%
Non-operating expenses	529	0.5%	338	0.3%	-191	-36.1%
Ordinary income	201	0.2%	2,644	2.2%	2,443	1215.4%
Extraordinary losses	-194	-0.2%	-23	0.0%	171	-
Income before income taxes and minority interests	8	0.0%	2,621	2.2%	2,613	-
Income, residential and enterprise taxes	620	0.5%	1,084	0.9%	464	74.8%
Income tax adjustment	370	0.32%	104	0.09%	-266	-71.9%
Minority interest in income/loss of consolidated subsidiaries	-50	-0.04%	20	0.02%	70	-
Net income	-931	-0.8%	1,412	1.2%	2,343	-

■ Comparison of Consolidated Sales by Business Category (Interim FY 2010 and FY2011)

(millions of yen)

	Interim FY2010 (before elimination)		Interim FY2011 (before elimination)		Change		Interim FY2011 (after elimination)	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.	Net sales	Pct.
	Income		Income				Income	
Electronic components	77,713	66.0%	89,226	71.6%	11,513	14.8%	88,528	73.5%
	-63	-14.0%	2,042	75.9%	2,105	-3341.3%	2,042	78.7%
Information equipment	31,895	27.1%	24,769	19.9%	-7,126	-22.3%	24,384	20.2%
	148	32.8%	139	5.2%	-9	-6.1%	139	5.4%
Software	1,694	1.4%	3,933	3.2%	2,239	132.2%	2,715	2.3%
	264	58.5%	298	11.1%	34	12.9%	298	11.5%
Others	6,505	5.5%	6,675	5.4%	170	2.6%	4,841	4.0%
	102	22.6%	209	7.8%	107	104.9%	209	8.1%
Total	117,807	100.0%	124,604	100.0%	6,797	5.8%	120,470	100.0%
	451	100.0%	2,689	100.0%	2,238	496.2%	2,594	100.0%

Major changes

■ **Electronic component (Development, manufacture and sales of semiconductors, general electric components and other products, electronics manufacturing service(EMS), and other activities)**

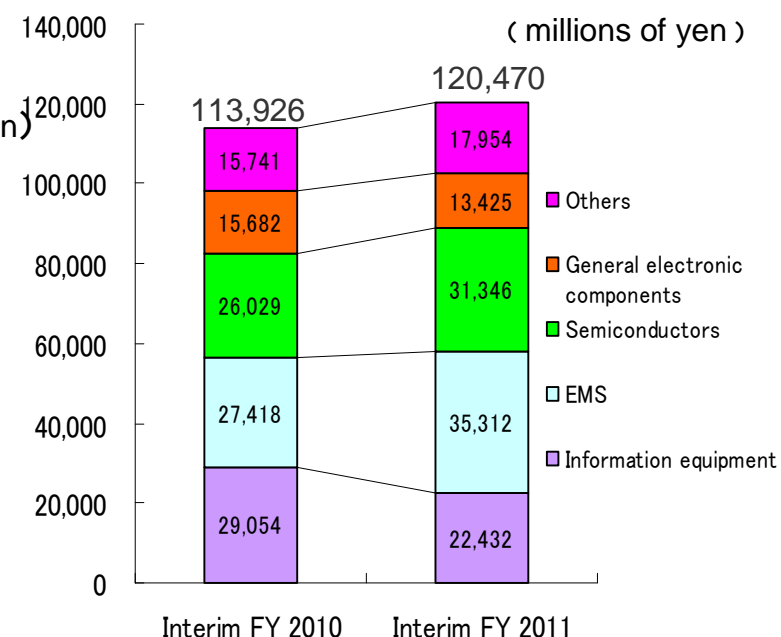
Sales of semiconductors and electronic components used in flat-panel TVs and other digital consumer electronics, cell phones, PCs and other products increased along with a slow economic recovery. In the environmental products category, there were higher sales of electronic components for LED lamps. In addition, there was a recovery in EMS orders in Japan and overseas. The result was segment sales of 88,528 million yen.

■ **Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)**

A shift in the distribution channels of major PC manufacturers caused segment sales to decline. However, there were actions aimed at adding new products like SD memory cards for portable devices and at increasing sales of existing products. Segment sales totaled 24,384 million yen.

【Reference】 Comparison of Consolidated Sales by Business Category (Interim FY 2010 and 2011)

	Interim FY 2010		Interim FY 2011		Change	
					(millions of yen)	
Information equipment	29,054	25.5%	22,432	18.6%	-6,622	-22.8%
EMS	27,418	31.1%	35,312	29.3%	7,894	28.8%
Semiconductors	26,029	22.8%	31,346	26.0%	5,317	20.4%
General electronic components	15,682	13.8%	13,425	11.1%	-2,257	-14.4%
Others	15,741	13.8%	17,954	14.9%	2,213	14.1%
Total	113,926	100.0%	120,470	100.0%	6,544	5.7%



Major changes

■ EMS sales : Increase 7,894 million yen (+28.8%)

