



Report on Financial Result
Third Quarter of Fiscal Year 2013
April to December 2012

February 7, 2013

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KAGA ELECTRONICS CO.,LTD.

Financial Highlights

Third Quarter of Fiscal Year 2013

April to December 2012
(Consolidated Third Quarter)

Consolidated Statement of Income

(million yen)

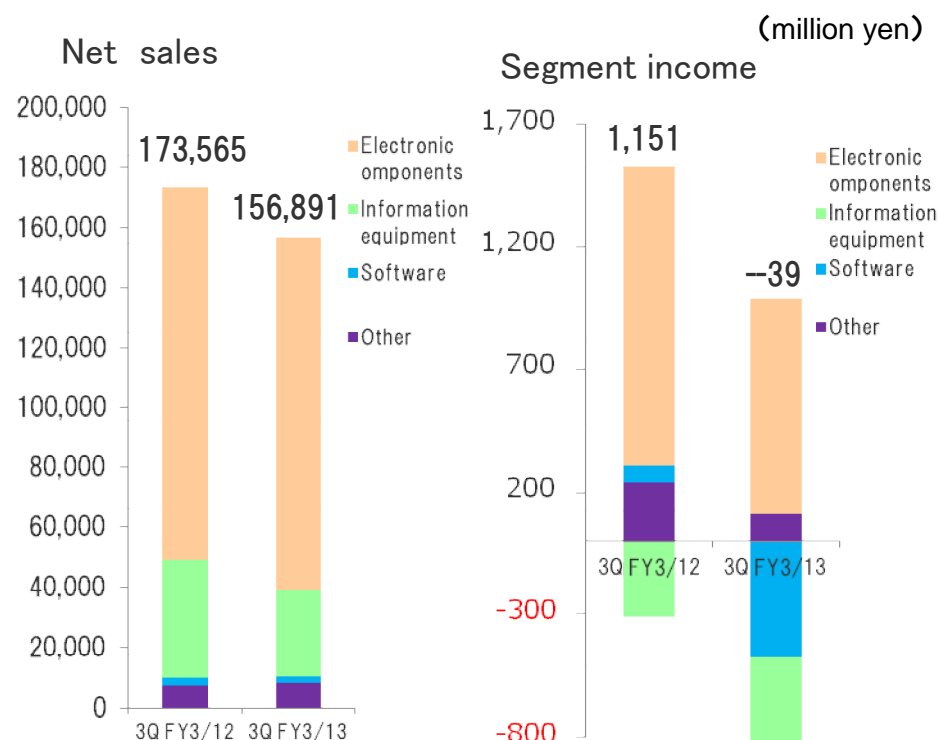
	3Q FY3/2012		3Q FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	173,565	100.0%	156,891	100.0%	-16,674	-9.6%
Cost of sales	152,425	87.8%	137,663	87.7%	-14,762	-9.7%
Gross profit	21,140	12.2%	19,228	12.3%	-1,912	-9.0%
SG&A expenses	19,988	11.5%	19,268	12.3%	-720	-3.6%
Operating income	1,151	0.7%	-39	0.0%	-1,190	-103.4%
Non-operating income	544	0.3%	585	0.4%	41	7.5%
Non-operating expenses	418	0.2%	194	0.1%	-224	-53.6%
Ordinary income	1,277	0.7%	351	0.2%	-926	-72.5%
Extraordinary items	-1,058	-0.6%	-63	0.0%	995	94.0%
Income before income tax	219	0.1%	289	0.2%	70	32.0%
Income taxes	880	0.5%	797	0.5%	-83	-9.4%
Income taxes-deferred	-262	-0.15%	446	0.28%	708	270.2%
Minority interests	32	0.02%	-138	-0.09%	-170	-531.3%
Net income	-430	-0.2%	-817	-0.5%	-387	90.0%

Comparison of Consolidated Sales by Business Category

(million yen)

