

Summary of Consolidated Financial Results For the First Half Ended September 2010

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
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Date of quarterly securities report:	November 9, 2010
Date of commencement of dividend payment (tentative):	December 3, 2010
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes (For institutional investors)

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2010 (April 1, 2010 – September 30, 2010)

(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 2010	120,470	5.7	2,594	605.9	2,644	-	1,412	-
First half ended September 2009	113,926	(19.3)	367	(88.6)	201	(94.1)	(931)	-

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First half ended September 2010	51.18		-	
First half ended September 2009	(33.77)		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
First half ended September 2010	111,629	48,398	41.8	1,692.26
Fiscal year ended March 2010	113,962	48,553	41.1	1,697.27

Note: Shareholders' equity

As of September 30, 2010 46,702 million yen

As of March 31, 2010 46,841 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 2010	-	15.00	-	15.00	30.00
Fiscal year ending March 2011	-	15.00			
Fiscal year ending March 2011 (est.)			-	15.00	30.00

Notes: Change in the estimation of dividend for the fiscal year in this period: Yes

3. Forecast for the fiscal year ending March 2011 (Consolidated, April 1, 2010 to March 31, 2011)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	230,000	(3.9)	2,900	83.2	3,000	134.3	1,800	-	65.22

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

4. Others (Please refer to page 2 “Others” for details)

(1) Changes in significant subsidiaries: None

Note: This section shows whether or not there is a change in Specified Subsidiaries that led to the change of the consolidation scope during the current quarter.

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

Note: This section shows the use of any simplified accounting method, or the use of any peculiar accounting method for consolidated financial statements.

(3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): None

Note: Items to be disclosed in “Significant Changes in the Basis of Presenting Quarterly Consolidated Financial Statement”

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of September 30, 2010: 28,702,118

As of March 31, 2010: 28,702,118

(b) Treasury stock

As of September 30, 2010: 1,104,194

As of March 31, 2010: 1,103,943

(c) Average number of shares (consolidated half cumulative)

Period ended September 30, 2010: 27,598,119

Period ended September 30, 2009: 27,596,910

*Description of quarterly review procedure implementation status

It is under the quarterly review procedure process based upon the Financial Instruments and Exchange Act at the time of disclosure of this report.

*Cautionary statement regarding forecasts of operating results and special notes

1. 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.
2. For information about the dividend for the fiscal year ending on March 31, 2011, please refer to today’s news release titled “Notice Concerning Dividend and Revision to Dividend Forecast.”

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1. Business Results

(1) Overview on consolidated business performance

In the first half of the fiscal year, the global economy moved from a recovery phase to a state where the outlook has become unclear. One reason is economic conditions in emerging countries in Eastern Asia and other regions, where the pace of growth is slowing, and in the United States and Europe, where there were hopes for a recovery. Currency problems are also responsible for the uncertain outlook.

The Japanese economy began to show signs of a recovery early in the fiscal year due to growing exports and government economic stimulus programs. However, the economic picture went beyond uncertainty to indications of a downturn in the fiscal year's second quarter because of the yen's rapid appreciation, falling stock prices and the absence of any improvement in unemployment.

The electronics industry benefited from growth in consumer spending that was backed by rising demand in emerging countries and government economic stimulus programs. There were strong sales of flat-panel TVs, Blu-ray recorders, PCs and netbooks, smartphones with new functions, and other digital products. In addition, there was a rush to buy cars in Japan leading up to the end of an eco-car subsidy program. Higher sales of these products generated solid demand for semiconductors, electronic components and other parts used in these products. But the rapid increase in the yen's value is beginning to have a negative impact on orders.

In response to these challenges, the KAGA ELECTRONICS Group further deepened ties among group companies to conduct effective sales activities. In addition, group companies focused on activities to increase sales of environmental products such as LED lamps and photovoltaic panels, which are two new products at the group. As a result, first half consolidated net sales increased 5.7% from one year earlier to 120,470 million yen. Operating income increased 605.9% to 2,594 million yen, ordinary income increased 2,442 million yen to 2,644 million yen, and net income was 1,412 million yen compared with a loss of 931 million yen one year earlier.

Business segment performance was as follows.

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

Sales of semiconductors and electronic components used in flat-panel TVs and other digital consumer electronics, cell phones, PCs and other products increased along with a slow economic recovery. In the environmental products category, there were higher sales of electronic components for LED lamps and other products. In addition, there was a recovery in EMS orders in Japan from manufacturers of amusement equipment and overseas from manufacturers of office equipment and climate control equipment. The result was segment sales of 88,528 million yen and operating income of 2,042 million yen.

