

Summary of Consolidated Financial Results For the First Half Ended September 30, 2012 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	http://www.taxan.co.jp/
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Date of quarterly securities report (tentative):	November 13, 2012
Date of commencement of dividend payment (tentative):	December 7, 2012
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes (for institutional investors)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2013 (April 1, 2012 – September 30, 2012)

(1) Result of operations (Consolidated, year-to-date) (Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First half ended September 2012	103,845	(10.7)	(470)	-	(355)	-	(1,373)	-
First half ended September 2011	116,237	(3.5)	771	(70.3)	895	(66.1)	301	(78.7)

Note: Comprehensive income: First half of FY3/2013: -2053 million yen (-%), First half of FY3/2012: -978 million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First half ended September 2012	(49.79)	-
First half ended September 2011	10.92	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2012	104,961	45,333	41.9
As of March 31, 2012	114,714	47,936	40.5

Notes: Shareholders' equity

As of September 30, 2012: 44,011 million yen

As of March 31, 2012 46,410 million yen

2. Dividends

	Dividend per share				
	End of 1Q	End of 2Q	End of 3Q	End of FY	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2012	-	15.00	-	15.00	30.00
Fiscal year ending March 2013	-	15.00			
Fiscal year ending March 2013 (est.)			-	15.00	30.00

Note: Change in the estimation of dividend from the latest announcement: None

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

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	230,000	0.1	1,500	(27.4)	1,800	(29.9)	300	(67.2)	10.87

Note: Change in the forecast from the latest announcement: Yes

Please refer "Notice concerning Differences between Forecast and Actual Performance in First Half of Fiscal Year Ending March 2013 and Revisions to the Annual Forecasts" announced on November 7, 2012 regarding the change in the forecast above.

* Notes

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

Note: Please refer (3) Changes in accounting principles and estimates, and retrospective restatement of 2. Other information on page 3 of Supplementary Information for more details.

- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury stock)

	As of September 30, 2012:	28,702,118		As of March 31, 2012:	28,702,118
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 - (b) Treasury stock

	As of September 30, 2012:	1,105,417		As of March 31, 2012:	1,105,201
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 - (c) Average number of shares (quarterly consolidated cumulative period)

	Period ended September 30, 2012:	27,596,838		Period ended September 30, 2011:	27,597,393
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* Description of quarterly review procedure implementation status

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

* Cautionary statement regarding forecasts of operating results and special notes

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. Please refer (3) Forecast in 1. Results of Operations on page 3 of Supplementary Information for further information.

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1. Results of Operations

(1) Overview on consolidated business performance

In the first half of the fiscal year, there was a slow economic recovery in Japan due to demand associated with earthquake reconstruction activity and other factors. However, the operating environment remains uncertain because of the risk of a downturn in the global economy due to the European debt crisis, concerns about slowing economic growth in Japan due to the yen's prolonged strength and weak stock prices, and other reasons.

In the electronics industry, market conditions for digital consumer electronics, particularly flat-panel televisions, remained difficult. But sales were strong for portable information devices such as smartphones and tablets.

In this environment, the KAGA ELECTRONICS Group focused on conducting aggressive sales activities based on the management philosophy of "Everything we do, we do for our customers" while reinforcing collaboration among group companies. Group companies worked on increasing sales to current customers, increasing sales of LED lamps and other environmental products, and increasing sales in other areas. In addition, subsidiary AD DEVICE absorbed AS Device, which has much expertise in the in-vehicle electronics market, on July 1, 2012. As a result, there were increases in first half sales of automotive products and in overseas EMS* sales. But orders decreased for electronic components and semiconductors used in consumer products and products used in amusement equipment. There was also weakness in sales of consumer information equipment and in the software business. First half consolidated net sales decreased 10.7% from one year earlier to 103,845 million yen. There was an operating loss of 470 million yen compared with operating income of 771 million yen one year earlier and an ordinary loss of 355 million yen compared with ordinary income of 895 million yen. After an asset impairment charge for fixed assets at a poorly performing subsidiary, the reversal of deferred tax assets and other items, there was a net loss of 1,373 million yen compared with net income of 301 million yen one year earlier.

