

Summary of Consolidated Financial Results For the First Quarter Ended June 30, 2011 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.taxan.co.jp/
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Date of quarterly securities report (tentative):	August 11, 2011
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	None
Quarterly earnings presentation:	None

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending March 2012 (April 1, 2011 – June 30, 2011)

(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	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 2011	55,002	-7.9	247	-73.0	373	-62.4	115	-79.1
First quarter ended June 2010	59,692	10.4	916	-	993	-	552	-

Note: Comprehensive income: First quarter of FY3/2012: -406 million yen (-%), First quarter of FY3/2011: -155 million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First quarter ended June 2011	4.18		-	
First quarter ended June 2010	20.02		-	

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2011	111,352	47,657	41.4
As of March 31, 2011	114,686	48,598	40.9

Notes: Shareholders' equity

As of June 30, 2011: 46,107 million yen As of March 31, 2011 46,934 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 2011	-	15.00	-	15.00	30.00
Fiscal year ending March 2012	-				
Fiscal year ending March 2012 (est.)		15.00	-	15.00	30.00

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

3. Forecast for the fiscal year ending March 2012 (Consolidated, April 1, 2011 to March 31, 2012)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First Half	110,000	-8.7	100	-96.1	400	-84.9	150	-89.4	5.44
Full year	238,000	0.0	2,100	-41.1	2,600	-30.5	1,300	-29.9	47.11

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

4. Others

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None
- (3) Changes in accounting principles and estimates, and retrospective restatement
 - (a) Changes due to revision of accounting standards: None
 - (b) Changes other than in (a): None
 - (c) Changes in accounting estimates: None
 - (d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of June 30, 2011:	28,702,118	As of March 31, 2011:	28,702,118
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(b) Treasury stock

As of June 30, 2011:	1,104,656	As of March 31, 2011:	1,104,656
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2011:	27,597,462	Period ended June 30, 2010:	27,598,187
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*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 forecasts, please refer “Notice of Forecasts for Fiscal Year Ending March 2012” announced on August 1, 2011.

Index for Supplementary Information

1. Results of Operations.....	2
(1) Overview on consolidated business performance	2
(2) Overview of financial condition	3
(3) Forecast for fiscal year ending in March 2012	3
2. Other Information	3
(1) Changes in significant subsidiaries:.....	3
(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements:	3
(3) Changes in accounting principles and estimates, and retrospective restatement:	3
3. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly consolidated balance sheet	4
(2) Quarterly consolidated statements of income	6
(3) Notes to ongoing concern assumptions	8
(4) Segment information	8
(5) Notes on significant change in shareholders' equity:	9

1. Results of Operations

(1) Overview on consolidated business performance

In the first quarter, the U.S. economy lost momentum as consumer spending began to decline due to the rising cost of energy as the price of crude oil rose. This downturn along with the U.S. government debt problem makes the U.S. economic outlook unclear. In Europe, there are worries about the economy because of the debt crisis at EU member nations. In China, India and other emerging countries that have been driving global economic growth as well, economic growth rates are slowing as countries take steps to hold down inflation. Overall, economic growth is declining amid instability in the global economy.

In Japan, exports plunged at first after the Great East Japan Earthquake of March 11 as domestic manufacturing activity fell. In addition, consumer spending declined because of the electricity shortage, unfounded rumors and other problems and there was an increase in unemployment. The result was economic stagnation. Recently, though, there have been recoveries in some business sectors as government programs and corporate activities restored supply chains. However, Japan's economy is still sluggish overall.

In the electronics industry, demand for electronic components increased because of strong sales of smartphones, tablet computers and other products. But the Great East Japan Earthquake made it difficult to procure components and finished products. Despite these difficulties, the ability of manufacturers to supply goods is improving as progress with earthquake recovery and reconstruction activities continues.

The KAGA ELECTRONICS Group, while strengthening ties among group companies, worked on adding new products, increasing sales of environmental products like LED illumination products and enlarging the product lineup. However, first quarter performance reflected the impact of interruptions in the production of products and components caused by the Great East Japan Earthquake. Net sales decreased 7.9% from one year earlier to 55,002 million yen, operating income fell 73.0% to 247 million yen, ordinary income was down 62.4% to 373 million yen and net income dropped 79.1% to 115 million yen.

Business segment performance was as follows.