*Electronics manufacturing service is a term used for the provision of product development and manufacturing services on an outsourcing basis.

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

A shift in the distribution channels of major PC manufacturers to large electronics retailers and specialty stores caused segment sales to decline. However, there were actions aimed at adding new products like SD memory cards for portable devices and at increasing sales of existing products. Segment sales totaled 24,384 million yen and operating income was 139 million yen.

(c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

Performance in this segment benefited from the addition of new products like image processing ICs for amusement devices and from the delivery of software developed for anime. In addition, this segment includes the sales of CYBERFRONT Corporation, a company that develops PC game software and that joined the KAGA ELECTRONICS Group in the first quarter of the current fiscal year. The result was segment sales of 2,715 million yen and operating income of 298 million yen.

(d) Others (Electronic device repairs and support, sales of sporting goods, and other activities)

In the golf product sales business, there was a review and reorganization of stores and sales of new products like a golf simulation device and speed measuring product were strong. In addition, there was steady growth in sales of electronic devices in the education market and in the planning and production of novelty goods. The result was segment sales of 4,841 million yen and operating income of 209 million yen.

*No prior-year comparisons are shown because this is the first fiscal year in which these business segments are used.

(2) Overview of financial condition

(a) Assets and net assets

Total assets were 111,629 million yen at the end of the first half, 2,332 million yen less than at the end of the previous fiscal year. A decline in notes and accounts receivable-trade was mainly responsible for this decrease. Net assets decreased 155 million yen to 48,398 million yen and the equity ratio improved 0.7 percentage point to 41.8%.

(b) Cash flows

There was a net decrease of 42 million yen in cash and cash equivalents from one year earlier to 11,449 million yen at the end of the first half.

Net cash provided by operating activities was 4,591 million yen primarily because of a decrease in notes and accounts receivable-trade.

Net cash used in investing activities was 1,563 million yen primarily because of payments for the purchase of property, plant and equipment.

Net cash used in financing activities was 3,024 million yen primarily because of a larger net decrease in short-term bank loans.

(3) Forecast for fiscal year ending in March 2011

(a) Revisions to consolidated forecast for fiscal year ending March 2011 (April 1, 2010 – March 31, 2011)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	225,000	1,700	2,100	1,300	47.10
Revised forecast (B)	230,000	2,900	3,000	1,800	65.22
Difference (B-A)	5,000	1,200	900	500	-
Pct. change (%)	2.2	70.6	42.9	38.5	-
(Ref.) Previous fiscal year	239,391	1,582	1,280	(318)	(11.55)

(b) Reason for revisions

The outlook for the operating environment is expected to remain uncertain for a number of reasons. Among them are slowing exports from Japan, the end of Japan's subsidy for eco-car purchases, slowing economic growth overseas, and worries about the impact of the strong yen on earnings of Japanese companies.

In response to this uncertain outlook, the KAGA ELECTRONICS Group is aiming to capture synergies by having group companies in Japan and overseas work even more closely together. Another goal is expanding the range of products handled by adding new products and more trading rights. The group is also working on improving operating efficiency. The above revisions reflect the expected benefits of these activities.

2. Others

(1) Outline of changes in Significant Accounting Policies, Procedures and Presentation

▪ Changes in accounting standard

From the first quarter of the fiscal year ending March 31, 2011, KAGA ELECTRONICS Group applies the "Accounting Standard for Asset Removal Obligations"(ASBJ Statement No.18 of March 31, 2008) and the "Guidance on Accounting Standard for Asset Retirement Obligations"(ASBJ Guidance No.21 of March 31, 2008).

As a result, the operating income and the ordinary income have decreased for 22 million yen, and the income before income tax and minority interests has decreased for 60 million yen.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(million yen)

	First half ended September 2010 (As of September 30, 2010)	Fiscal year ended March 2010 (As of March 31, 2010)
ASSETS		
Current assets		
Cash and cash equivalents	11,659	11,917
Notes and accounts receivable-trade	56,303	59,214
Marketable securities	67	69
Merchandise and finished goods	14,624	14,483
Work in process	753	647
Raw materials and other supplies	3,442	3,011
Deferred tax assets	879	866
Others	5,726	6,813
Allowance for doubtful receivables	(185)	(184)
Total current assets	93,270	96,838
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,584	2,584
Machinery, equipment and vehicles, net	1,427	1,489
Tools, furniture and fixtures, net	1,104	944
Land	1,296	1,297
Construction in progress	471	119
Total property, plant and equipment	6,885	6,434
Intangible assets		
Goodwill	407	484
Software	857	686
Others	1,057	731
Total intangible assets	2,323	1,901
Investments and other assets		
Investment securities	4,172	4,607
Deferred tax assets	273	249
Others	6,365	5,490
Allowance for doubtful receivables	(1,661)	(1,559)
Total investments and other assets	9,149	8,786
Total fixed assets	18,358	17,123
Total assets	111,629	113,962

