



Information Meeting for Fiscal 2008

May 26, 2008

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Fiscal 2008 Financial Highlights

■ Fiscal 2008 Financial Highlights

Comparative Consolidated Income Statement

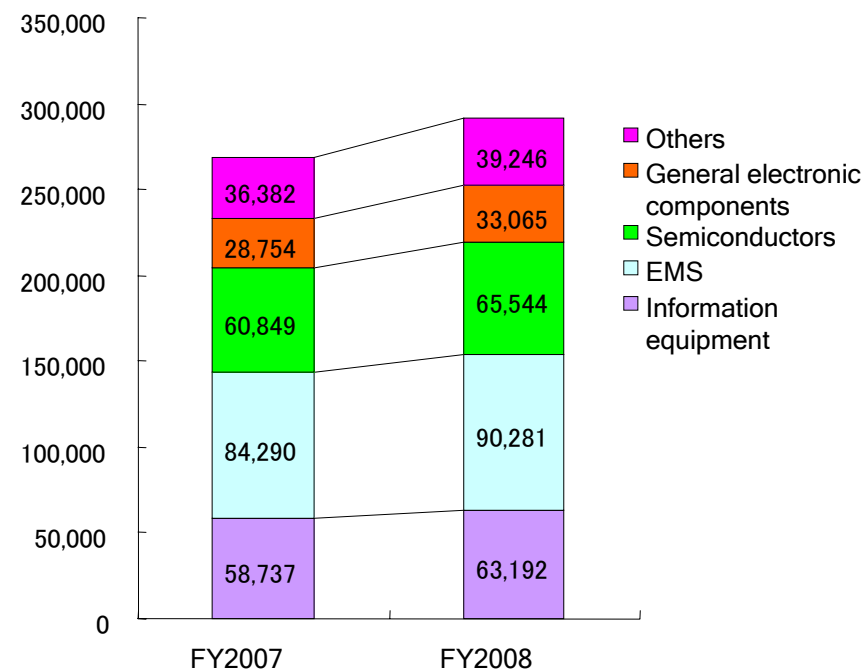
(million yen)

	FY2007		FY2008		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	269,014	100.0%	291,331	100.0%	22,316	8.2%
Cost of sales	236,214	87.8%	256,090	87.9%	19,875	8.4%
Gross profit	32,799	12.2%	35,240	12.1%	2,440	7.4%
SG&A expenses	25,884	9.6%	27,454	9.4%	1,569	6.0%
Operating income	6,915	2.6%	7,786	2.7%	871	12.5%
Non-operating income	853	0.3%	969	0.3%	116	13.5%
Non-operating expence	363	0.1%	1,715	0.6%	1,351	372.4%
Ordinary income	7,404	2.8%	7,040	2.4%	-363	-4.9%
Extraordinary items	5	0.002%	372	0.1%	367	7340.0%
Income before income taxes	7,410	2.8%	7,412	2.6%	2	0.03%
Income and inhabitants taxes	3,270	1.2%	3,693	1.3%	423	12.9%
Deferred taxes	-143	-0.1%	99	0.03%	242	169.0%
Minority interests	60	0.03%	64	0.02%	-3	-6.2%
Net income	4,343	1.6%	3,684	1.3%	-659	-15.7%

Comparison of Consolidated Sales by Product (FY2007 and FY2008)

(million yen)

	FY2007		FY2008		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	58,737	21.8%	63,192	21.7%	4,455	7.6%
EMS	84,290	31.3%	90,281	31.0%	5,991	7.1%
Semiconductor	60,849	22.6%	65,544	22.5%	4,695	7.7%
General electronics component	28,754	10.7%	33,065	11.3%	4,311	15.0%
Others	36,382	13.5%	39,246	13.5%	2,864	7.9%
Total	269,014	100.0%	291,331	100.0%	22,317	8.3%



Summary

■ EMS sales: Up 5,991 million yen (7.1%)

Growth in orders for LCD units used in amusement equipment in Japan, a market sector where the KAGA ELECTRONICS Group has strong position, and the contribution of newly established KAGA AMUSEMENT resulted in sales of ¥90,281 million, an increase of 5,991 million yen.

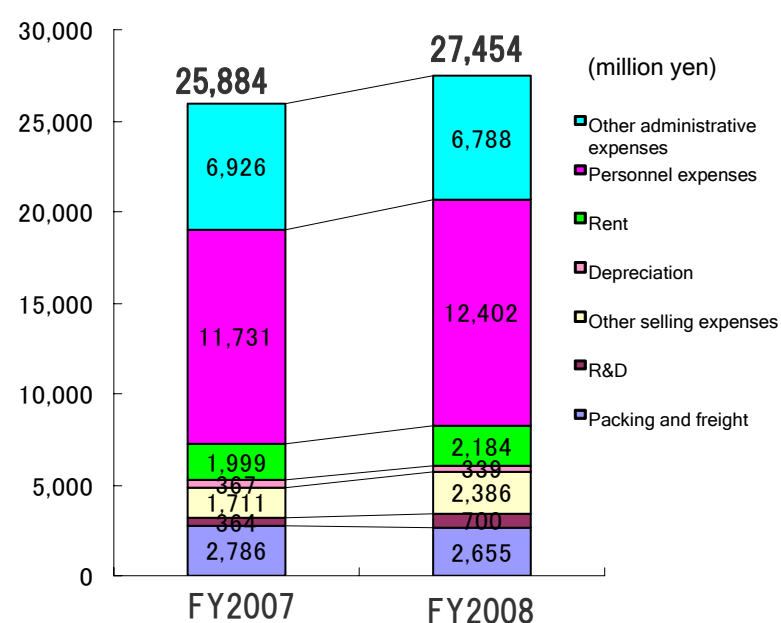
■ General electronic components sales: Up 4,311 million yen (15.0%)

