

## Summary of Consolidated Financial Results For the Year Ended March 2012 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.  
 Stock Code: 8154 URL: <http://www.taxan.co.jp/>  
 Stock Exchange Listing: Tokyo Stock Exchange, First Section  
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 Date of regular general meeting of shareholders: June 28, 2012 (tentative)  
 Date of commencement of dividend payment: June 29, 2012 (tentative)  
 Date of filing of securities report: June 28, 2012 (tentative)  
 Supplementary explanatory documents: Yes  
 Earnings presentation: Yes (For institutional investors)

(Yen in millions, rounded down)

**1. Financial results for the current fiscal year (April 1, 2011 - March 31, 2012)**

## (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 | %      |
| Fiscal year ended March 2012 | 229,856     | (3.3) | 2,067            | (39.6) | 2,569           | (28.6) | 914         | (48.3) |
| Fiscal year ended March 2011 | 237,811     | (0.7) | 3,423            | 116.3  | 3,598           | 181.0  | 1,768       | -      |

Note: Comprehensive income: FY ended March 31, 2012: 397 million yen (-51.7%), FY ended March 31, 2011: 821 million yen (-%)

|                              | Net income per share | Net income per share fully diluted | Return on equity | Ratio of ordinary income to assets | Ratio of operating income to net sales |
|------------------------------|----------------------|------------------------------------|------------------|------------------------------------|--|
|                              | Yen                  | Yen                                | %                | %                                  | %                                      |
| Fiscal year ended March 2012 | 33.13                | -                                  | 2.0              | 2.2                                | 0.9                                    |
| Fiscal year ended March 2011 | 64.07                | -                                  | 3.8              | 3.1                                | 1.4                                    |

Note: Equity in losses of affiliates FY ended March 2012: -million yen FY ended March 2011: - million yen

## (2) Financial Position (Consolidated)

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | Million yen  | Million yen | %            | Yen                  |
| As of March 31, 2012 | 114,714      | 47,936      | 40.5         | 1,681.73             |
| As of March 31, 2011 | 114,599      | 48,512      | 40.9         | 1,697.55             |

Note: Shareholders' equity FY ended March 2012: 46,410 million yen FY ended March 2011: 46,848 million yen

## (3) Cash flow position (Consolidated)

|                              | Net cash provided by (used in) operating activities | Net cash provided by (used in) investing activities | Net cash provided by (used in) financing activities | Cash and cash equivalents at end of period |
|------------------------------|---|---|---|--|
|                              | Million yen   | Million yen   | Million yen   | Million yen                                |
| Fiscal year ended March 2012 | 958   | (2,645)   | (242)   | 9,695                                      |
| Fiscal year ended March 2011 | 6,321   | (6,369)   | 478   | 11,796                                     |

**2. Dividends**

|   | Dividend per share |           |           |           |           | Annual aggregate amount | Payout ratio (Consolidated) | Dividends/net assets (Consolidated) |
|---|--------------------|-----------|-----------|-----------|-----------|-------------------------|-----------------------------|-------------------------------------|
|   | End of 1Q          | End of 2Q | End of 3Q | End of FY | Full year |                         |                             |                                     |
| Fiscal year ended March 2011              | Yen                | Yen       | Yen       | Yen       | Yen       | Million yen             | %                           | %                                   |
| Fiscal year ended March 2011              | -                  | 15.00     | -         | 15.00     | 30.00     | 827                     | 46.8                        | 1.8                                 |
| Fiscal year ended March 2012              | -                  | 15.00     | -         | 15.00     | 30.00     | 827                     | 90.5                        | 1.8                                 |
| Fiscal year ending March 2013 (estimated) | -                  | 15.00     | -         | 15.00     | 30.00     |                         | -                           |                                     |

### 3. Forecast for the fiscal year ending March 2013 (Consolidated, April 1, 2012 - March 31, 2013)

(Percentage figures represent year on year changes)

|            | Net sales   |       | Operating income |        | Ordinary income |        | Net income  |       | Yen   |
|------------|-------------|-------|------------------|--------|-----------------|--------|-------------|-------|-------|
|            | Million yen | %     | Million yen      | %      | Million yen     | %      | Million yen | %     |       |
| First half | 108,000     | (7.1) | 300              | (61.1) | 500             | (44.2) | 300         | (0.4) | 10.87 |
| Full year  | 234,000     | 1.8   | 2,200            | 6.4    | 2,700           | 5.1    | 1,600       | 75.0  | 57.98 |

#### \* Notes

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):

None

(2) Changes in accounting principles and estimates, and retrospective restatement

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

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

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock) As of March 31, 2012: 28,702,118 As of March 31, 2011: 28,702,118

(b) Treasury stock As of March 31, 2012 1,105,201 As of March 31, 2011: 1,104,656

(c) Average number of shares outstanding during the year As of March 31, 2012 27,597,270 As of March 31, 2011: 27,597,906

#### Non-consolidated Financial Results (For reference)

##### 1. Financial results for the current fiscal year (April 1, 2011 - March 31, 2012)

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

|                              | Net sales   |       | Operating income |        | Ordinary income |      | Net income  |      |
|------------------------------|-------------|-------|------------------|--------|-----------------|------|-------------|------|
|                              | million yen | %     | million yen      | %      | million yen     | %    | million yen | %    |
| Fiscal year ended March 2012 | 95,163      | (0.0) | 705              | (37.3) | 4,736           | 66.0 | 2,646       | 27.9 |
| Fiscal year ended March 2011 | 95,194      | 4.3   | 1,125            | 917.5  | 2,852           | 63.8 | 2,068       | -    |

|                              | Net income per share | Net income per share fully diluted |
|------------------------------|----------------------|------------------------------------|
|                              | yen                  | yen                                |
| Fiscal year ended March 2012 | 95.90                | -                                  |
| Fiscal year ended March 2011 | 74.96                | -                                  |

(2) Financial Position (Non-consolidated)

|                      | Total assets | Net assets  | Equity ratio | Net assets per share |
|----------------------|--------------|-------------|--------------|----------------------|
|                      | million yen  | million yen | %            | yen                  |
| As of March 31, 2012 | 75,486       | 35,378      | 46.9         | 1,281.99             |
| As of March 31, 2011 | 71,850       | 33,924      | 47.2         | 1,229.26             |

Note: Shareholders' equity

Fiscal year ended March 2012: 35,378 million yen

Fiscal year ended March 2011: 33,924 million yen

\*Status of implementation of audit procedures

The financial statements for the fiscal year were under audit procedures at the time this Summary of Financial Results was released.

\*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 fiscal year that ended on March 31, 2012, there was an improvement in U.S. employment and consumer spending because of strength in the corporate sector. But the U.S. economic upturn was lackluster due to increasing concerns about a slowdown caused mainly by a weak housing market, the debt crisis in Europe and the U.S. budget deficit. In Europe, economies were weak because of mounting concerns about financial system instability caused by financial market turmoil as the debt crisis deepened in several countries. In Southeast Asia as well, where economic growth continued, economies were under pressure from financial tightening to control inflation in major emerging countries like China and India and from flooding in Thailand. As a result, global economic growth slowed during the fiscal year.

In Japan, there was a sharp economic downturn as manufacturing activity stopped after the Great East Japan Earthquake. The Japanese economy subsequently began to recover along with restoration of supply chains and demand backed by earthquake reconstruction activity. However, the economic outlook remained uncertain during the fiscal year for a number of reasons, including the steep drop in exports after the earthquake, slowing overseas economic growth because of the European debt crisis, the increase in the yen's value, and flooding in Thailand.

In the electronics industry, there was growth in demand for smartphones, tablet computers and other mobile devices and demand for flat-panel televisions as consumers rushed to buy them as Japan started terrestrial digital television broadcasts. But sales of flat-panel televisions and other consumer electronics started falling in the summer of 2011 and impact of flooding in Thailand on production activity had an impact on the supply of electronic components and semiconductors. The operating was difficult throughout the fiscal year.

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." To increase the speed, flexibility and efficiency of the entire group, there were organizational changes that strengthened solidarity among group companies. In addition, new products were added, the product lineup was enlarged and other actions were taken.

Despite these initiatives, consolidated net sales decreased 3.3% to 229,856 million yen, operating income was down 39.6% to 2,067 million yen and ordinary income fell 28.6% to 2,569 million yen. A loss of 1,050 million yen for property and equipment and inventories was recorded in the third quarter in association with damage from flooding in Thailand. However, since there was insurance for this damage, there were insurance payments of 1,295 million yen in the fourth quarter. Including these items, net income was 914 million yen, down 48.3% from 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)

In Japan, the Great East Japan Earthquake and flooding in Thailand caused shortages of semiconductors and electronic components. But group companies secured procurement channels for these products and focused on increasing sales to current customers and enlarging sales channels for LED products and solar panels in the environmental business. Overseas, there were extensive sales activities that targeted Japanese companies and companies in China.