	3Q FY3/2012		3Q FY3/2013		Changes	
	Net sales	Pct.	Net sales	Pct.	Amount	Pct.
	Segment income		Segment income			
Electronic components	124,428	71.7%	117,782	75.1%	-6,646	-5.3%
	1,223	106.3%	878	-2251.3%	-345	-28.2%
Information equipment	39,207	22.6%	28,771	18.3%	-10,436	-26.6%
	-313	-27.2%	-513	1315.4%	-200	63.9%
Software	2,445	1.4%	1,976	1.3%	-469	-19.2%
	66	5.7%	-469	1202.6%	-535	-810.6%
Other	7,484	4.3%	8,361	5.3%	877	11.7%
	243	21.1%	113	-289.7%	-130	-53.5%
Total	173,565	100.0%	156,891	100.0%	-16,674	-9.6%
	1,151	100.0%	-39	100.0%	-1,190	-103.4%

* 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 air conditioning. There were growth in sales of in-automotive business, sales of electronic components and semiconductors, and EMS business, mainly for air conditioning equipment overseas. In Japan, sales decreased in the field of amusement devices, sales of electronic components and semiconductors. As a result, segment sales were 117,782 million yen.

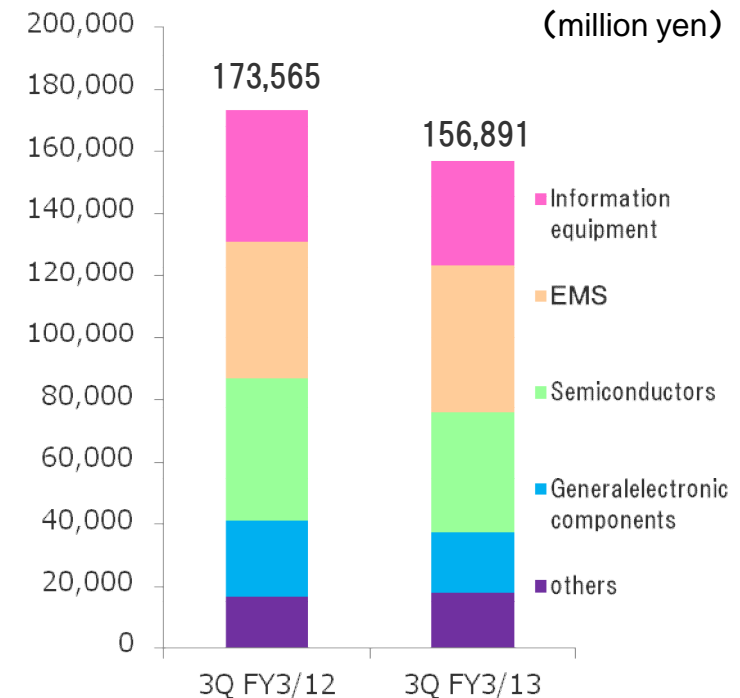
■ Information equipment (Sales of PCs, PC peripherals, photograph and imaging products, original-brand products, and other products)

Although there were measures to increase sales of current products, lower sales of personal computers and the negative impact of changes in distribution channels for memory-card products sold at large consumer electronics stores and specialty shops resulted in segment sales of 28,771 million yen.

[Reference] Comparison of Consolidated Sales by Business Category

(million yen)

	3Q FY3/2012		3Q FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	42,318	24.4%	33,065	21.1%	-9,253	-21.9%
EMS	44,313	25.5%	47,984	30.6%	3,670	8.3%
Semiconductors	45,962	26.5%	38,230	24.4%	-7,732	-16.8%
Generalelectronic components	24,046	13.9%	19,378	12.4%	-4,667	-19.4%
Others	16,924	9.8%	18,232	11.6%	1,308	7.7%
Total	173,565	100.0%	156,890	100.0%	-16,674	-9.6%



Summary

■ Information equipment sales: - 9,253 million yen (-21.9%)

Sales decreased due to personal computers and changes in distribution channels for memory-card products sold at large consumer electronics stores and specialty shops resulted in sales of 33,065 million yen.

■ EMS sales: + 3,671 million yen (+8.3%)

Increase of EMS orders, mainly overseas from Japanese manufacturers of air conditioning equipment, raised sales to 47,984 million yen.