First full-year contribution of OTSUKA ELECTRIC (six-month contribution in FY2007), which sells thermal products and general electronic components, and growth in sales of electronic components used in amusement equipment in Japan resulted in sales of 33,065 million yen, an increase of 4,311 million yen.

- Selling, General and Administrative Expenses (FY2007 and FY2008)

Comparison of SG&A Expenses

	FY2007		FY2008		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.
Packing and freight	2,785	10.8%	2,655	9.7%	-130	-4.7%
R&D	364	1.4%	700	2.5%	336	92.3%
Others	1,712	6.6%	2,386	8.7%	674	39.4%
Total selling expenses	4,861	18.8%	5,741	20.9%	880	18.1%
Depreciations expense	367	1.4%	339	1.2%	-28	-7.6%
Rent	1,999	7.7%	2,184	8.0%	185	9.3%
Personnel expenses	11,732	45.3%	12,402	45.2%	670	5.7%
Others	6,925	26.8%	6,788	24.7%	-137	-2.0%
Total administrative expenses	21,023	81.2%	21,713	79.1%	690	3.3%
Total SG&A expenses	25,884	100.0%	27,454	100.0%	1,570	6.1%



Summary

■ OTSUKA ELECTRIC, which was consolidated in the second half of FY2007, HANZAWA (HK), which was consolidated in FY2008, and newly established subsidiary KAGA AMUSEMENT all contributed to growth in selling expenses. There was also an increase in expenses (R&D, advertising, marketing, etc.) at KAGA COMPONENTS. The result was an increase of 880 million yen in selling expenses.

■ Administrative expenses: Due to the inclusion of expenses at OTSUKA ELECTRIC, HANZAWA (HK) and KAGA AMUSEMENT, administrative expenses increased 690 million yen. In addition, personnel expenses increased because of growth in the workforce as the scale of operations grew.

※Increase in personnel expenses: The Group's workforce increased by 323 during FY2008 (41 in sales departments, 73 in administrative departments, 101 in technical departments and 108 in manufacturing and other positions)

Financial Highlights of Fiscal 2008

Consolidated Balance Sheets

	FY2007 FY end	FY2008 FY end	Change
(Assets)	125,812	130,423	4,611
Current assets	107,853	113,147	5,293
Cash and equivalents	14,568	14,021	-546
Notes and accounts receivables	67,464	72,530	5,065
Inventories	19,727	20,177	450
Others	6,094	6,419	325
Fixed assets	17,959	17,276	-682
Property, plant and equipment	5,495	5,415	-79
Intangible assets	1,567	1,559	-8
Investments and other assets	10,896	10,301	-595
Total assets	125,812	130,423	4,610

	FY2007 FY end	FY2008 FY end	Change
(Liabilities)	72,763	78,231	5,467
Current liabilities	67,059	74,453	7,393
Notes and accounts payable	54,217	56,109	1,891
Short-term bank loans	7,045	11,688	4,643
Others	5,797	6,656	859
Fixed liabilities	5,704	3,778	-1,926
Long-term liabilities	2,378	633	-1,744
Others	3,326	3,145	-181
(Net assets)	53,049	52,192	-857
Shareholders' equity			
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Earned surplus	25,161	27,413	2,251
Treasury stock	-80	-843	-762
Valuations and translations	1,787	-475	-2,262
Minority interests	134	51	-83
Total liabilities and net assets	125,812	130,423	4,610

Consolidated Cash Flows (FY2007 and FY2008)

(million yen)

	FY2007 FY end	FY2008 FY end	Change
Operating activities	-1,120	640	1,760
Investing activities	-2,141	-718	1,423
Financials activities	-2,586	718	3,304
Net change in cash and cash equivalents	274	-1,186	-1,460
Decrease in cash and cash equivalents	-5,573	-546	5,027
Cash and cash equivalents at beginning of year	20,131	14,558	-5,573
Cash and cash equivalents at end of year	14,558	14,011	-547

Summary

- Operating activities: Net cash provided by activities was 640 million yen as cash from earnings was greater than the demand for working capital.
- Investing activities: Net cash used in investing activities was 718 million yen mainly because of payments for the purchase of property, plant and equipment and for investment securities.
- Financing activities: Net cash provided by financing activities was 718 million yen mainly because of proceeds from short-term bank loans.

