



Report on Financial Result
Third Quarter of Fiscal Year 2012
April to December 2011

February.24, 2012

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Financial Highlights
Third Quarter of Fiscal Year 2012
April to December 2012
(Consolidated Third Quarter)

Financial Highlights of Third Quarter Ended December 2012

Consolidated Statement of Income

(million yen)

| | Nine months ended December 2010 | | Nine months ended December 2011 | | Year over year Change | |
|----------------------------|------------------------------------|--------|------------------------------------|--------|--------------------------|---------|
| | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Net Sales | 177,535 | 100.0% | 173,690 | 100.0% | -3,845 | -2.2% |
| Cost of sales | 154,293 | 86.9% | 152,425 | 87.8% | -1,867 | -1.2% |
| Gross profit | 23,241 | 13.1% | 21,264 | 12.2% | -1,977 | -8.5% |
| SG&A expenses | 20,033 | 11.3% | 19,988 | 11.5% | -45 | -0.2% |
| Operating income | 3,208 | 1.8% | 1,276 | 0.7% | -1,932 | -60.2% |
| Non-operating income | 557 | 0.3% | 544 | 0.3% | -13 | -2.3% |
| Non-operating expence | 635 | 0.4% | 418 | 0.2% | -217 | -34.2% |
| Ordinary income | 3,130 | 1.8% | 1,402 | 0.8% | -1,728 | -55.2% |
| Extraordinary items | -225 | -0.1% | -1,058 | -0.6% | -833 | 370.2% |
| Income before income taxes | 2,905 | 1.6% | 344 | 0.2% | -2,561 | -88.2% |
| Income taxes | 1,192 | 0.7% | 880 | 0.5% | -312 | -26.2% |
| Income taxes-deferred | 244 | 0.1% | -212 | -0.1% | -457 | -186.9% |
| Minority interests | 37 | 0.0% | 32 | 0.0% | -5 | -13.5% |
| Net income | 1,431 | 0.8% | -356 | -0.2% | -1,786 | -124.9% |

Comparison of Consolidated Sales by Business Category

(million yen)

| | Nine months ended December 2010 | | Nine months ended December 2011 | | Changes | |
|-----------------------|---------------------------------|--------|---------------------------------|--------|---------|---------|
| | Net sales | Pct. | Net sales | Pct. | Amount | Pct. |
| | Segment income | | Segment income | | | |
| Electronic components | 127,642 | 71.9% | 124,428 | 71.6% | -3,214 | -2.5% |
| | 2,525 | 78.7% | 1,223 | 95.8% | -1,302 | -51.6% |
| Information equipment | 38,724 | 21.8% | 39,332 | 22.6% | 608 | 1.6% |
| | 564 | 17.6% | -188 | -14.7% | -752 | -133.3% |
| Software | 3,661 | 2.1% | 2,445 | 1.4% | -1,216 | -33.2% |
| | 274 | 8.5% | 66 | 5.2% | -208 | -75.9% |
| Other | 7,506 | 4.2% | 7,484 | 4.3% | -22 | -0.3% |
| | 275 | 8.6% | 243 | 19.0% | -32 | -11.6% |
| Total | 177,535 | 100.0% | 173,690 | 100.0% | -3,845 | -2.2% |
| | 3,208 | 100.0% | 1,276 | 100.0% | -1,932 | -60.2% |

* Figures of each segment income are not inter-segment adjusted other than total.

Summary

- **Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, electronic manufacturing service (EMS), and other activities)**

Sales activities focused on increasing sales to current customers and on increasing sales of LED products, solar panels and other products in the environmental business, which has attracted attention following the Great East Japan Earthquake. However, orders in Japan decreased from EMS customers due to lower output because of the earthquake and slowing consumer spending. Overseas, performance was affected by lower output by clients caused by flooding in Thailand. The result was segment sales of 124,428 million yen.