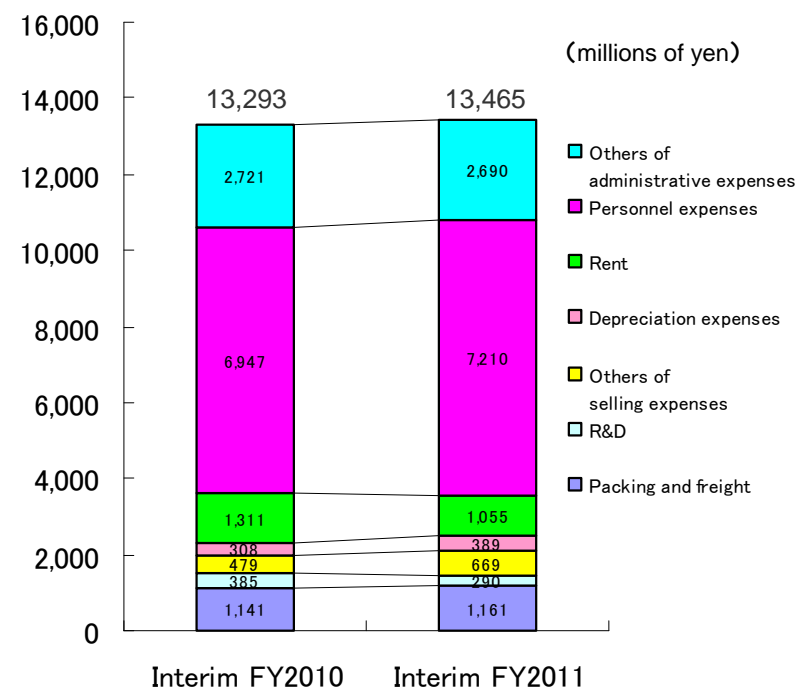
Along with a slow economic recovery, there was a recovery in EMS orders in Japan from manufacturers of amusement equipment and overseas from manufacturers of office equipment and climate control equipment. The result was sales of 35,312 million yen (increase 7,894 million yen).

■ Semiconductor sales : Decrease 6,622 million yen (-22.6%)

A shift in the distribution channels of major PC manufacturers to large electronics retailers and specialty stores caused segment sales to decline. Sales totaled 22,432 million yen (decrease 6,622 million yen).

■ Selling, General and Administrative Expenses (Interim FY 2010 and FY 2011)

	Interim FY2010		Interim FY2011		Change	Pct.
	Amount	Pct.	Amount	Pct.		
Packing and freight	1,141	8.6%	1,161	8.6%	20	1.8%
R&D	385	2.9%	290	2.2%	-95	-24.7%
Others	479	3.6%	669	5.0%	190	39.7%
Total selling expenses	2,005	15.1%	2,120	15.7%	115	5.7%
Depreciation expenses	308	2.3%	389	2.9%	81	26.3%
Rent	1,311	9.9%	1,055	7.8%	-256	-19.5%
Personnel expenses	6,947	52.3%	7,210	53.5%	263	3.8%
Others	2,721	20.5%	2,690	20.0%	-31	-1.1%
Total administrative expenses	11,287	84.9%	11,344	84.2%	57	0.5%
Total SG&A expenses	13,293	100.0%	13,465	100.0%	172	1.3%



Major changes

■ Selling expenses : R&D cost

Due to a decrease of R&D cost at KAGA ELECTRONICS, Selling expenses decreased 95 million yen.

■ Administrative expenses : Personnel expenses increased 263 million yen. Headcount Increases 297. (5,142→5,439)

a) increase : Cyberfront Group joined KAGA group (headcount increase: 140).

KAGA (Shenzhen) increased 156 and KAGA Taxan (Suzhou) electronics increased 284.

b) decrease : KAGA Component group decreased 260.

■ Financial Highlights of Interim FY 2011

Consolidated Balance Sheets

(millions of yen)

	FY2010 FY end	Interim FY2011	Change		FY2010 FY end	Interim FY2011	Change
(ASSETS)	111,629	113,962	2,333	(LIABILITIES)	63,231	65,408	2,177
Current assets	93,270	96,838	3,568	Current liabilities	56,844	58,779	1,935
Cash and cash equivalents	11,659	11,917	258	Notes and accounts payable-trade	42,982	43,535	553
Notes and account receivable-trade	56,303	59,214	2,911	Short-term bank loans	7,035	8,935	1,900
Merchandise and finished goods	14,624	14,483	-141	Others	6,827	6,309	-518
Goods in progress	753	647	-106	Long-term liabilities	6,386	6,629	243
Raw materials and other supplies	3,442	3,011	-431	Long-term bank loans	2,120	2,500	380
Others	6,489	7,566	1,077	Others	4,266	4,129	-137
				(NET ASSETS)	48,398	48,553	155
				Shareholders' equity			
Fixed assets	18,358	17,123	-1,235	Paid-in capital	12,133	12,133	0
Property, plant and equipment	6,885	6,434	-451	Capital surplus	13,912	13,912	0
Intangible assets	2,323	1,901	-422	Retained earnings	25,010	24,012	-998
Investments and other assets	9,150	8,788	-362	Treasury stock	-1,332	-1,332	0
				Valuation and translation adjustment	-3,021	-1,884	1,137
				Minority interests	1,693	1,711	18
Total assets	111,629	106,764	-4,865	Total liabilities and net assets	111,629	113,962	2,333

■ Consolidated Cash Flow (FY2010 and Interim FY2011)

(millions of yen)

	FY2010	Interim FY2011	Change
Operating activities	3,936	4,591	655
Investing activities	-2,093	-1,563	530
Financing activities	-1,655	-3,024	-1,369
Effect of exchange rate changes on cash and cash equivalents	-64	-351	-287
Increase (decrease) in cash and cash equivalents	122	-348	-470
Cash and cash equivalents, beginning of period	11,368	11,797	429
Cash and cash equivalents, end of period	11,491	11,449	-525

Major changes

■ Operating activities : Net cash provided by operating activities was 4,591 million yen primarily due to a decrease in notes and accounts receivable-trade.