Forecast for Fiscal Year Ending March 2009

Consolidated Income Statement (FY2008 and FY2009 Plan)

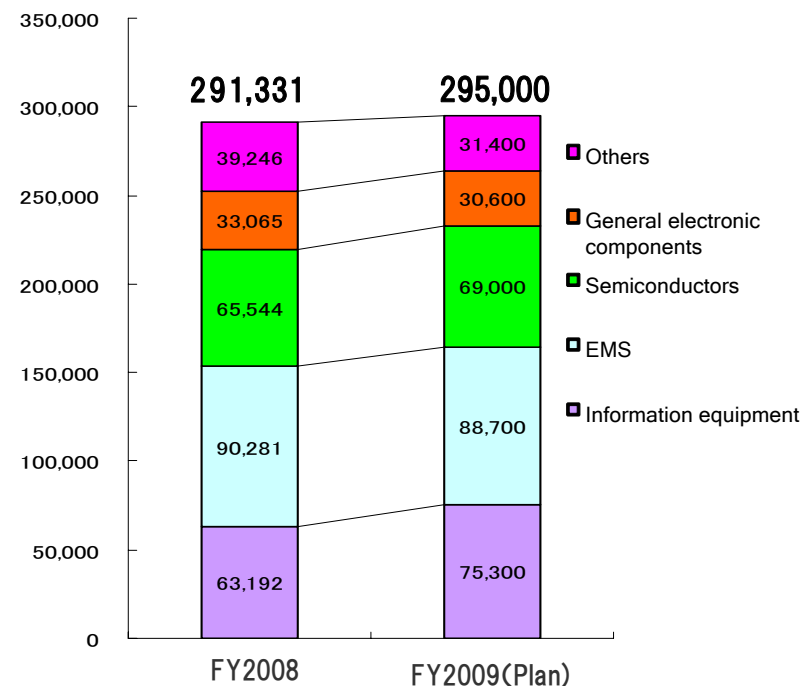
(million yen)

	FY2008(actual)		FY2009(plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct. change
Net sales	291,331	100.0%	295,000	100.0%	3,669	1.3%
Cost of sales	256,090	87.9%	260,400	88.3%	4,310	1.7%
Gross profit	35,240	12.1%	34,600	11.7%	-640	-1.8%
SG&A expenses	27,454	9.4%	27,850	9.4%	396	1.4%
Operating income	7,786	2.7%	6,750	2.3%	-1,036	-13.3%
Non-operating income	-746	-0.3%	350	0.1%	1,096	-146.9%
Ordinary income	7,040	2.4%	7,100	2.4%	60	0.9%
Net income	3,684	1.3%	4,100	1.4%	416	11.3%

Consolidated Sales Forecast by Business Category (FY2008 and FY2009 plan)

(million yen)

	FY2008		FY2009(Plan)		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	63,192	21.7%	75,300	25.5%	12,108	19.2%
EMS	90,281	31.0%	88,700	30.1%	-1,581	-1.8%
Semiconductor	65,544	22.5%	69,000	23.4%	3,456	5.3%
General electronics component	33,065	11.3%	30,600	10.4%	-2,465	-7.5%
Others	39,246	13.5%	31,400	10.6%	-7,846	-20.0%
Total	291,331	100.0%	295,000	100.0%	3,669	1.3%



Summary

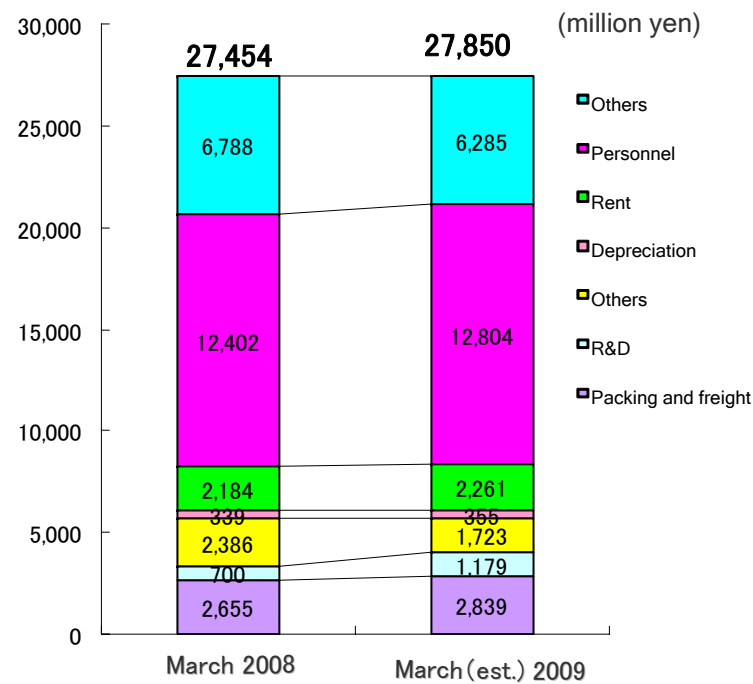
- Information equipment: Sales up 12,108 million yen (19.2%) because of change in some KAGA HIGHTECH products from Others to Information equipment, resulting in a change in sales composition, and activities to increase projector sales in China.
- EMS: Sales down 1,581 million yen (1.8%) as sales of LCD units used in amusement equipment in Japan returned to normal after a strong performance in FY07.
- Semiconductors: Sales up 8,151 million yen (13.4%) mainly due to higher sales of semiconductors used in amusement equipment and digital consumer electronics.
- General electronic components: Sales down 2,465 million yen (7.5%) as sales of electronic components used in amusement equipment returned to normal.
- Others: Sales down 7,846 million yen (20.0%) because of the reclassification of certain products of KAGA HIGHTECH to the information equipment category.