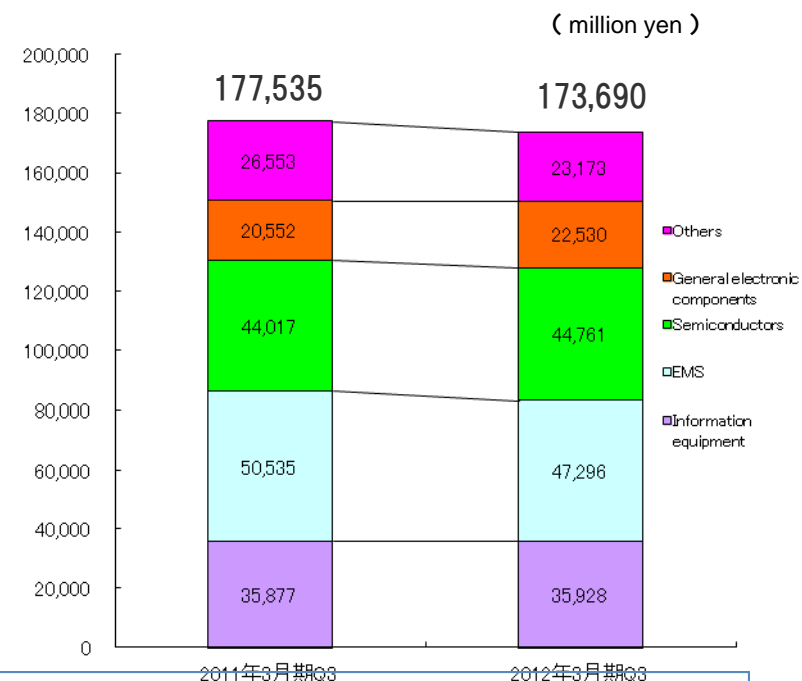
- **Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)**

Performance reflected sales activities to increase sales of current products like PCs and PC peripherals, the addition of new products, and higher orders for terrestrial digital TV broadcast tuners following the July end of terrestrial analog TV broadcasts in Japan. The result was segment sales of 39,332 million yen.

【Reference】 Comparison of Consolidated Sales by Business Category

(million yen)

| | Nine months ended December 2010 | | Nine months ended December 2011 | | Changes | |
|-------------------------------|------------------------------------|---------------|------------------------------------|---------------|---------------|--------------|
| | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Information equipment | 35,877 | 20.2% | 35,928 | 20.7% | 51 | 0.1% |
| EMS | 50,535 | 31.1% | 47,296 | 27.2% | -3,239 | -6.4% |
| Semiconductors | 44,017 | 24.8% | 44,761 | 25.8% | 744 | 1.7% |
| General electronic components | 20,552 | 11.6% | 22,530 | 13.0% | 1,978 | 9.6% |
| Others | 26,553 | 15.0% | 23,173 | 13.3% | -3,380 | -12.7% |
| Total | 177,535 | 100.0% | 173,690 | 100.0% | -3,845 | -2.2% |



Summary

■ EMS sales: Down 3,239 million yen (-6.4%)

EMS orders were lower mainly because of the difficulty of procuring parts caused by the Great East Japan Earthquake and flooding in Thailand and the resulting decline in output at clients. The result was a decrease in sales of 3,239 million yen from one year earlier to 47,296 million yen.

■ General electronic components sales: Up 1,978 million yen (+9.6%)

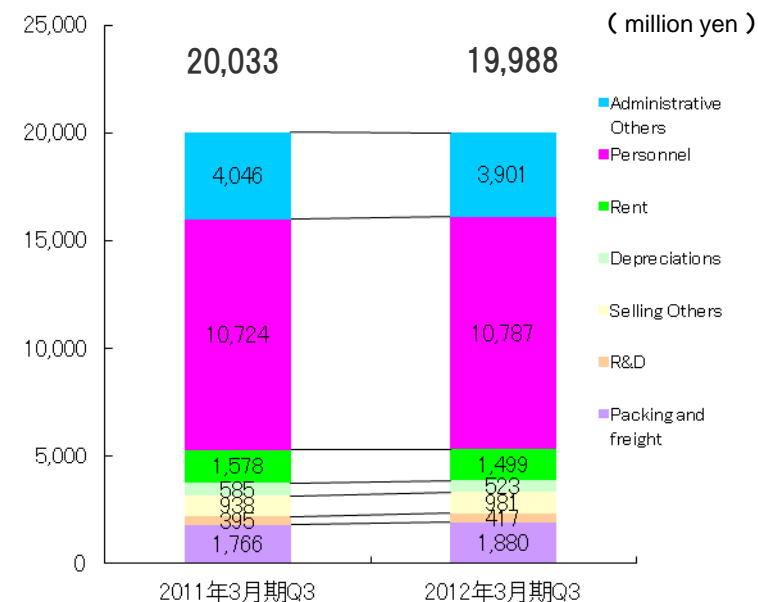
Measures to secure procurement channels for parts where shortages occurred temporarily after the Great East Japan Earthquake along with aggressive sales activities, including measures to increase sales to current customers, resulted in an increase in sales of 1,978 million yen from one year earlier to 22,530 million yen.