■ Investing activities : Net cash used in investing activities was 1,563 million yen primarily due to payments for the purchase of property, plant and equipment.

■ Financing activities : Net cash used in financing activities was 3,024 million yen primarily due to a larger net decrease in short-term bank loans.

Forecast for the Fiscal Year Ending March 2011

Consolidated Income Statement (FY2010 and forecast FY2011) (millions of yen)

	FY2010(actual)		FY2011(forecast)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	239,391	100.0%	230,000	100.0%	-9,391	-3.9%
Cost of sales	211,154	88.2%	199,200	86.6%	-11,954	-5.7%
Gross profit	28,237	11.8%	30,800	13.4%	2,563	9.1%
SG&A expenses	26,655	11.1%	27,900	12.1%	1,245	4.7%
Operating income	1,582	0.7%	2,900	1.3%	1,318	83.3%
Non-operating income	-302	-0.13%	100	0.04%	402	-
Ordinary income	1,280	0.5%	3,000	1.3%	1,720	134.4%
Net income	-318	-0.2%	1,800	0.8%	2,118	-

■ Comparison of Consolidated Sales by Business Category (FY 2010 and forecast FY2011)

(millions of yen)

	FY2010 (before elimination)		FY2011(forecast) (before elimination)		Change		FY2011(forecast) (after elimination)	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.	Net sales	Pct.
	Income		Income				Income	
Electronic components	158,921	64.4%	216,539	74.2%	57,618	36.3%	164,500	71.5%
	895	50.7%	2,669	63.1%	1,774	198.2%	2,140	73.8%
Information equipment	69,769	28.3%	52,094	17.8%	-17,675	-25.3%	49,000	21.3%
	93	5.3%	366	8.7%	273	293.5%	150	5.2%
Software	4,321	1.8%	9,509	3.3%	5,188	120.1%	6,200	2.7%
	466	26.4%	774	18.3%	308	66.1%	400	13.8%
Others	13,627	5.5%	13,823	4.7%	196	1.4%	10,300	4.5%
	311	17.6%	422	10.0%	111	35.7%	210	7.2%
Total	246,640	100.0%	291,965	100.0%	45,325	18.4%	230,000	100.0%
	1,766	100.0%	4,231	100.0%	2,465	139.6%	2,900	100.0%

Major changes

- **Electronic component** (Development, manufacture and sales of semiconductors, general electric components and other products, electronics manufacturing service (EMS), and other activities)

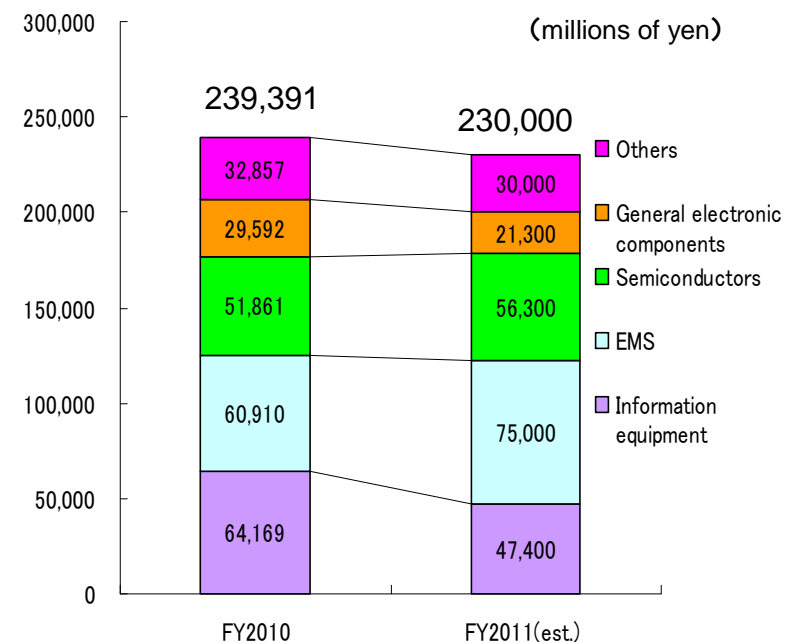
Sales of semiconductors and electronic components used in flat-panel TVs and other digital consumer electronics, cell phones, PCs and other products increased along with a slow economic recovery. In addition, there was a recovery in EMS orders in Japan and overseas. The outlook for the operating environment is expected to remain uncertain due to the impact of the strong yen on earnings of Japanese companies.

- **Information equipment** (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

A shift in the distribution channels of major PC manufacturers caused segment sales to decline. However, there were actions aimed at adding new products like SD memory cards for portable devices and at increasing sales of existing products.