Selling, General and Administrative Expense Forecast (FY2008 and FY2009 plan)

Comparison of SG&A Expenses

	FY2008		FY2009(est.)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,655	9.7%	2,839	10.2%	184
R&D	700	2.5%	1,179	4.2%	479
Others	2,386	8.7%	2,128	7.6%	-258
Total selling expenses	5,741	20.9%	6,146	22.1%	405
Depreciations expense	339	1.2%	355	1.3%	16
Rent	2,184	8.0%	2,261	8.1%	77
Personnel expenses	12,402	45.2%	12,804	46.0%	402
Others	6,788	24.7%	6,285	22.6%	-503
Total administrative expenses	21,713	79.1%	21,705	77.9%	-8
Total SG&A expenses	27,454	100.0%	27,850	100.0%	396

(million yen)



Summary

- **Selling expenses:** R&D expenses up 479 million yen
(Up 470 million yen at KAGA ELECTRONICS Technology Division) Packing and freight expenses up 184 million yen (mainly due to higher sales at KAGA (THAILAND))
- **Administrative expenses:** Personnel expenses higher as workforce increased by 58
(37 in sales departments, 10 in administrative departments, 18 in technical departments and 7 in manufacturing and other positions)

Highlights of Fiscal 2008

Highlights of Fiscal 2008

~Report on Four Unprofitable Group Companies~

million yen

	KAGA HIGHTECH			KAGA COMPONENTS			KAGA SPORTS			KGF		
	2008.3		2009.3	2008.3		2009.3	2008.3		2009.3	2008.3		2009.3
	計画	実績	計画	計画	実績	計画	計画	実績	計画	計画	実績	計画
Net sales	60,963	66,523	68,000	16,511	14,571	17,000	5,241	4,974	5,510	328	331	436
Gross Profit	5,217	5,629	5,430	1,557	1,478	2,313	1,379	1,325	1,470	178	174	264
%	8.6%	8.5%	8.0%	9.4%	10.1%	13.6%	26.3%	26.6%	26.7%	54.3%	52.6%	60.6%
SG&A expenses	5,030	5,059	4,860	2,769	3,119	2,126	1,362	1,336	1,380	232	240	282
Operating income	186	569	570	-1,212	-1,641	187	17	-11	90	-54	-66	-18
Ordinary income	219	633	540	-1,348	-2,004	69	46	11	90	-56	-68	0
Net income	450	1,987	307	-1,432	-2,061	69	52	14	90	-56	-69	-18

• Achieved profitability due to strong sales of Apple products and PC peripherals and the successful restructuring of the sales network.

• Recorded extraordinary gain in FY2008 from sale of real estate

• Larger loss because of delay to FY2009/1H in new products planned for FY2008/2H.

• First profit in company's history even though FY2008 sales and earnings were less than the plan .

• Larger loss in FY2008, but opened curry shops and other stores in 2H under a new operating framework, setting the stage for a return to profitability

KAGA COMPONENTS Group Goals and Strategies

Profile of KAGA COMPONENTS

Name: KAGA COMPONENTS CO., LTD.

Established: March 1968

Capital: ¥400 million

Head office: 2-2-9 Hongo, Bunkyo-ku, Tokyo

President: Yukio Takashi (director of KAGA ELECTRONICS)

Employees: 1,876 (Non-cons: 313 Overseas group: 1,563)

Activities: Development, design, manufacture and sale of power supplies
Accessories for AV remote controls, etc.

Development, manufacture and sale of projectors and other finished
electronic products and outsourced assembly of circuit boards

Branches: Osaka, Hamamatsu

Factories: Niigata, Kumamoto

Affiliates: KAGA COMPONENTS (MALAYSIA), KAGA COMPONENTS (H
KONG), GUANGZHOU KEIDENKI, DONGGUAN POWERTEK
ELECTRONICS, KAGA INSTRUMENTS SHANTOU

KAGA COMPONENTS CO.,LTD.



■ Activities of KAGA COMPONENTS

~KAGA COMPONENTS handles all EDMS operations of the KAGA ELECTRONICS Group~

Advancing from EMS to EDMS → The transition from a “kitting business” to a “fabrication business”

- ① Projector business
 - Planning, development, manufacture and sale of TAXAN projectors
- ② DMS business
 - Development and manufacturing services for manufacturers in Japan
- ③ Power supply assembly business
 - Planning, development, manufacture and sale of power supply products using KAGA's own brands