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

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)

There was growth in sales of in-vehicle electronic components and semiconductors and in the EMS business, mainly for office and air conditioning equipment overseas. But in Japan orders were lower for electronic components used in amusement devices and for semiconductors and other products. As a result, sales decreased 6.7% to 77,783 million yen and operating income was down 46.0% to 343 million yen.

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

This business took steps to increase sales of existing products and add new products. However, there was a decline in sales mainly because of lower sales of personal computers and the negative impact of changes in sales and distribution channels for memory-card products sold at large consumer electronics stores and specialty shops. The result was a 27.4% decrease in sales to 19,270 million yen and an operating loss of 337 million yen compared with a 111 million yen loss one year earlier.

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

Activities in this business focused on the production of computer graphics for animation applications, image processing for amusement equipment, and sales of game software and new products. However, a decline in sales of game software and additional time required for the development of this software caused sales to decrease 2.7% to 1,491 million yen. There was an operating loss of 403 million yen compared with operating income of 163 million yen one year earlier.

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

There were recoveries in the recycling business, golfing products sales business and other activities in this segment. As a result, sales increased 11.9% to 5,299 million yen. However, due mainly to higher selling, general and administrative expenses associated with growth in the scale of operations, there was an operating loss of 27 million yen compared with operating income of 142 million yen one year earlier.

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Assets totaled 104,961 million yen at the end of the first half, 9,753 million yen less than at the end of the previous fiscal year mainly because of a decrease in notes and accounts receivable-trade.

Liabilities decreased 7,150 million yen to 59,627 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets decreased 2,602 million yen to 45,333 million yen. This was attributable primarily to the first half net loss and dividends paid from retained earnings.

(b) Cash flows

There was a net decrease of 789 million yen in cash and cash equivalents from the end of the previous fiscal year to 8,905 million yen at the end of the first half.

(Operating activities)

Net cash provided by operating activities was 3,293 million yen compared with cash used of 2,446 million yen one year earlier. The main source of cash was a net decrease in notes and accounts receivable-trade.

(Investing activities)

Net cash used in investing activities increased from 1,449 million yen to 3,695 million yen. The primary use of cash was payments for the purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 258 million yen compared with 2,735 million yen provided one year earlier. Repayments of long-term loans payable were the primary use of cash.

(3) Forecast

(a) Forecast for fiscal year ending in March 2013 (Consolidated, April 1, 2012 to March 31, 2013)

	Net sales	Operating income	Ordinary income	Net income	Earnings per share
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	(yen)
Previous forecast (A)	230,000	1,500	1,800	1,000	36.24
Revised forecast (B)	230,000	1,500	1,800	300	10.87
Difference (B-A)	-	-	-	(700)	-
Pct. change (%)	-	-	-	(70.0)	-
(Ref.) Previous fiscal year (FY3/2012)	229,856	2,067	2,569	914	33.13

(b) Explanation of forecast

In the current fiscal year, earnings are expected to recover starting in the third quarter due to growth in sales channels in growing markets such as automotive products and to growth of the EMS business. However, the forecast has been revised as shown above mainly because of an asset impairment loss for fixed assets and reversal of deferred tax assets in the fiscal year's first half.

2. Other Information

(1) Changes in significant subsidiaries:

None

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

None

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

(Changes in accounting policies for items that are difficult to categorize as changes in accounting estimates)

In accordance with revisions to the Corporation Tax Act, starting with the first quarter of the current fiscal year, KAGA ELECTRONICS and its consolidated subsidiaries in Japan are calculating depreciation for property, plant and equipment that was acquired on or after April 1, 2012 by using the method based on the revised Corporation Tax Act. The effect of this change on earnings was immaterial.

