

Information Meeting for The First Half of Fiscal Year ending March 2013

November 15, 2012

KAGA ELECTRONICS CO., LTD. (TSE 1st section, 8154)

3-12-8 Sotokannda, Chiyoda-ku, Tokyo 101-8629

Tel: (03) 4455-3131 Fax: (03) 3815-6807

URL: <http://www.taxan.co.jp>

Financial Highlights

First Half of FY3/2013

Consolidated Statement of Income

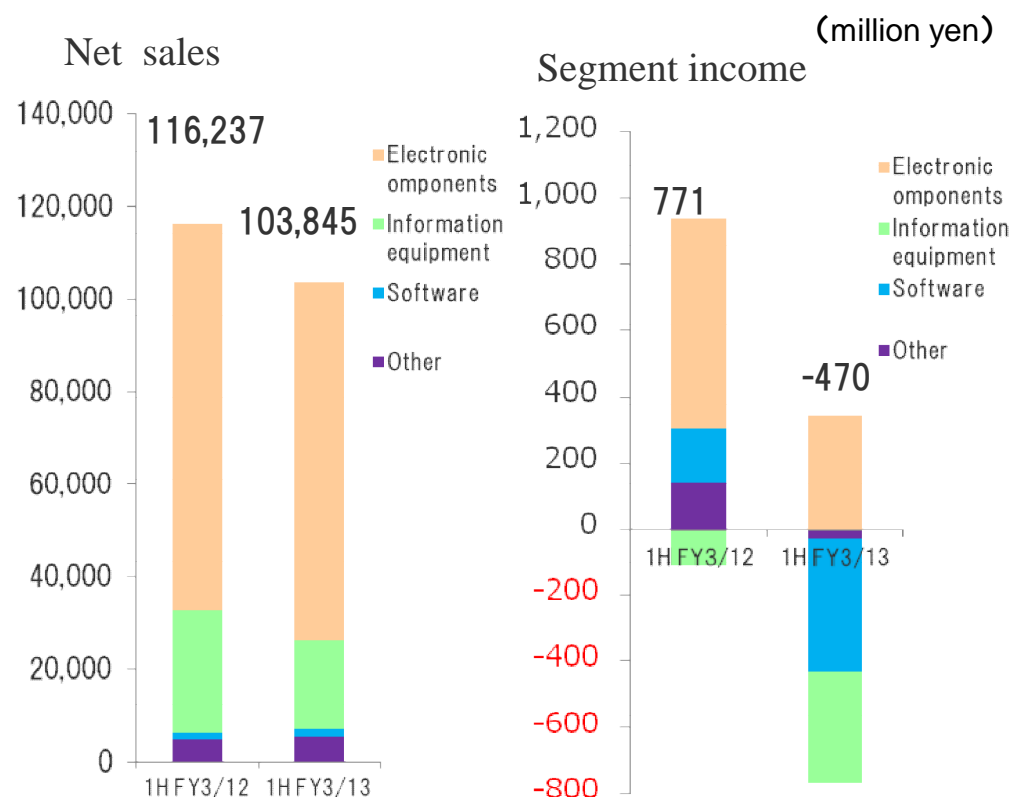
(million yen)

	1H FY3/2012		1H FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	116,237	100.0%	103,845	100.0%	-12,392	-10.7%
Cost of sales	101,913	87.7%	91,515	88.1%	-10,398	-10.2%
Gross profit	14,323	12.3%	12,329	11.9%	-1,994	-13.9%
SG&A expenses	13,551	11.7%	12,800	12.3%	-751	-5.5%
Operating income	771	0.7%	-470	-0.5%	-1,241	-161.0%
Non-operating income	381	0.3%	432	0.4%	51	13.4%
Non-operating expenses	257	0.2%	318	0.3%	61	23.7%
Ordinary income	895	0.8%	-355	-0.3%	-1,250	-139.7%
Extraordinary items	50	0.0%	-324	-0.3%	-374	-748.0%
Income before income tax	945	0.8%	-680	-0.7%	-1,625	-172.0%
Income taxes	677	0.6%	530	0.5%	-147	-21.7%
Income taxes-deferred	-62	-0.05%	238	0.23%	300	-483.9%
Minority interests	29	0.02%	-75	-0.07%	-104	-358.6%
Net income	301	0.3%	-1,373	-1.3%	-1,674	-556.1%

Comparison of Consolidated Sales by Business Category

(million yen)						
	1H FY3/2012		1H FY3/2013		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	83,411	71.8%	77,783	74.9%	-5,628	-6.7%
	636	82.5%	343	-73.0%	-293	-46.1%
Information equipment	26,557	22.8%	19,270	18.6%	-7,287	-27.4%
	-111	-14.4%	-337	71.7%	-226	203.6%
Software	1,533	1.3%	1,491	1.4%	-42	-2.7%
	163	21.1%	-403	85.7%	-566	-347.2%
Other	4,734	4.1%	5,299	5.1%	565	11.9%
	142	18.4%	-27	5.7%	-169	-119.0%
Total	116,237	100.0%	103,845	100.0%	-12,392	-10.7%
	771	100.0%	-470	100.0%	-1,241	-161.0%

* 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)

There was growth in sales of in-vehicle electronic components and semiconductors and in EMS business sales, mainly for office and air conditioning equipment overseas. In Japan, orders were lower for electronic components for amusement devices and for semiconductors and other products. As a result, segment sales were 77,783 million yen

