

Summary of Consolidated Financial Results

For the Third Quarter Ended December 31, 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): February 14, 2012
 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 three quarters of the fiscal year ending March 2012 (April 1, 2011 – December 31, 2011)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First three quarters of FY3/2012	173,690	-2.2	1,276	-60.2	1,402	-55.2	-356	-
First three quarters of FY3/2011	177,535	1.5	3,208	263.2	3,130	295.7	1,431	-

Note: Comprehensive income: First three quarters of FY3/2012: -1,696 million yen (-%)

First three quarters of FY3/2011: 305 million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First three quarters of FY3/2012	-12.91		-	
First three quarters of FY3/2011	51.86		-	

(2) Financial Position (Consolidated)

	Total assets		Net assets		Equity ratio	
	Million yen		Million yen		%	
As of December 31, 2011	114,675		45,922		38.7	
As of March 31, 2011	114,686		48,598		40.9	

Reference: Shareholders' equity

As of December 31, 2011: 44,377 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				
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	227,000	-4.6	1,600	-55.1	2,100	-43.8	950	-48.8	34.42	

Note: Change in the forecast from the latest announcement: 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 December 31, 2011:	28,702,118	As of March 31, 2011:	28,702,118
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(b) Treasury stock

As of December 31, 2011:	1,104,936	As of March 31, 2011:	1,104,656
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2011:	27,597,345	Period ended December 31, 2010:	27,598,022
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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.

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 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:	8

1. Results of Operations

(1) Overview on consolidated business performance

In the first three quarters of the fiscal year, the U.S. economy began to recover due to a break in the sharp upturn in crude oil prices that was caused by turmoil in the Middle East. But in the third quarter, the U.S. economic situation was unstable as fears about a slowdown mounted because of the debt crisis in Europe, a weak housing market, the slow recovery in employment and other issues. In Europe, the economy became increasingly weaker as the sovereign debt crisis in Greece spread to create instability in the entire financial system. In China and other emerging countries as well, economic growth rates declined due to measures to control inflation and the impact of slowing economic growth in industrialized countries. Overall, global economic growth has been slowing as a result.

In Japan, toward the summer the economy began to stage a recovery from the downturn following the Great East Japan Earthquake along with the emergence of demand backed by reconstruction activity as supply chains were restored. However, the economic outlook is uncertain because of slowing global economic growth, a strong yen and weak stock prices, the impact of flooding in Thailand on manufacturing and other events.

In the electronics industry, there was growth in demand for smartphones, tablet computers and some other products. There was also a rush to buy flat-screen televisions following the start of terrestrial digital TV broadcasts in Japan. But there was a drop in sales of flat-screen televisions, digital home electronics and other consumer electronics starting in the summer. In addition, the impact of flooding in Thailand on shipments of electronic components and semiconductors made the operating environment even more difficult.

In this environment, the KAGA ELECTRONICS Group further increased solidarity among group companies in Japan and overseas and conducted effective sales activities. Activities also included adding new products and taking steps to increase sales of environmental products like LED lamps. Despite these initiatives, sales and earnings were lower than one year earlier mainly because of the difficult business environment in the electronics industry and losses to fixed assets, inventories and other items caused by flood damage at a factory in Thailand.

Consolidated net sales in the first three quarters decreased 2.2% to 173,690 million yen, operating income fell 60.2% to 1,276 million yen, ordinary income was down 55.2% to 1,402 million yen and there was a net loss of 356 million yen compared with net income of 1,431 million yen one year earlier.

Losses to fixed assets, inventories and other items due to flooding in Thailand are covered by insurance. Since insurance payments are expected to be received in the fourth quarter of the current fiscal year, these losses will have no effect on consolidated results of operations for the fiscal year.

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)

During the first three quarters, there were measures to secure procurement channels for semiconductors and electronic components where shortages occurred after the Great East Japan Earthquake. Group companies also focused on increasing sales to current customers and enlarging sales channels for LED products and solar panels. Environmental products have attracted particularly strong attention in Japan after the earthquake. Overseas, there were extensive activities to increase sales to Japanese client companies, companies in China and other companies.

