

## Summary of Consolidated Financial Results For the Third Quarter Ended December 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: February 10, 2010  
 Date of commencement of dividend payment: -

(Yen in millions, rounded down)

### 1. Financial results for the third quarter ended December 2009 (April 1, 2009 – December 31, 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 %
Third quarter ended Dec 2009	174,926	(17.2)	883	(78.0)	791	(77.5)	(792)	-
Third quarter ended Dec 2008	211,138	-	4,009	-	3,522	-	(14)	-

	Net income per share	Net income per share fully diluted
	Yen	Yen
Third quarter ended Dec 2009	(28.71)	-
Third quarter ended Dec 2008	(0.52)	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third quarter ended Dec 2009	114,456	47,922	40.4	1,674.61
Fiscal year ended March 2009	117,251	49,560	40.7	1,730.98

Note: Shareholders' equity

As of December 31, 2009 : 46,213 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 – 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	245,000	(10.5)	1,500	(33.3)	1,400	(36.6)	0	-	0.00

Note: Change in the forecast made in this period: Yes

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

As of December 31, 2009: 1,105,790	As of March 31, 2009: 1,105,038
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  - (c) Average number of shares (quarterly consolidated cumulative period)
 

Period ended December 31, 2009: 27,596,733	Period ended December 31, 2008: 28,005,288
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\*Cautionary statement regarding forecasts of operating results and special notes

1. The forecast for consolidated performance that was announced on September 15, 2009 has been revised in this document. For information about this revision, please see “3. Forecast for fiscal year ending March 2010” on page 5.
2. 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 three quarters of the fiscal year, the U.S. economy became increasingly stable due to financial stabilization and other initiatives. However, a full-scale recovery has not started because of high unemployment and sluggish consumer spending. In Europe as well, the economy remains soft because recoveries taking place in Germany, France and other major countries are weak. In East Asia, a solid recovery taking place in China, India and other countries is making this region an increasingly important element of the global economy.

The Japanese economy is benefiting from a recovery in exports to the U.S. and Asia. However, the economy is still held back by the yen's strength and slumping consumer spending caused by concerns about jobs.

In the electronics industry, the primary area of our operations, market conditions have been recovering. Sales of energy-efficient environmental products like eco-cars and "green" home appliances are increasing and there have been concerns about the adequacy of supplies of some electronic components. In this environment, the companies of the KAGA ELECTRONICS Group worked even more closely together with the aim of expanding the lineup of energy-efficient products and other environmental products, such as LED lights, and enlarging sales routes for these products. Despite these activities, consolidated net sales in the first three quarters decreased 17.2% to 174,926 million yen. Operating income was down 78.0% to 883 million yen, ordinary income fell 77.5% to 791 million yen, and the net loss increased from 14 million yen to 792 million yen.

Performance by geographic segment was as follows.

#### 1) Japan

The operating environment in Japan remained challenging despite a recovery in exports to the U.S. and Asia. Consumer spending has become even weaker against a backdrop of a strong yen and high unemployment.

Sales benefited from the addition of new products in the environmental sector and other categories as well as from the contribution of companies that were newly consolidated during the previous fiscal year. However, there were declines in EMS\* orders from amusement equipment manufacturers and in sales of signal conversion ICs used by manufacturers of audio-visual products. The result was a 15.9% decrease in sales to 153,802 million yen and an 85.1% decrease in operating income to 404 million yen.

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

#### 2) North America

In the U.S., there is progress in stabilizing the economy due to financial stabilization measures and other initiatives. Nevertheless, there is still no full-scale recovery due to the lackluster recovery in consumer spending caused partly by high unemployment. Sales were down 24.5% to 325 million yen because of a decrease in orders for amusement equipment components and other products. The operating loss increased from 77 million yen to 85 million yen.

#### 3) Europe

Although economies are recovering in Germany, France and other major European countries, market conditions remain challenging due to the weak pace of the recovery. There was a decrease in EMS orders for circuit boards used by climate control equipment manufacturers and for other products as manufacturers of electronic products cut production. The result was a 41.9% decrease in sales to 1,915 million yen and an increase in the operating loss from 31 million yen to 117 million yen.

#### 4) East Asia

The East Asian economy is playing a greater role in the global economy because of a solid recovery in China, India and other countries. However, there was a decline in orders in the EMS business from Japanese manufacturers of office equipment, climate control equipment and other products. Sales were down 21.1% to 35,524 million yen and operating income fell 61.1% to 395 million yen.