■ Selling, General and Administrative Expenses of Nine Months Ended December 2011

SG&A Expenses

(million yen)

| | Nine months ended December 2010 | | Nine months ended December 2011 | | Changes | |
|-------------------------------|---------------------------------|--------|---------------------------------|--------|---------|--------|
| | Amount | Pct. | Amount | Pct. | Amount | Pct. |
| Packing and freight | 1,766 | 8.8% | 1,880 | 9.4% | 114 | 6.5% |
| R&D | 395 | 2.0% | 417 | 2.1% | 22 | 5.6% |
| Others | 938 | 4.7% | 981 | 4.9% | 43 | 4.6% |
| Total selling | 3,099 | 15.5% | 3,278 | 16.4% | 179 | 5.8% |
| Depreciations | 585 | 2.9% | 523 | 2.6% | -62 | -10.6% |
| Rent | 1,578 | 7.9% | 1,499 | 7.5% | -79 | -5.0% |
| Personnel | 10,724 | 53.5% | 10,787 | 54.0% | 63 | 0.6% |
| Others | 4,046 | 20.2% | 3,901 | 19.5% | -145 | -3.6% |
| Total administrative expenses | 16,934 | 84.5% | 16,710 | 83.6% | -224 | -1.3% |
| Total SG&A expenses | 20,033 | 100.0% | 19,988 | 100.0% | -45 | -0.2% |



Summary

■ Selling expenses – Packing and freight:

These expenses were 114 million yen higher than one year earlier mainly because of a 103 million yen increase at KAGA HIGHTECH due to a larger volume of products handled.

■ Administrative expenses: R

ental expenses – Down 79 million yen from one year earlier mainly because of lower store rental expenses at KAGA SPORTS
 Depreciation – Down 62 million yen from one year earlier mainly because of a decrease in depreciation associated with accounting methods

Financial Highlights Nine Months Ended December 2011

Consolidated Balance Sheets

(millions of yen)

| | End of FY3/11 | End of 3H FY3/12 | Change |
|------------------------------------|----------------|---------------------|------------|
| (ASSETS) | 114,686 | 114,675 | -11 |
| Current assets | 92,876 | 94,496 | 1,620 |
| Cash and cash equivalents | 11,926 | 10,861 | -1,065 |
| Notes and account receivable-trade | 54,173 | 53,953 | -220 |
| Merchandise and finished goods | 15,775 | 17,667 | 1,892 |
| Goods in progress | 555 | 712 | 157 |
| Raw materials and other supplies | 3,189 | 4,054 | 865 |
| Others | 7,258 | 7,249 | -9 |
| | | | |
| | | | |
| Fixed assets | 21,810 | 20,178 | -1,632 |
| Property, plant and equipment | 9,724 | 9,135 | -589 |
| Intangible assets | 2,599 | 2,385 | -214 |
| Investments and other assets | 9,485 | 8,658 | -827 |
| | | | |
| | | | |
| Total assets | 114,686 | 114,675 | -11 |

| | End of FY3/11 | End of 3H FY3/12 | Change |
|---|----------------|---------------------|---------------|
| (LIABILITIES) | 66,087 | 68,752 | 2,665 |
| Current liabilities | 56,987 | 61,032 | 4,045 |
| Notes and accounts payable-trade | 40,790 | 41,250 | 460 |
| Short-term bank loans | 8,505 | 12,944 | 4,439 |
| Others | 7,692 | 6,838 | -854 |
| Long-term liabilities | 9,099 | 7,719 | -1,380 |
| Long-term bank loans | 4,636 | 3,281 | -1,355 |
| Others | 4,463 | 4,438 | -25 |
| (NET ASSETS) | 48,598 | 45,922 | -2,676 |
| Shareholders' equity | | | 0 |
| Paid-in capital | 12,133 | 12,133 | 0 |
| Capital surplus | 13,912 | 13,912 | 0 |
| Retained earnings | 25,038 | 23,854 | -1,184 |
| Treasury stock | -1,332 | -1,332 | 0 |
| Valuation and translation adjustment | -2,817 | -4,190 | -1,373 |
| Minority interests | 1,664 | 1,545 | -119 |
| Total liabilities and net assets | 114,686 | 114,675 | -11 |