However, in Japan, there were declines in sales of electronic components and semiconductors as well as in EMS orders mainly because client manufactures reduced output in response to falling consumption after the Great East Japan Earthquake. Overseas, performance was impacted by lower output by client manufacturers because of flooding in Thailand. As a result, segment sales decreased 3.0% to 166,468 million yen. Operating income was down 30.3% to 2,021 million yen because of the lower gross profit margin caused primarily by the downturn in the EMS business.

\* 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)

Sales in this segment benefited from measures to increase sales of PCs, PC peripherals and other existing products and to add new products. In addition, orders for terrestrial digital TV broadcast tuners increased due to the July 2011 end of terrestrial TV broadcasts in Japan. However, there was a drop in sales of consumer electronics in Japan after the Great East Japan Earthquake and the supply of products sold by group companies fell because of flooding in Thailand. The result was a 2.7% decrease in segment sales to 49,360 million yen. The decline in sales, an addition to the allowance for doubtful accounts and other factors caused an operating loss of 533 million yen compared with a 67 million yen loss one year earlier.

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

In the software business, 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 the resulting delay in sales from these projects caused segment sales to fall 32.2% to 3,854 million yen and operating income to decrease 17.4% to 402 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. But in the fiscal year's second half, aggressive sales activities produced a recovery in orders associated with amusement devices and other products. As a result, sales increased 3.8% to 10,173 million yen and operating income was up 38.9% to 319 million yen.

In the fiscal year ending on March 31, 2013, the global economy is expected to be uncertain because of concerns about slowing U.S. economic growth, the European debt crisis, and declining economic growth rates in China and other emerging countries.

In Japan, there are expectations for an economic recovery along with growing public-works expenditures for earthquake reconstruction and upturns in exports and consumer spending. But the yen's prolonged strength and the electricity supply limitations caused by the shutdown of nuclear power plants pose problems. The European debt crisis and upcoming direction of the U.S. economy make the outlook for the Japanese economy even more difficult to determine.

In the electronics industry, more growth in demand is foreseen for smartphones and other tablet devices. But operating environment for the industry is expected to be challenging because of soft demand for consumer electronics, particularly flat-screen televisions.

In this environment, KAGA ELECTRONICS Group companies will work more closely together and use synergies to operate more efficiently. For business sectors, resources will be focused on automotive, communications and environmental products. In another step to improve efficiency, new products will be added and unprofitable businesses will be restructured.

Based on this outlook, the current forecast for the fiscal year ending on March 31, 2013 is net sales of 234,000 million yen, up 1.8%, operating income of 2,200 million yen, up 6.4%, ordinary income of 2,700 million yen, up 5.1%, and net income of 1,600 million yen, up 75.0%.

## (2) Overview of financial condition

### (a) Assets, liabilities and net assets

Assets increased 114 million yen from one year earlier to 114,714 million yen at the end of the fiscal year. The purchase of property, plant and equipment was mainly responsible for this increase.

Liabilities increased 690 million yen to 66,777 million yen mainly because of an increase in loans.

Net assets decreased 575 million yen to 47,936 million yen mainly because of an increase in retained earnings.

### (b) Cash flows

There was a net decrease of 2,100 million yen in cash and cash equivalents to 9,695 million yen at the end of the fiscal year. (Operating activities)

Net cash provided by operating activities was 958 million yen compared with 6,321 million yen one year earlier. A increase in notes and accounts receivable-trade was a major source of cash.

(Investing activities)

Net cash used in investing activities was 2,645 million yen compared with 6,369 million yen one year earlier. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 242 million yen. compared with 478 million yen provided in the previous fiscal year. Repayment of long-term loans payable was the primary source of cash.

## Cash flow index trends (for reference)

|  | Fiscal year ended March 2008 | Fiscal year ended March 2009 | Fiscal year ended March 2010 | Fiscal year ended March 2011 | Fiscal year ended March 2012 |
|--|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Shareholders' equity ratio                 | 40.0%                        | 40.7%                        | 41.1%                        | 40.9%                        | 40.5%                        |
| Shareholders' equity ratio at market value | 28.4%                        | 18.8%                        | 24.4%                        | 23.6%                        | 20.9%                        |
| Debt repayment multiple                    | 19.24 years                  | 2.38 years                   | 2.01 years                   | 2.12 years                   | 14.97 years                  |
| Interest coverage ratio                    | 4.8                          | 28.1                         | 43.6                         | 52.0                         | 6.6                          |

Shareholders' equity ratio is shareholders' equity divided by total assets.

Shareholders' equity ratio at market value is market capitalization divided by total assets.

Debt repayment multiple is interest-bearing debt divided by operating cash flows.

Interest coverage ratio is operating cash flows divided by interest expenses.

Notes:

1. All figures are calculated based on consolidated financial data.
2. Market capitalization uses the number of shares issued less treasury stock.
3. Cash flows are operating cash flows.
4. Interest-bearing debt is the sum of all liabilities on the balance sheet on which the Group is obligated to pay interest.

## (3) Fundamental policy for earnings allocations and dividends in the fiscal years 2011 and 2012

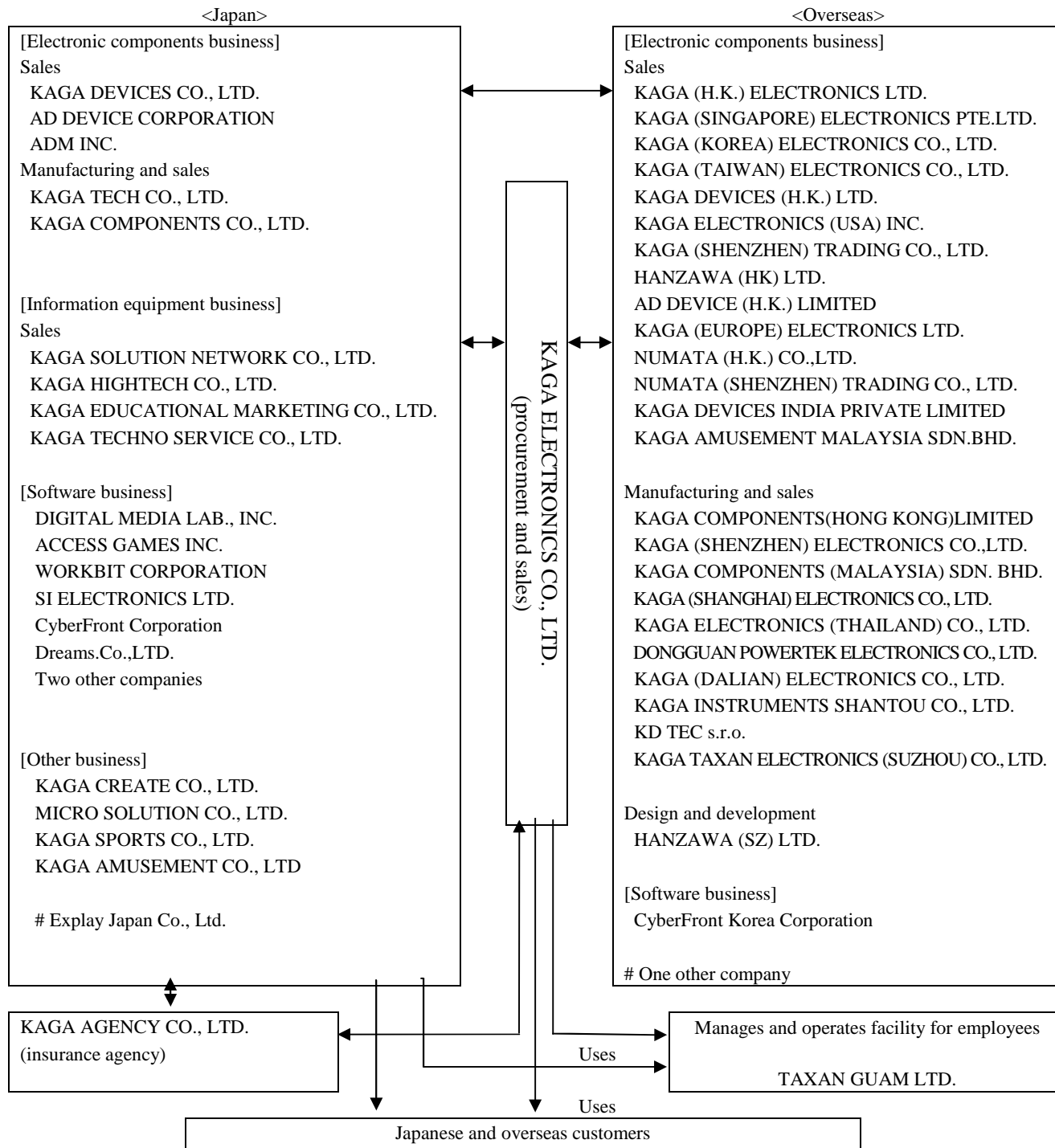
The Company's fundamental policy is to pay a steady and consistent dividend to shareholders that reflect consolidated performance as well as the need to establish a more powerful financial position and base of operations from a long-term stable perspective.