## Net sales by product category

Product category	For the nine months ended Dec. 2008 (April 1, 2008 – December 31, 2008)		For the nine months ended Dec. 2009 (April 1, 2009 – December 31, 2009)	
	Amount (million yen)	Proportion	Amount (million yen)	Proportion
Information equipment	51,287	24.3%	45,654	26.1%
EMS	60,400	28.6%	43,910	25.1%
Semiconductors	46,635	22.1%	38,286	21.9%
General electronic components	29,385	13.9%	22,958	13.1%
Others	23,429	11.1%	24,116	13.8%
Total	211,138	100.0%	174,926	100.0%

### Information equipment

One goal in this segment is increasing sales of PCs and peripherals. We 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 a decline in products handled for a large U.S. PC manufacturer and 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. As a result, sales decreased 11.0% to 45,654 million yen.

### EMS

There was a large downturn in orders caused by cuts in production volume at EMS client companies. In Japan, orders decreased for LCD units used by amusement equipment manufacturers. Overseas, orders were lower for circuit boards used by Japanese manufacturers of office equipment and climate control equipment. As a result, sales were down 27.3% to 43,910 million yen.

### Semiconductors

There was a contribution to sales from ADM Inc., a JASDAQ-listed semiconductor trading company that became a consolidated subsidiary in August 2008. However, lower handling volumes of image processing ICs for amusement equipment and signal conversion ICs for digital audio-visual products caused sales to decrease 17.9% to 38,286 million yen.

### General electronic components

There was an increase in the handling volume for products used by large manufacturers of LCD TVs and automotive devices. 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 21.9% decrease in sales to 22,958 million yen.

### Others

There was a decline in sales of photographic products due to changes in market conditions. But segment performance benefited from higher sales of energy-conserving home appliances and strong sales of amusement equipment. The result was a 2.9% increase in sales to 24,116 million yen.

## 2. Analysis of financial condition

Total assets decreased 2,795 million yen from the end of the previous fiscal year to 114,456 million yen at the end of the third quarter. The main reason was a decrease in notes and accounts receivable-trade.

Net assets decreased 1,638 million yen to 47,922 million yen and the equity ratio was down 0.4 point to 40.4%.

### (Cash flows)

There was a net increase of 600 million yen in cash and cash equivalents from the end of the previous year to 11,969 million yen.

Net cash provided by operating activities was 2,669 million yen. A decrease in notes and accounts receivable-trade was a major source of cash.

Net cash used in investing activities was 2,669 million yen. Cash was used mainly for payments for the purchase of property, plant and equipment.

Net cash provided by financing activities was 605 million yen. A net increase in short-term bank loans was the primary source of cash.

## 3. Forecast for fiscal year ending March 2010

(1) Revised consolidated forecast for the fiscal year ending on March 31, 2010 (April 1, 2009 - March 31, 2010)

(million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecast (A)	250,000	1,600	2,000	300	10.87
Revised forecast (B)	245,000	1,500	1,400	0	0.00
Difference (B-A)	(5,000)	(100)	(600)	(300)	-
Pct. change (%)	(2.0)	(6.3)	(30.0)	(100.0)	-
(Ref.) Previous fiscal year	273,610	2,249	2,208	(806)	(28.91)

(2) Reason for revision

The electronics industry is recovering slowly due to progress at finished product manufacturers in reducing inventories and to higher sales of “green” home appliances and other energy-efficient environmental products. This recovery has produced signs of an upturn at the KAGA ELECTRONICS Group due to higher orders for some products. However, performance has been impacted by a decline in deliveries of parts caused by the postponement of product introductions at Japanese amusement equipment manufacturers and by a decline in handling volume in the information equipment segment. These factors caused shortfalls in sales and earnings compared with the original plan. In response, the fiscal year forecast has been revised as shown above.

## 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)

	Third quarter ended December 2009 (As of December 31, 2009)	Fiscal year ended March 2009 (As of March 31, 2009)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	11,969	11,378
Notes and accounts receivable-trade	59,014	61,053
Marketable securities	66	58
Merchandise and furnished goods	14,499	13,969
Goods in progress	901	577
Raw materials and other supplies	3,204	3,749
Deferred tax assets	580	994
Others	6,552	8,017
Allowance for doubtful receivables	(183)	(159)
Total current assets	96,606	99,639
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,606	2,321
Machinery, equipment and vehicles, net	1,410	1,486
Tools and office furniture, net	1,097	1,029
Land	1,297	1,324
Construction in progress	21	6
Total property, plant and equipment	6,433	6,168
Intangible assets		
Goodwill	557	884
Software	731	878
Others	394	152
Total intangible assets	1,683	1,914
Investments and other assets		
Investment securities	5,552	4,854
Deferred tax assets	236	346
Others	5,277	5,675
Allowance for doubtful receivables	(1,333)	(1,347)
Total investments and other assets	9,732	9,528
Total fixed assets	17,849	17,612
Total assets	114,456	117,251

(million yen)