3. Quarterly Consolidated Financial Statements

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2012 (As of March 31, 2012)	First half ended September 2012 (As of September 30, 2012)
ASSETS		
Current assets		
Cash and deposits	9,775	8,985
Notes and accounts receivable-trade	55,979	48,338
Short-term investment securities	74	77
Merchandise and finished goods	17,104	16,576
Work in process	334	664
Raw materials and supplies	4,115	4,618
Deferred tax assets	861	683
Others	6,272	3,937
Allowance for doubtful accounts	(144)	(70)
Total current assets	94,374	83,811
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,945	3,083
Machinery, equipment and vehicles, net	1,492	1,568
Tools, furniture and fixtures, net	926	946
Land	4,077	4,121
Construction in progress	45	123
Total property, plant and equipment	9,487	9,843
Intangible assets		
Goodwill	253	883
Software	800	468
Others	1,191	1,147
Total intangible assets	2,245	2,499
Investments and other assets		
Investment securities	4,032	4,153
Deferred tax assets	341	543
Others	5,911	5,434
Allowance for doubtful accounts	(1,678)	(1,324)
Total investments and other assets	8,607	8,806
Total fixed assets	20,340	21,149
Total assets	114,714	104,961

(Million yen)

	Fiscal year ended March 2012 (As of March 31, 2012)	First half ended September 2012 (As of September 30, 2012)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	41,748	35,910
Short-term loans payable	11,084	12,129
Income taxes payable	1,082	564
Others	5,558	4,566
Total current liabilities	59,474	53,170
Noncurrent liabilities		
Long-term loans payable	2,833	1,934
Provision for retirement benefits	1,579	1,614
Provision for directors' retirement benefits	1,399	1,350
Others	1,491	1,557
Total noncurrent liabilities	7,303	6,456
Total liabilities	66,777	59,627
NET ASSETS		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	23,250
Treasury stock	(1,333)	(1,333)
Total shareholder's equity	49,751	47,963
Valuation and translation adjustments		
Valuation differences on available-for-sales securities	(653)	(790)
Deferred gains or losses on hedges	(24)	1
Foreign currency translation adjustments	(2,663)	(3,162)
Total valuation and translation adjustments	(3,341)	(3,951)
Subscription rights to shares	0	0
Minority interests	1,526	1,321
Total net assets	47,936	45,333
Total liabilities and net assets	114,714	104,961

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income
For the first half (April 1, 2012 – September 30, 2012)

(Million yen)

	First half ended September 2011 (April 1, 2011 – September 30, 2011)	First half ended September 2012 (April 1, 2012 – September 30, 2012)
Net sales	116,237	103,845
Cost of sales	101,913	91,515
Gross profit	14,323	12,329
Selling, general and administrative expenses	13,551	12,800
Operating income (loss)	771	(470)
Non-operating income		
Interest income	32	20
Dividend income	44	42
Commission income	105	117
Others	198	252
Total non-operating income	381	432
Non-operating expenses		
Interest expense	71	66
Foreign exchange losses	134	188
Others	51	63
Total non-operating expenses	257	318
Ordinary income (loss)	895	(355)
Extraordinary income		
Gain on sales of noncurrent assets	11	4
Gain on sales of investment securities	187	-
Gain on sales of subsidiaries and affiliates' stocks	-	6
Others	0	-
Total extraordinary income	199	10
Extraordinary losses		
Loss on retirement of fixed assets	33	2
Loss on revaluation of investment securities	75	184
Impairment loss	3	122
Loss on valuation of golf club membership	19	25
Others	15	0
Total extraordinary losses	148	334
Income (loss) before income taxes and minority interests	945	(680)
Income, inhabitants and enterprise taxes	677	530
Income tax adjustment	(62)	238
Total taxes	614	769
Income (loss) before minority interests	331	(1,449)
Minority interests in income (loss)	29	(75)
Net income (loss)	301	(1,373)
Minority interests in income (loss)	29	(75)
Income (loss) before minority interests	331	(1,449)

	First half ended September 2011 (April 1, 2011 – September 30, 2011)	First half ended September 2012 (April 1, 2012 – September 30, 2012)
Other comprehensive income		
Valuation difference on available-for-sale securities	(567)	(134)
Deferred gains or losses on hedges	1	26
Foreign currency translation adjustment	(744)	(495)
Total other comprehensive income	(1,310)	(603)
Comprehensive income	(978)	(2,053)
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(1,010)	(1,984)
Comprehensive income attributable to minority interests	31	(68)

(3) Quarterly consolidated statements of cash flows

(Million yen)