Based on performance in the fiscal year 2012, the Company plans to pay a year-end dividend of 15 yen per share. With the interim dividend of 15 yen per share, this will result in an annual dividend of 30 yen per share.

For the fiscal year ending on March 31, 2013, to show appreciation to shareholders for their support, a dividend per share of 30 yen, including an interim dividend of 15 yen, is planned.

## 2. Corporate Group

The KAGA ELECTRONICS group of companies (the Group) is made up of KAGA ELECTRONICS CO., LTD. (the Company), 49 consolidated subsidiaries (22 in Japan, 27 overseas) and 2 affiliates that are not accounted for using the equity method (1 in Japan, 1 overseas). These companies are engaged primarily in the following activities: the electronic components business, including the development, manufacture and sale of semiconductors and general electronic components and EMS (electronic manufacturing services); and the information equipment business, including the sale of personal computers and peripherals, photography and imaging products, and original-brand products; and the software business includes the production of computer graphics for animation, the planning and development of products for amusement devices, and other activities. Other businesses include repair and support services for electronic devices, the sale of sporting goods, and other activities.



(Notes) #: Affiliates that are not accounted for using the equity method.  
All other companies are consolidated subsidiaries.

(1) The following consolidated subsidiaries became our group company during the fiscal year that ended in March 2012.

| Name   | Address                | Capital   | Activities   | Voting rights held<br>%      | Relationship with the Company |                                  |                       | Leasing of facilities and equipment |
|--|------------------------|-----------|--|------------------------------|-------------------------------|----------------------------------|-----------------------|-------------------------------------|
|  |                        |           |  |                              | Joint directors<br>Persons    | Financial support<br>Million yen | Business relationship |                                     |
| [Electronic components business]<br>KAGA DEVICES INDIA PRIVATE LIMITED<br>(Note 6) | Bangalore, India       | 15 mn INR | Sales of electronic components and electronic devices  | 100.0<br>(Note 1)<br>(90.0)  | -                             | -                                | -                     | -                                   |
| KAGA AMUSEMENT MALAYSIA SDN.BHD.<br>(Note 7)                                       | Kuala Lumpur, Malaysia | 1mn MYR   | Sales of arcade game machines, consumables and maintenance parts;; leasing of video game machines, periodic maintenance service; and sales of equipment for amusement facilities | 100.0<br>(Note 1)<br>(100.0) | -                             | -                                | -                     | -                                   |

Notes:

- Figures in parentheses in the column showing voting rights of the subsidiary are the indirect percentages.
- On April 1, 2011, consolidated subsidiaries KAGA TECH CO., LTD. and OTSUKA ELECTRIC CO., LTD. merged with KAGA TECH CO., LTD. the surviving company.
- On April 1, 2011, CyberFront Corporation absorbed consolidated subsidiary DS Press Corporation.
- On April 1, 2011, KAGA DEVICES (H.K.) LTD. and NUMATA (H.K.) CO., LTD. were integrated with KAGA DEVICES (H.K.) LTD. the surviving company. On the same day, KAGA (SHENZHEN) TRADING CO., LTD., a consolidated subsidiary of KAGA DEVICES (H.K.) LTD., and NUMATA (SHENZHEN) TRADING CO., LTD., a consolidated subsidiary of NUMATA (H.K.) CO., LTD., were integrated with KAGA (SHENZHEN) TRADING CO., LTD. the surviving company. In addition, KAGA (H.K.) ELECTRONICS LTD. and HANZAWA (HK) LTD. merged with KAGA (H.K.) ELECTRONICS LTD. the surviving company. On the same day, KAGA (SHENZHEN) ELECTRONICS CO., LTD., a consolidated subsidiary of KAGA (H.K.) ELECTRONICS LTD., and HANZAWA (SZ) LTD., a consolidated subsidiary of HANZAWA (HK) LTD., were integrated with KAGA (SHENZHEN) ELECTRONICS CO., LTD. the surviving company.
- On May 10, 2011, GUANGZHOU KEIDENKI LTD., which was a consolidated subsidiary until the end of March 2012, was liquidated.
- On July 13, 2011, consolidated subsidiary KAGA DEVICES CO., LTD. established KAGA DEVICES INDIA PRIVATE LIMITED in India to start business operations in this country.
- On December 5, 2011, consolidated subsidiary KAGA AMUSEMENT CO., LTD. established KAGA AMUSEMENT MALAYSIA SDN. BHD. as a sales subsidiary in Malaysia to expand overseas operations.

### 3. Management Policies

#### (1) Fundamental management policy

Based on the management philosophy of “Everything we do, we do for our customers,” the KAGA ELECTRONICS Group is guided by the fundamental policy of “remaining a company that contributes to the happiness of all stakeholders, including shareholders, customers and employees, and fulfills its responsibilities to society.” The Group is dedicated to growing consistently by responding with speed and agility to globalization of the economy and the rapidly changing electronics industry. To accomplish this, the Group will expand its network in Japan and overseas and deepen ties among Group companies to enhance collective strengths. The Group also has a strong commitment to corporate social responsibility, positioning compliance and protecting the global environment as important elements of its operations.

Based on the above management philosophy and fundamental management policy, the companies of the KAGA ELECTRONICS Group, which are active primarily in the electronics industry, seek to improve their results of operations while cooperating with each other by doing business in a speedy manner that places the highest priority on rapid decision-making.

The key word is “F.Y.T.”

F = Flexibility (adapting adeptly to external changes)

Y = Young (staying young in thought and action)

T = Try (the spirit of always taking on challenges)

#### (2) Targeted performance indicators

As the electronics industry, where the Group is active, is expected to continue to grow, priority will continue to be placed on raising the rate of sales growth and improving the return on equity.

#### (3) Medium- and long-term management strategies

The rapid pace of change in the electronics industry is expected to continue. New products are appearing and existing products going out of date faster. Companies are moving production bases out of Japan faster, too. Amid these changes, more growth is foreseen for the electronics industry.

The Group has grown with KAGA ELECTRONICS, an independent electronics trading company, as its nucleus by working with a large number of suppliers and customers and handling a broad spectrum of products. The Group is distinguished by its ability to handle all aspects of the electronics business, from upstream to downstream, including product planning, development and processing (EMS). Backed by these distinctive strengths, the Group will work even more closely together to capture synergies with the goal of increasing sales and earnings while growing on a global scale.

The key word is “3G.”

General (covering everything)

Global (worldwide coverage)

Group (leveraging the collective power of the Group)

#### (4) Key issues

In the fiscal year that ended on March 31, 2012, in response to the discovery of improper transactions and accounting procedures at consolidated subsidiary KAGA HIGHTECH CO., LTD. (“KAGA HIGHTECH”), the KAGA ELECTRONICS Group established an Investigation Committee that included experts from outside the Group to determine all of the facts involving this incident.

This investigation showed that there was no involvement in the improper transactions and accounting procedures by KAGA HIGHTECH as an organization. Furthermore, no improper transactions and accounting procedures were discovered at other consolidated subsidiaries.

The Group has taken very seriously the recommendations for preventive measures that were submitted by the Investigation Committee. To prevent a reoccurrence of this type of incident, preventive measures will be implemented continuously as one of the highest management priorities. Furthermore, actions will be taken to ensure strict compliance with laws and regulations and to strengthen corporate governance.

Preventive measures are as follows.

##### 1) Rigorous implementation of internal controls and retraining programs at KAGA HIGHTECH

(a) All executives and employees of KAGA HIGHTECH will reconfirm and share knowledge about the risks associated with every business process and the purpose of internal control activities, including the details of procedures that must be followed. Retraining will place particular emphasis on the following two points.

- i. Strict implementation of deletions of individual entries when cross-checking for accounts receivable calculation errors for sales discounts.
- ii. Strict implementation of confirmations for consistency of internal checks and vouchers when approval is granted for posting a sales discount.

(b) Ensure that all executives and employees of KAGA HIGHTECH fully understand the contents and behavior associated with the improper transactions as well as the background. In addition, everyone will reconfirm their understanding in a concrete manner of the magnitude of the effect of the failure to implement internal controls on improper accounting procedures and on the reliability of information the Group discloses to the public. Retraining programs will be conducted as well. Training programs will thoroughly cover the following four points in particular.