Forecast for FY3/2012

Consolidated Statement of Income

(million yen)

| | FY3/2011(actual) | | FY3/2012 (plan) | | Change | |
|-----------------------------|------------------|--------|-----------------|--------|---------|------------|
| | Amount | Pct. | Amount | Pct. | Change | Pct.change |
| Net sales | 237,951 | 100.0% | 227,000 | 100.0% | -10,951 | -4.6% |
| Cost of sales | 207,298 | 87.1% | 198,700 | 87.5% | -8,598 | -4.1% |
| Gross profit | 30,653 | 12.9% | 28,300 | 12.5% | -2,353 | -7.7% |
| SG&A expenses | 27,089 | 11.4% | 26,700 | 11.8% | -389 | -1.4% |
| Operating income | 3,563 | 1.5% | 1,600 | 0.7% | -1,963 | -55.1% |
| Non-operating income | 175 | 0.1% | 500 | 0.2% | 325 | 185.7% |
| Ordinary income | 3,738 | 1.6% | 2,100 | 0.9% | -1,638 | -43.8% |
| Extraordinary gain and loss | -376 | -0.2% | 50 | 0.0% | 426 | 852.0% |
| Corporate income taxes | 1,516 | 4.9% | 1,200 | 4.2% | -316 | -20.8% |
| Net income | 1,854 | 0.9% | 950 | 0.4% | -904 | -48.8% |

Forecast for FY3/2012 (Consolidated Forecast by Segment)

(million yen)

| | FY3/2011 (Actual) | | FY3/2012 (Forecast) | | Changes | |
|-----------------------|----------------------|--------|------------------------|--------|---------|--------|
| | Net sales | Pct. | Net sales | Pct. | Amount | Pct. |
| | Segment income | | Segment income | | | |
| Electronic components | 171,576 | 72.1% | 154,500 | 68.1% | -17,076 | -10.0% |
| | 2,901 | 81.4% | 720 | 45.0% | -2,181 | -75.2% |
| Information equipment | 50,885 | 21.4% | 52,000 | 22.9% | 1,115 | 2.2% |
| | 72 | 2.0% | 130 | 8.1% | 58 | 80.6% |
| Software | 5,687 | 2.4% | 7,500 | 3.3% | 1,813 | 31.9% |
| | 487 | 13.7% | 470 | 29.4% | -17 | -3.5% |
| Other | 9,801 | 4.1% | 13,000 | 5.7% | 3,199 | 32.6% |
| | 230 | 6.5% | 280 | 17.5% | 50 | 21.7% |
| Total | 237,951 | 100.0% | 227,000 | 100.0% | -10,951 | -4.6% |
| | 3,563 | 100.0% | 1,600 | 100.0% | -1,963 | -55.1% |

Summary

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

Sales are expected to be less than initially planned because of a temporary downturn in electronic component, semiconductor and EMS sales because of the difficulty of procuring parts caused by the Great East Japan Earthquake and flooding in Thailand and the resulting decline in output at clients.

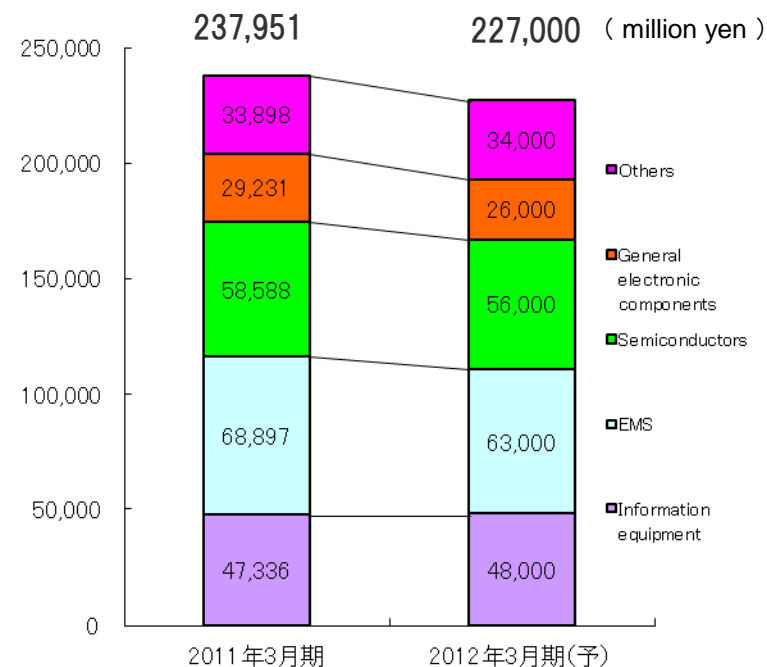
■ **Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)**