■ Consolidated Sales Forecast by Business Category (FY2010 and forecast FY2011)

	FY2010		FY2011(forecast)		(millions of yen)	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.change
Information equipment	64,169	26.8%	47,400	20.6%	-16,769	-26.1%
EMS	60,910	25.4%	75,000	32.6%	14,090	23.1%
Semiconductors	51,861	21.7%	56,300	24.5%	4,439	8.6%
General electronic components	29,592	12.4%	21,300	9.3%	-8,292	-28.0%
Others	32,857	13.7%	30,000	13.0%	-2,857	-8.7%
Total	239,391	100.0%	230,000	100.0%	-9,391	-3.9%



Summary

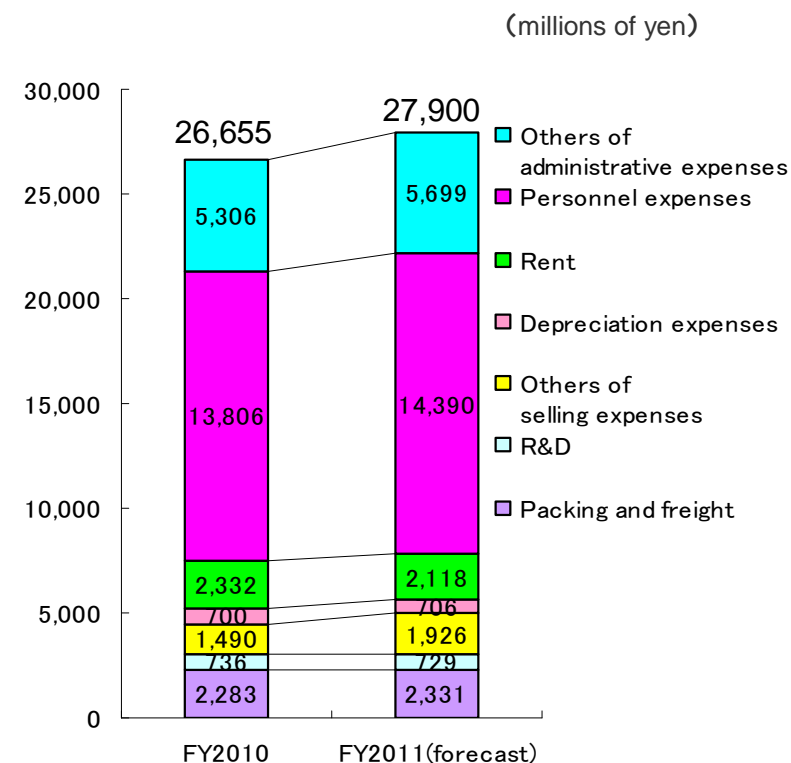
- 「Information equipment」: Sales decrease 16,769 million yen because of a shift in the distribution channels of major PC manufacturers.
- 「EMS」: Sales increase 14,090 million yen because of a recovery in EMS orders in Japan from manufacturers of amusement equipment and overseas from manufacturers of office equipment and climate control equipment.
- 「Semiconductors」: Sales increase 4,439 million yen because of increase of semiconductors used in digital consumer electronics.
- 「General electronic components」: Sales decrease 8,292 million yen because of
- 「Others」: Sales down 3,184 million yen due to lower sales of chemical film and other photography products.

■ Selling, General and Administrative Expense Forecast (FY2010 and forecast FY2011)

Changes in SG&A expenses

(millions of yen)

	FY2010		FY2011(forecast)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,283	8.6%	2,331	8.4%	48
R&D	736	2.8%	729	2.6%	-7
Others	1,490	5.6%	1,926	6.9%	436
Total selling expenses	4,509	16.9%	4,986	17.9%	477
Depreciation expenses	700	2.6%	706	2.5%	6
Rent	2,332	8.7%	2,118	7.6%	-214
Personnel expenses	13,806	51.8%	14,390	51.6%	584
Others	5,306	19.9%	5,699	20.4%	393
Total administrative expenses	22,144	83.1%	22,913	82.1%	769
Total SG&A expenses	26,655	100.0%	27,900	100.0%	1,245



Summary

■ **Administrative expenses : Personnel expenses increased 584 million yen. Increase 645 person. (4,885→5,530)**