	Third quarter ended December 2009 (As of December 31, 2009)	Fiscal year ended March 2009 (As of March 31, 2009)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	42,592	44,772
Short-term bank loans	11,491	9,291
Income taxes payable	599	949
Allowance for directors' and corporate auditors' bonuses	79	9
Others	5,133	5,499
Total current liabilities	59,895	60,521
Long-term liabilities		
Long-term bank loans	2,750	3,620
Allowance for retirement benefits for employees	1,467	1,342
Allowance for retirement benefits for directors and corporate auditors	1,200	1,122
Others	1,220	1,084
Total long-term liabilities	6,637	7,168
Total liabilities	66,533	67,690
<b>NET ASSETS</b>		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	23,538	25,158
Treasury stock	(1,333)	(1,331)
Total shareholder's equity	48,251	49,873
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(110)	(364)
Deferred gains or losses on hedges	5	(0)
Foreign currency translation adjustments	(1,933)	(1,737)
Total valuation and translation adjustments	(2,038)	(2,103)
Minority interests	1,709	1,790
Total net assets	47,922	49,560
Total liabilities and net assets	114,456	117,251

(2) Quarterly statements of income  
For the first three quarters ended December 2009

(million yen)

	For the nine months ended Dec. 2008 (April 1, 2008 – December 31, 2008)	For the nine months ended Dec. 2009 (April 1, 2009 – December 31, 2009)
Net sales	211,138	174,926
Cost of sales	186,261	154,235
Gross profit	24,877	20,690
Selling, general and administrative expenses	20,868	19,807
Operating income	4,009	883
Non-operating income		
Interest income	111	49
Dividend income	101	80
Others	370	398
Total non-operating income	583	528
Non-operating expenses		
Interest expense	136	100
Loss in foreign exchange	805	358
Others	129	162
Total non-operating expenses	1,071	620
Ordinary income	3,522	791
Extraordinary income		
Gain on sale of fixed assets	7	16
Gain on sale of investment securities	14	69
Compensation income	-	40
Others	62	-
Total extraordinary income	84	126
Extraordinary losses		
Loss on retirement of fixed assets	96	5
Loss on revaluation of investment securities	1,315	196
Loss on impairment of fixed assets	235	106
Others	108	24
Total extraordinary losses	1,756	332
Income before income taxes and minority interests	1,850	584
Income, inhabitants and enterprise taxes	2,017	915
Income tax adjustment	(31)	514
Total taxes	1,985	1,430
Minority interests in income (loss) of consolidated subsidiaries	(121)	(53)
Net income (loss)	(14)	(792)



For the third quarter ended December 2009

(million yen)

	Third quarter ended December 2008 (October 1, 2008 – December 31, 2008)	Third quarter ended December 2009 (October 1, 2009 – December 31, 2009)
Net sales	69,945	60,999
Cost of sales	61,963	53,970
Gross profit	7,982	7,029
Selling, general and administrative expenses	7,197	6,513
Operating income	784	515
Non-operating income		
Interest income	30	16
Dividend income	42	39
Others	124	121
Total non-operating income	197	176
Non-operating expenses		
Interest expense	68	32
Loss in foreign exchange	819	33
Others	16	36
Total non-operating expenses	904	102
Ordinary income	78	589
Extraordinary income		
Gain on sale of investment securities	14	18
Others	3	0
Total extraordinary income	17	18
Extraordinary losses		
Loss on retirement of fixed assets	17	1
Loss on sale of investment securities	-	16
Loss on revaluation of investment securities	451	13
Loss on impairment of fixed assets	197	-
Others	2	0
Total extraordinary losses	669	31
Income (loss) before income taxes and minority interests	(573)	576
Income, inhabitants and enterprise taxes	336	295
Income tax adjustment	160	143
Total taxes	496	439
Minority interests in income (loss) of consolidated subsidiaries	(102)	(2)
Net income (loss)	(967)	139

## (3) Quarterly statements of cash flows

(million yen)

