

Summary of Consolidated Financial Results For the First Half Ended September 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/		
Representative	Title:	President & COO	
	Name:	Tomohisa Tsukamoto	
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Date of quarterly securities report (tentative):	November 11, 2011		
Date of commencement of dividend payment (tentative):	December 2, 2011		
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 of the fiscal year ending March 2012 (April 1, 2011 – September 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 half ended September 2011	116,271	-3.5	805	-68.9	929	-64.9	321	-77.2
First half ended September 2010	120,470	5.7	2,594	605.9	2,644	-	1,412	-

Note: Comprehensive income: First half of FY3/2012: -958 million yen (-%), First half of FY3/2011: 288 million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2011	11.66	-
First half ended September 2010	51.18	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2011	110,147	47,098	41.3
As of March 31, 2011	114,686	48,598	40.9

Notes: Shareholders' equity

As of September 30, 2011: 45,530 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	-	15.00			
Fiscal year ending March 2012 (est.)			-	15.00	30.00

Note: Change in the estimation of dividend from the latest announcement: No

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
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 from the latest announcement: No

4. Others

- (1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation): None
- (2) Use of 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 September 30, 2011:	28,702,118	As of March 31, 2011:	28,702,118
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(b) Treasury stock

As of September 30, 2011:	1,104,836	As of March 31, 2011:	1,104,656
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended September 30, 2011:	27,597,393	Period ended September 30, 2010:	27,598,119
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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

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.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first half of the fiscal year, there were increasing concerns about a slowdown in U.S. economic growth due to the government deficit problem, persistently high unemployment, weakening consumer spending and other factors. The economic picture was similar in Europe, where there is also instability due to the sovereign debt crisis in Greece and other countries. Economic growth rates are slowing in emerging countries like China and India as well because of weakening economies in industrialized countries and measures to control inflation. Overall, the pace of economic growth worldwide decreased during the first half as a result.

In Japan, there was a temporary economic downturn following the Great East Japan Earthquake but the economy is recovering due to the restoration of supply chains and demand backed by reconstruction activity. However, in the second quarter, the economic outlook was uncertain because of the long-term nature of the nuclear power plant crisis, economic weakness in the United States, Europe and other regions, and the further increase in the yen's value.

In the electronics industry, there was growth in demand for smartphones, tablet computers and some other products. But declining shipments of consumer products like televisions and other digital consumer electronics had an impact on demand for electronic components and semiconductors.

In this environment, the KAGA ELECTRONICS Group responded to the rapid changes in the electronics industry by taking actions based on its management philosophy of "Everything we do, we do for our customers." New products were added and there were measures to increase sales of environmental products like LED lamps and existing products to offset the effects of the Great East Japan Earthquake and other events. At the same time, actions were taken to strengthen solidarity among group companies. Despite these initiatives, first half consolidated net sales decreased 3.5% to 116,271 million yen, operating income fell 68.9% to 805 million yen, ordinary income was down 64.9% to 929 million yen, and net income declined 77.2% to 321 million yen.

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)

During the first half, there were measures to secure procurement channels for semiconductors and electronic components where shortages occurred briefly after the Great East Japan Earthquake. Group companies also focused on increasing sales to current customers and enlarging sales channels for LED products. Overseas, there were extensive sales activities to capture more EMS orders, increase sales of semiconductors and electronic components to companies in China, and grow in other ways. In Japan, orders were lower from EMS customers and other client companies as these manufacturers reduced output in response to the Great East Japan Earthquake and falling consumer spending. The result was a 5.8% decrease in segment sales to 83,411 million yen and a 68.8% decrease in operating income to 636 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)

Segment sales increased despite the effects of the Great East Japan Earthquake. Performance benefited from measures to increase sales of PCs, PC peripherals and other existing products and add new products. In addition, orders for terrestrial digital TV broadcast tuners increased due to the July 2011 end of terrestrial analog TV broadcasts in Japan. Segment sales increased 9.1% to 26,591 million yen but a decline in the gross profit margin and higher selling expenses resulted in an operating loss of 77 million yen compared with operating income of 139 million yen one year earlier.

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

Group companies focused on the production of computer graphics for animation, the development of image processing ICs for amusement devices, and sales of game and application software. However, additional time required for development projects and other factors caused segment sales to fall 43.5% to 1,533 million yen and operating income to decline 45.4% to 163 million yen.

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

The Great East Japan Earthquake impacted sales in the golf product sales business because of falling demand and reduced orders in the recycling business and other activities in this segment, too. The result was a 2.2% decrease in segment sales to 4,734 million yen and a 31.9% decrease in operating income to 142 million yen.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets decreased 4,538 million yen from one year earlier to 110,147 million yen at the end of the fiscal year. The decrease of accounts receivable was mainly responsible for this decrease.

Liabilities decreased 3,038 million yen to 63,049 million yen mainly because of an decrease in notes and accounts payable-trade.

Net assets decreased 1,500 million yen to 47,098 million yen mainly because of a fluctuation in foreign currency translation adjustment.