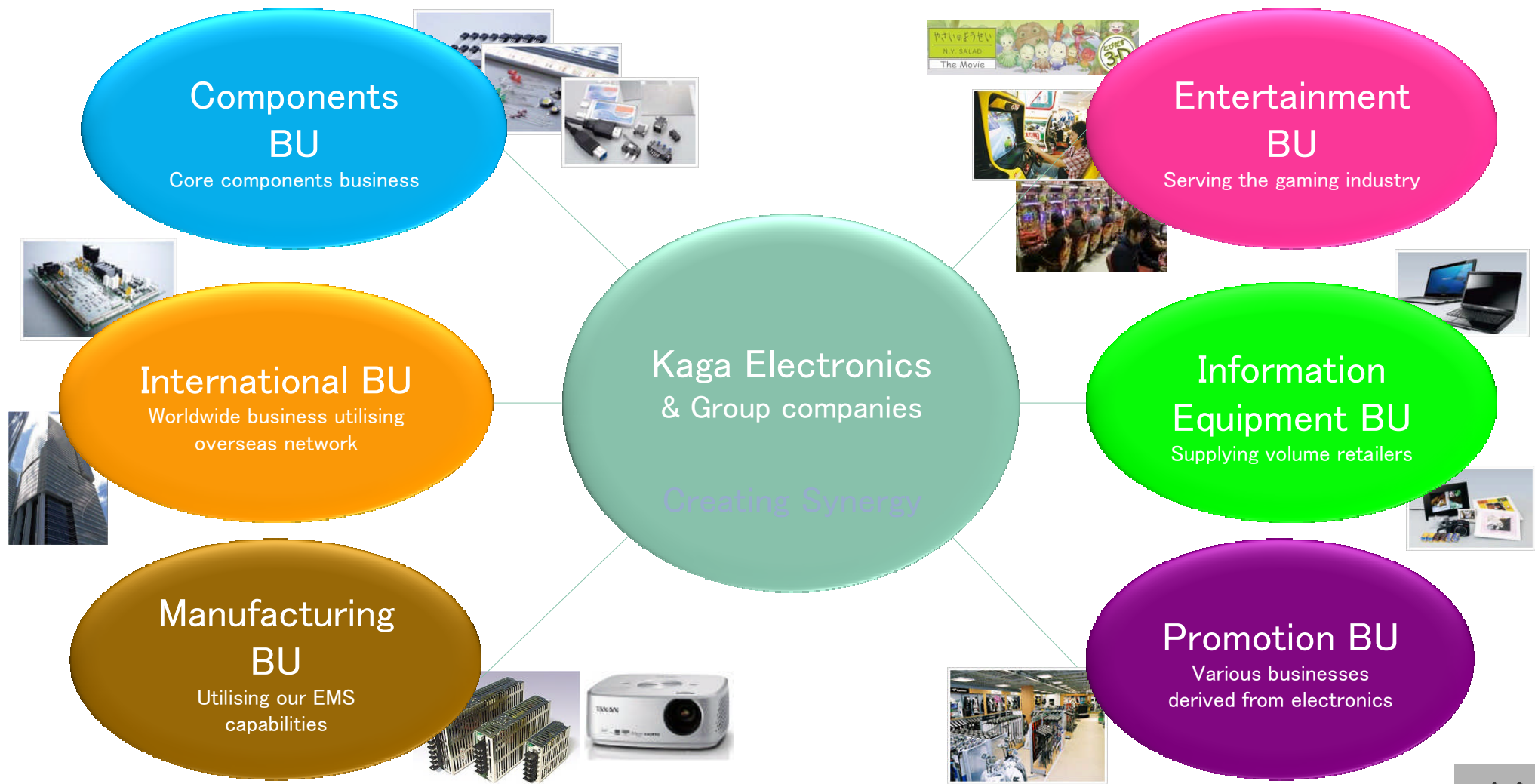
- a) increase : Cyberfront Group joined KAGA group (increased 137 headcount).
 NUMATA(H.K.) joined KAGA group (increased 24 headcounts)
 EMS factories in overseas increased 502 headcounts (KAGA Thailand, KAGA Shenzhen, KAGA Taxan Suzhou, KAGA Component Malaysia)

Topics of April - September 2010

1. Start of the Business Unit management
2. Expansion of Sales to Chinese Local Manufacturers
3. Procurement of Land for New Headquarters Building
4. New Products Launch in Consumer Market



■ Start of the Business Unit management

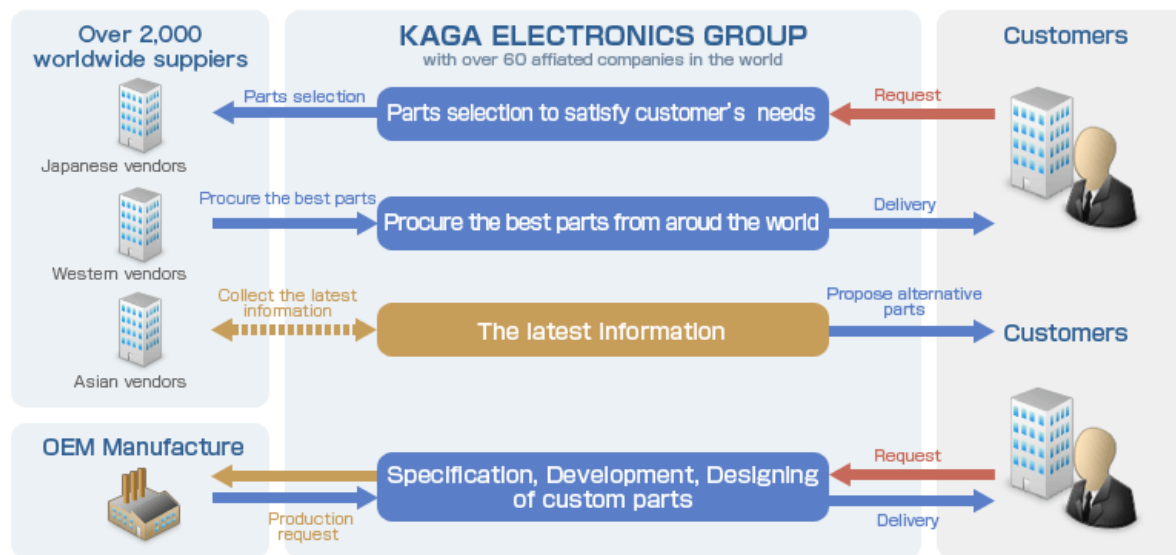


Business Unit ① Component BU

■ **Core electronics business** – electronic parts, semiconductors, and module business

■ Strengths

- A broad range of customers and suppliers benefitting from our financial independence and worldwide network
- Cross fertilization throughout divisions provides in-depth business support



KAGA TECH

Domestic sales with attention to detail, primarily of mechanical parts for industrial equipment

KAGA DEVICE

Sales agent for semiconductor and information communication devices manufactured by Mitsubishi Electric and Renesas

AD DEVICE

System integrator for Toshiba semiconductor products

ADM

Sale of electronic devices and partial products, primarily manufactured by Analog Devices

OTSUKA ELECTRIC

Sale of mechanical parts including connectors and cables, and heat countermeasure products