- i. The process for determining discounts and prices with counterparties, processing discounts, managing receivables, handling mistaken calculations for receivables and handling returned products
- ii. The importance of performing accounting procedures in a timely and appropriate manner



- iii. Internal training about the importance of quick consultations and reports when strange transactions or behavior is discovered.
  - iv. Education to make people aware of the extremely grave consequences for themselves if they engage in improper behavior
- 2) Make internal controls even stronger and more effective
- (a) Study and implement periodic personnel changes and job rotations at KAGA HIGHTECH as well as measures for the suitable transfer of tasks to individuals newly assigned to a post.
  - (b) Study and implement the greater use of IT and data systems at KAGA HIGHTECH to prevent salespeople from using e-mail or other means to handle discount consultations or requests on their own and to ensure the accurate processing of business tasks that take place mainly at the end and beginning of each month.
  - (c) In addition to the “Report Box” on the intranet that serves as an internal reporting system, allow employees to submit reports by postal mail and other channels. Strengthen the reporting system while continuing to protect the identities of individuals who provide information. Make everyone at the Group aware of these measures.
  - (d) To reinforce the ability of KAGA ELECTRONICS CO., LTD. to supervise and support the operations of subsidiaries, determine and verify the status of operations at subsidiaries, perform risk analysis for subsidiaries and then study and implement measures that are needed.

The KAGA ELECTRONICS Group is determined to continue growing while adhering to its fundamental management policy. Based on the “F.Y.T.” and “3G” management policies explained earlier as well as on the reinforcement of compliance, the Group’s management will be strengthened with the aim of increasing enterprise value while preserving strong relationships with all stakeholders.

Additionally, the Group conducts reorganizations whenever needed in order to respond rapidly to changes in market conditions and customer needs. Another goal is enhancing the ability to gather information quickly. At the same time, the Group aims to capture more synergies by building stronger ties among Group companies and fostering more collaboration and mutual assistance within the Group, thereby expanding operations and improving efficiency.

Based on the following environmental policy, all members of the Group are working together to build a framework that can tackle environmental issues from many perspectives. (ISO14001 certification was received on November 15, 2002.)

(Environmental Policy)

Always looking ahead to the future of electronics, the KAGA ELECTRONICS Group is dedicated to meeting the needs of customers while protecting the Earth in order to preserve the improve the natural environment.

At present, the Group is concentrating on the following issues:

- (a) Updating and establishing group oversight systems to improve operating efficiency
  - (b) Strengthening relationships, collaboration and mutual assistance among Group companies to realize greater synergies
  - (c) Reinforcing operations overseas and expanding the global network
  - (d) Upgrading technological skills and improving the ability to gather information with speed
  - (e) Revitalizing underperforming subsidiaries
  - (f) Tackling environmental problems
  - (g) Thorough operation of internal control systems
- (5) Other important items concerning management  
Not applicable

#### 4. Consolidated Financial Statements

##### (1) Balance sheet

(million yen)

|  | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|--|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>                          |                                   |                                   |
| Current assets                         |                                   |                                   |
| Cash and cash equivalents              | 11,926                            | 9,775                             |
| Notes and accounts receivable-trade    | 54,025                            | 55,979                            |
| Marketable securities                  | 71                                | 74                                |
| Merchandise and furnished goods        | 15,775                            | 17,104                            |
| Goods in progress                      | 555                               | 334                               |
| Raw materials and other supplies       | 3,189                             | 4,115                             |
| Deferred tax assets                    | 1,029                             | 861                               |
| Others                                 | 6,399                             | 6,272                             |
| Allowance for doubtful receivables     | (182)                             | (144)                             |
| Total current assets                   | 92,789                            | 94,374                            |
| Fixed assets                           |                                   |                                   |
| Property, plant and equipment          |                                   |                                   |
| Buildings and structures               | 4,132                             | 4,818                             |
| Accumulated depreciation               | (1,637)                           | (1,872)                           |
| Buildings and structures, net          | 2,494                             | 2,945                             |
| Machinery, equipment and vehicles      | 3,787                             | 3,408                             |
| Accumulated depreciation               | (2,186)                           | (1,916)                           |
| Machinery, equipment and vehicles, net | 1,601                             | 1,492                             |
| Tools, furniture and fixtures          | 3,889                             | 3,752                             |
| Accumulated depreciation               | (2,872)                           | (2,826)                           |
| Tools, furniture and fixtures, net     | 1,016                             | 926                               |
| Land                                   | 4,099                             | 4,077                             |
| Construction in progress               | 511                               | 45                                |
| Total property, plant and equipment    | 9,724                             | 9,487                             |
| Intangible assets                      |                                   |                                   |
| Goodwill                               | 464                               | 253                               |
| Software                               | 790                               | 800                               |
| Others                                 | 1,344                             | 1,191                             |
| Total intangible assets                | 2,599                             | 2,245                             |
| Investments and other assets           |                                   |                                   |
| Investment securities                  | 4,493                             | 4,032                             |
| Deferred tax assets                    | 619                               | 341                               |
| Security deposits                      | 2,359                             | 2,068                             |
| Insurance reserve                      | 1,129                             | 1,384                             |
| Others                                 | 2,511                             | 2,458                             |
| Allowance for doubtful receivables     | (1,627)                           | (1,678)                           |
| Total investments and other assets     | 9,485                             | 8,607                             |
| Total fixed assets                     | 21,810                            | 20,340                            |
| Total assets                           | 114,599                           | 114,714                           |

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| <b>LIABILITIES</b>                                      |                                   |                                   |
| Current liabilities                                     |                                   |                                   |
| Notes and accounts payable-trade                        | 40,790                            | 41,748                            |
| Short-term bank loans                                   | 8,505                             | 11,084                            |
| Lease obligations                                       | -                                 | 75                                |
| Accrued expenses  | 2,547                             | 2,443                             |
| Income taxes payable                                    | 1,511                             | 1,082                             |
| Provision for directors' bonuses                        | 138                               | 52                                |
| Others  | 3,494                             | 2,986                             |
| Total current liabilities                               | 56,987                            | 59,474                            |
| Long-term liabilities                                   |                                   |                                   |
| Long-term bank loans                                    | 4,636                             | 2,833                             |
| Lease obligations                                       | -                                 | 326                               |
| Deferred tax liabilities                                | 350                               | 228                               |
| Provision for retirement benefits                       | 1,556                             | 1,579                             |
| Provision for directors' retirement benefits            | 1,294                             | 1,399                             |
| Asset retirement obligations                            | 226                               | 245                               |
| Others  | 1,034                             | 691                               |
| Total long-term liabilities                             | 9,099                             | 7,303                             |
| Total liabilities                                       | 66,087                            | 66,777                            |
| <b>NET ASSETS</b>                                       |                                   |                                   |
| Shareholder's equity                                    |                                   |                                   |
| Paid-in capital   | 12,133                            | 12,133                            |
| Capital surplus   | 13,912                            | 13,912                            |
| Retained earnings                                       | 24,952                            | 25,038                            |
| Treasury stock  | (1,332)                           | (1,333)                           |
| Total shareholder's equity                              | 49,665                            | 49,751                            |
| Valuation and translation adjustments                   |                                   |                                   |
| Valuation differences on available-for-sales securities | (246)                             | (653)                             |
| Deferred gains or losses on hedges                      | 0                                 | (24)                              |
| Foreign currency translation adjustments                | (2,571)                           | (2,663)                           |
| Total valuation and translation adjustments             | (2,817)                           | (3,341)                           |
| Subscription rights to shares                           | 0                                 | 0                                 |
| Minority interests                                      | 1,664                             | 1,526                             |
| Total net assets  | 48,512                            | 47,936                            |
| Total liabilities and net assets                        | 114,599                           | 114,714                           |

## (2) Statements of income

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| Net sales   | 237,811                           | 229,856                           |
| Cost of sales   | 207,298                           | 201,350                           |
| Gross profit  | 30,512                            | 28,506                            |
| Selling, general and administrative expenses  | 27,089                            | 26,438                            |
| Operating income  | 3,423                             | 2,067                             |
| Non-operating income  |                                   |                                   |
| Interest income   | 70                                | 59                                |
| Dividend income   | 67                                | 67                                |
| Commission income   | 208                               | 205                               |
| Amortization of negative goodwill   | 77                                | 90                                |
| House rent income   | 114                               | 107                               |
| Others  | 337                               | 318                               |
| Total non-operating income  | 876                               | 850                               |
| Non-operating expenses  |                                   |                                   |
| Interest expense  | 113                               | 145                               |
| Foreign exchange losses   | 488                               | 80                                |
| Others  | 99                                | 121                               |
| Total non-operating expenses  | 701                               | 348                               |
| Ordinary income   | 3,598                             | 2,569                             |
| Extraordinary income  |                                   |                                   |
| Gain on sales of fixed assets   | 21                                | 17                                |
| Gain on sales of investment securities  | 12                                | 255                               |
| Compensation income   | 140                               | -                                 |
| Gain on adjustment of foreign currency translation<br>adjustment by liquidation of affiliates | 101                               | -                                 |
| Insurance income  | -                                 | 1,295                             |
| Others  | -                                 | 0                                 |
| Total extraordinary income  | 275                               | 1,567                             |
| Extraordinary losses  |                                   |                                   |
| Loss on retirement of fixed assets  | 14                                | 42                                |
| Loss on revaluation of investment securities  | 383                               | 23                                |
| Loss on impairment of fixed assets  | 0                                 | 69                                |
| Loss on adjustment for changes of accounting standard<br>for asset retirement obligations     | 38                                | -                                 |
| Loss on disaster  | -                                 | 1,044                             |
| Others  | 213                               | 154                               |
| Total extraordinary losses  | 651                               | 1,334                             |
| Income before income taxes and minority interests   | 3,223                             | 2,802                             |
| Income, inhabitants and enterprise taxes  | 2,026                             | 1,784                             |
| Income tax adjustment   | (563)                             | 95                                |
| Total taxes   | 1,462                             | 1,879                             |
| Income before minority interests  | 1,760                             | 922                               |
| Minority interests in income (loss)   | (7)                               | 8                                 |
| Net income (loss)   | 1,768                             | 914                               |

