

Summary of Consolidated Financial Results For the First Half Ended September 2009

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.taxan.co.jp/
Representative	
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Date of quarterly securities report:	November 9, 2009
Date of commencement of dividend payment:	December 4, 2009

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2009 (April 1, 2009 – September 30, 2009)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %
First half ended September 2009	113,926	(19.3)	367	(88.6)	201	(94.1)	(931)	-
First half ended September 2008	141,192	-	3,224	-	3,444	-	952	-

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2009	(33.77)	-
First half ended September 2008	33.95	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half ended September 2009	106,764	48,288	43.6	1,687.87
Fiscal year ended March 2009	117,251	49,560	40.7	1,730.98

Note: Shareholders' equity

As of September 30, 2009 : 46,579 million yen

As of March 31, 2009 : 47,770 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2009	-	25.00	-	15.00	40.00
Fiscal year ending March 2010	-	15.00	-	-	-
Fiscal year ending March 2010 (est.)	-	-	-	15.00	30.00

Notes: Change in the estimation of dividend for the fiscal year in this period: None

3. Forecast for the fiscal year ending March 2010 (Consolidated, April 1, 2009 to March 31, 2010)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	250,000	(8.6)	1,600	(28.9)	2,000	(9.4)	300	-	10.87

Note: Change in the forecast made in this period: None

(The percentage figures accompanying net sales, operating income, ordinary income, and net income represent year-on-year changes.)

4. Others

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of simple method in accounting procedures and application of accounting procedures specific to the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements (Presented in the section on Changes to the Basis of Presenting the Quarterly Consolidated Financial Statements)
 - (a) Changes due to revision of accounting standards: None
 - (b) Changes other than in (a): None
- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury stock)

As of September 30, 2009: 28,702,118	As of March 31, 2009: 28,702,118
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 - (b) Treasury stock

As of September 30, 2009: 1,105,828	As of March 31, 2009: 1,105,038
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 - (c) Average number of shares (consolidated half cumulative)

Period ended September 30, 2009: 27,596,910	Period ended September 30, 2008: 28,058,396
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*Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons.

Results of Operations

1. Analysis of results of operations

In the first half of the fiscal year, the U.S. economy and financial system began to stabilize due to economic stimulus measures under the new Obama administration. However, there is still no full-scale economic recovery because of high unemployment. In Europe as well, there are signs of a recovery because of the benefits of monetary easing and stimulus measures. But market conditions remain challenging due to the weakness of the recovery. In East Asia, government economic stimulus measures in China and India are supporting a recovery that is driving expansion of the global economy.

The Japanese economy weakened further despite some positive developments. One is an improvement in exports to East Asia, mainly China. Another is higher demand for some environmental products because of a tax reduction and other measures to encourage people to buy environmentally responsible automobiles as part of the economic stimulus program. However, capital expenditures are declining because of falling corporate earnings and worsening employment and personal income statistics are holding down consumer spending.

In the electronics industry, the core area of our operations, manufacturers in all categories of electronic products have completed inventory reductions. Although demand is recovering in some sectors as a result, the operating environment in the industry remains difficult.

The companies of the KAGA ELECTRONICS Group are working even more closely together and improving operating efficiency to overcome these challenges. Group companies are also working on handling more new products in the environmental sector and expanding sales routes. First half consolidated net sales decreased 19.3% to 113,926 million yen. Operating income fell 88.6% to 367 million yen, ordinary income was down 94.1% to 201 million yen and there was a net loss of 931 million yen compared with net income of 952 million yen one year earlier.

Performance by geographic segment was as follows.

1) Japan

In Japan, there was an upturn in demand for some environmental products because of government measures, such as the eco-point system and eco-car tax reduction, to encourage purchases of these products. But the operating environment in Japan is still challenging because of lower capital expenditures as corporate earnings weaken and lackluster consumer spending caused by high unemployment and low incomes.