(b) Cash flows

There was a net decrease of 1,197 million yen in cash and cash equivalents to 10,251 million yen at the end of the fiscal year.

(Operating activities)

Net cash used by operating activities was 2,446 million yen compared with 4,591 million yen one year earlier. A decrease in notes and accounts receivable-trade was a major source of cash.

(Investing activities)

Net cash used in investing activities was 1,449 million yen compared with 1,563 million yen one year earlier. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash provided by financing activities was 2,735 million yen. Financing activities used net cash of 3,024 million yen in the previous fiscal year. Increase of short-term loans payable was the primary source of cash.

(3) Forecast for fiscal year ending in March 2012

The Japanese economy is expected to begin to recover as manufacturing recovers from the effects of the Great East Japan Earthquake and consumer spending increases as well. But economic growth is slowing in the United States and Europe and the yen will probably continue to strengthen. As a result, the operating environment will probably remain uncertain.

In this environment, while strengthening solidarity among group companies, the KAGA ELECTRONICS Group will capture synergies, increase sales to existing customers, and add new products and trading rights in order to grow.

There is no change in the fiscal year forecast at this time. The massive flooding in Thailand that began in early October 2011 is having a widespread impact on supply chains in various industries. Although the flood has affected the factory of a KAGA ELECTRONICS Group company, it is not currently possible to establish a reasonable estimate of the damage at this factory.

An announcement will be made promptly in accordance with disclosure standards if KAGA ELECTRONICS determines that the flood will have a significant effect on results of operations.

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 half ended September 2011 (As of September 30, 2011)
ASSETS		
Current assets		
Cash and deposits	11,926	10,331
Notes and accounts receivable-trade	54,173	51,883
Short-term investment securities	71	69
Merchandise and finished goods	15,775	16,126
Work in process	555	776
Raw materials and supplies	3,189	3,597
Deferred tax assets	975	837
Others	6,392	6,416
Allowance for doubtful accounts	(182)	(211)
Total current assets	92,876	89,827
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,494	3,002
Machinery, equipment and vehicles, net	1,601	1,368
Tools, furniture and fixtures, net	1,016	957
Land	4,099	4,076
Construction in progress	511	41
Total property, plant and equipment	9,724	9,445
Intangible assets		
Goodwill	464	353
Software	790	743
Others	1,344	1,293
Total intangible assets	2,599	2,391
Investments and other assets		
Investment securities	4,493	4,034
Deferred tax assets	619	566
Others	6,000	5,654
Allowance for doubtful accounts	(1,627)	(1,772)
Total investments and other assets	9,485	8,483
Total fixed assets	21,810	20,320
Total assets	114,686	110,147

(million yen)

	Fiscal year ended March 2011 (As of March 31, 2011)	First half ended September 2011 (As of September 30, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,790	36,257
Short-term loans payable	8,505	12,525
Income taxes payable	1,511	861
Provision for directors' bonuses	138	107
Others	6,041	5,123
Total current liabilities	56,987	54,875
Noncurrent liabilities		
Long-term loans payable	4,636	3,729
Provision for retirement benefits	1,556	1,576
Provision for directors' retirement benefits	1,294	1,340
Asset retirement obligations	226	225
Others	1,385	1,300
Total noncurrent liabilities	9,099	8,173
Total liabilities	66,087	63,049
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	24,946
Treasury stock	(1,332)	(1,332)
Total shareholder's equity	49,752	49,659
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(246)	(811)
Deferred gains or losses on hedges	0	2
Foreign currency translation adjustments	(2,571)	(3,320)
Total valuation and translation adjustments	(2,817)	(4,129)
Subscription rights to shares	0	0
Minority interests	1,664	1,567
Total net assets	48,598	47,098
Total liabilities and net assets	114,686	110,147

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

(million yen)

	First half ended September 2010 (April 1, 2010 – September 30, 2010)	First half ended September 2011 (April 1, 2011 – September 30, 2011)
Net sales	120,470	116,271
Cost of sales	104,410	101,913
Gross profit	16,060	14,357
Selling, general and administrative expenses	13,465	13,551
Operating income	2,594	805
Non-operating income		
Interest income	31	32
Dividend income	35	44
Commission income	113	105
Others	208	198
Total non-operating income	388	381
Non-operating expenses		
Interest expense	50	71
Foreign exchange losses	219	134
Others	69	51
Total non-operating expenses	338	257
Ordinary income	2,644	929
Extraordinary income		
Gain on sales of noncurrent assets	1	11
Gain on sales of investment securities	-	187
Compensation income	140	-
Gain on foreign currency translation adjustments for liquidation of subsidiaries	101	-
Others	-	0
Total extraordinary income	243	199
Extraordinary losses		
Loss on retirement of fixed assets	10	33
Loss on revaluation of investment securities	164	75
Impairment loss	-	3
Loss on adjustment for changes of accounting standard for asset retirement obligations	38	-
Loss on valuation of golf club membership	6	19
Others	46	15
Total extraordinary losses	266	148
Income before income taxes and minority interests	2,621	980
Income, inhabitants and enterprise taxes	1,084	677
Income tax adjustment	104	(48)
Total taxes	1,188	628
Income (loss) before minority interests	1,432	351
Minority interests in income (loss)	20	29
Net income (loss)	1,412	321
Minority interests in income (loss)	20	29
Income (loss) before minority interests	1,432	351