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| Minority interests in Gain(loss)                          | (7)                               | 8                                 |
| Income before minority interests                          | 1,760                             | 922                               |
| Other comprehensive income                                |                                   |                                   |
| Valuation difference on available-for-sale securities     | (55)                              | (408)                             |
| Deferred gains or losses on hedges                        | (9)                               | (25)                              |
| Foreign currency translation adjustment                   | (874)                             | (91)                              |
| Total other comprehensive income                          | (938)                             | (525)                             |
| Comprehensive income                                      | 821                               | 397                               |
| Comprehensive income attributable to owners of the parent | 835                               | 390                               |
| Comprehensive income attributable to minority interests   | (13)                              | 6                                 |

## (3) Statement of changes in consolidated shareholders' equity

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| <b>Shareholders' equity</b>                 |                                   |                                   |
| <b>Paid-in capital</b>                      |                                   |                                   |
| Balance at the beginning of previous period | 12,133                            | 12,133                            |
| Changes of items during the period          |                                   |                                   |
| Total changes of items during the period    | -                                 | -                                 |
| Balance at the end of current period        | 12,133                            | 12,133                            |
| <b>Capital surplus</b>                      |                                   |                                   |
| Balance at the beginning of previous period | 13,912                            | 13,912                            |
| Changes during the period                   |                                   |                                   |
| Disposal of treasury stock                  | (0)                               | -                                 |
| Total changes during the period             | (0)                               | -                                 |
| Balance at the end of current period        | 13,912                            | 13,912                            |
| <b>Retained earnings</b>                    |                                   |                                   |
| Balance at the beginning of previous period | 24,012                            | 24,952                            |
| Changes during the period                   |                                   |                                   |
| Dividends paid                              | (827)                             | (827)                             |
| Net income (loss)                           | 1,768                             | 914                               |
| Total changes during the period             | 940                               | 86                                |
| Balance at the end of current period        | 24,952                            | 25,038                            |
| <b>Treasury stock</b>                       |                                   |                                   |
| Balance at the beginning of previous period | (1,332)                           | (1,332)                           |
| Changes during the period                   |                                   |                                   |
| Acquisition of treasury stock               | (0)                               | (0)                               |
| Disposal of treasury stock                  | 0                                 | -                                 |
| Total changes during the period             | (0)                               | (0)                               |
| Balance at the end of current period        | (1,332)                           | (1,333)                           |
| <b>Total Shareholders' equity</b>           |                                   |                                   |
| Balance at the beginning of previous period | 48,726                            | 49,665                            |
| Changes during the period                   |                                   |                                   |
| Dividends paid                              | (827)                             | (827)                             |
| Net income (loss)                           | 1,768                             | 914                               |
| Acquisition of treasury stock               | (0)                               | (0)                               |
| Disposal of treasury stock                  | 0                                 | -                                 |
| Total changes during the period             | 939                               | 85                                |
| Balance at the end of current period        | 49,665                            | 49,751                            |

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| Valuation and translation adjustments                 |                                   |                                   |
| Valuation difference on available-for-sale securities |                                   |                                   |
| Balance at the beginning of previous period           | (195)                             | (246)                             |
| Changes during the period                             |                                   |                                   |
| Net changes of items other than shareholders' equity  | (51)                              | (406)                             |
| Total changes during the period                       | (51)                              | (406)                             |
| Balance at the end of current period                  | (246)                             | (653)                             |
| Deferred gains or losses on hedges                    |                                   |                                   |
| Balance at the beginning of previous period           | 8                                 | 0                                 |
| Changes during the period                             |                                   |                                   |
| Net changes of items other than shareholders' equity  | (8)                               | (25)                              |
| Total changes during the period                       | (8)                               | (25)                              |
| Balance at the beginning of current period            | 0                                 | (24)                              |
| Foreign currency translation adjustments              |                                   |                                   |
| Balance at the beginning of previous period           | (1,697)                           | (2,571)                           |
| Changes during the period                             |                                   |                                   |
| Net changes of items other than shareholders' equity  | (873)                             | (92)                              |
| Total changes during the period                       | (873)                             | (92)                              |
| Balance at the end of current period                  | (2,571)                           | (2,663)                           |
| Total valuation and translation adjustments           |                                   |                                   |
| Balance at the beginning of previous period           | (1,884)                           | (2,817)                           |
| Changes during the period                             |                                   |                                   |
| Net changes of items other than shareholders' equity  | (933)                             | (523)                             |
| Total changes during the period                       | (933)                             | (523)                             |
| Balance at the end of current period                  | (2,817)                           | (3,341)                           |
| Subscription rights to shares                         |                                   |                                   |
| Balance at the beginning of previous period           | -                                 | 0                                 |
| Changes during the period                             |                                   |                                   |
| Net changes of items other than shareholders' equity  | 0                                 | -                                 |
| Total changes during the period                       | 0                                 | -                                 |
| Balance at the end of current period                  | 0                                 | 0                                 |
| Minority interests                                    |                                   |                                   |
| Balance at the beginning of previous period           | 1,711                             | 1,664                             |
| Changes beginning the period                          |                                   |                                   |
| Net changes of items other than shareholders' equity  | (47)                              | (138)                             |
| Total changes during the period                       | (47)                              | (138)                             |
| Balance at the end of current period                  | 1,664                             | 1,526                             |
| Total net assets                                      |                                   |                                   |
| Balance at the beginning of previous period           | 48,553                            | 48,512                            |
| Changes beginning the period                          |                                   |                                   |
| Dividends paid  | (827)                             | (827)                             |
| Net income (loss)                                     | 1,768                             | 914                               |
| Acquisition of treasury stock                         | (0)                               | (0)                               |
| Disposal of treasury stock                            | 0                                 | -                                 |
| Net changes of items other than shareholders' equity  | (980)                             | (661)                             |
| Total changes during the period                       | 40                                | (575)                             |
| Balance at the end of current period                  | 48,512                            | 47,936                            |

## (4) Statements of cash flows

(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| Operating activities  |                                   |                                   |
| Income before income taxes and minority interest                    | 3,223                             | 2,802                             |
| Depreciation and amortization                                       | 2,242                             | 2,181                             |
| Loss on impairment of fixed assets                                  | 0                                 | 69                                |
| Amortization of goodwill  | 192                               | 87                                |
| Increase (decrease) in provision for retirement benefits            | 99                                | 24                                |
| Increase (decrease) in provision for directors' retirement benefits | 72                                | 104                               |
| Increase (decrease) in provision for directors' bonuses             | 121                               | (86)                              |
| Increase (decrease) in allowance for doubtful receivable            | 259                               | 107                               |
| Interest and dividend income  | (138)                             | (127)                             |
| Interest expenses   | 115                               | 146                               |
| Loss (gain) on sales of property, plant and equipment               | (14)                              | (15)                              |
| Loss on retirement of fixed assets                                  | 14                                | 42                                |
| Loss (gain) on sales of investment securities                       | 2                                 | (233)                             |
| Loss (gain) on revaluation of investment securities                 | 383                               | 23                                |
| Decrease (increase) in notes and accounts receivable–trade          | 4,910                             | (2,561)                           |
| Decrease (increase) in inventories                                  | (1,378)                           | (2,522)                           |
| Increase (decrease) in notes and accounts payable–trade             | (2,683)                           | 1,235                             |
| Decrease (increase) in accounts receivable–other                    | 262                               | 1,734                             |
| Increase (decrease) in accrued expenses                             | 454                               | (144)                             |
| Decrease (increase) in advance payments                             | 88                                | (123)                             |
| Decrease (increase) in consumption taxes refund receivable          | (15)                              | (257)                             |
| Decrease (increase) in other current assets                         | 104                               | 65                                |
| Increase (decrease) in other current liabilities                    | 69                                | 26                                |
| Others  | (220)                             | (124)                             |
| Sub-total   | 8,164                             | 2,456                             |
| Interests and dividend received                                     | 151                               | 123                               |
| Interests paid  | (121)                             | (145)                             |
| Income taxes–paid   | (1,591)                           | (2,230)                           |
| Others  | (281)                             | 755                               |
| Net cash provided by (used in) operating activities                 | 6,321                             | 958                               |