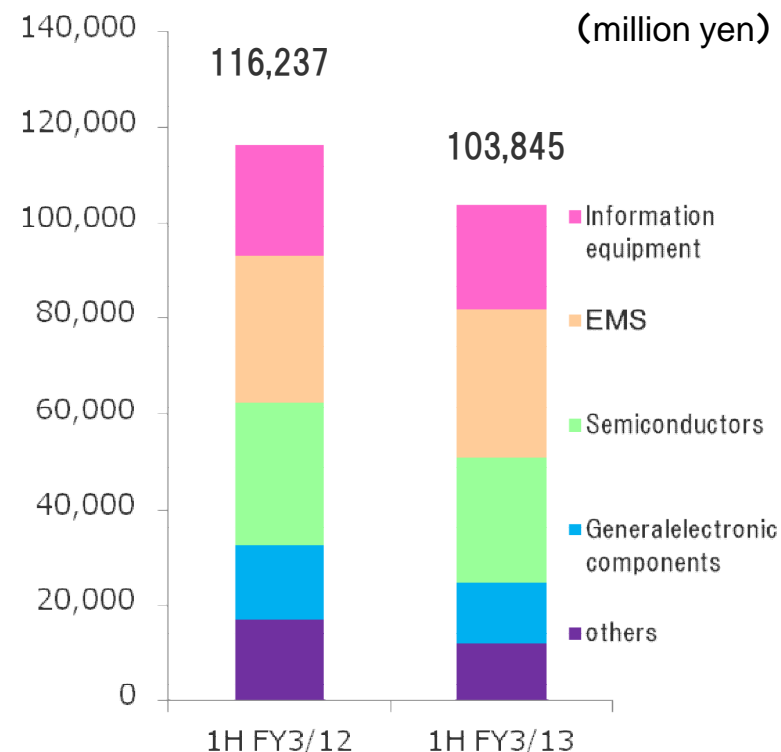
■ Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

Lower sales of personal computers and the negative impact of changes in sales and distribution channels for memory-card products sold at large consumer electronics stores and specialty shops caused sales to decrease to 19,270 million yen.

【Reference】Comparison of Consolidated Sales by Business Category

(million yen)

	1H FY3/2012		1H FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	26,117	22.5%	21,851	21.0%	-4,266	-16.3%
EMS	28,878	24.8%	30,943	29.8%	2,064	7.2%
Semiconductors	30,655	26.4%	26,342	25.4%	-4,313	-14.1%
General electronic components	16,603	14.3%	12,611	12.1%	-3,991	-24.0%
Others	13,982	12.0%	12,096	11.6%	-1,886	-13.5%
Total	116,237	100.0%	103,845	100.0%	-12,391	-10.7%



Summary

■ Information equipment sales: Down 4,266 million yen (-16.3%)

Changes in sales and distribution channels for memory-card products sold at large consumer electronics stores and specialty shops along with lower sales of personal computers, terrestrial digital TV broadcast tuners and compact digital cameras resulted in sales of 21,851 million yen.

■ EMS sales: Up 2,064 million yen (+7.2%)

Higher EMS orders, mainly overseas from Japanese manufacturers of air conditioning equipment, raised sales to 30,943 million yen.

■ Semiconductor sales: Down 4,313 million yen (-14.1%)

Sales were 26,342 million yen mainly because of a decline in orders in Japan for semiconductors used in amusement devices.

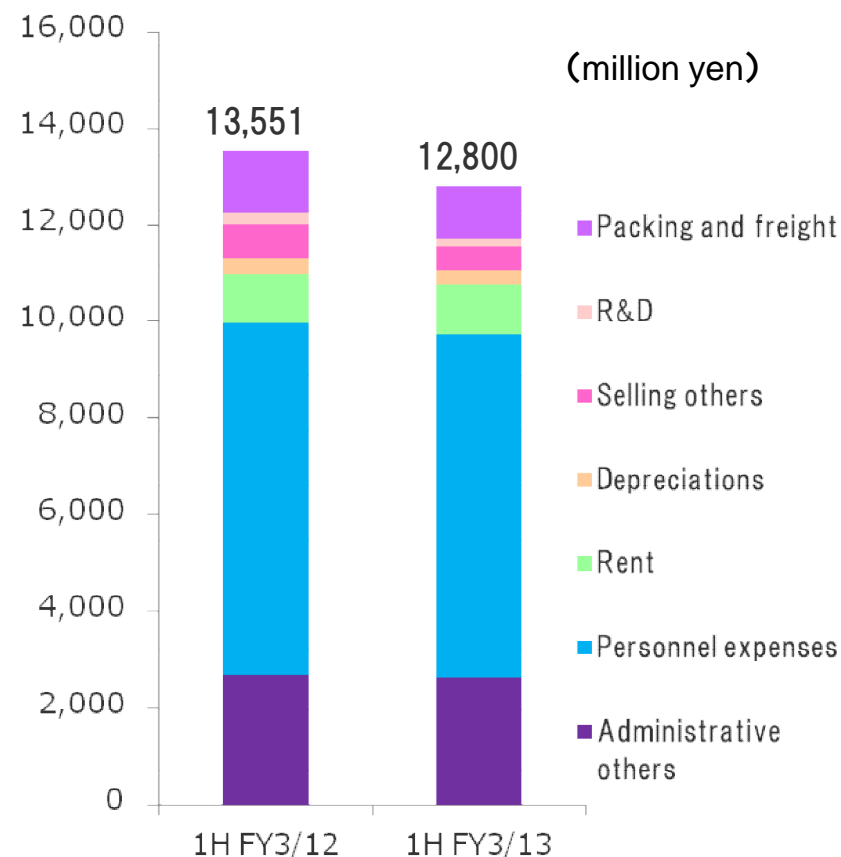
■ General electronic components sales: Down 3,991 million yen (-24.0%)

Sales were 12,611 million yen because of lower orders for electronic components used at the overseas factories of Japanese manufacturers of digital consumer electronics products.

