

## Summary of Consolidated Financial Results For the Third Quarter Ended December 31, 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):	February 13, 2013	
Date of commencement of dividend payment (tentative):	-	
Quarterly earnings supplementary explanatory documents:	None	
Quarterly earnings presentation:	None	

(Yen in millions, rounded down)

**1. Financial results for the first three quarters of the fiscal year ending March 2013 (April 1, 2012 – December 31, 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 three quarters of FY3/2013	156,891	-9.6	-39	-	351	-72.5	-817	-
First three quarters of FY3/2012	173,565	-2.2	1,151	-63.1	1,277	-58.0	-430	-

Note: Comprehensive income: First three quarters of FY3/2013: -470 million yen (-%)

First three quarters of FY3/2012: -1,770 million yen (-%)

	Net income per share		Net income per share fully diluted	
	Yen		Yen	
First three quarters of FY3/2013	-29.62		-	
First three quarters of FY3/2012	-15.60		-	

## (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2012	109,297	46,512	41.4
As of March 31, 2012	114,714	47,936	40.5

Reference: Shareholders' equity

As of December 31, 2012: 45,248 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	216,000	-6.0	500	-75.8	1,000	-61.1	100	-89.1	3.62

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

Please refer "Notice of Revision in Forecast for Fiscal Year Ending March 2013" announced on 31 January 2013.

\* **Notes**

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

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

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

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

As of December 31, 2012:	1,105,556	As of March 31, 2012:	1,105,201
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  - (c) Average number of shares (quarterly consolidated cumulative period)

Period ended December 31, 2012:	27,596,769	Period ended December 31, 2011:	27,597,345
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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 three quarters of the fiscal year, there was a recovery in the Japanese economy as a result of supportive factors including demand associated with earthquake reconstruction and the effects of government measures to stimulate the economy but the persistence of the debt crisis in Europe and further slowing in the rate of global economic growth resulted in the outlook for the domestic economy remaining unclear.

In the electronics industry, market conditions for digital consumer electronics in which KAGA ELECTRONICS operates, the market for portable information devices such as smartphones and tablets continued to grow but the market environment for the home electronics products, particularly flat-panel televisions, remained difficult as overall demand failed to recover.

In this environment, the KAGA ELECTRONICS Group focused on conducting aggressive marketing activities to boost growth of in-vehicle electronic components, electronic components for telecommunications equipment and LED lamps and other environmental products on the basis of our management philosophy of "Everything we do, we do for our customers" while reinforcing collaboration among group companies. As a result, there were increases in sales of automotive products and in overseas EMS\* sales in the first three quarters of the current fiscal year. But sales in areas related to the Japanese amusement sector decreased and there was also weakness in sales of consumer information equipment and in the software business. Consequently, consolidated net sales decreased 9.6% from one year earlier to 156,891 million yen in the first three quarters of the current fiscal year. There was an operating loss of 39 million yen compared with operating income of 1,151 million yen one year earlier and ordinary income decreased 72.5% to 351 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 817 million yen in the first three quarters of the current fiscal year compared with a net loss of 430 million yen one year earlier.

\* Abbreviation for Electronics Manufacturing Service which 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, electronic manufacturing service (EMS), and other activities)

In the Electronics Components segment, 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 5.3% to 117,782 million yen and operating income was down 28.2% to 878 million yen.

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

The Information Equipment business took measures 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 26.6% decrease in sales to 28,771 million yen and an operating loss of 513 million yen compared with a 313 million yen loss one year earlier.

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

The Software business segment concentrated its activities on the production of computer graphics for animation applications, and sales of image processing for amusement equipment but a decline in sales of game software and additional time required for the development of this software resulted in sales decreasing 19.2% to 1,976 million yen. The segment recorded an operating loss of 469 million yen compared with operating income of 66 million yen one year earlier.

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

There was growth in amusement equipment and sales of golfing products showed a recovery. As a result, sales increased 11.7% to 8,361 million yen. However, due mainly to higher selling, general and administrative expenses associated with growth in the scale of operations, operating income decreased 53.5% on one year earlier to 113 million yen.

### (2) Overview of financial condition

#### Assets, liabilities and net assets

Assets totaled 109,297 million yen at the end of the third quarter, 5,417 million yen less than at the end of the previous fiscal year mainly because of a decrease in accounts receivable.

Liabilities decreased 3,993 million yen to 62,784 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets decreased 1,423 million yen to 46,512 million yen. This was due primarily to the net loss for the quarter and payment of dividends.

(3) Forecast for fiscal year ending March 2013

(a) Consolidated forecast for the fiscal year ending March 2013 (April 1, 2012 – March 31, 2013)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	230,000	1,500	1,800	300	10.87
Revised forecast (B)	216,000	500	1,000	100	3.62
Difference (B-A)	-14,000	-1,000	-800	-200	-
Difference (%)	-6.1	-66.7	-44.4	-66.7	-
(Ref.) Previous fiscal year (Fiscal year ended March 2012)	229,856	2,067	2,569	914	33.13

(b) Reason for revisions

We have revised the forecast for the current fiscal year as shown above because the slowdown in the global economy triggered by the European debt crisis has caused recovery in demand for semiconductors and electronic components for consumer and industrial equipment and for our EMS business to be further delayed and because sales of consumer information equipment also remain weak.