(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>( As of March 31, 2012) |
|---|-----------------------------------|------------------------------------|
| Investing activities  |                                   |                                    |
| Payments into time deposits   | (112)                             | -                                  |
| Purchase of property, plant and equipment   | (4,875)                           | (2,274)                            |
| Proceeds from sales of property, plant and equipment  | 71                                | 39                                 |
| Purchase of intangible assets   | (1,013)                           | (637)                              |
| Purchase of investment securities   | (646)                             | (88)                               |
| Proceeds from sales of investment securities  | 281                               | 558                                |
| Payment from acquisition of securities of subsidiaries, which changed the scope of consolidation  | -                                 | (21)                               |
| Payment for acquisition of securities of subsidiaries, which changed the scope of consolidation   | (227)                             | -                                  |
| Proceeds from acquisition of securities of subsidiaries, which changed the scope of consolidation | 64                                | -                                  |
| Payments of short-term loans receivable   | (143)                             | (1)                                |
| Collection of short-term loans receivable   | 125                               | 9                                  |
| Payments of long-term loans receivable  | (5)                               | -                                  |
| Purchase of insurance funds   | (107)                             | (298)                              |
| Proceeds from cancellation of insurance funds   | 35                                | 27                                 |
| Payments for guarantee deposits   | (23)                              | (77)                               |
| Proceeds from collection of guarantee deposits  | 150                               | 77                                 |
| Other payments  | (79)                              | (76)                               |
| Other proceeds  | 137                               | 117                                |
| Net cash provided by (used in) investing activities   | <u>(6,369)</u>                    | <u>(2,645)</u>                     |
| Financing activities  |                                   |                                    |
| Increase (decrease) in short-term loans payable   | (1,154)                           | 2,607                              |
| Proceeds from long-term loans payable   | 4,011                             | 1                                  |
| Repayment of long-term loans payable  | (1,463)                           | (1,828)                            |
| Purchase of treasury stock  | (0)                               | (0)                                |
| Cash dividends paid   | (831)                             | (828)                              |
| Cash dividends paid to minority shareholders  | (34)                              | (103)                              |
| Others  | (49)                              | (89)                               |
| Net cash provided by (used in) financing activities   | <u>478</u>                        | <u>(242)</u>                       |
| Effect of exchange rate changes on cash and cash equivalents                                      | <u>(431)</u>                      | <u>(171)</u>                       |
| Increase (decrease) in cash and cash equivalents  | <u>(1)</u>                        | <u>(2,100)</u>                     |
| Cash and cash equivalents, beginning of period  | <u>11,797</u>                     | <u>11,796</u>                      |
| Cash and cash equivalents, end of period  | <u>11,796</u>                     | <u>9,695</u>                       |

(5) Notes to ongoing concern assumptions

None

(6) Significant changes in basis of presenting the consolidated financial statements

None

## (7) Notes to consolidated financial statements

(Segment information etc.)

**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. The accounting method used for reporting business segments is generally the same as the method explained in “Basis of presenting the consolidated financial statements.”

## 3. Information concerning sales, earnings or losses, assets, liabilities and other items for individual reporting segments

For the previous fiscal year ended March 2011 (April 1, 2010 – March 31, 2011)

(million yen)

|  | Reporting segments       |                          |          |        |         | Adjustments<br>*1 | Amount in the<br>consolidated<br>statement of income<br>*2 |
|--|--------------------------|--------------------------|----------|--------|---------|-------------------|--|
|  | Electronic<br>components | Information<br>equipment | Software | Others | Total   |                   |  |
| Net sales<br>of which to outside<br>customers                            | 171,576                  | 50,745                   | 5,687    | 9,801  | 237,811 | -                 | 237,811  |
| of which inter-<br>segment   | 1,342                    | 778                      | 2,418    | 3,159  | 7,698   | (7,698)           | -  |
| Total  | 172,919                  | 51,523                   | 8,105    | 12,961 | 245,509 | (7,698)           | 237,811  |
| Segment income<br>(loss)   | 2,901                    | (67)                     | 487      | 230    | 3,551   | (128)             | 3,423  |
| Segment assets   | 97,210                   | 15,668                   | 6,043    | 5,390  | 124,312 | (9,713)           | 114,599  |
| Others   |                          |                          |          |        |         |                   |  |
| Depreciation and<br>amortization   | 970                      | 142                      | 407      | 43     | 1,563   | (8)               | 1,554  |
| Increase in<br>property, plant and<br>equipment and<br>intangible assets | 4,336                    | 192                      | 636      | 724    | 5,889   | -                 | 5,889  |

For the current fiscal year ended March 2012 (April 1, 2011 – March 31, 2012)

(million yen)

|   | Reporting segments    |                       |          |        | Total   | Adjustments | Amount in the consolidated statement of income |
|---|-----------------------|-----------------------|----------|--------|---------|-------------|--|
|   | Electronic components | Information equipment | Software | Others |         |             |  |
| Net sales   |                       |                       |          |        |         |             |  |
| of which to outside customers                                   | 166,468               | 49,360                | 3,854    | 10,173 | 229,856 | -           | 229,856  |
| of which inter-segment  | 1,625                 | 798                   | 3,453    | 2,551  | 8,429   | (8,429)     | -  |
| Total   | 168,094               | 50,159                | 7,308    | 12,724 | 238,286 | (8,429)     | 229,856  |
| Segment income (loss)   | 2,021                 | (533)                 | 402      | 319    | 2,210   | (142)       | 2,067  |
| Segment assets  | 104,294               | 14,411                | 4,569    | 6,751  | 130,025 | (15,311)    | 114,714  |
| Others  |                       |                       |          |        |         |             |  |
| Depreciation and amortization                                   | 924                   | 133                   | 361      | 121    | 1,541   | (5)         | 1,536  |
| Increase in property, plant and equipment and intangible assets | 1,306                 | 86                    | 388      | 1,155  | 2,937   | -           | 2,937  |

Notes:

- For assets, eliminations or corporate in the fiscal year that ended in March 2011 include corporate assets of 2,407 million yen that consist primarily of short-term investments (cash and securities, etc.) at the Company. In addition, eliminations or corporate in the fiscal year that ended in March 2012 include corporate assets of 2,684 million yen that consist primarily of short-term investments (cash and securities, etc.) at the Company.
- The adjustment for segment operating income is as follows
  - Segment income

(million yen)

|                                    | Fiscal year ended March 2011 | Fiscal year ended March 2012 |
|------------------------------------|------------------------------|------------------------------|
| Elimination of inter-segment trade | 13                           | (62)                         |
| Amortization of goodwill           | (141)                        | (79)                         |
| Total                              | (128)                        | (142)                        |

- Segment assets

(million yen)

|                                    | Fiscal year ended March 2011 | Fiscal year ended March 2012 |
|------------------------------------|------------------------------|------------------------------|
| Elimination of inter-segment trade | (12,120)                     | (17,995)                     |
| Corporate *                        | 2,407                        | 2,684                        |
| Total                              | (9,713)                      | (15,311)                     |

\* Major component of corporate assets is investment of idle assets (cash and investment securities).

- Depreciation and amortization

(million yen)

|                                    | Fiscal year ended March 2011 | Fiscal year ended March 2012 |
|------------------------------------|------------------------------|------------------------------|
| Elimination of inter-segment trade | (8)                          | (5)                          |
| Total                              | (8)                          | (5)                          |

**Associated information**

For the previous fiscal year ended March 2011 (April 1, 2010 – March 31, 2011)

## 1. Information about individual products and services

This information is omitted because the same information is presented on Segment Information..

## 2. Geographic information

## (1) Net sales

(million yen)

| Japan   | North America | Europe | East Asia | Total   |
|---------|---------------|--------|-----------|---------|
| 170,998 | 2,182         | 5,293  | 59,336    | 237,811 |

## (2) Property, plant and equipment

(million yen)

| Japan | North America | Europe | East Asia | Total |
|-------|---------------|--------|-----------|-------|
| 7,534 | 36            | 83     | 2,068     | 9,724 |

## 3. Information by major customers

Information by major customers is not presented because outside sales for major customers accounted for less than 10% of operating revenue on the consolidated statements of income.

For the current fiscal year ended March 2012 (April 1, 2011 – March 31, 2012)

## 1. Information about individual products and services

This information is not presented because .KAGA ELECTRONICS Group prepares reports in accordance with a management approach based on individual products and services.

## 2. Geographic information

## (1) Net sales

(million yen)

| Japan   | North America | Europe | East Asia | Total   |
|---------|---------------|--------|-----------|---------|
| 164,532 | 2,394         | 4,241  | 58,687    | 229,856 |

Note: Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan.