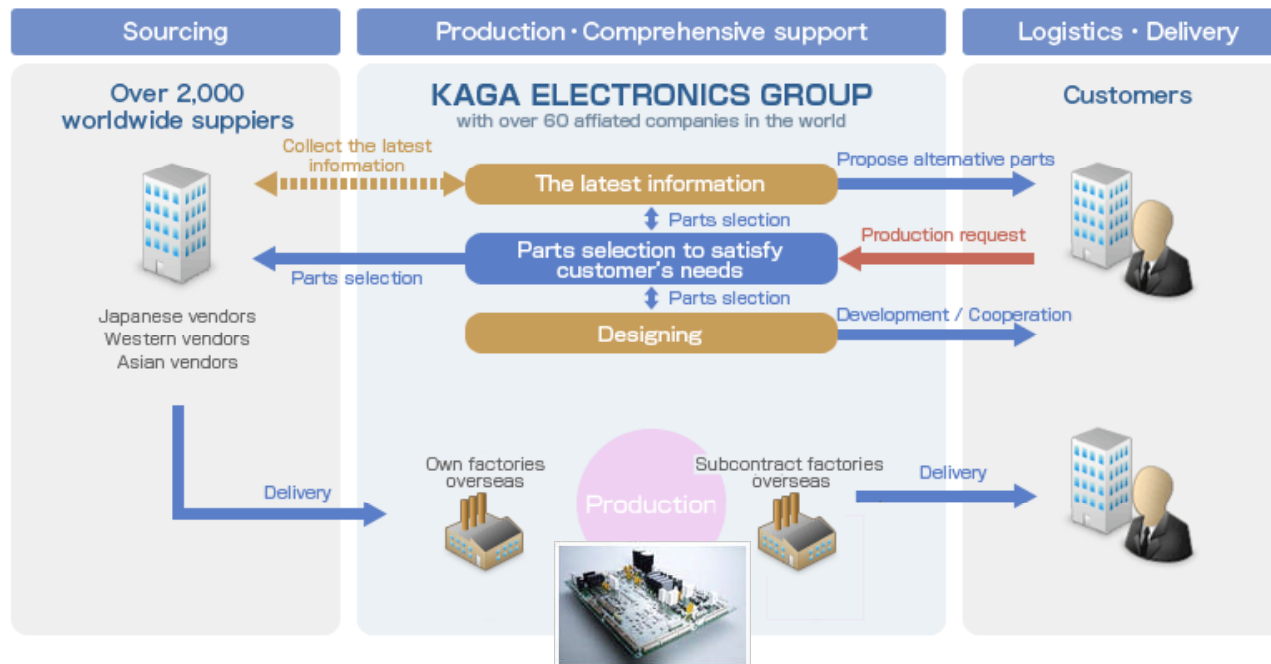
WORKBIT

Design, development, and sale of conversion chips and modular products for various interfaces including USB, ATA, and SATA



Business Unit ② International BU-1(Components)

- Worldwide Purchasing Power
 - Procurement of all kinds of electronic components through our worldwide network
- EDMS According Customers Requirements
 - Total support organisation covering R&D, production and quality management



KAGA(EUROPE)

Sale of electronic parts and semiconductors, and EDMS business operations in Europe

KAGA(SHANGHAI)

Sale of electronic parts and headquarters for DMS in the Shanghai region of China

KAGA(THAILAND)

EDMS headquarters for eastern Asia. Operations are based on own and contracted factories

KAGA(USA)

KAGA(KOREA)

KAGA(SINGAPORE)

KAGA(TAIWAN)

KAGA DEVICES (H.K.)

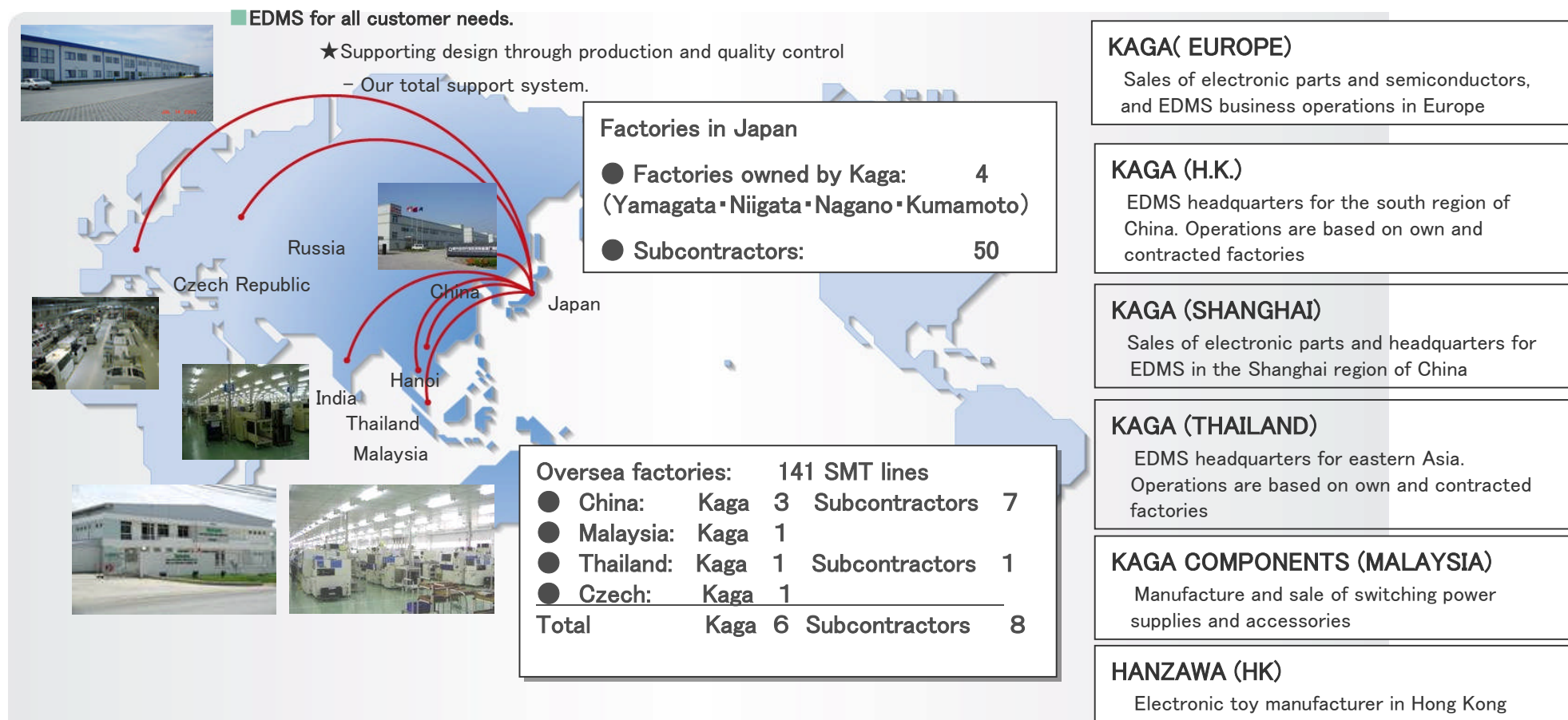
KAGA (DALIAN)

