

## Summary of Consolidated Financial Results For the First Quarter Ended June 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/
Representative	Title: President & COO
	Name: Tomohisa Tsukamoto
Contact Person	Title: Director, Administration Headquarters
	Name: Eiji Kawamura
Phone:	+81-(0)3-4455-3111
Date of quarterly securities report (tentative):	August 10, 2012
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	None
Quarterly earnings presentation:	None

(Yen in millions, rounded down)

### 1. Financial results for the first quarter of the fiscal year ending March 2013 (April 1, 2012 – June 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 quarter ended June 2012	49,686	(9.7)	(289)	-	(282)	-	(350)	-
First quarter ended June 2011	55,001	(7.9)	247	(73.0)	372	(62.5)	114	(79.2)

Note: Comprehensive income: First quarter of FY3/2013: -865 million yen (-%), First quarter of FY3/2012: -406 million yen (-%)

	Net income per share	Net income per share fully diluted
	Yen	Yen
First quarter ended June 2012	(12.71)	-
First quarter ended June 2011	4.16	-

## (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2012	107,727	46,607	41.9
As of March 31, 2012	114,714	47,936	40.5

Reference: Shareholders' equity

As of June 30, 2012: 45,158 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	-				
Fiscal year ending March 2013 (est.)		15.00	-	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
First Half	104,000	(10.5)	(200)	-	(100)	-	(300)	-	(10.87)
Full year	230,000	0.1	1,500	(27.4)	1,800	(29.9)	1,000	9.4	36.24

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

**\* 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 restatement
  - (a) Changes due to revision of accounting standards: None
  - (b) Changes other than in (a): None
  - (c) Changes in accounting estimates: None
  - (d) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

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

As of June 30, 2012:	1,105,227	As of March 31, 2012:	1,105,201
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(c) Average number of shares (quarterly consolidated cumulative period)

Period ended June 30, 2012:	27,596,898	Period ended June 30, 2011:	27,597,462
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**\* Information concerning quarterly review procedure**

The rule mandating a review of quarterly financial statements (under the Financial Instruments and Exchange Act) does not apply to this Summary of Financial Results. The financial statements for the first quarter were under review at the time this Summary of Financial Results was released.

**\* Cautionary statement regarding forecasts of operating results and special notes**

Forecasts regarding future performance in these materials are based on judgments made in accordance with information available at the time this report was prepared. Actual results may differ significantly from these forecasts for a number of factors. For information about the forecasts, please see “(3) Forecast for fiscal year ending in March 2013” on page 3.

## Index for Supplementary Information

1. Results of Operations.....	2
(1) Overview on consolidated business performance.....	2
(2) Overview of financial condition.....	3
(3) Forecast for fiscal year ending in March 2013.....	3
2. Other Information.....	3
(1) Changes in significant subsidiaries:.....	3
(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements:.....	3
(3) Changes in accounting principles and estimates, and retrospective restatement:.....	3
3. Quarterly Consolidated Financial Statements.....	4
(1) Quarterly consolidated balance sheet.....	4
(2) Quarterly consolidated statements of income and consolidated statements of comprehensive income.....	6
(3) Notes to ongoing concern assumptions.....	8
(4) Segment information.....	8
(5) Notes on significant change in shareholders' equity:.....	8

## 1. Results of Operations

### (1) Overview on consolidated business performance

In the first quarter, the Japanese economy benefited both from capital expenditure and housing investment caused by recovery and reconstruction demand from the Great East Japan Earthquake and from increased consumer expenditure in areas such as automobile sales due to the eco-car subsidy program and other measures with the result that it was marking out a recovering trend. However, the combined impact of several factors including the emergence of the European sovereign debt crisis, persistent yen strength, weakness in the stock market and a balance of trade deficit resulted in a further continuation of uncertainty about the outlook for the future.

In the electronics industry, which the KAGA ELECTRONICS Group belongs to, the market environment for consumer electronics products, centering on flat-panel televisions remains challenging but demand in the market for smartphones, tablet computers and other mobile information devices continues firm.

In this environment, the KAGA ELECTRONICS Group has been strengthening the degree of cooperation and coordination across the whole group, intensifying sales promotions to major existing customers, developing new products and expanding its marketing of LED lighting and other environmentally friendly products as well as growing sales of EMS\* in growth markets such as automobile-installations and overseas. For the quarter the Group recorded, in a market for digital electronics products which is much harsher than had been anticipated, consolidated net sales of 49,686 million yen (down 9.7% from the same period in the previous year), an operating loss of 289 million yen (from operating income of 247 million yen), an ordinary loss of 282 million yen (from ordinary income of 372 million yen) and a net loss of 350 million yen (from net income of 114 million yen).