## (2) Property, plant and equipment

(million yen)

| Japan | North America | Europe | East Asia | Total |
|-------|---------------|--------|-----------|-------|
| 7,357 | 33            | 74     | 2,021     | 9,487 |

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

(Per-share information)

(yen)

| Item                        | FY 2011<br>(For the year ended March 31, 2011)  | FY 2012<br>(For the year ended March 31, 2012)   |
|-----------------------------|---|--|
| Net assets per share        | 1,697.55  | 1,681.73   |
| Net income (loss) per share | 64.07<br>Net income per share (diluted) is not presented, since it is net loss and there is no potential stock. | 33.13<br>Net income per share (diluted) is not presented, since there is no potential stock which has dilution effect. |

Note: The basis for calculating net income (loss) per share is as follows.

|  | FY 2011<br>(For the year ended March 31,<br>2011)   | FY 2012<br>(For the year ended March 31,<br>2012)   |
|--|---|---|
| Net income per share   |   |   |
| Net income (million yen)   | 1,768   | 914   |
| Net income not available to common shareholders (million yen)  | -   | -   |
| Net income available to common shareholders (million yen)  | 1,768   | 914   |
| Weighted average number of shares outstanding  | 27,597,906  | 27,597,270  |
| Outline of potential stock which does not have dilution effect and has not been included in net income per share | Number of classes of subscription rights to shares for consolidated companies : 4<br>(Number of rights: 4060) | Number of classes of subscription rights to shares for consolidated companies : 4<br>(Number of rights: 4060) |

(Subsequent events)

None

## 5. Non-consolidated Financial Statements

### (1) Balance sheets

(million yen)

|  | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|--|-----------------------------------|-----------------------------------|
| <b>ASSETS</b>                              |                                   |                                   |
| Current assets                             |                                   |                                   |
| Cash and cash equivalents                  | 6,442                             | 4,954                             |
| Notes receivable-trade                     | 3,191                             | 3,055                             |
| Accounts receivable-trade                  | 22,927                            | 26,682                            |
| Marketable securities                      | 71                                | 74                                |
| Merchandise                                | 4,039                             | 5,698                             |
| Goods in progress                          | 132                               | 77                                |
| Supplies                                   | 25                                | 29                                |
| Advance payments-trade                     | 1,131                             | 994                               |
| Prepaid expenses                           | 202                               | 206                               |
| Deferred tax assets                        | 667                               | 460                               |
| Short-term loans                           | 131                               | 33                                |
| Short-term loans to affiliates             | 14,103                            | 15,851                            |
| Accounts receivable-other                  | 2,828                             | 3,317                             |
| Consumption taxes receivable               | 199                               | 321                               |
| Others                                     | 16                                | 41                                |
| Allowance for doubtful receivables         | (3,480)                           | (4,555)                           |
| <b>Total current assets</b>                | <b>52,631</b>                     | <b>57,243</b>                     |
| Fixed assets                               |                                   |                                   |
| Property, plant and equipment              |                                   |                                   |
| Buildings                                  | 830                               | 839                               |
| Accumulated depreciation                   | (424)                             | (531)                             |
| <b>Buildings, net</b>                      | <b>406</b>                        | <b>308</b>                        |
| Structures                                 | 71                                | 71                                |
| Accumulated depreciation                   | (30)                              | (36)                              |
| <b>Structures, net</b>                     | <b>40</b>                         | <b>35</b>                         |
| Vehicles                                   | 150                               | 128                               |
| Accumulated depreciation                   | (126)                             | (113)                             |
| <b>Vehicles, net</b>                       | <b>23</b>                         | <b>14</b>                         |
| Tools, furniture and fixtures              | 794                               | 853                               |
| Accumulated depreciation                   | (517)                             | (659)                             |
| <b>Tools, furniture and fixtures, net</b>  | <b>277</b>                        | <b>194</b>                        |
| Land                                       | 2,964                             | 2,964                             |
| Lease assets                               | -                                 | 218                               |
| Accumulated depreciation                   | -                                 | (41)                              |
| <b>Lease assets, net</b>                   | <b>-</b>                          | <b>177</b>                        |
| Construction in progress                   | 4                                 | 45                                |
| <b>Total property, plant and equipment</b> | <b>3,716</b>                      | <b>3,740</b>                      |
| Intangible assets                          |                                   |                                   |
| Trade mark rights                          | 13                                | 12                                |
| Software                                   | 229                               | 228                               |
| Telephone rights                           | 26                                | 26                                |
| Others                                     | 259                               | 164                               |
| <b>Total intangible assets</b>             | <b>529</b>                        | <b>431</b>                        |

(million yen)

|  | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|--|-----------------------------------|-----------------------------------|
| Investments and other assets   |                                   |                                   |
| Investment securities  | 3,897                             | 3,533                             |
| Affiliate stock  | 7,581                             | 7,357                             |
| Contribution to capital  | 80                                | 57                                |
| Contribution to affiliate capital  | 8                                 | 6                                 |
| Long-term loans  | 213                               | 76                                |
| Long-term loans to affiliates  | 2,693                             | 2,222                             |
| Long-term prepaid expenses   | 49                                | 80                                |
| Claims provable in bankruptcy, claims provable in rehabilitation and other | 267                               | 555                               |
| Deferred tax assets  | 1,001                             | 839                               |
| Guarantee deposits   | 1,009                             | 956                               |
| Insurance reserve  | 1,066                             | 1,344                             |
| Golf memberships   | 396                               | 380                               |
| Allowance for doubtful receivables   | (3,021)                           | (2,253)                           |
| Allowance for loss on investment   | (268)                             | (1,085)                           |
| Total investments and other assets   | 14,973                            | 14,070                            |
| Total fixed assets   | 19,219                            | 18,242                            |
| Total assets   | 71,850                            | 75,486                            |
| LIABILITIES  |                                   |                                   |
| Current liabilities  |                                   |                                   |
| Notes payable-trade  | 2,473                             | 2,440                             |
| Accounts payable-trade   | 16,733                            | 19,079                            |
| Short-term bank loans  | 4,659                             | 7,419                             |
| Short-term loans from affiliates   | 2,553                             | 1,672                             |
| Current portion of long-term debt  | 1,761                             | 1,761                             |
| Lease obligations  | -                                 | 19                                |
| Accounts payable-other   | 254                               | 222                               |
| Accrued expenses   | 973                               | 1,014                             |
| Income taxes payable   | 576                               | 191                               |
| Advances received  | 1,246                             | 1,142                             |
| Deposits received  | 54                                | 56                                |
| Provision for directors' bonuses   | 120                               | 40                                |
| Others   | 26                                | 23                                |
| Total current liabilities  | 31,433                            | 35,083                            |
| Long-term liabilities  |                                   |                                   |
| Long-term bank loans   | 4,548                             | 2,787                             |
| Lease obligations  | -                                 | 190                               |
| Allowance for retirement benefits for employees                            | 457                               | 462                               |
| Allowance for retirement benefits for directors and corporate auditors     | 1,094                             | 1,157                             |
| Asset retirement obligations   | 188                               | 190                               |
| Others   | 203                               | 235                               |
| Total long-term liabilities  | 6,493                             | 5,024                             |
| Total liabilities  | 37,926                            | 40,107                            |



(million yen)

|   | FY 2011<br>(As of March 31, 2011) | FY 2012<br>(As of March 31, 2012) |
|---|-----------------------------------|-----------------------------------|
| NET ASSETS  |                                   |                                   |
| Shareholder's equity                                    |                                   |                                   |
| Paid-in capital   | 12,133                            | 12,133                            |
| Capital surplus   |                                   |                                   |
| Legal capital surplus                                   | 13,912                            | 13,912                            |
| Other capital surplus                                   | -                                 | -                                 |
| Total capital surplus                                   | 13,912                            | 13,912                            |
| Retained earnings                                       |                                   |                                   |
| Legal retained earnings                                 | 618                               | 618                               |
| Other retained earnings                                 |                                   |                                   |
| General reserve   | 7,000                             | 7,000                             |
| Retained earnings brought forward                       | 1,802                             | 3,620                             |
| Total retained earnings                                 | 9,420                             | 11,239                            |
| Treasury stock  | (1,332)                           | (1,333)                           |
| Total shareholder's equity                              | 34,134                            | 35,952                            |
| Valuation and translation adjustments                   |                                   |                                   |
| Valuation differences on available-for-sales securities | (208)                             | (560)                             |
| Deferred gains or losses on hedges                      | (1)                               | (12)                              |
| Total valuation and translation adjustments             | (209)                             | (573)                             |
| Total net assets  | 33,924                            | 35,378                            |
| Total liabilities and net assets                        | 71,850                            | 75,486                            |