(million yen)

	First half ended September 2010 (As of September 30, 2010)	Fiscal year ended March 2010 (As of March 31, 2010)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	42,982	43,535
Short-term bank loans	7,035	8,935
Income taxes payable	1,082	1,049
Allowance for directors' and corporate auditors' bonuses	140	20
Others	5,603	5,237
Total current liabilities	56,844	58,779
Long-term liabilities		
Long-term bank loans	2,120	2,500
Allowance for retirement benefits for employees	1,469	1,432
Allowance for retirement benefits for directors and corporate auditors	1,236	1,222
Asset removal obligations	225	-
Others	1,335	1,474
Total long-term liabilities	6,386	6,629
Total liabilities	63,231	65,408
NET ASSETS		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,010	24,012
Treasury stock	(1,332)	(1,332)
Total shareholder's equity	49,724	48,726
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(399)	(195)
Deferred gains or losses on hedges	(21)	8
Foreign currency translation adjustments	(2,599)	(1,697)
Total valuation and translation adjustments	(3,021)	(1,884)
Subscription rights to shares	1	-
Minority interests	1,693	1,711
Total net assets	48,398	48,553
Total liabilities and net assets	111,629	113,962

(2) Quarterly consolidated statements of income
For the first half (April 1, 2010 - September 30, 2010)

(million yen)

	First half ended September 2009 (April 1, 2009 – September 30, 2009)	First half ended September 2010 (April 1, 2010 – September 30, 2010)
Net sales	113,926	120,470
Cost of sales	100,265	104,410
Gross profit	13,661	16,060
Selling, general and administrative expenses	13,293	13,465
Operating income	367	2,594
Non-operating income		
Interest income	33	31
Dividend income	41	35
Commission income	-	113
Others	288	208
Total non-operating income	363	388
Non-operating expenses		
Interest expense	67	50
Foreign exchange losses	324	219
Others	136	69
Total non-operating expenses	529	338
Ordinary income	201	2,644
Extraordinary income		
Gain on sales of investment securities	51	-
Compensation income	40	140
Gain on foreign currency translation adjustments for liquidation of subsidiaries	-	101
Others	16	1
Total extraordinary income	107	243
Extraordinary losses		
Loss on retirement of fixed assets	4	10
Loss on revaluation of investment securities	182	164
Loss on impairment of fixed assets	106	-
Loss on adjustment for change of accounting standard for asset removal obligations	-	38
Others	8	53
Total extraordinary losses	301	266
Income before income taxes and minority interests	8	2,621
Income, inhabitants and enterprise taxes	620	1,084
Income tax adjustment	370	104
Total taxes	990	1,188
Income (loss) before minority interests	-	1,432
Minority interests in income (loss) of consolidated subsidiaries	(50)	20
Net income (loss)	(931)	1,412

For the second quarter (July 1, 2010 - September 30, 2010)

(million yen)

	Second quarter ended September 2009 (July 1, 2009 – September 30, 2009)	Second quarter ended September 2010 (July 1, 2010 – September 30, 2010)
Net sales	59,864	60,778
Cost of sales	52,650	52,510
Gross profit	7,213	8,267
Selling, general and administrative expenses	6,593	6,589
Operating income	620	1,678
Non-operating income		
Interest income	18	16
Dividend income	9	4
Commission income	-	62
Others	191	108
Total non-operating income	219	192
Non-operating expenses		
Interest expense	34	24
Foreign exchange losses	249	163
Others	73	30
Total non-operating expenses	357	219
Ordinary income	483	1,650
Extraordinary income		
Gain on sales of fixed assets	15	0
Others	(21)	(7)
Total extraordinary income	(6)	(7)
Extraordinary losses		
Loss on retirement of fixed assets	3	0
Loss on revaluation of investment securities	94	73
Loss on impairment of fixed assets	106	-
Loss on closing of stores	-	23
Others	6	8
Total extraordinary losses	211	105
Income before income taxes and minority interests	265	1,537
Income, inhabitants and enterprise taxes	356	697
Income tax adjustment	208	(23)
Total taxes	565	674
Income (loss) before minority interests	-	863
Minority interests in income (loss) of consolidated subsidiaries	(8)	3
Net income (loss)	(291)	859

(3) Quarterly consolidated statements of cash flows

(million yen)