■ Semiconductor sales: - 7,732 million yen (-16.8%)

Decrease of sales due to lower orders in Japan for semiconductors used in amusement devices, resulting 38,230 million yen.

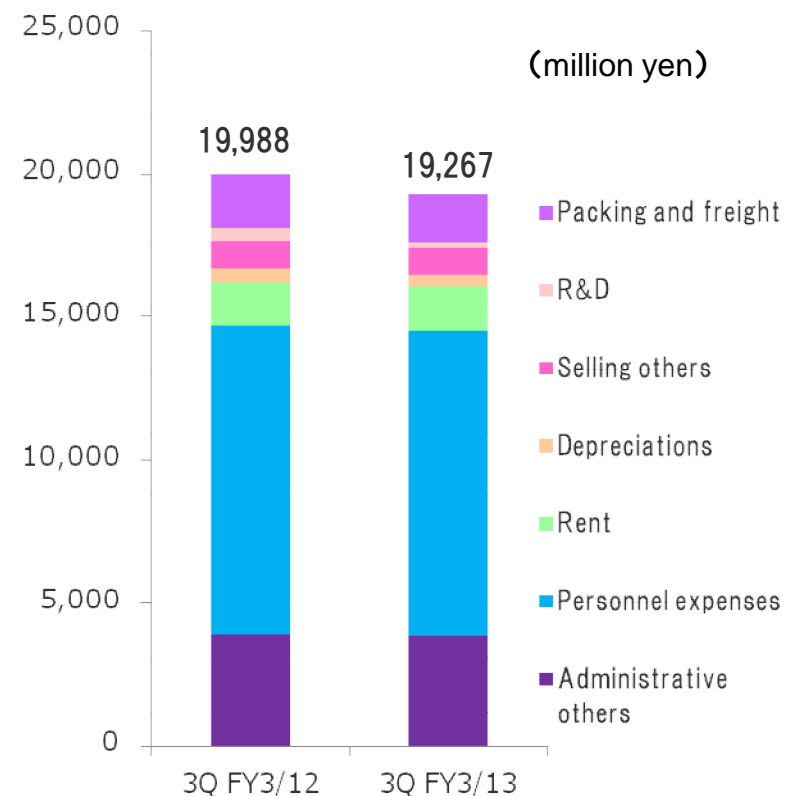
■ Electronic Parts sales: - 4,667 million yen (-19.4%)

Decrease of sales due to lower orders for electronics components used at overseas factories of Japanese manufactures of consumer electronics products, resulting 19,378 million yen.

Selling, General and Administrative Expenses

(million yen)

	3QFY3/2012		3Q FY3/2013		Changes	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Packing and freight	1,880	9.4%	1,650	8.6%	-230	-12.2%
R&D	417	2.1%	199	1.0%	-218	-52.3%
Others	981	4.9%	937	4.9%	-44	-4.5%
Total selling expenses	3,278	16.4%	2,786	14.5%	-492	-15.0%
Depreciations	523	2.6%	418	2.2%	-105	-20.1%
Rent	1,499	7.5%	1,546	8.0%	47	3.1%
Personnel expenses	10,787	54.0%	10,666	55.4%	-121	-1.1%
Others	3,901	19.5%	3,850	20.0%	-51	-1.3%
Total administrative	16,710	83.6%	16,480	85.5%	-230	-1.4%
Total SG&A expenses	19,988	100.0%	19,267	100.0%	-721	-3.6%



Summary

Selling, general and administrative expenses

Packing and freight: Down 230 million yen year-on-year because of lower sales

R&D: Down 218 million yen year-on-year due to changes in development project schedules

Consolidated Balance Sheets

Consolidated Balance Sheets

(million yen)