Performance in Japan benefited from the addition of new products and the contribution to sales of companies that were newly consolidated during the previous fiscal year. However, sales were brought down by declines in EMS* orders at the overseas office equipment and amusement equipment factories of Japanese companies and by lower sales of semiconductors. The result was a 17.8% decrease in sales to 99,913 million yen and a 94.7% decrease in operating income to 128 million yen.

*Electronics Manufacturing Service is a term used for companies that design, test, manufacture, distribute, and provide return/repair services.

2) North America

Although the U.S. financial system is stabilizing due to the economic measures of the Obama administration, the U.S. economy is still weak because unemployment remains high. This difficult environment caused declines in orders for semiconductors used in digital home electronics and parts used in amusement equipment. The result was a 25.8% decrease in sales to 231 million yen and an operating loss of 56 million yen compared with a 52 million yen loss one year earlier.

3) Europe

Signs of an economic upturn are emerging in Europe because of the benefits of monetary easing and other government actions to stimulate the economy. The overall economic picture remains difficult, though, as high unemployment holds down consumer spending. The difficult market conditions caused a decline in orders in the EMS business for circuit boards and other components as manufacturers of electronic products cut production. As a result, sales decreased 54.4% to 1,212 million yen and there was an operating loss of 91 million yen compared with operating income of 20 million yen one year earlier.

4) East Asia

In China, consumer spending and exports are increasing because of the government's economic stimulus measures. This growth is supporting expansion of the global economy. Despite these signs of an economic rebound, there was a decline in orders in the EMS business from Japanese manufacturers of office equipment, climate control equipment and other products. The result was a 25.9% decrease in sales to 22,791 million yen and a 72.7% decrease in operating income to 223 million yen.

Net sales by product category

Product category	For the first half ended Sept. 2008 (April 1, 2008 – September 30, 2008)		For the first half ended Sept. 2009 (April 1, 2009 – September 30, 2009)	
	Amount (million yen)	Proportion	Amount (million yen)	Proportion
Information equipment	31,323	22.2%	29,054	25.5%
EMS	44,029	31.1%	27,418	24.1%
Semiconductors	30,009	21.3%	26,029	22.8%
General electronic components	19,611	13.9%	15,682	13.8%
Others	16,218	11.5%	15,741	13.8%
Total	141,192	100.0%	113,926	100.0%

Information equipment

One goal of the first half was increasing sales of PCs and peripherals. Group companies also worked on increasing sales of new products and services such as network construction and security systems to companies, schools and the public sector. However, performance in this sector was impacted by the decline in corporate capital expenditures due to the economic downturn. A decrease in the volume of products handled at KAGA COMPONENTS CO., LTD. resulting from the reorganization of its projector business also brought down segment sales. The result was a 7.2% decrease in sales to 29,054 million yen.

EMS

There was a sharp decline in orders along with cuts in production volume at EMS client companies. In Japan, orders were lower for LCD units used by amusement equipment manufacturers. Overseas, there was a decline in orders for circuit boards used by Japanese manufacturers of office equipment and climate control equipment. As a result, sales were down 37.7% to 27,418 million yen.

Semiconductors

There was a contribution to sales from ADM Inc., a semiconductor trading company that became a consolidated subsidiary in August 2008. Despite this contribution, sales decreased 13.3% to 26,029 million yen because of declines in the handling volume of image processing ICs for amusement equipment and signal conversion ICs for digital audio-visual products.

General electronic components

Activities were focused on increasing sales of electronic components used in PCs and sales of products to major manufacturers of finished products. But there was a decline in sales of electronic components to manufacturers of office equipment, climate control equipment and amusement equipment. The result was a 20.0% decrease in sales to 15,682 million yen.

Others

Sales decreased 2.9% to 15,741 million yen as the handling volume of photographic products declined because of changes in market conditions.

2. Analysis of financial condition

Total assets decreased 10,486 million yen from the end of the previous fiscal year to 106,764 million yen. This was attributable mainly to a decrease in notes and accounts receivable-trade.

Net assets decreased 1,272 million yen to 48,288 million yen, but the equity ratio was up 2.9 points to 43.6%.