Selling, General and Administrative Expenses

(million yen)

	1H FY3/2012		1H FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	1,284	9.5%	1,096	8.6%	-188	-14.6%
R&D	258	1.9%	144	1.1%	-114	-44.2%
Others	698	5.2%	498	3.9%	-200	-28.7%
Total selling expenses	2,240	16.5%	1,738	13.6%	-502	-22.4%
Depreciations	335	2.5%	280	2.2%	-55	-16.4%
Rent	995	7.3%	1,036	8.1%	41	4.1%
Personnel expenses	7,312	54.0%	7,130	55.7%	-182	-2.5%
Others	2,669	19.7%	2,615	20.4%	-54	-2.0%
Total administrative	11,311	83.5%	11,061	86.4%	-250	-2.2%
Total SG&A expenses	13,551	100.0%	12,800	100.0%	-751	-5.5%



Summary

Selling, general and administrative expenses

Personnel expenses: Reduction of 182 million yen year-on-year Group workforce: Reduction of 596 (from 5,550 to 4,954)

Reason for the workforce decline: Decrease of 563 at overseas EMS factories (China, Thailand, Malaysia, Czech Republic)

*Decrease of 196 at KAGA (SHENZHEN), 188 at KAGA ELECTRONICS (THAILAND), 125 at DONGGUAN POWERTEK, etc.

Packing and freight: Reduction of 188 million yen year-on-year because of the decline in sales

Consolidated Balance Sheets

Consolidated Balance Sheets

(million yen)

	End of FY3/2012	End of FY9/2012	Change
Current assets	94,374	83,811	-10,563
Cash and cash equivalents	9,775	8,985	-790
Notes and account receivable-trade	55,979	48,338	-7,641
Merchandise and finished goods	17,104	16,576	-528
Goods in progress	334	664	330
Raw materials and other supplies	4,115	4,618	503
Others	7,067	4,630	-2,437
Fixed assets	20,340	21,149	809
Property, plant and equipment	9,487	9,843	356
Intangible assets	2,245	2,499	254
Investments and other assets	8,607	8,806	199
Total assets	114,714	104,961	-9,753

	End of FY3/2012	End of FY9/2012	Change
Current liabilities	59,474	53,170	-6,304
Notes and accounts payable-trade	41,748	35,910	-5,838
Short-term bank loans	11,084	12,129	1,045
Others	6,642	5,131	-1,511
Long-term liabilities	7,303	6,456	-847
Long-term bank loans	2,833	1,934	-899
Others	4,470	4,522	52
Total liabilities	66,777	59,627	-7,150
Shareholders' equity			0
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	25,038	23,250	-1,788
Treasury stock	-1,333	-1,333	0
Valuation and translation adjustment	-3,341	-3,951	-610
Minority interests	1,526	1,321	-205
Total net assets	47,936	45,333	-2,603
Total liabilities and net assets	114,714	104,961	-9,753

Consolidated Cash Flows

(million yen)

	1H FY3/2012	1H FY3/2013	Changes
Operating activities	-2,446	3,293	5,739
Investing activities	-1,449	-3,695	-2,246
Financials activities	2,735	-258	-2,993
Net change in cash and cash equivalents	-383	-129	254
Increase (decrease) in cash and cash equivalents	-1,544	-789	755
Cash and cash equivalents at beginning of year	11,796	9,695	-2,101
Cash and cash equivalents at end of year	10,251	8,905	-1,346

Summary

Operating activities: Net cash provided was 3,293 million yen mainly due to a decrease in notes and accounts receivable-trade.

Investing activities: Net cash used was 3,695 million yen mainly due to payments for the purchase of property, plant and equipment.

Financing activities: Net cash used was 258 million yen mainly due to repayments of long-term loans payable.

Forecast for FY3/2013

Forecast for FY3/2012

Consolidated Statement of Income

(million yen)