	End of FY3/2012	End of FY12/2012	Change		End of FY3/2012	End of FY12/2012	Change
Current assets	94,374	87,319	-7,055	Current liabilities	59,474	52,751	-6,723
Cash and cash equivalents	9,775	11,273	1,498	Notes and accounts payable-trade	41,748	35,484	-6,264
Notes and account receivable-trade	55,979	49,373	-6,606	Short-term bank loans	11,084	11,696	612
Merchandise and finished goods	17,104	16,629	-475	Others	6,642	5,569	1,071
Goods in progress	334	771	437	Long-term liabilities	7,303	10,033	2,730
Raw materials and other supplies	4,115	4,556	441	Long-term bank loans	2,833	5,487	2,654
Others	7,067	4,717	-2,350	Others	4,470	4,546	76
				Total liabilities	66,777	62,784	-3,993
				Shareholders' equity			0
				Paid-in capital	12,133	12,133	0
Fixed assets	20,340	21,978	1,638	Capital surplus	13,912	13,912	0
Property, plant and equipment	9,487	10,564	1,077	Retained earnings	25,038	23,393	-1,645
Intangible assets	2,245	2,431	186	Treasury stock	-1,333	-1,333	0
Investments and other assets	8,607	8,982	375	Valuation and translation adjustment	-3,341	-2,858	483
				Minority interests	1,526	1,264	-262
				Total net assets	47,936	46,512	-1,424
Total assets	114,714	109,297	-5,417	Total liabilities and net assets	114,714	109,297	-5,417

Forecast for FY3/2013

Forecast for FY3/2013

Consolidated Statement of Income

(million yen)

	FY3/2012(actual) A		FY3/2013 plan (before) B		FY3/2013 plan (after) C		Changes(C-A)		Changes(C-B)	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	229,856	100.0%	230,000	100.0%	216,000	100.0%	-13,856	-6.0%	-14,000	-6.1%
Cost of sales	201,350	87.6%	202,300	88.0%	189,600	87.8%	-11,750	-5.8%	-12,700	-6.3%
Gross profit	28,506	12.4%	27,700	12.0%	26,400	12.2%	-2,106	-7.4%	-29,806	-4.7%
SG&A expenses	26,438	11.5%	26,200	11.4%	25,900	12.0%	-538	-2.0%	-26,738	-1.1%
Operating income	2,067	0.9%	1,500	0.7%	500	0.2%	-1,567	-75.8%	-3,067	-66.7%
Non-operating income	502	0.2%	300	0.1%	500	0.2%	-2	-0.4%	200	66.7%
Ordinary income	2,569	1.1%	1,800	0.8%	1,000	0.5%	-1,569	-61.1%	-3,369	-44.4%
Net income	914	0.4%	300	0.4%	100	0.1%	-814	-89.1%	-1,114	-66.7%

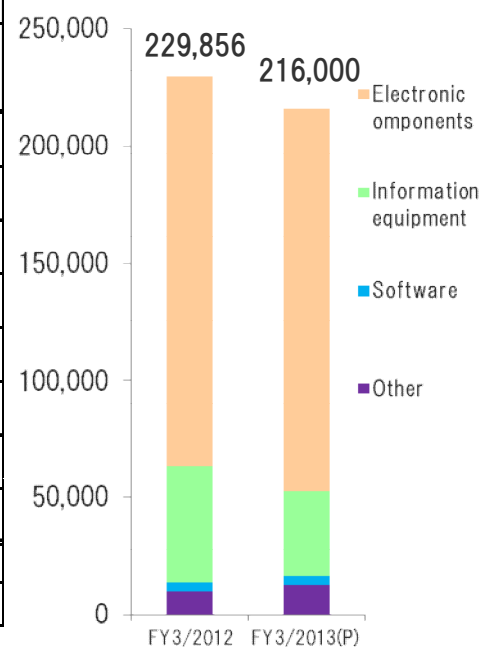
Comparison of Consolidated Sales by Business Category

(million yen)