## 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 restatements:

(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)	Third quarter ended December 2012 (As of December 31, 2012)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	9,775	11,273
Notes and accounts receivable-trade	55,979	49,373
Marketable securities	74	78
Merchandise and finished goods	17,104	16,629
Work in process	334	771
Raw materials and other supplies	4,115	4,556
Deferred tax assets	861	638
Others	6,272	4,071
Allowance for doubtful receivables	(144)	(73)
Total current assets	94,374	87,319
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,945	3,107
Machinery, equipment and vehicles, net	1,492	1,606
Tools, furniture and fixtures, net	926	938
Land	4,077	4,304
Construction in progress	45	606
Total property, plant and equipment	9,487	10,564
Intangible assets		
Goodwill	253	843
Software	800	477
Others	1,191	1,110
Total intangible assets	2,245	2,431
Investments and other assets		
Investment securities	4,032	4,463
Deferred tax assets	341	375
Others	5,911	5,382
Allowance for doubtful receivables	(1,678)	(1,239)
Total investments and other assets	8,607	8,982
Total fixed assets	20,340	21,978
Total assets	114,714	109,297

(Million yen)

	Fiscal year ended March 2012 (As of March 31, 2012)	Third quarter ended December 2012 (As of December 31, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	41,748	35,484
Short-term loans payable	11,084	11,696
Income taxes payable	1,082	494
Others	5,558	5,075
Total current liabilities	59,474	52,751
Noncurrent liabilities		
Long-term loans payable	2,833	5,487
Provision for retirement benefits	1,579	1,620
Provision for directors' retirement benefits	1,399	1,374
Others	1,491	1,551
Total noncurrent liabilities	7,303	10,033
Total liabilities	66,777	62,784
<b>NET ASSETS</b>		
Shareholder's equity		
Capital stock	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	23,393
Treasury stock	(1,333)	(1,333)
Total shareholder's equity	49,751	48,106
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(653)	(592)
Deferred gains or losses on hedges	(24)	(34)
Foreign currency translation adjustments	(2,663)	(2,231)
Total valuation and translation adjustments	(3,341)	(2,858)
Subscription rights to shares	0	0
Minority interests	1,526	1,264
Total net assets	47,936	46,512
Total liabilities and net assets	114,714	109,297

(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income  
For the first three quarters (April 1, 2012 – December 31, 2012)

(Million yen)

	Third quarter ended December 2011 (April 1, 2011 - December 31, 2011)	Third quarter ended December 2012 (April 1, 2012 - December 31, 2012)
Net sales	173,565	156,891
Cost of sales	152,425	137,663
Gross profit	21,140	19,228
Selling, general and administrative expenses	19,988	19,268
Operating income (loss)	1,151	(39)
Non-operating income		
Interest income	45	29
Dividend income	66	69
Commission income	127	130
Others	304	356
Total non-operating income	544	585
Non-operating expenses		
Interest expense	109	100
Foreign exchange losses	231	-
Others	76	94
Total non-operating expenses	418	194
Ordinary income	1,277	351
Extraordinary income		
Gain on sales of noncurrent assets	11	5
Gain on sales of investment securities	195	-
Gain on sales of subsidiaries and affiliates' stocks	-	6
Insurance income	-	365
Others	0	-
Total extraordinary income	207	377
Extraordinary losses		
Loss on retirement of noncurrent assets	36	3
Loss on valuation of investment securities	133	117
Impairment loss	3	122
Loss on disaster	1,050	-
Litigation settlement	-	80
Business structure improvement expenses	-	74
Others	42	42
Total extraordinary losses	1,265	440
Income before income taxes and minority interests	219	289
Income taxes-current	880	797
Income taxes-deferred	(262)	446
Total income taxes	617	1,244
Income (loss) before minority interests	(398)	(955)
Minority interests in income (loss)	32	(138)
Net income (loss)	(430)	(817)
Minority interests in income (loss)	32	(138)
Income (loss) before minority interests	(398)	(955)

	Third quarter ended December 2011 (April 1, 2011 - December 31, 2011)	Third quarter ended December 2012 (April 1, 2012 - December 31, 2012)
Other comprehensive income		
Valuation difference on available-for-sale securities	(644)	65
Deferred gains or losses on hedges	(0)	(9)
Foreign currency translation adjustment	(727)	428
Total other comprehensive income	(1,372)	484
Comprehensive income	(1,770)	(470)
Comprehensive income attributable to owners of the parent	(1,803)	(334)
Comprehensive income attributable to minority interests	32	(136)

(3) Notes to going concern assumptions  
None

(4) Segment information  
(Segment information)

For the first three quarters ended December 2011 (April 1, 201 – December 31, 2011)

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

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statements of income and consolidated statements of comprehensive income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	124,428	39,207	2,445	7,484	173,565	-	173,565
of which inter- segment	1,170	583	2,313	1,931	5,999	(5,999)	-
Total	125,598	39,791	4,758	9,416	179,565	(5,999)	173,565
Segment income (loss)	1,223	(313)	66	243	1,220	(68)	1,151

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

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

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)

Omitted because insufficiently significant

(Major changes in goodwill)

None

For the first three quarters ended December 2012 (April 1, 2012 – December 31, 2012)

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

(Million yen)

	Reporting segments					Adjustments (Note 1)	Amount in the consolidated statements of income and consolidated statements of comprehensive income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	117,782	28,771	1,976	8,361	156,891	-	156,891
of which inter- segment	1,018	509	1,259	1,462	4,249	(4,249)	-
Total	118,800	29,281	3,236	9,823	161,141	(4,249)	156,891
Segment income (loss)	878	(513)	(469)	113	9	(48)	(39)

Note: 1. Adjustment of segment loss of 48 million yen includes -1 million yen of elimination of inter-segment trade and -50 million yen of amortization of goodwill.

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

2. Information about impairment losses on fixed assets and goodwill by reportable segments

(Significant impairment losses on fixed assets)

In the Information equipment segment, asset impairment losses of 122 million yen were recognized on fixed assets in the third quarter of the fiscal year as a result of a decline in earnings.

(Major changes in goodwill)

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

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

None