## (2) Statements of income

(million yen)

|   | FY 2011<br>(Fiscal year ended Mar. 31, 2011) | FY 2012<br>(Fiscal year ended Mar. 31, 2012) |
|---|--|--|
| Net sales   | 95,194                                       | 95,163                                       |
| Cost of sales                                     |  |  |
| Beginning goods                                   | 4,399  | 4,172  |
| Cost of purchased goods                           | 85,128                                       | 87,749                                       |
| Total   | 89,527                                       | 91,921                                       |
| Transfer to other account                         | 119  | 317  |
| Ending goods                                      | 4,172  | 5,776  |
| Cost of goods sold                                | 85,236                                       | 85,827                                       |
| Gross profit                                      | 9,957  | 9,336  |
| Selling, general and administrative expenses      | 8,832  | 8,630  |
| Operating income                                  | 1,125  | 705  |
| Non-operating income                              |  |  |
| Interest income                                   | 102  | 120  |
| Dividend income                                   | 1,508  | 3,856  |
| Foreign exchange gains                            | -  | 34   |
| Others  | 284  | 238  |
| Total non-operating income                        | 1,896  | 4,251  |
| Non-operating expenses                            |  |  |
| Interest expense                                  | 105  | 120  |
| Loss on investments in partnership                | -  | 29   |
| Foreign exchange losses                           | 36   | -  |
| Others  | 26   | 70   |
| Total non-operating expenses                      | 168  | 220  |
| Ordinary income                                   | 2,852  | 4,736  |
| Extraordinary income                              |  |  |
| Gain on sales of investment securities            | 0  | 198  |
| Reversal of allowance for investment loss         | 183  | -  |
| Others  | 3  | 9  |
| Total extraordinary income                        | 187  | 207  |
| Extraordinary losses                              |  |  |
| Loss on retirement of fixed assets                | 1  | 3  |
| Loss on revaluation of investment securities      | 235  | 20   |
| Loss on revaluation of stocks of affiliates       | 216  | 173  |
| Provision of allowance for investment loss        | -  | 300  |
| Provision of allowance for doubtful accounts      | -  | 975  |
| Others  | 41   | 63   |
| Total extraordinary losses                        | 494  | 1,537  |
| Income before income taxes and minority interests | 2,545  | 3,406  |
| Income, inhabitants and enterprise taxes          | 817  | 592  |
| Income tax adjustment                             | (340)  | 167  |
| Total taxes                                       | 476  | 760  |
| Net income  | 2,068  | 2,646  |

## (3) Statement of changes in shareholders' equity

(million yen)

|   | FY 2011<br>(Fiscal year ended Mar. 31, 2011) | FY 2012<br>(Fiscal year ended Mar. 31, 2012) |
|---|--|--|
| <b>Shareholders' equity</b>                 |  |  |
| <b>Paid-in capital</b>                      |  |  |
| Balance at the beginning of previous period | 12,133                                       | 12,133                                       |
| Changes of items during the period          |  |  |
| Total changes of items during the period    | -  | -  |
| Balance at the end of current period        | 12,133                                       | 12,133                                       |
| <b>Capital surplus</b>                      |  |  |
| <b>Capital legal reserve</b>                |  |  |
| Balance at the beginning of previous period | 13,912                                       | 13,912                                       |
| Changes of items during the period          |  |  |
| Total changes of items during the period    | -  | -  |
| Balance at the end of current period        | 13,912                                       | 13,912                                       |
| <b>Other capital surplus</b>                |  |  |
| Balance at the beginning of previous period | 0  | -  |
| Changes of items during the period          |  |  |
| Disposal of treasury stock                  | (0)  | -  |
| Total changes during the period             | (0)  | -  |
| Balance at the end of current period        | -  | -  |
| <b>Total capital surplus</b>                |  |  |
| Balance at the beginning of previous period | 13,912                                       | 13,912                                       |
| Changes during the period                   |  |  |
| Disposal of treasury stock                  | (0)  | -  |
| Total changes during the period             | (0)  | -  |
| Balance at the end of current period        | 13,912                                       | 13,912                                       |
| <b>Retained earnings</b>                    |  |  |
| <b>Earned legal reserve</b>                 |  |  |
| Balance at the beginning of previous period | 618  | 618  |
| Changes during the period                   |  |  |
| Total changes during the period             | -  | -  |
| Balance at the end of current period        | 618  | 618  |
| <b>Other retained earnings</b>              |  |  |
| <b>General reserve</b>                      |  |  |
| Balance at the beginning of previous period | 12,860                                       | 7,000  |
| Changes of items during the period          |  |  |
| Reversal of general reserve                 | (5,860)                                      | -  |
| Total changes during the period             | (5,860)                                      | -  |
| Balance at the end of current period        | 7,000  | 7,000  |
| <b>Retained earnings brought forward</b>    |  |  |
| Balance at the beginning of previous period | (5,298)                                      | 1,802  |
| Changes during the period                   |  |  |
| Reversal of general reserve                 | 5,860  | -  |
| Dividends paid                              | (827)  | (827)  |
| Net income                                  | 2,068  | 2,646  |
| Disposal of treasury stock                  | (0)  | -  |
| Total changes during the period             | 7,100  | 1,818  |
| Balance at the end of current period        | 1,802  | 3,620  |
| <b>Total retained earnings</b>              |  |  |
| Balance at the beginning of previous period | 8,179  | 9,420  |
| Changes during the period                   |  |  |

(million yen)

|   | FY 2011<br>(Fiscal year ended Mar. 31, 2011) | FY 2012<br>(Fiscal year ended Mar. 31, 2012) |
|---|--|--|
| Reversal of general reserve                           | -  | -  |
| Dividends paid  | (827)  | (827)  |
| Net income (loss)                                     | 2,068  | 2,646  |
| Disposal of treasury stock                            | (0)  | -  |
| Total changes during the period                       | 1,240  | 1,818  |
| Balance at the end of current period                  | 9,420  | 11,239                                       |
| Treasury stock  |  |  |
| Balance at the end of previous period                 | (1,332)                                      | (1,332)                                      |
| Changes during the period                             |  |  |
| Acquisition of treasury stock                         | (0)  | (0)  |
| Disposal of treasury stock                            | 0  | -  |
| Total changes during the period                       | (0)  | (0)  |
| Balance at the end of current period                  | (1,332)                                      | (1,333)                                      |
| Total Shareholders' equity                            |  |  |
| Balance at the end of previous period                 | 32,893                                       | 34,134                                       |
| Changes during the period                             |  |  |
| Dividends paid  | (827)  | (827)  |
| Net income (loss)                                     | 2,068  | 2,646  |
| Acquisition of treasury stock                         | (0)  | (0)  |
| Disposal of treasury stock                            | 0  | -  |
| Total changes during the period                       | 1,240  | 1,818  |
| Balance at the end of current period                  | 34,134                                       | 35,952                                       |
| Valuation and translation adjustments                 |  |  |
| Valuation difference on available-for-sale securities |  |  |
| Balance at the end of previous period                 | (148)  | (208)  |
| Changes during the period                             |  |  |
| Net changes of items other than shareholders' equity  | (59)   | (352)  |
| Total changes during the period                       | (59)   | (352)  |
| Balance at the end of current period                  | (208)  | (560)  |
| Deferred gains or losses on hedged                    |  |  |
| Balance at the end of previous period                 | (0)  | (1)  |
| Changes during the period                             |  |  |
| Net changes of items other than shareholders' equity  | (1)  | (11)   |
| Total changes during the period                       | (1)  | (11)   |
| Balance at the end of current period                  | (1)  | (12)   |
| Total valuation and translation adjustments           |  |  |
| Balance at the end of previous period                 | (148)  | (209)  |
| Changes during the period                             |  |  |
| Net changes of items other than shareholders' equity  | (60)   | (363)  |
| Total changes during the period                       | (60)   | (363)  |
| Balance at the end of current period                  | (209)  | (573)  |

(million yen)

|  | FY 2011<br>(Fiscal year ended Mar. 31, 2011) | FY 2012<br>(Fiscal year ended Mar. 31, 2012) |
|--|--|--|
| Total net asset                                      |  |  |
| Balance at the end of previous period                | 32,744                                       | 33,924                                       |
| Changes during the period                            |  |  |
| Dividends paid                                       | (827)  | (827)  |
| Net income (loss)                                    | 2,068  | 2,646  |
| Acquisition of treasury stock                        | (0)  | (0)  |
| Disposal of treasury stock                           | 0  | -  |
| Net changes of items other than shareholders' equity | (60)   | (363)  |
| Total changes during the period                      | 1,179  | 1,454  |
| Balance at the end of current period                 | 33,924                                       | 35,378                                       |

## 6. Other Information

### (1) Change in directors and corporate auditors

#### 1) Change in representative director

Not applicable

#### 2) Changes in other directors and corporate auditors

##### Candidate for election as new director

Director Eiji Kawamura (currently Executive Officer, General Manager of Administration Headquarters and Finance & Accounting Department)

##### Director to resign

Senior Managing Director Kazuo Yamana (to become Senior Adviser)

#### 3) Date of election/resignation

June 28, 2012

### (2) Other

None