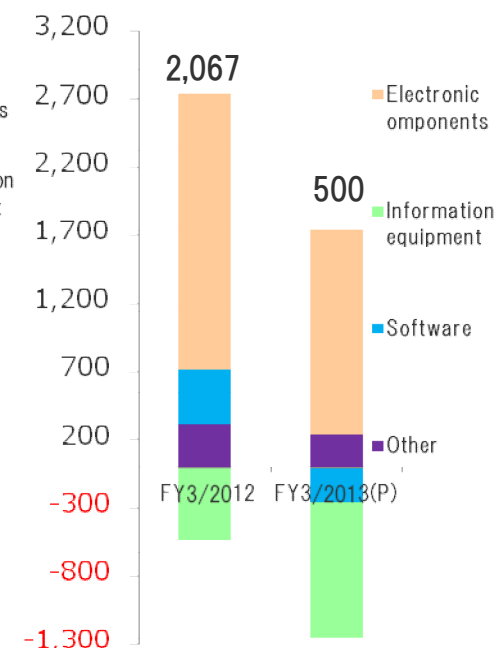
	FY3/2012 (Actual) A		FY3/2013 Plan (before) B		FY3/2013 Plan (after) C		Changes(C-A)		Changes(C-B)	
	Net sales	Pct.	Net sales	Pct.	Net sales	Pct.	Amount	Pct.	Amount	Pct.
	Segment income		Segment income		Segment income					
Electronic components	166,468	72.4%	171,500	74.6%	163,500	75.7%	-2,968	-1.8%	-8,000	-4.7%
	2,021	97.8%	2,000	133.3%	1,500	300.0%	-521	-25.8%	-500	-25.0%
Information equipment	49,360	21.5%	42,000	18.3%	36,000	16.7%	-13,360	-27.1%	-6,000	-14.3%
	-533	-25.8%	-500	-33.3%	-1,000	-200.0%	-467	87.6%	-500	100.0%
Software	3,854	1.7%	4,000	1.7%	4,000	1.9%	146	3.8%	0	0.0%
	402	19.4%	-250	-16.7%	-250	-50.0%	-652	-162.2%	0	0.0%
Other	10,173	4.4%	12,500	5.4%	12,500	5.8%	2,327	22.9%	0	0.0%
	319	15.4%	250	16.7%	250	50.0%	-69	-21.6%	0	0.0%
Total	229,856	100.0%	230,000	100.0%	216,000	100.0%	-13,856	-6.0%	-14,000	-6.1%
	2,067	100.0%	1,500	100.0%	500	100.0%	-1,567	-75.8%	-1,000	-66.7%

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

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)**

There was a sales increase in the Oversea EMS business; however, electronics components and semiconductor sales decreased in the market of amusement and consumer electronics. Overall sales seem to be decreased from the initial forecast.

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

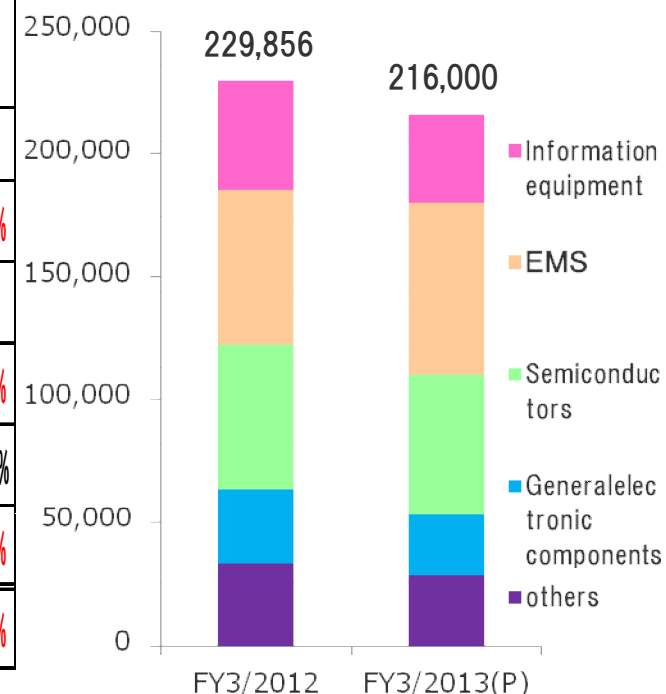
Decrease in the market of personal computer, digital camera, and other current products and lower sales of new products lead the overall sales to be reduced from the initial forecast.