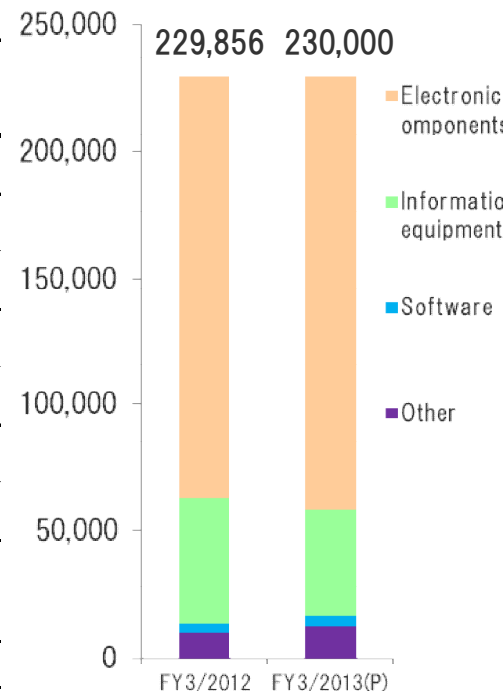
	FY3/2012(actual)		FY3/2012 (plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amonut	Pct.
Net Sales	229,856	100.0%	230,000	100.0%	144	0.1%
Cost of sales	201,350	87.6%	202,300	88.0%	950	0.5%
Gross profit	28,506	12.4%	27,700	12.0%	-806	-2.8%
SG&A expenses	26,438	11.5%	26,200	11.4%	-238	-0.9%
Operating income	2,067	0.9%	1,500	0.7%	-567	-27.4%
Non-operating income	502	0.2%	300	0.1%	-202	-40.2%
Ordinary income	2,569	1.1%	1,800	0.8%	-769	-29.9%
Net income	914	0.4%	300	0.1%	-614	-67.2%

Comparison of Consolidated Sales by Business Category

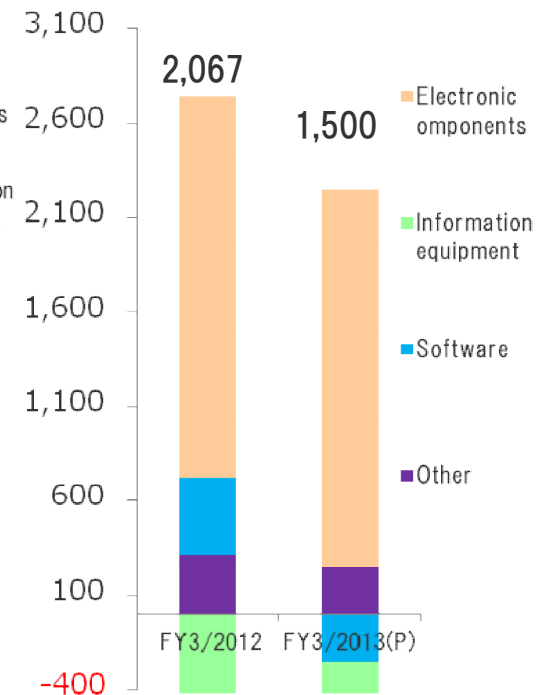
(million yen)

	FY3/2012 (Actual)		FY3/2012 (Plan)		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	166,468	72.4%	171,500	74.6%	5,032	3.0%
	2,021	97.8%	2,000	133.3%	-21	-1.0%
Information equipment	49,360	21.5%	42,000	18.3%	-7,360	-14.9%
	-533	-25.8%	-500	-33.3%	33	6.2%
Software	3,854	1.7%	4,000	1.7%	146	3.8%
	402	19.4%	-250	-16.7%	-652	-162.2%
Other	10,173	4.4%	12,500	5.4%	2,327	22.9%
	319	15.4%	250	16.7%	-69	-21.6%
Total	229,856	100.0%	230,000	100.0%	144	0.1%
	2,067	100.0%	1,500	100.0%	-567	-27.4%

Net sales



Segment income (million yen)



Summary

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

Forecast higher sales because of expected growth in sales of in-vehicle electronic components and semiconductors and in EMS sales mainly for office and air conditioning equipment.

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

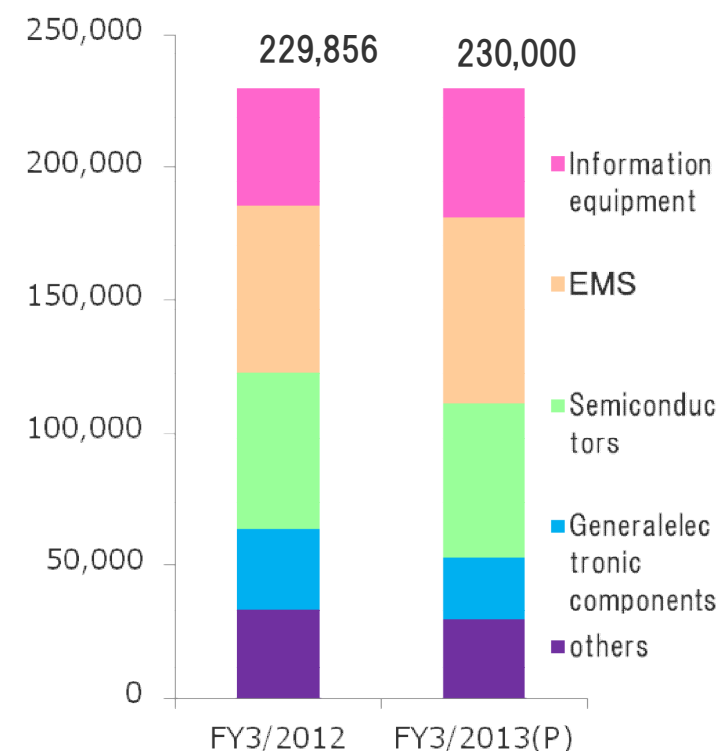
Forecast lower sales primarily because of the downturn in personal computer sales and the negative impact of changes in sales and distribution channels for memory-card products sold at large consumer electronics stores and specialty shops.