NUMATA (H.K.)

Joined KAGA Group in Oct.2010.
Sale of electronic parts and semiconductors to local companies in china

Business Unit ② International BU-2 (EDMS)

Expansion: Applications, Production and Sales Sites



■ Business Unit ③ Manufacturing BU

- Taking care of planning, development, and manufacturing, from provision of various products through to maintenance services.
- Power Supply know-how enables manufacture of high quality /low-cost products
- Complete supply chain loop – covering production of high quality products through to repair/recycling

KAGA COMPONENTS

Core section responsible for EDMS businesses within the group. Manufacture and sale of switching power supplies and projectors

MICRO SOLUTION

Manufacture of information equipment and amusement machines, and recycling-related businesses operations



■ Business Unit④ Entertainment BU

- Many years of experience in the gaming industry, expanding to all fields of gaming/amusement business.
- Dedicated divisions and group companies provide a total service – from R&D to manufacturing

DIGITAL MEDIA LAB

Computer graphics production for films and TV games leveraging high-definition video and outstanding designing capability

KAGA AMUSEMENT

Distribution of amusement machines, and development and support for new production

SI ELECTRONICS

Development, design, manufacture, and sale of image display-related devices for amusement machines

Amusement Equipment



Original Contents



Business Unite⑤ Information BU

Strengths

● Extensive Distribution Channels

- Volume Retailer & Photo Print Shop Channel
- IT network installation service
- Contents sales & distribution



KAGA HIGHTECH

Sale of PCs, peripherals, and camera equipment, General agent in Japan for Kodak products

KAGA SOLNET

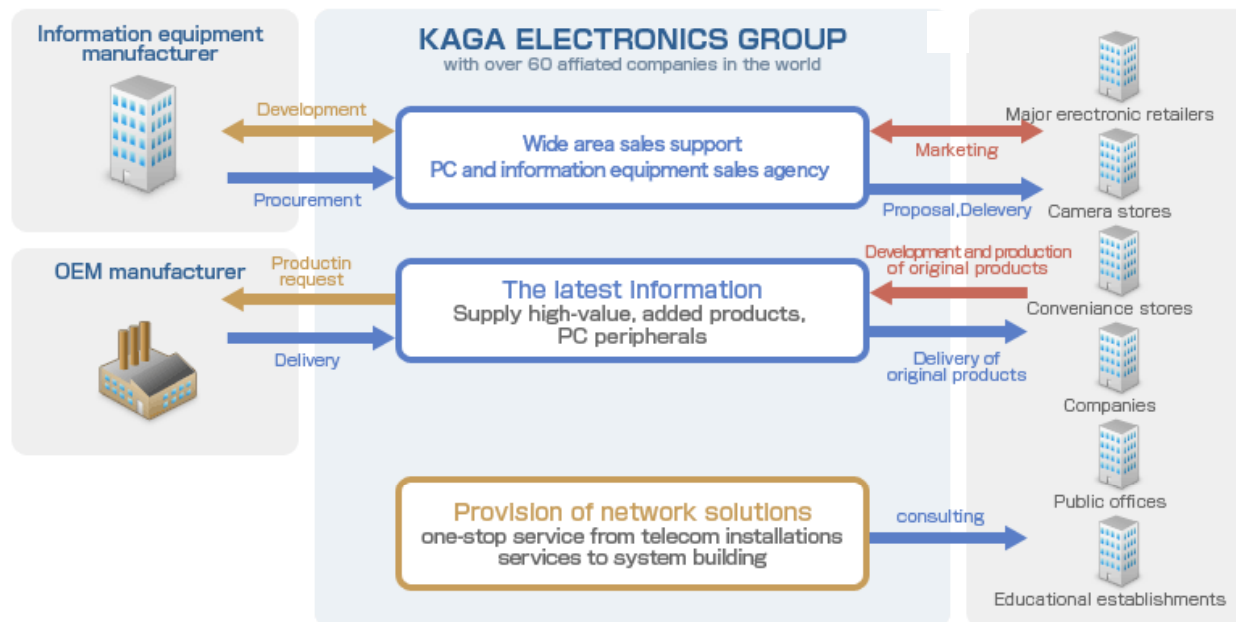
Provider of comprehensive software and hardware solutions, primarily in the area of network construction

KAGA EDUCATIONAL MARKETING

Implementation of computer systems in the education market and for faculty and students, and sale and support of devices and software

KAGA TECHNO SERVICE

Electrical and communication facilities installation, interior work, and maintenance services, etc



Kodak

KAGA ELECTRONICS CO., LTD.