【Reference】Comparison of Consolidated Sales by Business Category

(million yen)

	FY3/2012 (Actual) A		FY3/2013 Plan (before) B		FY3/2013 Plan (after) C		Changes(C-A)		Changes(C-B)	
	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.	Amount	Pct.
Information equipment	44,276	19.3%	49,000	21.3%	36,000	16.7%	-8,276	-18.7%	-13,000	-26.5%
EMS	62,655	27.3%	70,000	30.4%	70,000	32.4%	7,345	11.7%	0	0.0%
Semiconductors	59,303	25.8%	58,000	25.2%	56,500	26.2%	-2,803	-4.7%	-1,500	-2.6%
Generalelectronic components	30,356	13.3%	24,000	13.3%	25,000	11.5%	-5,356	-17.6%	1,000	4.2%
Others	33,264	14.5%	29,000	12.6%	28,500	13.2%	-4,764	-14.3%	-500	-1.7%
Total	229,856	100.0%	230,000	100.0%	216,000	100.0%	-13,856	-6.0%	-14,000	-6.1%

(million yen)



Summary

Information equipment Sales: -8,276 million yen (-18.7%) due to decrease in sales of personal computers, digital cameras and other current products

Semiconductors sales: -2,803 million yen (-4.7%) due to reduce of orders for semiconductors in the market of consumer electronics products and amusement devices.

General electronic components Sales: -5,356 million yen (-17.6%) due to reduce of orders for electronic components in the market of consumer electronics products and amusement devices.

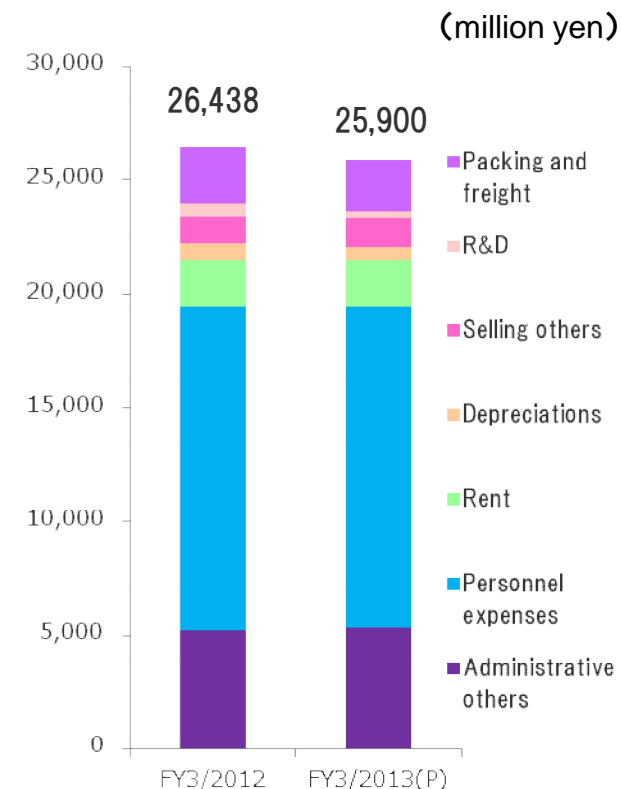
Others Sales: -4,764 million yen (-14.3%) due to decrease of computer graphics production and application software sales.

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%	2,239	8.6%	-211
R&D	576	2.2%	287	1.1%	-289
Others	1,159	4.4%	1,277	4.9%	118
Total selling expenses	4,185	15.8%	3,803	14.7%	-382
Depreciations	731	2.8%	576	2.2%	-155
Rent	2,025	7.7%	2,036	7.9%	11
Personnel expenses	14,249	53.9%	14,113	54.5%	-136
Others	5,247	19.8%	5,371	20.7%	124
Total administrative	22,252	84.2%	22,096	85.3%	-156
Total SG&A expenses	26,438	100.0%	25,900	100.0%	-538



Summary

Selling, general and administrative expenses

Packing and freight: Forecast a decrease of 211 million yen year-on-year because of lower sales

R&D: Forecast a decrease of 289 million yen year-on-year mainly because of changes in development project schedules

topics

- 1. Unprofitable companies**
- 2. Strengthening of overseas business**

topics ① Unprofitable companies

◆ Status of unprofitable subsidiaries

Kaga Electronics Group put restoring of unprofitable subsidiaries as one of the highest priorities.