(Cash flows)

There was a net increase of 122 million yen in cash and cash equivalents from the end of the previous fiscal year to 11,491 million yen.

Net cash provided by operating activities was 3,936 million yen. A decrease in notes and accounts receivable-trade was a major source of cash.

Net cash used in investing activities was 2,093 million yen. Cash was used mainly for payments for the purchase of property, plant and equipment.

Net cash used in financing activities was 1,655 million yen. The main reason was a net decrease in short-term bank loans.

3. Forecast for fiscal year ending March 2010

There are no changes to the forecast for consolidated performance that was announced on September 15, 2009.

4. Others

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None

(2) Use of simple method in accounting procedures and application of accounting procedures specific to the quarterly consolidated financial statements: None

(3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements: None

5. Quarterly Consolidated Financial Statements

(1) Quarterly Balance sheet

(million yen)

	First half ended September 2009 (As of September 30, 2009)	Fiscal year ended March 2009 (As of March 31, 2009)
ASSETS		
Current assets		
Cash and cash equivalents	11,491	11,378
Notes and accounts receivable-trade	53,754	61,053
Marketable securities	78	58
Merchandise and furnished goods	12,789	13,969
Goods in progress	816	577
Raw materials and other supplies	2,896	3,749
Deferred tax assets	722	994
Others	6,077	8,017
Allowance for doubtful receivables	(178)	(159)
Total current assets	88,449	99,639
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,653	2,321
Machinery, equipment and vehicles, net	1,454	1,486
Tools and office furniture, net	1,242	1,029
Land	1,297	1,324
Construction in progress	12	6
Total property, plant and equipment	6,660	6,168
Intangible assets		
Goodwill	627	884
Software	792	878
Others	338	152
Total intangible assets	1,757	1,914
Investments and other assets		
Investment securities	5,756	4,854
Deferred tax assets	213	346
Others	5,225	5,675
Allowance for doubtful receivables	(1,298)	(1,347)
Total investments and other assets	9,896	9,528
Total fixed assets	18,314	17,612
Total assets	106,764	117,251

(million yen)

	First half ended September 2009 (As of September 30, 2009)	Fiscal year ended March 2009 (As of March 31, 2009)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	37,679	44,772
Short-term bank loans	8,508	9,291
Income taxes payable	696	949
Allowance for directors' and corporate auditors' bonuses	75	9
Others	4,563	5,499
Total current liabilities	51,523	60,521
Long-term liabilities		
Long-term bank loans	3,050	3,620
Allowance for retirement benefits for employees	1,439	1,342
Allowance for retirement benefits for directors and corporate auditors	1,175	1,122
Others	1,288	1,084
Total long-term liabilities	6,953	7,168
Total liabilities	58,476	67,690
NET ASSETS		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	23,813	25,158
Treasury stock	(1,333)	(1,331)
Total shareholder's equity	48,525	49,873
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	37	(364)
Deferred gains or losses on hedges	(1)	(0)
Foreign currency translation adjustments	(1,981)	(1,737)
Total valuation and translation adjustments	(1,946)	(2,103)
Minority interests	1,709	1,790
Total net assets	48,288	49,560
Total liabilities and net assets	106,764	117,251

(2) Quarterly statements of income
For the first half ended September 2009

(million yen)

	First half ended September 2008 (April 1, 2008 – September 30, 2008)	First half ended September 2009 (April 1, 2009 – September 30, 2009)
Net sales	141,192	113,926
Cost of sales	124,297	100,265
Gross profit	16,895	13,661
Selling, general and administrative expenses	13,670	13,293
Operating income	3,224	367
Non-operating income		
Interest income	81	33
Dividend income	58	41
Gain in foreign exchange	13	-
Others	250	288
Total non-operating income	404	363
Non-operating expenses		
Interest expense	68	67
Loss in foreign exchange	-	324
Others	117	136
Total non-operating expenses	185	529
Ordinary income	3,444	201
Extraordinary income		
Gain on sale of investment securities	-	51
Compensation income	-	40
Gain on forgiveness of debt	34	-
Gain on liquidation of subsidiaries	16	-
Others	15	16
Total extraordinary income	66	107
Extraordinary losses		
Loss on retirement of fixed assets	79	4
Loss on revaluation of investment securities	864	182
Loss on impairment of fixed assets	37	106
Others	106	8
Total extraordinary losses	1,087	301
Income before income taxes and minority interests	2,423	8
Income, inhabitants and enterprise taxes	1,680	620
Income tax adjustment	(191)	370
Total taxes	1,489	990
Minority interests in income (loss) of consolidated subsidiaries	(18)	(50)
Net income (loss)	952	(931)