\* EMS: 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, EMS, and other activities)

The electronics components business has been successful in growing its in-vehicle electronics components, semiconductor and its EMS business in areas such as overseas air conditioner equipment applications etc. but, in Japan, because orders for electronics components and semiconductors for amusement equipment applications and for Japanese digital electronics product manufacturers located overseas have decreased, the business saw sales fall 5.2% to 37,366 million and recorded operating income 44.9% lower at 101 million yen.

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

The information equipment business engaged in aggressive sales promotion activities to increase sales of personal computers, peripherals and other existing products but, due to the negative impact of changes to sales and distribution channels on sales of memory-card products to consumer electricals chain stores and specialists, the result was a 26.8% decrease in segment sales to 9,180 million yen and an operating loss for the segment of 193 million yen (from segment income of 54 million yen in the same period in the previous year).

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

In the software segment, group companies 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 decrease in sales of game software and additional time required for their development resulted in sales in the segment falling 11.3% to 636 million and an operating loss for the business of 169 million yen (from segment income of 35 million yen in the same quarter last year).

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

The segment showed signs of recovery from the impact that the Great East Japan Earthquake had on sales in the golfing product sales business. As a result, the business saw sales increase 8.5% to 2,503 million but, due to a lower gross margin for the segment, recorded an operating loss of 21 million yen (from operating income of 13 million).

(2) Overview of financial condition

Assets totaled 107,727 million yen at the end of the first quarter, 6,986 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 5,656 million yen to 61,120 million yen mainly because of a decrease in notes and accounts payable-trade.

Net assets decreased 1,329 million yen to 46,607 million yen. This was attributable primarily to a net loss and dividends from surplus.

(3) Forecast for fiscal year ending in March 2013

(a) Consolidated forecast for the first half ending September 2012 (April 1, 2012 – September 30, 2012)

	Net Sales	Operating income	Ordinary income	Net income	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecast (A)	108,000	300	500	300	10.87
Revised forecast (B)	104,000	(200)	(100)	(300)	(10.87)
Difference (B-A)	(4,000)	(500)	(600)	(600)	-
Pct. change (%)	(3.7)	-	-	-	-
(Ref.) Previous fiscal year	116,237	771	895	301	10.92

(b) Consolidated forecast for 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)	234,000	2,200	2,700	1,600	57.98
Revised forecast (B)	230,000	1,500	1,800	1,000	36.24
Difference (B-A)	(4,000)	(700)	(900)	(600)	-
Pct. change (%)	(1.7)	(31.8)	(33.3)	(37.5)	-
(Ref.) Previous fiscal year	229,856	2,067	2,569	914	33.13

(c) Reason for revisions

Although the Japanese economy is gradually recovering from the effects of the Great East Japan Earthquake, concerns about loss of economic momentum as a result of stagnation in the European economies due to the prolongation of the European sovereign debt crisis, slowdowns in the economies of the United States and developing nations, combined with the strength of the yen and the weakness of the stock market and other factors, mean the outlook continues to remain uncertain.

Given this environment, the KAGA ELECTRONICS Group has been strengthening the degree of cooperation and coordination across the whole group and intensifying sales promotions to major existing customers but in an environment which has much more difficult than had been anticipated and as a result of decreases in orders for digital electronics products, electronics components for amusement equipment applications and semiconductors and of diminished sales volumes for information equipment and other factors, both sales and income have been lower than our expectations and so we have revised our cumulative earnings forecasts for the second quarter of the current fiscal year as shown above.

Moreover, because we believe that the operating environment will remain adverse, we have also revised our forecast for the fiscal year ending in March 2013 as shown above.

## 2. Other Information

(1) Changes in significant subsidiaries:

None

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

None

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

None

### 3. Quarterly Consolidated Financial Statements

#### (1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2012 (As of March 31, 2012)	First quarter ended June 2012 (As of June 30, 2012)
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	9,775	9,437
Notes and accounts receivable-trade	55,979	48,296
Marketable securities	74	74
Merchandise and finished goods	17,104	17,335
Work in process	334	788
Raw materials and other supplies	4,115	4,462
Deferred tax assets	861	820
Others	6,272	5,750
Allowance for doubtful accounts	(144)	(68)
Total current assets	94,374	86,898
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,945	3,069
Machinery, equipment and vehicles, net	1,492	1,552
Tools, furniture and fixtures, net	926	951
Land	4,077	4,077
Construction in progress	45	155
Total property, plant and equipment	9,487	9,805
Intangible assets		
Goodwill	253	217
Software	800	711
Others	1,191	1,243
Total intangible assets	2,245	2,172
Investments and other assets		
Investment securities	4,032	4,149
Deferred tax assets	341	513
Others	5,911	5,854
Allowance for doubtful accounts	(1,678)	(1,667)
Total investments and other assets	8,607	8,850
Total fixed assets	20,340	20,829
Total assets	114,714	107,727

(Million yen)