Data Projector



Supply

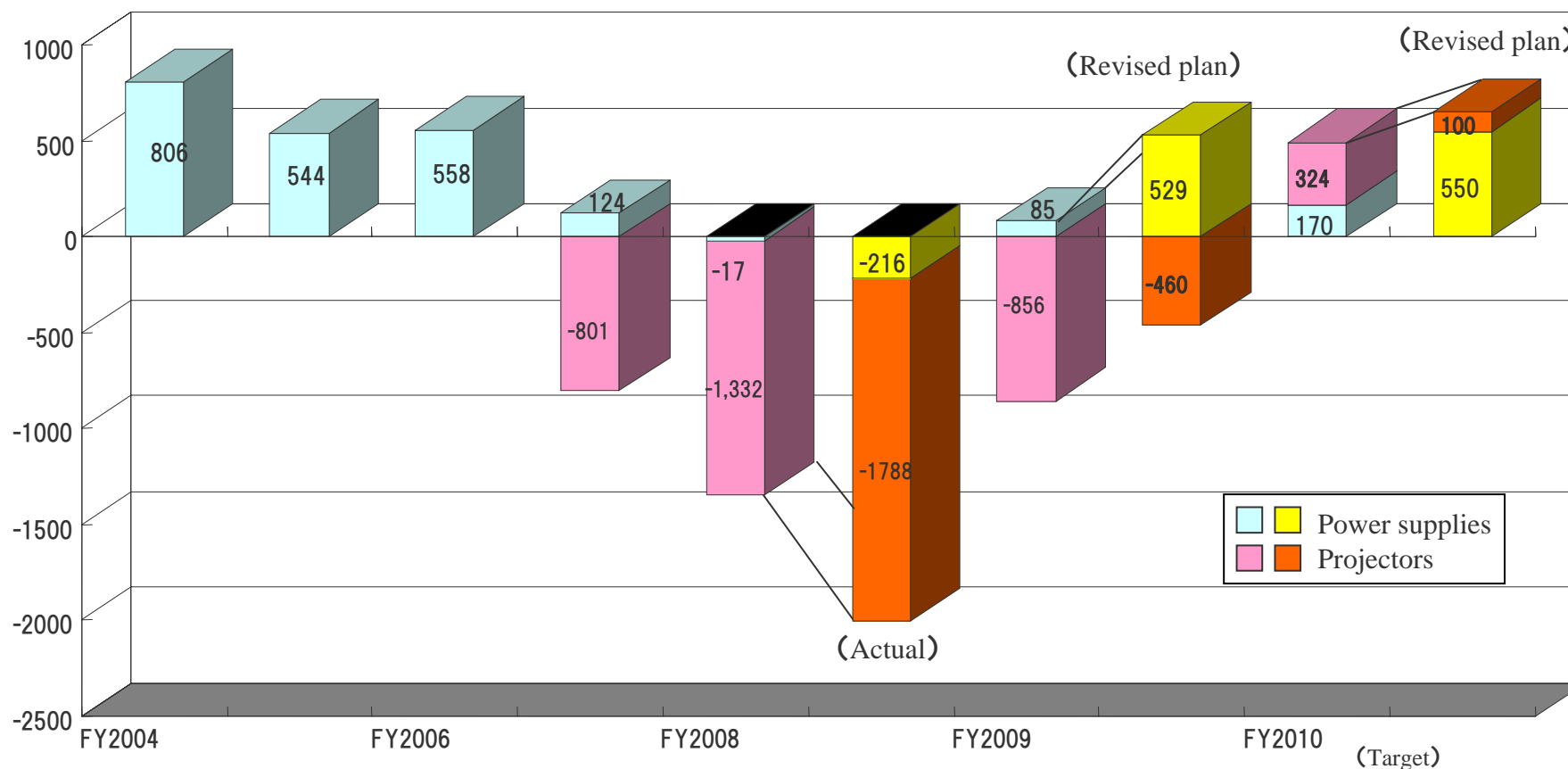


■ KAGA COMPONENTS Ordinary Income

~New Business Plan▪Ordinary Income Target~

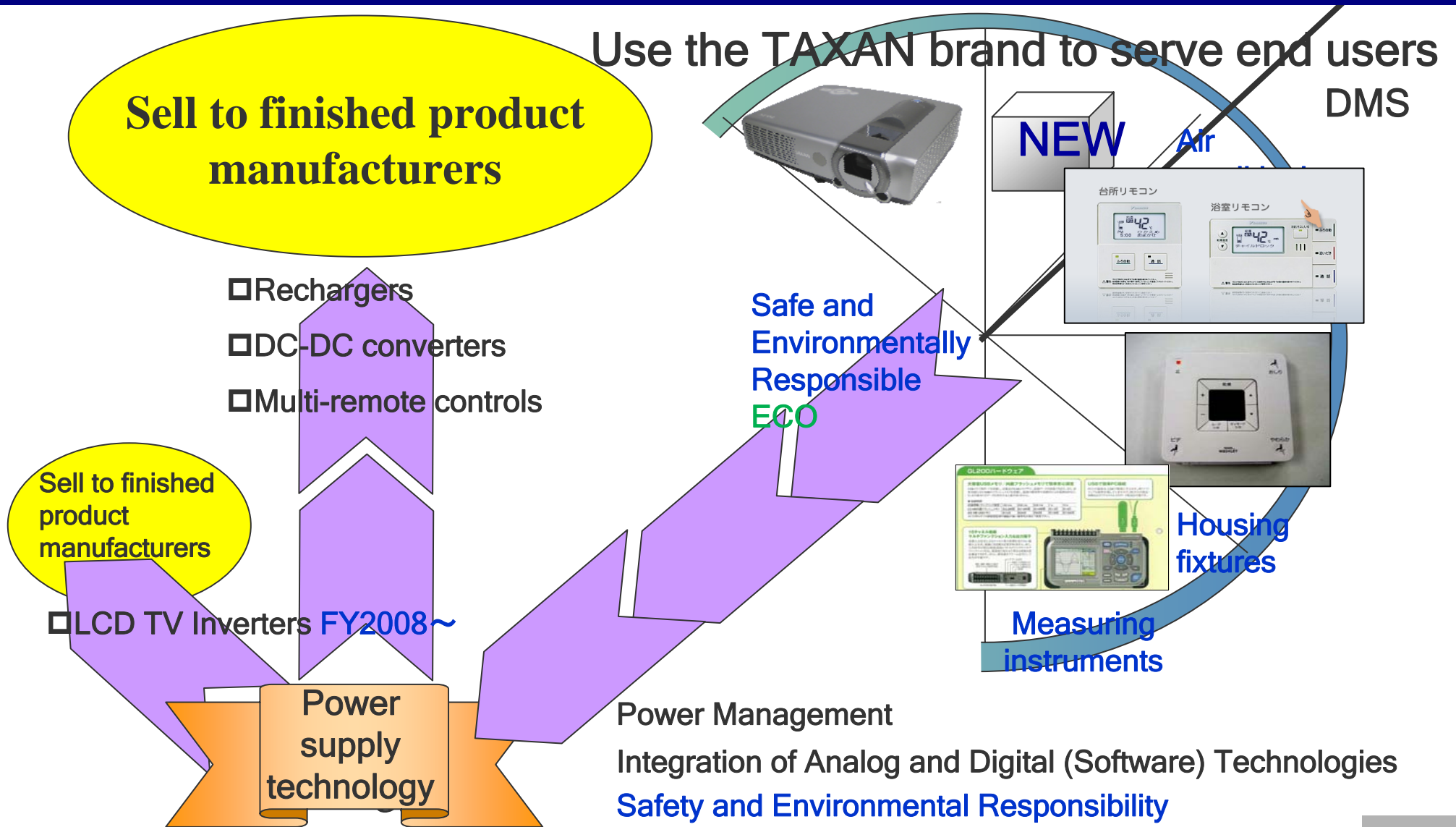
(million yen)