	Second quarter ended September 2008 (July 1, 2008 – September 30, 2008)	Second quarter ended September 2009 (July 1, 2009 – September 30, 2009)
Net sales	76,752	59,864
Cost of sales	67,959	52,650
Gross profit	8,793	7,213
Selling, general and administrative expenses	6,936	6,593
Operating income	1,857	620
Non-operating income		
Interest income	44	18
Dividend income	10	9
Others	141	191
Total non-operating income	196	219
Non-operating expenses		
Interest expense	31	34
Loss in foreign exchange	36	249
Others	29	73
Total non-operating expenses	96	357
Ordinary income	1,957	483
Extraordinary income		
Gain on sale of fixed assets	-	15
Gain on forgiveness of debt	34	-
Gain on liquidation of subsidiaries	16	-
Others	6	(21)
Total extraordinary income	57	(6)
Extraordinary losses		
Loss on retirement of fixed assets	10	3
Loss on revaluation of investment securities	742	94
Loss on impairment of fixed assets	37	106
Others	32	6
Total extraordinary losses	823	211
Income before income taxes and minority interests	1,191	265
Income, inhabitants and enterprise taxes	966	356
Income tax adjustment	(268)	208
Total taxes	697	565
Minority interests in income (loss) of consolidated subsidiaries	16	(8)
Net income (loss)	476	(291)

(3) Quarterly statements of cash flows

(million yen)

	First half ended September 2008 (April 1, 2008 – September 30, 2008)	First half ended September 2009 (April 1, 2009 – September 30, 2009)
Operating activities		
Income before income taxes and minority interest	2,423	8
Depreciation and amortization	745	965
Amortization of goodwill	128	119
Increase (decrease) in allowance for doubtful receivables	83	0
Interest and dividend income	(140)	(74)
Interest expenses	68	67
Loss (gain) on revaluation of investment securities	864	182
Decrease (increase) in notes and accounts receivable-trade	3,318	7,317
Decrease (increase) in inventories	(1,621)	1,679
Decrease (increase) in accounts receivable-other	(1,286)	1,566
Increase (decrease) in notes and accounts payable-trade	533	(6,933)
Others	1,099	169
Sub-total	6,216	5,068
Decrease (increase) in advance payments	(178)	(197)
Interest and dividend received	132	76
Interests paid	(61)	(69)
Income taxes-paid	(2,271)	(919)
Others	(31)	(22)
Net cash provided by (used in) operating activities	3,806	3,936
Investing activities		
Payment for purchase of property, plant and equipment	(1,509)	(1,735)
Proceeds from sale of property, plant and equipment	127	56
Payment for purchase of intangible assets	(379)	(252)
Payment for purchase of investment securities	-	(441)
Proceeds from sale of investment securities	-	205
Payment for acquisition of securities of subsidiaries, which changed the scope of consolidation	(441)	-
Proceeds from acquisition of securities of subsidiaries, which changed the scope of consolidation	-	164
Short term loans provided	(667)	(388)
Short-term loans collected	358	239
Security deposits provided	-	(483)
Security deposits collected	-	692
Others	(56)	-
Other payments	-	(212)
Other proceeds	-	62
Net cash provided by (used in) investing activities	(2,568)	(2,093)
Financing activities		
Increase (decrease) in short-term bank loans, net	(377)	(1,205)
Payment of dividends	(700)	(414)
Others	(33)	(35)
Net cash provided by (used in) financing activities	(1,111)	(1,655)
Effect of exchange rate changes on cash and cash equivalents	(147)	(64)
Increase (decrease) in cash and cash equivalents	(20)	122
Cash and cash equivalents, beginning of period	14,011	11,368
Cash and cash equivalents, end of period	13,990	11,491