【Reference】Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2012 (Actual)		FY3/2013 (Plan)		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	44,276	19.3%	49,000	21.3%	4,724	10.7%
EMS	62,655	27.3%	70,000	30.4%	7,345	11.7%
Semiconductors	59,303	25.8%	58,000	25.2%	-1,303	-2.2%
General electronic components	30,356	13.2%	24,000	10.4%	-6,356	-20.9%
Others	33,264	14.5%	29,000	12.6%	-4,264	-12.8%
Total	229,856	100.0%	230,000	100.0%	144	0.1%

(million yen)



Summary

Information equipment: Sales up 4,724 million yen (+10.7%) due to expected growth in sales of personal computers and peripherals

EMS: Sales up 7,345 million yen (+11.7%) due to EMS growth outside Japan

Semiconductors: Sales down 1,303 million yen (-2.2%) mainly because of declining orders for semiconductors used in digital consumer electronics products and amusement devices

General electronic components: Sales down 6,356 million yen (-20.9%) mainly because of declining orders for electronic components used in digital consumer electronics products and amusement devices

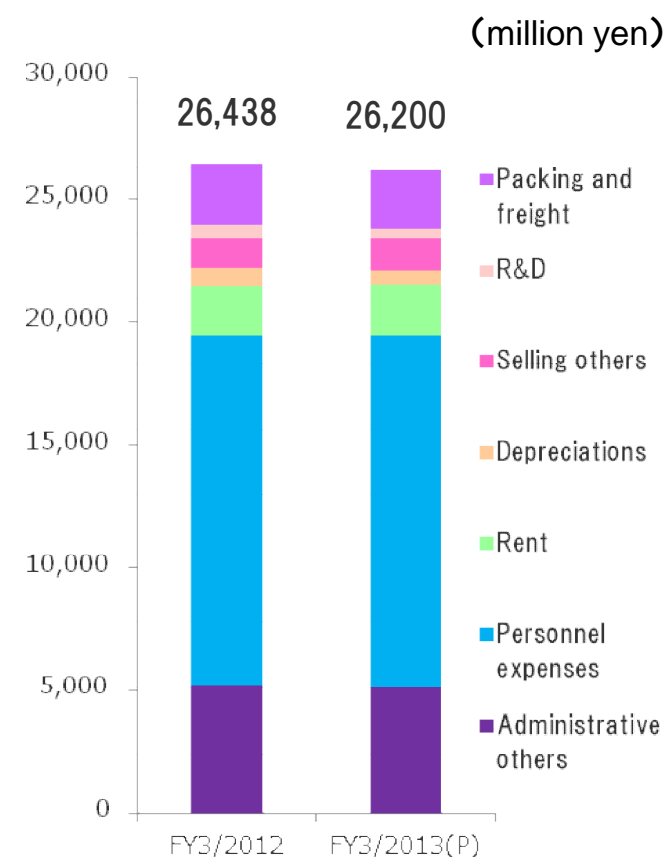
Others: Sales down 4,264 million yen (-12.8%) mainly because of lower sales of game software and application software and delays in the launch of products by customers

Forecast for FY3/2013

Selling, General and Administrative Expenses

(million yen)

	FY3/2012 (Actual)		FY3/2013 (Plan)		Changes
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,450	9.3%	2,337	8.9%	-113
R&D	576	2.2%	418	1.6%	-158
Others	1,159	4.4%	1,298	5.0%	139
Total selling expenses	4,185	15.8%	4,053	15.5%	-132
Depreciations	731	2.8%	592	2.3%	-139
Rent	2,025	7.7%	2,056	7.8%	31
Personnel expenses	14,249	53.9%	14,379	54.9%	130
Others	5,247	19.8%	5,120	19.5%	-127
Total administrative	22,252	84.2%	22,147	84.5%	-105
Total SG&A expenses	26,438	100.0%	26,200	100.0%	-238



Summary

Selling expenses: Forecast a decrease in R&D expenditures due to completion of product engineering at SI ELECTRONICS

Administrative expenses: Forecast a decrease in depreciation expenses due mostly to completion of depreciation of certain fixed assets

topics

- 1. Unprofitable companies and countermeasures**
- 2. KAGA ELECTRONICS Group growth strategy**
- 3. New business**

Unprofitable companies and countermeasures

(Million yen)

会社名	FY3/2010 Net income	FY3/2011 Net income	FY3/2012 Net income	FY3/2013 Net income (Previous forecast))	FY3/2013Net Net income (Actual results)	Status
KAGA COMPONENTS	-519	14	-1,028	-194	-207	Named new management team in FY3/12, executed restructuring program including voluntary early retirement and started realigning overseas factories to improve operations. Benefits are slowly appearing and the company is expected to become profitable in the next fiscal year.
KAGA HIGHTECH	-86	30	-145	63	19	Plan to start mass production of the Y3 video display processor for amusement devices, the company's main product, in the next fiscal year. Conducting sales activities aimed at enlarging sales channels.
SI ELECTRONICS	-8	-72	-577	246	-1,011	Named new management team in FY3/13 and started rebuilding process but performance declined due to weak demand for this company's products. Aiming for a recovery by improving efficiency (through reorganization, reforms, etc.) and adding new products.
ADM	-106	-98	-22	30	-145	Company is shifting from consumer products to the industrial equipment, medical/health care and automobile sectors, but performance is weak due to soft demand in the industrial equipment sector and intense competition. Announced voluntary early retirement program and started restructuring measures on November
CyberFront	-	-268	-295	129	-387	Named an executive with experience in the entertainment industry as the company's chairman and conducted a sweeping review of operations but performance is still weak. Plan to determine new direction for the company by the end of December 2012.
Total	-719	-394	-2,067	274	-1,731	

◆ Operating environment in the electronics industry

Conditions in Japan's electronics industry are difficult because of the poor performance of major home appliance manufacturers caused by soft demand for digital devices. However, the activities of electronics trading companies are becoming broader as these companies target the automobile, communications, environment, medical and other growing market sectors.