	First half ended September 2010 (April 1, 2010 – September 30, 2010)	First half ended September 2011 (April 1, 2011 – September 30, 2011)
Other comprehensive income		
Valuation difference on available-for-sale securities	(208)	(567)
Deferred gains or losses on hedges	(33)	1
Foreign currency translation adjustment	(902)	(744)
Total other comprehensive income	(1,143)	(1,310)
Comprehensive income		
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	275	(989)
Comprehensive income attributable to minority interests	13	31

(3) Quarterly consolidated statements of cash flows

(million yen)

	First half ended September 2010 (April 1, 2010 – September 30, 2010)	First half ended September 2011 (April 1, 2011 – September 30, 2011)
Operating activities		
Income before income taxes and minority interest	2,621	980
Depreciation and amortization	1,110	1,025
Impairment loss	-	3
Amortization of goodwill	114	55
Increase (decrease) in allowance for doubtful accounts	181	217
Interest and dividend income	(67)	(76)
Interest expenses	50	71
Loss (gain) on revaluation of investment securities	164	75
Decrease (increase) in notes and accounts receivable-trade	2,263	1,045
Decrease (increase) in inventories	(852)	(1,503)
Decrease (increase) in accounts receivable-other	198	310
Decrease (increase) in advance payments	101	109
Increase (decrease) in notes and accounts payable-trade	(75)	(3,509)
Increase (decrease) in accounts payable-other and accrued expenses	48	(387)
Increase (decrease) in other current liabilities	(279)	274
Others	183	(65)
Sub-total	5,764	(1,372)
Interest and dividends received	77	75
Interests paid	(57)	(71)
Income taxes-paid	(1,015)	(1,323)
Others	(178)	245
Net cash provided by (used in) operating activities	4,591	(2,446)
Investing activities		
Payment for purchase of property, plant and equipment	(899)	(1,478)
Payment for purchase of intangible assets	(523)	(219)
Payment for purchase of investment securities	(190)	(56)
Proceeds from sales of investment securities	96	273
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-	(10)
Proceeds from purchase of investments in subsidiaries resulting in change in scope of consolidation	64	-
Short-term loans provided	(90)	(1)
Short-term loans collected	113	19
Security deposits provided	(6)	(49)
Security deposits collected	42	41
Other payments	(207)	(99)
Other proceeds	37	130
Net cash provided by (used in) investing activities	(1,563)	(1,449)
Financing activities		
Increase (decrease) in short-term bank loans	(1,891)	4,210
Repayment of long-term loans payable	(668)	(915)
Payment of dividends	(413)	(414)
Others	(50)	(144)
Net cash provided by (used in) financing activities	(3,024)	2,735
Effect of exchange rate changes on cash and cash equivalents	(351)	(383)
Increase (decrease) in cash and cash equivalents	(348)	(1,544)
Cash and cash equivalents, beginning of period	11,797	11,796
Cash and cash equivalents, end of period	11,449	10,251

- (4) Notes to ongoing concern assumptions
None

- (5) Segment information

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

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

(million yen)

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

* Segment operating income includes adjustments to the operating income shown in the quarterly consolidated statements of income and consolidated statements of comprehensive income.

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)

Item	Amount
Elimination of inter-segment trade	6
Amortization of goodwill	(101)
Total	(95)

For the first half ended September 2011 (Apr. 1, 2011 – September 30, 2011)

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

(million yen)

	Reporting segments					Adjustments	Amount in the consolidated statement of income*
	Electronic components	Information equipment	Software	Others	Total		
Net sales (of which to outside customers)	83,411	26,591	1,533	4,734	116,271	-	116,271
(of which inter-segment)	800	364	1,781	739	3,687	(3,687)	-
Total	84,212	26,956	3,315	5,474	119,959	(3,687)	116,271
Segment income (loss)	636	(77)	163	142	864	(58)	805

* Segment operating income includes adjustments to the operating income shown in the quarterly consolidated statements of income and consolidated statements of comprehensive income.

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)

Item	Amount
Elimination of inter-segment trade	(18)
Amortization of goodwill	(39)
Total	(58)

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

(7) Subsequent event:
Flooding in Thailand

The severe flooding in Thailand that started in October 2011 has damaged the Ayutthaya factory of consolidated subsidiary KAGA ELECTRONICS (THAILAND) CO., LTD. The monetary amount of this damage has not yet been confirmed.

However, since this company's fixed assets and other assets are insured, the effective amount of flood losses is expected to be limited, including construction, repair and improvement expenses.