However, sales of electronic components and semiconductors and EMS orders were lower in Japan. The primary cause was a decline in output by client manufacturers in response to the Great East Japan Earthquake and weakening consumer spending. Overseas, sales were impacted by lower output by client manufacturers because of flooding in Thailand and by other events. The result was a 2.5% decrease in segment sales to 124,428 million yen and a 51.6% decrease in operating income to 1,223 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)

The performance of this segment was impacted by the Great East Japan Earthquake, the downturn in consumer spending in Japan that started in the summer, and a lower supply of products sold in this segment because of flooding in Thailand. Despite these challenges, sales were higher because of 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 1.6% to 39,332 million yen but a decline in sales of products with a high gross profit margin and a provision for the allowance for doubtful accounts resulted in an operating loss of 188 million yen compared with operating income of 256 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 for amusement devices, and sales of game and application software. However, additional time required for development projects, delays in the start of sales and other factors caused segment sales to fall 33.2% to 2,445 million yen and operating income to decrease 75.6% to 66 million yen.

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

The Great East Japan Earthquake caused demand to fall in the golf product sales business and reduced orders in the recycling business and other activities in this segment. Although there was a recovery in recycling orders in the third quarter, segment sales decreased 0.3% to 7,484 million yen and operating income decreased 11.7% to 243 million yen.

(2) Overview of financial condition

Assets totaled 114,675 million yen at the end of the third quarter, 11 million yen less than at the end of the previous fiscal year mainly because of a decrease in cash and cash equivalents.

Liabilities increased 2,664 million yen to 68,752 million yen mainly because of an increase in short-term bank loans.

Net assets decreased 2,675 million yen to 45,922 million yen. This was attributable primarily to dividend payment and decrease of other comprehensive income.

(3) Forecast for fiscal year ending in March 2012

Based on the consolidated operating results for the first three quarters, we have revised the forecast for the current fiscal year that was announced on October 28, 2011.

(a) Consolidated forecast for the 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)	238,000	2,100	2,600	1,300	47.11
Revised forecast (B)	227,000	1,600	2,100	950	34.42
Difference (B-A)	-11,000	-500	-500	-350	-
(Ref.) Previous fiscal year	237,951	3,563	3,738	1,854	67.20

(b) Reason for revisions

Consolidated sales in the current fiscal year are expected to fall below the previous forecast. One reason is a temporary downturn in electronic component, semiconductor and EMS sales as client manufacturers reduced output because of the difficulty of procuring parts and materials due to the Great East Japan Earthquake and flooding in Thailand. Sales have also been affected by a decline in sales of PCs, PC peripherals and other computer products because of economic weakness in Japan.

Losses to fixed assets, inventories and other items due to flooding in Thailand are covered by insurance. Since substantial insurance payments are expected to be received in the fourth quarter, the revised forecast shown above includes these insurance payments.

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)	Third quarter ended December 2011 (As of December 31, 2011)
ASSETS		
Current assets		
Cash and cash equivalents	11,926	10,861
Notes and accounts receivable-trade	54,173	53,953
Marketable securities	71	65
Merchandise and finished goods	15,775	17,667
Work in process	555	712
Raw materials and other supplies	3,189	4,054
Deferred tax assets	975	685
Others	6,392	6,721
Allowance for doubtful receivables	(182)	(225)
Total current assets	92,876	94,496
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,494	2,931
Machinery, equipment and vehicles, net	1,601	1,047
Tools, furniture and fixtures, net	1,016	1,034
Land	4,099	4,076
Construction in progress	511	45
Total property, plant and equipment	9,724	9,135
Intangible assets		
Goodwill	464	315
Software	790	786
Others	1,344	1,282
Total intangible assets	2,599	2,385
Investments and other assets		
Investment securities	4,493	3,842
Deferred tax assets	619	846
Others	6,000	5,673
Allowance for doubtful receivables	(1,627)	(1,703)
Total investments and other assets	9,485	8,658
Total fixed assets	21,810	20,178
Total assets	114,686	114,675

(million yen)