KAGA ELECTRONICS Group initiatives to drive earnings growth

- ① In-vehicle devices
- ② Wireless and other communications
- ③ Environmental products
- ④ Globalization (with focus on Asia)



KAGA ELECTRONICS Group growth strategy

① In-vehicle devices

Sales of hybrid and electric vehicles are increasing as a means of fighting global warming and reducing air pollution. Growing use of electronics in these vehicles is raising demand for electronic components and semiconductors in the automobile industry. To be a winner in this market, the KAGA ELECTRONICS Group is focusing sales activities on the in-vehicle market in order to expand this business domain.

Growth potential is significant in the automotive sector because global sales of in-vehicle semiconductors are expected to grow from about 1,850 billion yen in 2012 to about 3,270 billion yen in 2020 (Yano Research Institute forecast).

<KAGA ELECTRONICS Group Initiatives>

➤ KAGA ELECTRONICS

A dedicated Car Electronics Sales Team was established 7 years ago in order to focus on sales activities in this market. The team is producing results. Sales are increasing in the current fiscal year mainly because of higher orders for car navigation HDD and semiconductors and growth in EMS sales. (FY3/12 ¥5 billion – FY3/13 forecast ¥7 billion)

➤ AD DEVICE (Trading company selling Toshiba semiconductors)

On July 1, AD DEVICE absorbed AS Device, a semiconductor and storage company affiliated with Toshiba that has much expertise in the in-vehicle market. Growth of sales channels to automakers is raising sales. (FY3/12 ¥10 billion – FY3/13 forecast ¥15 billion)

KAGA ELECTRONICS Group in-vehicle sales: FY3/12 ¥15 billion – FY3/13 forecast ¥22 billion



KAGA ELECTRONICS Group growth strategy

②Wireless and other communications

As the market shifts from ordinary cellphones to smartphones, semiconductor manufacturers are looking ahead to the next-generation of wireless communications. The KAGA ELECTRONICS Group sells semiconductors for mobile communication devices and is entering new markets to target opportunities created by the upcoming use of wireless communications in products other than mobile communication devices.

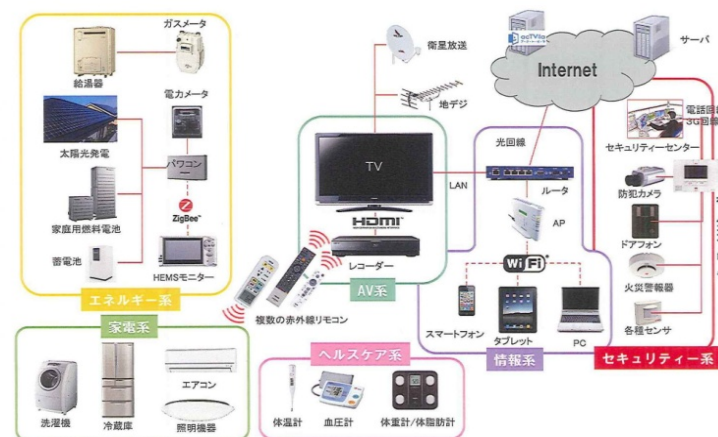
Sales growth in semiconductor market sectors

Source: HIS iSuppli

Year-over-Year Semiconductor Revenue Growth Rate Forecast
(Revenue in US Dollars)

	2011	2012
Data Processing	-4.1%	-1.9%
Wired Communications	0.8%	0.7%
Wireless Communications 無線分野	8.5%	10.4%
Consumer Electronics	-1.9%	1.3%
Automotive Electronics	10.0%	2.7%
Industrial Electronics	9.3%	7.7%
Multichip Packages (MCP)	-31.7%	-17.9%

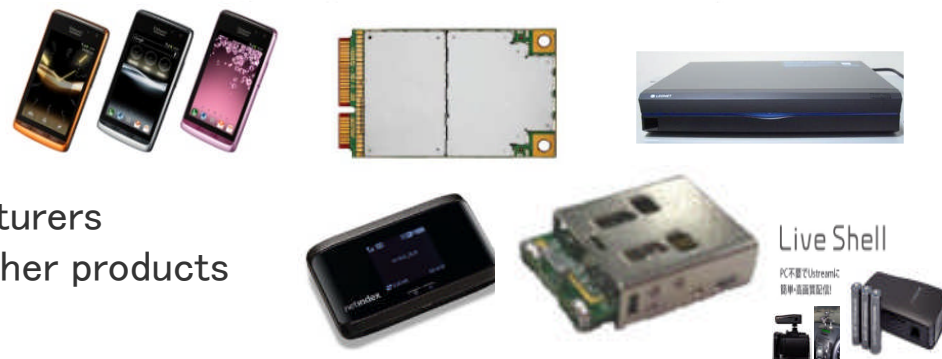
Source: IHS iSuppli Research, July 2012



<KAGA ELECTRONICS Group Initiatives>

Increase sales to communications carriers,
increase sales of communication modules