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

The KAGA ELECTRONICS Group took steps to secure procurement channels to quickly meet the demands of customers as cuts in the production of products and components following the Great East Japan Earthquake created shortages of many items. In addition, sales activities focused on increasing sales of LED products, expanding EMS operations outside Japan and increasing sales in China to Chinese companies. However, performance in this segment was impacted by lower manufacturing output, weak consumer spending and other effects of the March earthquake. Falling orders for semiconductors used in automobiles and consumer products, EMS operations for amusement devices, and other products and services caused sales to decrease 12.0% to 39,429 million yen and operating income to drop 82.4% to 184 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)

There were declines in sales in some product categories due to the Great East Japan Earthquake. But segment performance benefited from activities to increase sales of PCs, PC peripherals and other existing products, higher demand for products for conserving electricity, and growth in orders for terrestrial digital TV broadcast tuners leading up to the July end of terrestrial analog TV broadcasts in Japan. Segment sales increased 7.1% to 12,547 million yen and operating income was up 545.1% to 54 million yen.

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

Group companies concentrated on the production of visual content using computer graphics and the planning, development and sale of game software and application software. Segment sales increased 25.9% to 717 million yen and operating income was 35 million yen compared with a 229 million yen loss one year earlier.

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

Sales of amusement-related products (finished products) were higher but golf product sales were weak because of the Great East Japan Earthquake and orders declined in the recycling business. Segment sales decreased 11.0% to 2,308 million yen and operating income fell 90.4% to 13 million yen.

(2) Overview of financial condition

Assets totaled 111,352 million yen at the end of the first quarter, 3,333 million yen less than at the end of the previous fiscal year mainly because of a decrease in notes and accounts receivable-trade.

Liabilities decreased 2,392 million yen to 63,694 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets decreased 940 million yen to 47,657 million yen. This was attributable primarily to a decrease in valuation differences on available-for-sale securities resulting from changes in fair values of these securities.

(3) Forecast for fiscal year ending in March 2012

(a) Consolidated forecast for the first half ending September 2011 (April 1, 2011 – September 30, 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)	-	-	-	-	-
Revised forecast (B)	110,000	100	400	150	5.44
Difference (B-A)	-	-	-	-	-
Pct. change (%)	-	-	-	-	-
(Ref.) Previous fiscal year	120,470	2,594	2,644	1,412	51.18

(b) Consolidated forecast for fiscal year ending March 2012 (April 1, 2011 – March 31, 2012)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	-	-	-	-	-
Revised forecast (B)	238,000	2,100	2,600	1,300	47.11
Difference (B-A)	-	-	-	-	-
Pct. change (%)	-	-	-	-	-
(Ref.) Previous fiscal year	237,951	3,563	3,738	1,854	67.20

(c) Reason for revisions

The operating environment is recovering slowly from the effects of the Great East Japan Earthquake. There are expectations for an economic recovery as companies resume manufacturing activity and consumer spending increases. However, the outlook is still uncertain because of concerns about slowing exports due to the yen's strength, high unemployment and other issues.

Due to uncertainty concerning the effects of the Great East Japan Earthquake, the KAGA ELECTRONICS Group was unable to determine a forecast for the fiscal year ending in March 2012. However, the forecast shown above has now been established based on a thorough examination of the effects of the earthquake.

Group companies will work closely together to benefit from synergies and operate efficiently while aiming for growth in the volume of products handled by increasing sales of existing products, adding new products and business activities, and taking other actions.

2. Other Information

(1) Changes in significant subsidiaries:

None

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements:

None

(3) Changes in accounting principles and estimates, and retrospective restatement:

None

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(million yen)

	Fiscal year ended March 2011 (As of March 31, 2011)	First quarter ended June 2011 (As of June 30, 2011)
ASSETS		
Current assets		
Cash and cash equivalents	11,926	10,944
Notes and accounts receivable-trade	54,173	50,896
Marketable securities	71	69
Merchandise and finished goods	15,775	17,809
Work in process	555	674
Raw materials and other supplies	3,189	3,301
Deferred tax assets	975	935
Others	6,392	5,685
Allowance for doubtful receivables	(182)	(190)
Total current assets	92,876	90,126
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,494	2,408
Machinery, equipment and vehicles, net	1,601	1,512
Tools, furniture and fixtures, net	1,016	1,087
Land	4,099	4,099
Construction in progress	511	487
Total property, plant and equipment	9,724	9,595
Intangible assets		
Goodwill	464	410
Software	790	704
Others	1,344	1,319
Total intangible assets	2,599	2,433
Investments and other assets		
Investment securities	4,493	4,411
Deferred tax assets	619	414
Others	6,000	5,973
Allowance for doubtful receivables	(1,627)	(1,602)
Total investments and other assets	9,485	9,196
Total fixed assets	21,810	21,225
Total assets	114,686	111,352

(million yen)