<Third quarter initiatives>

①KAGA COMPONENTS

1. Downsize factories in Japan
2. Reduce the number of unprofitable products
3. Restructuring



Implementing structural reforms and expect a profit in the second half of the current fiscal year (October to March)

②KAGA HIGHTECH

1. Reduce inventories
2. Major change in the organization and workforce
3. Form ties with new vendors

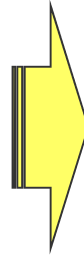


Focusing on improving operations and locating new products

topics ① Unprofitable companies

③ADM

1. Make ADM a wholly owned subsidiary (faster management decisions)
2. Restructuring
3. Increase new vendor sales



Focusing on cost cutting and developing new markets

④SI ELECTRONICS

1. Start sales of original LSIs (Y3)
2. Increase new vendor sales



Expect a profit in the second half of the current fiscal year (October to March)

⑤ CyberFront

1. Renew management team
2. Conduct tightly focused operations
3. Increase equity to support operations



CyberFront hopes to return to profitability in the next fiscal year

topics ② Strengthening of overseas business

China

Enforce sales to expand sales channels.

We have acquired number of new opportunities in the market of home appliances, smart phone, tablet PC, and automotive business.

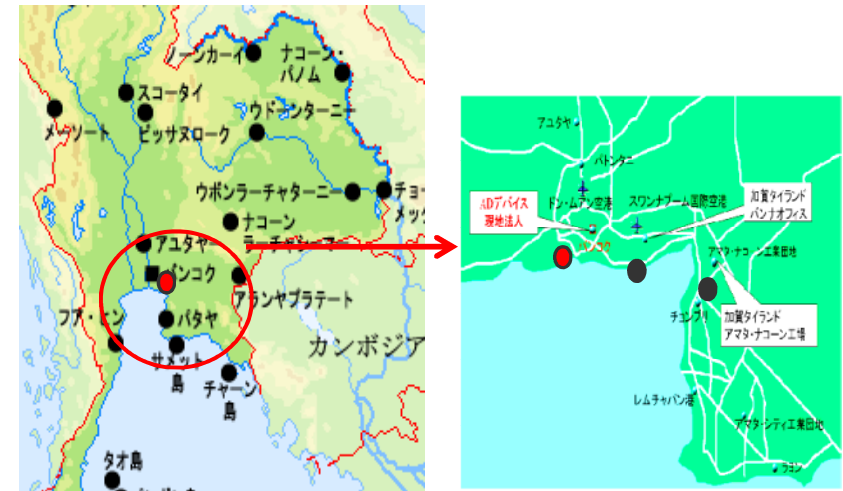
We seek growth in the China market.



Thailand

AD DEVICE is preparing to establish a subsidiary in Bangkok (scheduled for February 2013).

AD DEVICE, which mainly handles Toshiba semiconductor, will establish a new subsidiary in Bangkok for local Japanese Automotive business. By collaborating with Kaga Thailand and other subsidiaries, AD DEVICE Bangkok seeks increase in the sales.

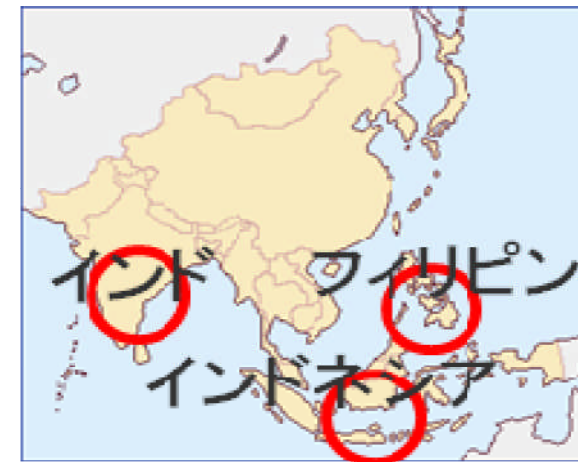


Indonesia/Philippines

Part kitting business opportunity has increased by focusing on the Japanese home appliances, office supplies, and automotive makers.

India

Energetic sales to the local companies introducing Japanese Technologies, including power semiconductors. Seek a design win next year.





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