	For the nine months ended Dec. 2008 (April 1, 2008 – December 31, 2008)	For the nine months ended Dec. 2009 (April 1, 2009 – December 31, 2009)
<b>Operating activities</b>		
Income before income taxes and minority interest	1,850	584
Depreciation and amortization	1,225	1,473
Loss on impairment of fixed assets	235	106
Amortization of goodwill	195	169
Interest and dividend income	(213)	(130)
Interest expenses	136	100
Loss (gain) on revaluation of investment securities	1,315	196
Decrease (increase) in notes and accounts receivable-trade	6,648	2,286
Decrease (increase) in inventories	(3,378)	(449)
Decrease (increase) in accounts receivable-other	1,178	2,081
Increase (decrease) in accrued expenses	(264)	(561)
Increase (decrease) in notes and accounts payable-trade	(7,015)	(2,083)
Increase (decrease) in other current liabilities	999	760
Others	127	336
Sub-total	3,041	4,870
Decrease (increase) in advance payments	(343)	(952)
Interest and dividend received	208	137
Interests paid	(135)	(102)
Income taxes-paid	(3,417)	(1,274)
Others	(27)	(10)
Net cash provided by (used in) operating activities	(673)	2,669
<b>Investing activities</b>		
Payment for purchase of property, plant and equipment	(1,822)	(1,997)
Payment for purchase of intangible assets	(621)	(396)
Payment for purchase of investment securities	-	(786)
Proceeds from sale of investment securities	-	401
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	(1,259)	(632)
Short-term loans collected	1,086	354
Security deposits provided	-	(495)
Security deposits collected	-	705
Others	(4)	-
Other payments	-	(152)
Other proceeds	-	166
Net cash provided by (used in) investing activities	(3,061)	(2,669)
<b>Financing activities</b>		
Increase (decrease) in short-term bank loans, net	(131)	1,421
Proceeds from long-term bank loans	5,000	-
Payment for acquisition of treasury stock	(488)	(0)
Payment of dividends	(1,393)	(767)
Others	(29)	(48)
Net cash provided by (used in) financing activities	2,957	605
Effect of exchange rate changes on cash and cash equivalents	(707)	(4)
Increase (decrease) in cash and cash equivalents	(1,485)	600
Cash and cash equivalents, beginning of period	14,011	11,368
Cash and cash equivalents, end of period	12,525	11,969

(4) Notes to ongoing concern assumptions

None

(5) Segment Information

Operating segment information

For the third quarter ended December 2008 (October 1, 2008 – December 31, 2008) and the third quarter ended December 2009 (October 1, 2009 – December 31, 2009); the first three quarters ended December 2008 (April 1, 2008 – December 31, 2008) and the first three quarters ended December 2009 (April 1, 2009 – December 31, 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 third quarter ended December 2008 (October 1, 2008 – December 31, 2008) (million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	57,072	74	634	12,164	69,945	-	69,945
(2) (of which inter-segment)	4,177	45	3	2,096	6,321	(6,321)	-
Total	61,249	119	637	14,260	76,267	(6,321)	69,945
Operating income (loss)	307	(25)	(51)	199	429	354	784

For the third quarter ended December 2009 (October 1, 2009 – December 31, 2009) (million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	49,450	88	688	10,773	60,999	-	60,999
(2) (of which inter-segment)	4,439	6	14	1,959	6,419	(6,419)	-
Total	53,889	94	702	12,733	67,419	(6,419)	60,999
Operating income (loss)	276	(28)	(25)	171	393	121	515

For the first three quarters ended December 2008 (April 1, 2008 – December 31, 2008) (million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	170,657	254	3,243	36,983	211,138	-	211,138
(2) (of which inter-segment)	12,129	176	53	8,044	20,405	(20,405)	-
Total	182,787	431	3,296	45,028	231,543	(20,405)	211,138
Operating income (loss)	2,715	(77)	(31)	1,017	3,624	385	4,009

For the first three quarters ended December 2009 (April 1, 2009 – December 31, 2009) (million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	142,992	217	1,890	29,825	174,926	-	174,926
(2) (of which inter-segment)	10,809	107	24	5,699	16,641	(16,641)	-
Total	153,802	325	1,915	35,524	191,568	(16,641)	174,926
Operating income (loss)	404	(85)	(117)	395	597	286	883

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  
 For the first three quarters 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, for the first three quarters of the current fiscal year, operating income in Japan decreased by 139 million yen compared with the figure that would have been reported if the previous accounting standard had been applied consistently.

Overseas sales

For the third quarter ended December 2008 (October 1, 2008 – December 31, 2008)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	756	1,048	16,882	18,687
II Consolidated sales	-	-	-	69,945
III Share of overseas sales in total sales (%)	1.1	1.5	24.1	26.7

For the third quarter ended December 2009 (October 1, 2009 – December 31, 2009)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	605	875	12,805	14,286
II Consolidated sales	-	-	-	60,999
III Share of overseas sales in total sales (%)	1.0	1.4	21.0	23.4

For the first three quarters ended December 2008 (April 1, 2008 – December 31, 2008)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,767	4,192	52,982	58,942
II Consolidated sales	-	-	-	211,138
III Share of overseas sales in total sales (%)	0.8	2.0	25.1	27.9

For the first three quarters ended December 2009 (April 1, 2009 – December 31, 2009)

(million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,837	2,245	38,979	43,062
II Consolidated sales	-	-	-	174,926
III Share of overseas sales in total sales (%)	1.1	1.3	22.3	24.6

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