	First half ended September 2011 (April 1, 2011 – September 30, 2011)	First half ended September 2012 (April 1, 2012 – September 30, 2012)
Operating activities		
Income (loss) before income taxes and minority interests	945	(680)
Depreciation and amortization	1,025	1,260
Impairment loss	3	122
Amortization of goodwill	55	2
Increase (decrease) in allowance for doubtful accounts	217	(384)
Interest and dividend income	(76)	(62)
Interest expenses	71	66
Loss (gain) on revaluation of investment securities	75	184
Decrease (increase) in notes and accounts receivable-trade	1,081	11,444
Decrease (increase) in inventories	(1,503)	(570)
Decrease (increase) in accounts receivable-other	310	829
Decrease (increase) in advance payments	109	618
Increase (decrease) in notes and accounts payable-trade	(3,509)	(8,312)
Increase (decrease) in accounts payable-other and accrued expenses	(387)	(280)
Increase (decrease) in other current liabilities	274	(465)
Others	(67)	143
Sub-total	(1,372)	3,914
Interest and dividends received	75	63
Interests paid	(71)	(66)
Income taxes-paid	(1,323)	(1,312)
Others	245	693
Net cash provided by (used in) operating activities	(2,446)	3,293
Investing activities		
Purchase of property, plant and equipment	(1,478)	(1,415)
Purchase of intangible assets	(219)	(205)
Purchase of investment securities	(56)	(525)
Proceeds from sales of investment securities	273	30
Purchase of investments in subsidiaries	(10)	(43)
Payments for merger	-	(350)
Payments of short-term loans receivable	(1)	(1,208)
Collection of short-term loans receivable	19	7
Payments for guarantee deposits	(49)	(26)
Proceeds from collection of guarantee deposits	41	21
Other payments	(99)	(105)
Other proceeds	130	126
Net cash provided by (used in) investing activities	(1,449)	(3,695)
Financing activities		
Net increase (decrease) in short-term loans payable	4,210	1,152
Repayment of long-term loans payable	(915)	(906)
Cash dividends paid	(414)	(413)
Other, net	(144)	(90)
Net cash provided by (used in) financing activities	2,735	(258)
Effect of exchange rate change on cash and cash equivalents	(383)	(129)
Net increase (decrease) in cash and cash equivalents	(1,544)	(789)
Cash and cash equivalents, beginning of period	11,796	9,695
Cash and cash equivalents, end of period	10,251	8,905

- (4) Notes to going concern assumptions
None

(5) Segment information

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

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

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statement of income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales (of which to outside customers)	83,411	26,557	1,533	4,734	116,237	-	116,237
(of which inter- segment)	800	364	1,781	739	3,687	(3,687)	-
Total	84,212	26,922	3,315	5,474	119,924	(3,687)	116,237
Segment income (loss)	636	(111)	163	142	830	(58)	771

- Notes: 1. Adjustment in segment income of -58 million yen includes -18 million yen for elimination of inter-segment trade and -39 million yen for amortization of goodwill.
2. Segment income and losses are adjusted for consistency with quarterly consolidated income and operating income in the statements of comprehensive income.

For the first half ended September 2012 (April 1, 2012 – September 30, 2012)

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

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statement of income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales (of which to outside customers)	77,783	19,270	1,491	5,299	103,845	-	103,845
(of which inter- segment)	671	349	766	1,164	2,952	(2,952)	-
Total	78,455	19,619	2,258	6,464	106,798	(2,952)	103,845
Segment income (loss)	343	(337)	(403)	(27)	(424)	(46)	(470)

- Notes: 1. Adjustment in segment income of -46 million yen includes -12 million yen for elimination of inter-segment trade and -33 million yen for amortization of goodwill.
2. Segment income and losses are adjusted for consistency with quarterly consolidated income and operating income in the statements of comprehensive income.

2. Business segment information for fixed asset impairment losses and goodwill amortization

(Major impairment losses for fixed assets)

In the information equipment segment, an impairment loss was posted for business assets in association with a decline in earnings. This impairment loss was 122 million yen in the first half of the current fiscal year.

(Major changes in goodwill)

In the electronic components segment, goodwill was posted due to the merger of AD DEVICE CORPORATION and AS Device Co., Ltd. The increase in goodwill in the first half of the current fiscal year resulting from this merger was 718 million yen.

(6) Notes on significant change in shareholders' equity:

None