Group companies are concentrating on increasing sales of current products like PCs, PC peripherals, products for smartphones and tablets, and other products.

Forecast for FY3/2012 (Net Sales by Product)

(million yen)

| | FY3/2011 | | FY3/2012 (F) | | Changes | |
|-------------------------------|----------------|---------------|----------------|---------------|----------------|--------------|
| | Net sales | Pct. | Net sales | Pct. | Change | Pct. |
| Information equipment | 47,336 | 19.9% | 48,000 | 21.1% | 664 | 1.4% |
| EMS | 68,897 | 29.0% | 63,000 | 27.8% | -5,897 | -8.6% |
| Semiconductors | 58,588 | 24.6% | 56,000 | 24.7% | -2,588 | -4.4% |
| General electronic components | 29,231 | 12.3% | 26,000 | 11.5% | -3,231 | -11.1% |
| Others | 33,898 | 14.2% | 34,000 | 15.0% | 102 | 0.3% |
| Total | 237,951 | 100.0% | 227,000 | 100.0% | -10,951 | -4.6% |



Summary

- **Information equipment:** Forecast sales growth of 664 million yen (1.4%) because of growth in sales of PCs and PC peripherals.
- **EMS:** Forecast sales decline of 5,897 million yen (8.6%) because of lower output at client companies associated with the earthquake in Japan and flooding in Thailand.
- **Semiconductors:** Forecast sales decline of 2,588 million yen (4.4%) mainly because of lower output at client companies.
- **General electronic components:** Forecast sales decline of 3,231 million yen (11.1%) mainly because of lower output at client companies.
- **Others:** Forecast sales growth of 102 million yen (0.3%) mainly because of higher sales from recycling operations, computer graphics and application software.

Topics of October - December 2010

Topics 1

Opened Liaison Offices in Indonesia and the Philippines !

Consolidated subsidiary KAGA (SINGAPORE) ELECTRONICS PTE. LTD. opened a liaison office in Indonesia in January 2012 to expand its presence in Southeast Asian markets. The company opened a liaison office the following March in the Philippines. KAGA ELECTRONICS will continue to aggressively pursue opportunities in emerging countries.

Indonesia Liaison Office

Location: Jakarta, Indonesia

Opened: January 2012

Purposes: Increase sales to Japanese companies (audio products, office equipment, home appliances, etc.) and establish relationships with local companies

Philippines Liaison Office

Location: Manila, Philippines

Opening: March 2012 (plan)

Purposes: Increase sales to Japanese companies (automotive devices, etc.) and establish relationships with local companies



Topics 2

New Amata Nakorn Factory at KAGA ELECTRONICS (THAILAND)

Due to damage at the Ayutthaya Factory of consolidated subsidiary KAGA ELECTRONICS (THAILAND) CO., LTD. caused by the October 2011 flooding, this company has closed this factory and moved manufacturing operations to a factory in Amata Nakorn, which is at a higher elevation.

The New Amata Nakorn Factory

| | |
|-------------|--|
| Location: | Amata Nakorn, Chonburi, Thailand |
| Products: | PCBA (mainly office equipment, climate control equipment, and automotive substrates) |
| Site: | 10,144 m ² (leased) |
| Building: | 5,250 m ² (leased) |
| Employees: | 150 (Plan) |
| Operations: | Started February 2012 |



The new high-tech factory has a clean room for the production of high-density circuit boards, automotive substrates and other products, equipment to control static electricity and humidity, a contamination prevention system, and other advanced facilities. In addition, there are automated systems to reduce the effects of expected growth in personnel expenses in Thailand as well as to improve quality.

Topics 3

KAGA HIGTECH launches two new products!

- 1) The TAXAN Meo Series for the growing market for smartphones, tablets and other mobile devices
- 2) Smart Karaoke for using a smartphone to enjoy karaoke





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