	Fiscal year ended March 2011 (As of March 31, 2011)	First quarter ended June 2011 (As of June 30, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,790	39,333
Short-term bank loans	8,505	9,759
Income taxes payable	1,511	523
Allowance for directors' and corporate auditors' bonuses	138	104
Others	6,041	5,344
Total current liabilities	56,987	55,065
Long-term liabilities		
Long-term bank loans	4,636	4,182
Allowance for retirement benefits for employees	1,556	1,561
Allowance for retirement benefits for directors and corporate auditors	1,294	1,315
Asset removal obligations	226	227
Others	1,385	1,341
Total long-term liabilities	9,099	8,628
Total liabilities	66,087	63,694
NET ASSETS		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	24,740
Treasury stock	(1,332)	(1,332)
Total shareholder's equity	49,752	49,453
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(246)	(601)
Deferred gains or losses on hedges	0	0
Foreign currency translation adjustments	(2,571)	(2,744)
Total valuation and translation adjustments	(2,817)	(3,346)
Subscription rights to shares	0	0
Minority interests	1,664	1,550
Total net assets	48,598	47,657
Total liabilities and net assets	114,686	111,352

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first quarter (April 1, 2011 – June 30, 2011)

(million yen)

	First quarter ended June 2010 (April 1, 2010 – June 30, 2010)	First quarter ended June 2011 (April 1, 2011 – June 30, 2011)
Net sales	59,692	55,002
Cost of sales	51,900	47,954
Gross profit	7,792	7,047
Selling, general and administrative expenses	6,875	6,799
Operating income	916	247
Non-operating income		
Interest income	15	18
Dividend income	31	38
Commission income	50	48
Others	99	94
Total non-operating income	196	200
Non-operating expenses		
Interest expense	25	34
Foreign exchange losses	55	16
Others	38	24
Total non-operating expenses	119	75
Ordinary income	993	373
Extraordinary income		
Gain on sales of noncurrent assets	1	3
Compensation income	140	-
Gain on foreign currency translation adjustments for liquidation of subsidiaries	109	-
Others	-	0
Total extraordinary income	250	3
Extraordinary losses		
Loss on retirement of fixed assets	10	3
Loss on revaluation of investment securities	90	32
Loss on impairment of fixed assets	-	3
Loss on valuation of golf club membership	-	16
Loss on adjustment for changes of accounting standard for asset retirement obligations	38	-
Others	21	8
Total extraordinary losses	160	64
Income before income taxes and minority interests	1,083	312
Income, inhabitants and enterprise taxes	386	223
Income tax adjustment	127	(33)
Total taxes	514	190
Income (loss) before minority interests	568	121
Minority interests in income (loss)	16	6
Net income (loss)	552	115
Minority interests in income (loss)	16	6
Income (loss) before minority interests	568	121

	First quarter ended June 2010 (April 1, 2010 – June 30, 2010)	First quarter ended June 2011 (April 1, 2011 – June 30, 2011)
Other comprehensive income		
Valuation difference on available-for-sale securities	(178)	(354)
Deferred gains or losses on hedges	(26)	(0)
Foreign currency translation adjustment	(518)	(172)
Total other comprehensive income	(724)	(528)
Comprehensive income		
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(164)	(412)
Comprehensive income attributable to minority interests	8	6

- (3) Notes to ongoing concern assumptions
None

(4) Segment information

For the first quarter ended June 2010 (Apr. 1, 2010 – June 30, 2010)

1. Information about sales and income (loss) by reportable segments

(million yen)

	Reporting segments				Others*	Total
	Electronic components	Information equipment	Software	Total		
Net sales						
of which to outside customers	44,811	11,716	569	57,097	2,594	59,692
of which inter-segment	322	160	261	744	825	1,569
Total	45,133	11,877	831	57,842	3,419	61,262
Segment income (loss)	1,048	8	(229)	827	143	971

* Others is a business segment which is including sporting goods business etc., but this segment is not included in the reporting segments.

2. Reconciliation of difference between total income (loss) for reportable segments and in quarterly consolidated statement of income (Item concerning adjustment for difference)

(million yen)

Income	Amount
Total for reportable segments	827
Income (loss) of "Others"	143
Intersegment eliminations	(3)
Amortization of goodwill	(50)
Operating income on quarterly consolidated statement of income	916

For the first quarter ended June 2011 (Apr. 1, 2011 – June 30, 2011)

1. Information about sales and income (loss) by reportable segments

(million yen)

	Reporting segments				Others*	Total
	Electronic components	Information equipment	Software	Total		
Net sales						
of which to outside customers	39,429	12,547	717	52,693	2,308	55,002
of which inter-segment	336	159	704	1,199	348	1,548
Total	39,765	12,706	1,421	53,893	2,656	56,550
Segment income (loss)	184	54	35	274	13	288

* Others is a business segment which is including sporting goods business etc., but this segment is not included in the reporting segments.

2. Reconciliation of difference between total income (loss) for reportable segments and in quarterly consolidated statement of income (Item concerning adjustment for difference)

(million yen)

Income	Amount
Total for reportable segments	274
Income (loss) of "Others"	13
Intersegment eliminations	(20)
Amortization of goodwill	(19)
Operating income on quarterly consolidated statement of income	247

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