■ Business Unite⑥ Promotion BU

Pursuing challenges in both
electronics and non-electronics
related business fields.

Kaga Create

- Handling advertising, events, design work, planning and production.

Kaga Sports

- Distribution of golf related products and development of training facilities

KAGA CREATE

Development and production of consumer games. Planning and production of sale support tools and novelty goods

KAGA SPORTS

Sale of sports equipment, primarily golf equipment. Operation of golf shops and golf driving ranges

CYBER FRONT

Planning, development, production and sales of game software and application software



■ Expansion of sales to Chinese local manufacturers①

“NUMATA HK”(agent for NEC Electronics) joined KAGA Group

- April 2010: NEC Electronics and Renesas Technology merged.

The number of distributors decreased due to reorganization among manufacturers.

NUMATA headquartered in Osaka lost distributorship due to the merger.

- October 2010: KAGA DEVICE (distributor of Renesas technology) acquire NUMATA HK (distributor of NEC Electronics) from NUMATA Co., Ltd. (Osaka)

NUMATA HK has been in the business with Chinese local market for more than 20 years and has strong sales channels in telecommunication manufacturers.



■ Expansion of sales to Chinese local manufacturers ②

KAGA DEVICE Co.,Ltd.

- Wide range of customers and network of suppliers

NUMATA HK

- Used be a distributor of NEC Electronics
- Deep penetration in local customers
- Relation with telecommunications makers

+

KAGA DEVICES (H.K.)

- Distributor of both old Renesas Technology and Mitsubishi Electric
- Deep penetration in local customers
- Relation with consumer appliance makers



Effect of Synergy



Aiming at business expansion in the growing market in **China**

■ Procurement of Land for Headquarters Building

● Why our own building now ?

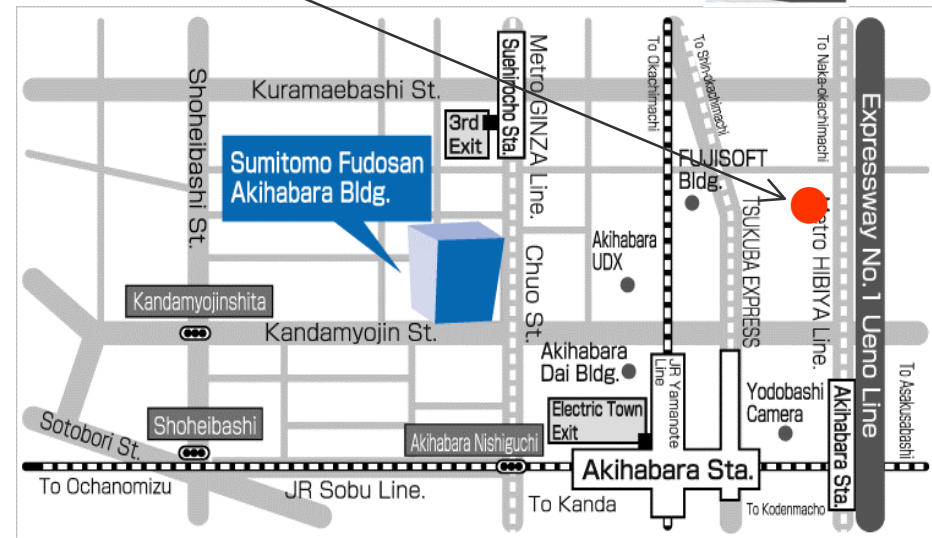
- Study for our own building has been proceeded aiming at cost reduction in years
- Right timing to make a decision based on the current real estate market situation and the interest rate. trend
- Best location of people and information gathering and return to Kaga's birth place

New Bldg

19-2 Matsunaga-cho
Kanda, Chiyoda -ku Tokyo



(reference)



● Expected cost reduction and effect ?

- Anticipated cost reduction – **4,000 million yen for 15 years** while 100 million yen per year for first four (4) years to be added to general expenses
- Retaining valued assets (land, buildings etc.)

Land:	1005.13m ²
Building:	10294.96m ²
Procurement cost:	320 million yen

■ New Product Launch in Consumer Market

PCs and PC peripherals to volume electronics retail chains and specialty stores



Value added products with original design

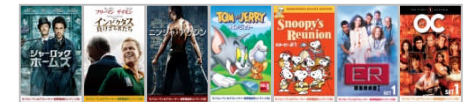
Fit your next style
Meopad



TAXAN BRANDED MOBILE ENTERTAINMENT PLAYER



DIGITAL PHOTO FRAME
WITH CONTENTS



SD MEMORY CARDS FOR
PORTABLE DEVICES

■ Smart phones contents (Android terminals, etc.)

- **PROMISE MAIL**: Auto-fill of email contents to scheduler using word analysis engine

➤ Service available through pre-installed smart phone, download in Android market



複数の候補日もメール送信と同時に複数イベントの登録が可能。これは便利！



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