<Ordinary income>



*In the above graph, the power supply business includes the DMS business.

Goals of KAGA COMPONENTS



■ KAGA COMPONENTS Business Plan (Plan for rebuilding the projector business)

~Rebuild business through growth and greater efficiency~

① Sales strategy

Focus on four strategic areas: China, India, Middle East and Eastern Europe

② Cut expenses

Relocate production activities, purchase parts and materials locally, cut R&D expenditures and take other actions

③ Enlarge the product lineup

Expand the lineup from one model to five models

→ Increase earnings

■ KAGA COMPONENTS Business Plan (Plan for rebuilding the projector business)

~ Rebuild business through growth and greater efficiency ~

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→ Increase earnings

Plan for Rebuilding the Projector Business (Sales Strategy)

Sales strategy

		~2008/3	2008/4 ~
Targeted markets		B-to-B education markets in China, India and Middle East Inadequate commitment by business department	B-to-B education markets in China, India and Middle East Raise awareness within the department
	China	Use the sales agent network of Jintai	Use the sales agent network of Jintai
	India	15 sales agents (well-known companies)	50 sales agents (well-known companies) Use 迅秦 as the benchmark
	Middle East		TAXAN GULF Arabian countries, Turkey
Purchased products	TAXAN	Product lineup Insufficient	Product lineup Expand
			Home theaters products and security cameras made by other companies

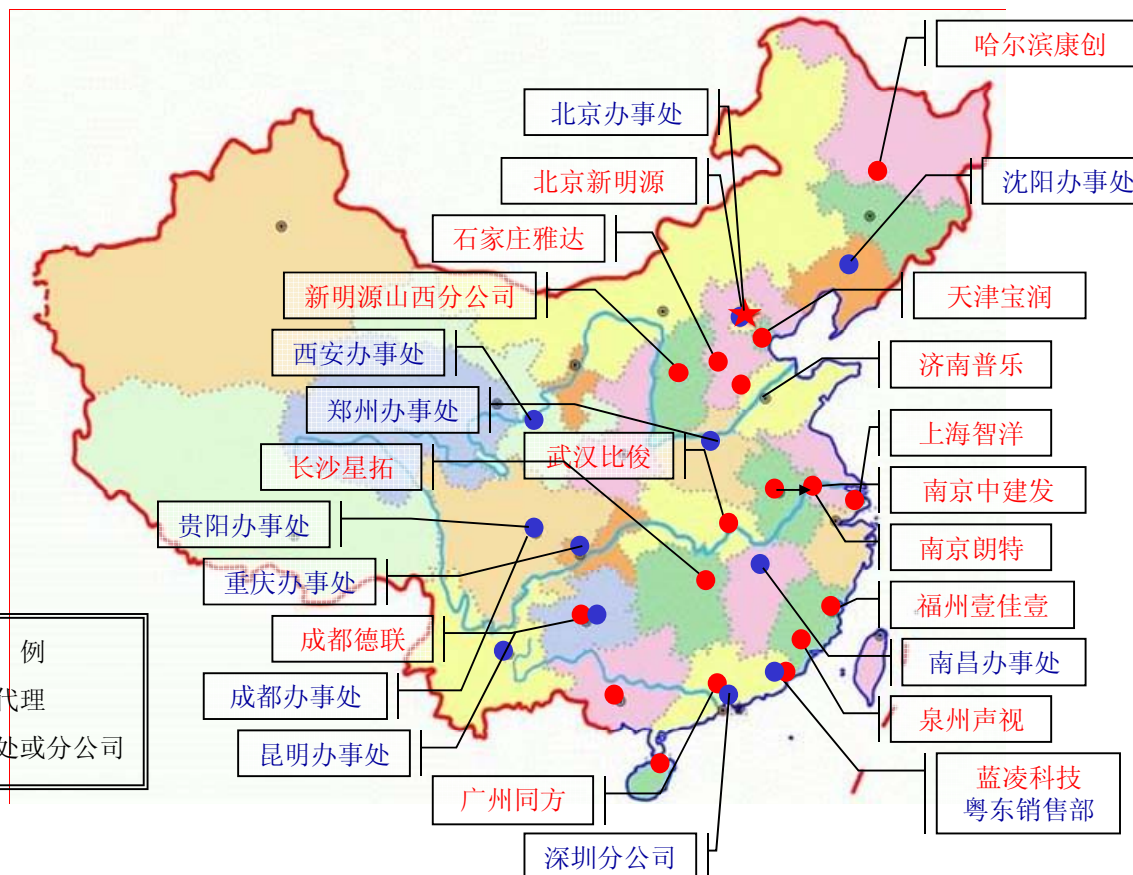
Projector Business Sales Strategy: China