	First half ended September 2009 (April 1, 2009 – September 30, 2009)	First half ended September 2010 (April 1, 2010 – September 30, 2010)
Operating activities		
Income before income taxes and minority interest	8	2,621
Depreciation and amortization	965	1,110
Amortization of goodwill	119	114
Increase (decrease) in allowance for doubtful receivable	0	181
Interest and dividend income	(74)	(67)
Interest expenses	67	50
Loss (gain) on revaluation of investment securities	182	164
Decrease (increase) in notes and accounts receivable-trade	7,317	2,263
Decrease (increase) in inventories	1,679	(852)
Decrease (increase) in accounts receivable-other	1,566	198
Increase (decrease) in notes and accounts payable-trade	(6,933)	(75)
Others	169	(47)
Sub-total	5,068	5,663
Decrease (increase) in advance payments	(197)	101
Interest and dividends received	76	77
Interests paid	(69)	(57)
Income taxes-paid	(919)	(1,015)
Others	(22)	(178)
Net cash provided by (used in) operating activities	3,936	4,591
Investing activities		
Payment for purchase of property, plant and equipment	(1,735)	(899)
Proceeds from sales of property, plant and equipment	56	6
Payment for purchase of intangible assets	(252)	(523)
Payment for purchase of investment securities	(441)	(190)
Proceeds from sales of investment securities	205	96
Proceeds from acquisition of securities of subsidiaries, which changed the scope of consolidation	164	64
Short-term loans provided	(388)	(90)
Short-term loans collected	239	113
Security deposits provided	(483)	(6)
Security deposits collected	692	42
Other payments	(212)	(207)
Other proceeds	62	31
Net cash provided by (used in) investing activities	(2,093)	(1,563)
Financing activities		
Increase (decrease) in short-term bank loans	(1,205)	(1,891)
Payment of dividends	(414)	(413)
Others	(35)	(718)
Net cash provided by (used in) financing activities	(1,655)	(3,024)
Effect of exchange rate changes on cash and cash equivalents	(64)	(351)
Increase (decrease) in cash and cash equivalents	122	(348)
Cash and cash equivalents, beginning of period	11,368	11,797
Cash and cash equivalents, end of period	11,491	11,449

- (4) Notes to ongoing concern assumptions
None

(5) Segment Information

Operating segment information

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

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

Overseas sales

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 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:

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

Segment information

1. Summary of reporting segments

Segments used for financial reporting are the constituent units of KAGA ELECTRONICS for which separate financial information is available and for which the board of directors performs regular reviews for the purposes of determining the distribution of resources and evaluating results of operations.

KAGA ELECTRONICS conducts business activities by grouping affiliated companies based on products and services and based on comprehensive strategies for operations in Japan and overseas for products and services handled.

Consequently, KAGA ELECTRONICS and its affiliated companies have three reporting segments that are made up of different categories of products and services: electronic components, information equipment and software.

The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities.

2. Information concerning sales, profit (loss) by reporting segment

For the first half ended September 2010 (April 1, 2010 – September 30, 2010)

(million yen)

	Reporting segments				Others	Total *1	Adjustments *2	Amount in the consolidated statement of income *3
	Electronic components	Information equipment	Software	Total				
Net sales (of which to outside customers)	88,528	24,384	2,715	115,629	4,841	120,470	-	120,470
(of which inter- segment)	697	384	1,217	2,299	1,833	4,133	(4,133)	-
Total	89,226	24,769	3,933	117,929	6,675	124,604	(4,133)	120,470
Segment income	2,042	139	298	2,480	209	2,689	(95)	2,594

For the second quarter ended September 2010 (July 1, 2010 – September 30, 2010)

(million yen)

	Reporting segments				Others	Total *1	Adjustments *2	Amount in the consolidated statement of income *3
	Electronic components	Information equipment	Software	Total				
Net sales (of which to outside customers)	43,717	12,667	2,146	58,531	2,246	60,778	-	60,778
(of which inter- segment)	375	224	955	1,555	1,008	2,563	(2,563)	-
Total	44,092	12,892	3,101	60,086	3,255	63,341	(2,563)	60,778
Segment income	994	130	528	1,653	65	1,718	(40)	1,678

Notes:

- Others is a business segment for activities that are not included in the reporting segments, but included sporting goods business etc.
- The adjustment for segment operating income is as follows

(million yen)

	For the first half ended September 2010	For the second quarter ended September 2010
Elimination of inter-segment trade	6	9
Amortization of goodwill	(101)	(50)
Total	(95)	(40)

- Segment operating income includes adjustments to the operating income shown in the consolidated statement of income.

Supplementary Information

Beginning with the first quarter of the fiscal year ending March 31, 2011, "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17, March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, March 21, 2008) have been applied.

(6) Notes on significant change in shareholders' equity: None