- Semiconductors, sound ICs, etc. for memories and other products used by Japanese portable device manufacturers
- LTE mobile routers, LTE modules, USB modules, STB and other products

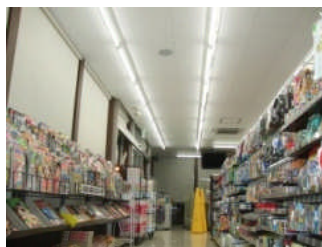
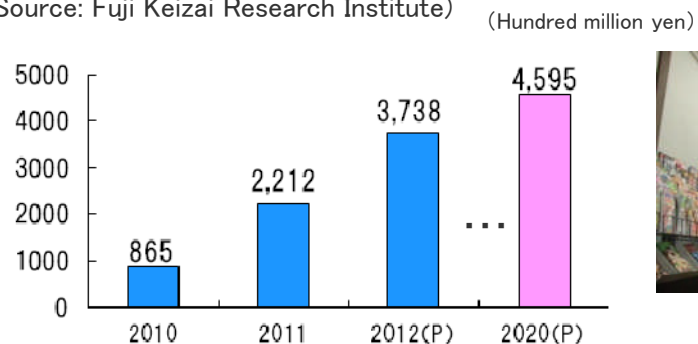


KAGA ELECTRONICS Group wireless/communications sales: FY3/12 ¥5 billion – FY3/13 forecast ¥10 billion

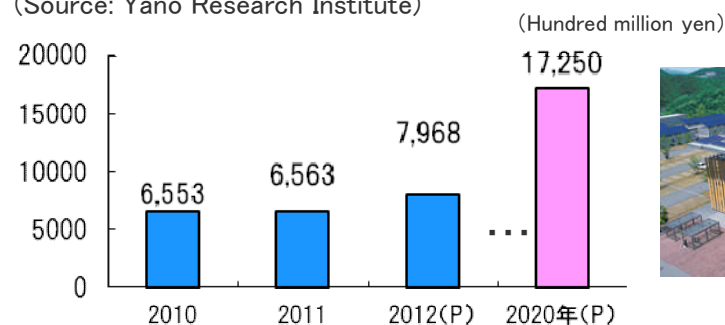
③Environmental Business Environmental

The environmental business has been growing consistently in Japan. Two reasons are the need to conserve electricity due to the power shortage following the Great East Japan Earthquake and sales of electricity using the feed-in tariff system. The KAGA ELECTRONICS Group regards this as a key growing market and established a sales team specializing in this market.

Growth of LED Lamp Sales in Japan
(Source: Fuji Keizai Research Institute)



Growth of Solar Power Systems in Japan
(Source: Yano Research Institute)



<KAGA ELECTRONICS Group Initiatives>

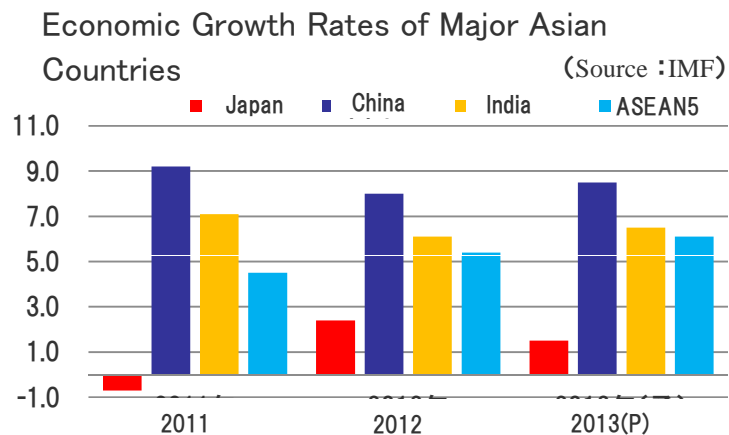
Make the group a source of total support extending from proposals for the use of LED lamps and solar power systems to the supply and installation of this equipment and after-sales services.

- Install LED lighting systems at convenience stores and large stores
- Proposal-based sales of solar power systems to businesses that sell electricity

KAGA ELECTRONICS Group environmental sales: FY3/12 ¥1 billion – FY3/13 forecast ¥7 billion

④ Globalization (with focus on Asia) especially in Asia

Japan's manufacturing sector is hollowing out as production is moved to other countries. The result is even more interest in Asia, where manufacturing costs are low. KAGA ELECTRONICS is establishing bases and increase its workforce in Southeast Asia, where economic growth is particularly strong, in order to enlarge business operations.