	Fiscal year ended March 2012 (As of March 31, 2012)	First quarter ended June 2012 (As of June 30, 2012)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable-trade	41,748	35,989
Short-term bank loans	11,084	12,860
Income taxes payable	1,082	372
Allowance for directors' and corporate auditors' bonuses	52	37
Others	5,505	5,229
Total current liabilities	59,474	54,489
Long-term liabilities		
Long-term bank loans	2,833	2,384
Allowance for retirement benefits for employees	1,579	1,596
Allowance for retirement benefits for directors and corporate auditors	1,399	1,328
Others	1,491	1,321
Total long-term liabilities	7,303	6,631
Total liabilities	66,777	61,120
<b>NET ASSETS</b>		
Shareholder's equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,038	24,274
Treasury stock	(1,333)	(1,333)
Total shareholder's equity	49,751	48,987
Accumulated other comprehensive income		
Valuation differences on available-for-sales securities	(653)	(745)
Deferred gains or losses on hedges	(24)	4
Foreign currency translation adjustments	(2,663)	(3,087)
Total valuation and translation adjustments	(3,341)	(3,828)
Subscription rights to shares	0	0
Non-Controlling Interest	1,526	1,448
Total net assets	47,936	46,607
Total liabilities and net assets	114,714	107,727

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

(Million yen)

	First quarter ended June 2011 (April 1, 2011 – June 30, 2011)	First quarter ended June 2012 (April 1, 2012 – June 30, 2012)
Net sales	55,001	49,686
Cost of sales	47,954	43,545
Gross profit	7,046	6,141
Selling, general and administrative expenses	6,799	6,431
Operating income (loss)	247	(289)
Non-operating income		
Interest income	18	11
Dividend income	38	36
Commission income	48	46
Others	94	90
Total non-operating income	200	185
Non-operating expenses		
Interest expense	34	32
Foreign exchange losses	16	118
Others	24	26
Total non-operating expenses	75	177
Ordinary income (loss)	372	(282)
Extraordinary income		
Gain on sales of noncurrent assets	3	2
Others	0	-
Total extraordinary income	3	2
Extraordinary losses		
Loss on retirement of fixed assets	3	1
Loss on revaluation of investment securities	32	82
Loss on impairment of fixed assets	3	-
Loss on valuation of golf club membership	16	1
Others	8	0
Total extraordinary losses	64	85
Income (loss) before income taxes and Non-Controlling Interest	311	(365)
Income taxes-current	223	195
Income taxes-deferred	(33)	(178)
Total taxes	190	17
Income (loss) before Non-Controlling Interest	121	(383)
Minority interests in income (loss)	6	(32)
Net income (loss)	114	(350)
Non-Controlling Interest in income (loss)	6	(32)
Income (loss) before minority interests	121	(383)



(Million yen)

	First quarter ended June 2011 (April 1, 2011 – June 30, 2011)	First quarter ended June 2012 (April 1, 2012 – June 30, 2012)
Other comprehensive income		
Valuation difference on available-for-sale securities	(354)	(88)
Deferred gains or losses on hedges	(0)	28
Foreign currency translation adjustment	(172)	(422)
Total other comprehensive income	(528)	(482)
Comprehensive income	(406)	(865)
Comprehensive income attributable to Comprehensive income attributable to owners of the parent	(413)	(838)
Comprehensive income attributable to Non Controlling Interest	6	(27)

- (3) Notes to ongoing concern assumptions  
None

- (4) Segment information

For the first quarter ended June 2011 (Apr. 1, 2011 – June 30, 2011)

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

(Million yen)

	Reporting segments					Adjustment (Note 1)	Amount on the consolidated statements of income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	39,429	12,546	717	2,308	55,001	-	55,001
of which inter- segment	336	159	704	348	1,548	(1,548)	-
Total	39,765	12,705	1,421	2,656	56,550	(1,548)	55,001
Segment income (loss)	184	54	35	13	287	(40)	247

Notes:

1. The adjustment reducing segment income by 40 million yen includes amounts for intersegment cancellation of -20 million yen and for goodwill amortization of -19 million.
2. Segment income is adjusted for quarterly consolidated income and for operating income in the statement of comprehensive income.

For the first quarter ended June 2012 (Apr. 1, 2012 – June 30, 2012)

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

(Million yen)

	Reporting segments					Adjustment (Note 1)	Amount on the consolidated statements of income (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales							
of which to outside customers	37,366	9,180	636	2,503	49,686	-	49,686
of which inter- segment	246	209	209	839	1,505	(1,505)	-
Total	37,612	9,390	846	3,342	51,192	(1,505)	49,686
Segment income (loss)	101	(193)	(169)	(21)	(282)	(7)	(289)

Notes:

1. The adjustment reducing segment income by 7 million yen includes amounts for intersegment cancellation of 9 million yen and for goodwill amortization of -16 million.
2. Segment income is adjusted for quarterly consolidated income and for operating income in the statement of comprehensive income.

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