	Fiscal year ended March 2011 (As of March 31, 2011)	Third quarter ended December 2011 (As of December 31, 2011)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	40,790	41,250
Short-term bank loans	8,505	12,944
Income taxes payable	1,511	711
Allowance for directors' and corporate auditors' bonuses	138	120
Others	6,041	6,005
Total current liabilities	56,987	61,032
Long-term liabilities		
Long-term bank loans	4,636	3,281
Allowance for retirement benefits for employees	1,556	1,570
Allowance for retirement benefits for directors and corporate auditors	1,294	1,366
Asset removal obligations	226	226
Others	1,385	1,275
Total long-term liabilities	9,099	7,719
Total liabilities	66,087	68,752
NET ASSETS		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	23,854
Treasury stock	(1,332)	(1,332)
Total shareholder's equity	49,752	48,567
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(246)	(887)
Deferred gains or losses on hedges	0	(0)
Foreign currency translation adjustments	(2,571)	(3,302)
Total valuation and translation adjustments	(2,817)	(4,190)
Subscription rights to shares	0	0
Minority interests	1,664	1,545
Total net assets	48,598	45,922
Total liabilities and net assets	114,686	114,675

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first three quarters (April 1, 2011 – December 31, 2011)

(million yen)

	Third quarter ended December 2010 (April 1, 2010 - December 31, 2010)	Third quarter ended December 2011 (April 1, 2011 - December 31, 2011)
Net sales	177,535	173,690
Cost of sales	154,293	152,425
Gross profit	23,241	21,264
Selling, general and administrative expenses	20,033	19,988
Operating income	3,208	1,276
Non-operating income		
Interest income	49	45
Dividend income	63	66
Commission income	164	127
Others	279	304
Total non-operating income	557	544
Non-operating expenses		
Interest expense	79	109
Foreign exchange losses	468	231
Others	87	76
Total non-operating expenses	635	418
Ordinary income	3,130	1,402
Extraordinary income		
Gain on sales of noncurrent assets	17	11
Gain on sales of investment securities	12	195
Compensation income	140	-
Gain on foreign currency translation adjustments for liquidation of subsidiaries	101	-
Others	-	0
Total extraordinary income	272	207
Extraordinary losses		
Loss on retirement of noncurrent assets	12	36
Loss on valuation of investment securities	383	133
Impairment loss	-	3
Loss on disaster	-	1,050
Others	101	42
Total extraordinary losses	497	1,265
Income before income taxes and minority interests	2,905	344
Income, inhabitants and enterprise taxes	1,192	880
Income tax adjustment	244	(212)
Total taxes	1,436	668
Income (loss) before minority interests	1,468	(323)
Minority interests in income (loss)	37	32
Net income (loss)	1,431	(356)
Minority interests in income (loss)	37	32
Income (loss) before minority interests	1,468	(323)

	Third quarter ended December 2010 (April 1, 2010 - December 31, 2010)	Third quarter ended December 2011 (April 1, 2011 - December 31, 2011)
Other comprehensive income		
Valuation difference on available-for-sale securities	20	(644)
Deferred gains or losses on hedges	(38)	(0)
Foreign currency translation adjustment	(1,145)	(727)
Total other comprehensive income	(1,163)	(1,372)
Comprehensive income	305	(1,696)
Comprehensive income attributable to owners of the parent	269	(1,729)
Comprehensive income attributable to minority interests	36	32

- (3) Notes to ongoing concern assumptions
None

- (4) Segment information

For the first three quarters ended December 2010 (Apr. 1, 2010 – December 31, 2010)

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	127,642	38,724	3,661	7,506	177,535	-	177,535
of which inter-segment	913	564	1,587	2,738	5,803	(5,803)	-
Total	128,556	39,289	5,248	10,244	183,339	(5,803)	177,535
Segment income (loss)	2,525	256	274	275	3,331	(122)	3,208

Note: 1. Adjustment of segment loss of 122 million yen includes -0 million yen of elimination of inter-segment trade and -122 million yen of amortization of goodwill.

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

For the first three quarters ended December 2011 (Apr. 1, 2011 – December 31, 2011)

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	124,428	39,332	2,445	7,484	173,690	-	173,690
of which inter-segment	1,170	583	2,313	1,931	5,999	(5,999)	-
Total	125,598	39,916	4,758	9,416	179,690	(5,999)	173,690
Segment income (loss)	1,223	(188)	66	243	1,344	(68)	1,276

Note: 1. Adjustment of segment loss of 68 million yen includes -8 million yen of elimination of inter-segment trade and -59 million yen of amortization of goodwill.

2. Segment income includes adjustments to match operating income as presented in the consolidated statement of income and statement of comprehensive income.

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