(4) Notes to ongoing concern assumptions

None

(5) Segment Information

Operating segment information

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008) and the second quarter ended September 2009 (July 1, 2009 – September 30, 2009) ; the first half ended September 2008 (April 1, 2008 – September 30, 2008) and the first half ended September 2009 (April 1, 2009 – September 30, 2009)

Operating segment information is not presented since the KAGA ELECTRONICS Group has been engaged in a single sector generally described as the manufacturing and sale of electronics merchandise and products.

Geographical segment information

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

(million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	62,322	77	1,175	13,177	76,752	-	76,752
(2) (of which inter-segment)	4,454	65	23	2,996	7,540	(7,540)	-
Total	66,777	143	1,199	16,173	84,293	(7,540)	76,752
Operating income (loss)	1,429	(23)	(5)	479	1,880	(22)	1,857

For the second quarter ended September 2009 (July 1, 2009 – September 30, 2009)

(million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	48,529	32	578	10,723	59,864	-	59,864
(2) (of which inter-segment)	3,878	41	8	2,016	5,944	(5,944)	-
Total	52,408	73	586	12,739	65,808	(5,944)	59,864
Operating income (loss)	431	(35)	(51)	186	531	89	620

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

(million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	113,585	179	2,608	24,819	141,192	-	141,192
(2) (of which inter-segment)	7,952	131	50	5,948	14,083	(14,083)	-
Total	121,537	311	2,659	30,767	155,276	(14,083)	141,192
Operating income (loss)	2,407	(52)	20	818	3,194	30	3,224

For the first half ended September 2009 (April 1, 2009 – September 30, 2009)

(million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	93,542	129	1,202	19,051	113,926	-	113,926
(2) (of which inter-segment)	6,370	101	9	3,739	10,221	(10,221)	-
Total	99,913	231	1,212	22,791	124,148	(10,221)	113,926
Operating income (loss)	128	(56)	(91)	223	203	164	367

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
 - (1) North America: United States
 - (2) Europe: United Kingdom, Czech Republic, and Russia
 - (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, and Thailand

3. Change in accounting method

The first half of the previous fiscal year

(Accounting standard for inventories)

Effective from the current fiscal year, the Company has adopted Accounting Standard for Measurement of Inventories (ASBJ Statement No. 9, July 5, 2006). As a result, first half operating income decreased by 68 million yen in Japan compared with the figure that would have been reported if the previous accounting standard had been applied consistently.

Overseas sales

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	609	1,383	20,058	22,051
II Consolidated sales	-	-	-	76,752
III Share of overseas sales in total sales (%)	0.8	1.8	26.1	28.7

For the second quarter ended September 2009 (July 1, 2009 – September 30, 2009)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	610	663	13,955	15,229
II Consolidated sales	-	-	-	59,864
III Share of overseas sales in total sales (%)	1.0	1.1	23.3	25.4

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,011	3,143	36,100	40,255
II Consolidated sales	-	-	-	141,192
III Share of overseas sales in total sales (%)	0.7	2.2	25.6	28.5

For the first half ended September 2009 (April 1, 2009 – September 30, 2009)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,231	1,370	26,174	28,775
II Consolidated sales	-	-	-	113,926
III Share of overseas sales in total sales (%)	1.1	1.2	23.0	25.3

Notes:

1. Countries and regions are classified according to geographical proximity.
2. Countries and regions outside Japan are broken down into the following geographical areas:
 - (1) North America: United States
 - (2) Europe: United Kingdom, Czech Republic, and Russia
 - (3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, and Thailand
3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

(6) Notes on significant change in shareholders' equity

None