	2011	2012	2013年(P)
Japan	-0.7	2.4	1.5
China	9.2	8.0	8.5
India	7.1	6.1	6.5
ASEAN5	4.5	5.4	6.1

(Note) ASEAN5 is Indonesia, Malaysia, Philippines, Thailand and Vietnam



< KAGA ELECTRONICS Group Initiatives >

- Strengthen operations in China, India, Southeast Asia and other growing markets
- Offer ideas for moving production to low-cost overseas regions to Japanese customers that have not yet shifted production offshore
- Establish relationships with prominent overseas companies as suppliers and sales agents
- Differentiate services by distributing electronic components and products as well as providing added value through an electronics manufacturing service (EMS), vendor managed inventory (VMI) and other services

KAGA ELECTRONICS Group growth strategy

◆China

➤KAGA (DALIAN) ELECTRONICS: Opened Qingdao Office (July)

EMS for Japanese companies accounts for the majority of the KAGA ELECTRONIC Group's operations in China.

The group aims to use Qingdao as a base for increasing sales of electronic components and semiconductors in China, including sales of semiconductors (microprocessors and other devices) for refrigerators and air conditioners made by major Chinese home appliance manufacturers.

➤KAGA (H.K.) ELECTRONICS

KAGA (H.K.) ELECTRONICS has grown for many years as the primary base for the EMS business.

Now this company has established an electronic components and semiconductors section in response to rising demand in the kitting business. Sales are increasing due to growth of the EMS business and the launch of the electronic components/semiconductors business.

Sales of KAGA (H.K.) ELECTRONICS

FY3/12 ¥12 billion (EMS ¥12 billion) – FY3/13 forecast ¥21 billion (EMS ¥19 billion, Components /semiconductors ¥2 billion)

◆India

➤ KAGA DEVICES INDIA

Established in Bangalore in July 2011 by KAGA DEVICES CO., LTD.

The company is promoting sales of semiconductors and electronic components to not only to Japanese but also foreign manufacturers of air conditioners and refrigerators.

Sales activities also include uninterruptible power supply devices, parts for solar lanterns and other products



KAGA ELECTRONICS Group growth strategy

◆Thailand

➤KAGA ELECTRONICS (THAILAND)

Closed the Ayutthaya factory following the October 2011 flood

Opened the new Amata Nakorn factory in February 2012 and now expanding production lines in response to customers' requests. (FY3/12 ¥12 billion – FY3/13 forecast ¥13 billion)

✕Other activities

Strengthening the in-vehicle business – Plan to set up a sales force exclusively for electronic components and semiconductors to increase sales of these products to reinforce sales of these products to automobile manufacturers



◆Indonesia and Philippines

➤Indonesia Liaison Office

Sales activities involving primarily kitting that target Japanese manufacturers of audio products, automobiles and other products. This office also works on establishing new relationships with Japanese and Indonesian companies.

➤Philippines Liaison Office

Sales activities involving primarily kitting that target Japanese manufacturers of home appliances, office equipment and other products. As in Indonesia, this office also works on establishing new relationships with Japanese and Philippine companies.



◆Other activities

- Cambodia, Myanmar, Laos: Conducting a study concerning the use of these countries as new EMS manufacturing bases in Asia
- United States: Considering setting up a base in Detroit to start a U.S. in-vehicle business
- Considering starting operations in Brazil, where more economic growth is anticipated along with the upcoming FIFA World Cup and Olympics

New business

Collaboration as a sales partner with SICOXS, manufacturer of SiC substrates for next-generation power semiconductors

Main applications: Power conditioners for solar panels, DC/DC converters for electric/plug-in hybrid vehicles, and others

This substrate increases power conversion efficiency while reducing size and weight.

Name : SICOXS CORPORATION

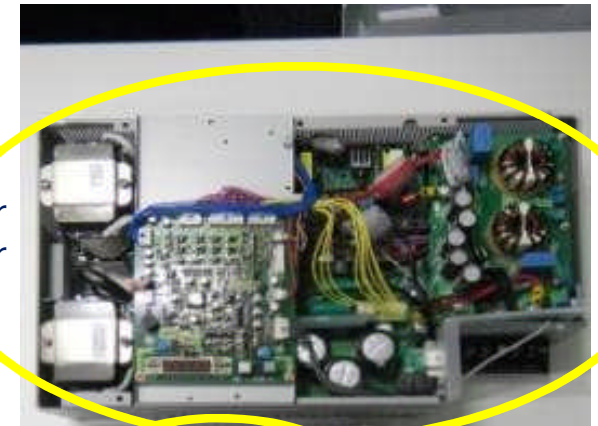
Established: June 1, 2012

Representative: Mitsuharu Kato

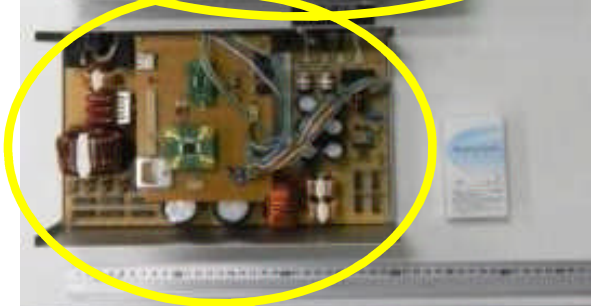
Activities: Manufacture and sale of SiC (silicon carbide) substrates, outsourced processing for SiC semiconductor parts, and other activities

Example of downsizing

Conventional power conditioner



Sample power conditioner using an SiC substrate





Contact: Public Relations Department

3-12-8 Sotokannda, Chiyoda-ku, Tokyo 101-8629

TEL:03-4455-3131

FAX:03-3254-7132

E-mail: webmaster@taxan.co.jp

<http://www.taxan.co.jp>