Former PS

Alliance partners

Sales-network of "Jintai Group" in China



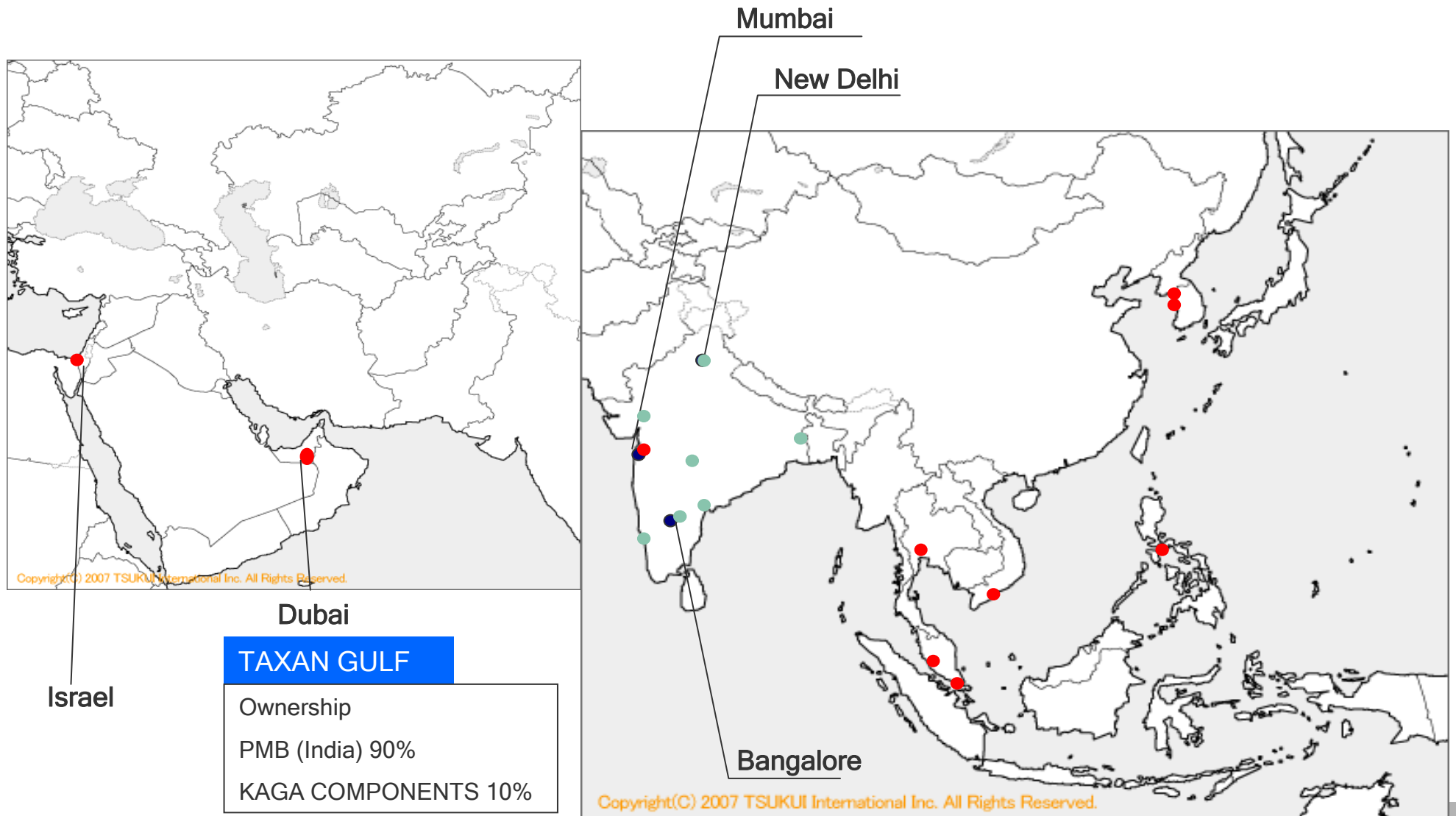
PS successors



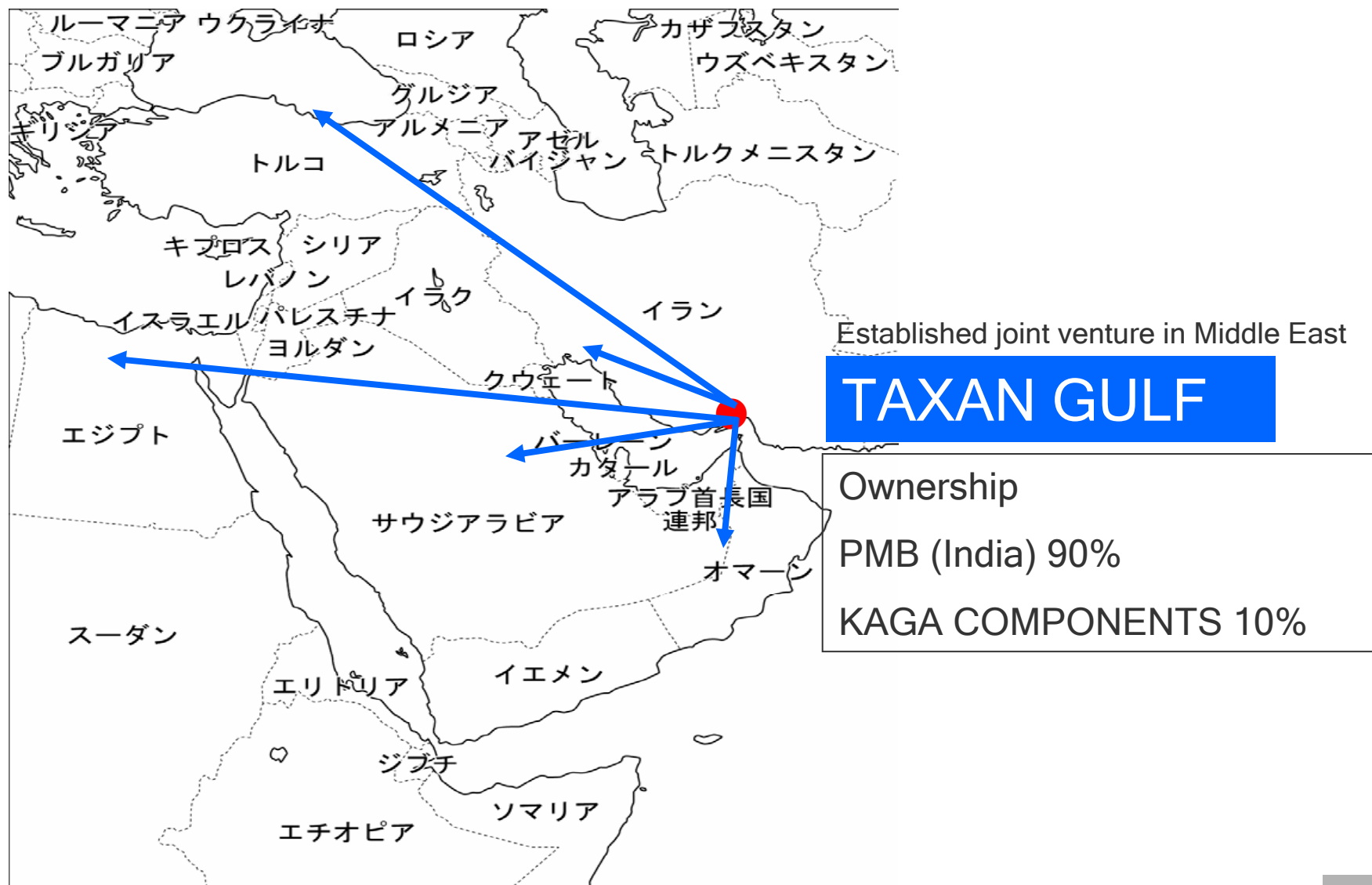
OEM

图例
 ● 国内一级代理
 ● 公司办事处或分公司

Projector Business Sales Strategy: Asia (India and Dubai)



Projector Business Sales Strategy: Dubai Joint Venture



■ KAGA COMPONENTS Business Plan (Plan for rebuilding the projector business)

~Rebuild business through growth and greater efficiency~

① Sales strategy

Focus on four strategic areas: China, India, Middle East and Eastern Europe

② Cut expenses

Relocate production activities, purchase parts and materials locally, cut R&D expenditures and take other actions

③ Enlarge the product lineup

Expand the lineup from one model to five models

→ Increase earnings

Projector Business Cost Cutting Plan

~Cost cutting plan~

①Cut logistics expenses	Production plans synchronized with containership and containers → A more efficient logistics system
②Review production plans	Start production 4 weeks before time that sales are expected Create a system for producing only as much as can be sold
③Relocate production activities	Switch from production system using China and partner factories in Japan to a unified system centered at KAGA INSTRUMENTS SHANTOU
④Local procurement	Cut manufacturing costs by purchasing parts and materials parts and materials locally Raise local procurement from about 20% to about 80%
⑤Downsize the workforce	Consider lowering personnel expenses by using people more efficiently, restructuring operations and downsizing the workforce

■ Projector Business Rebuilding Plan (Product Lineup)

~ Rebuild business through growth and greater efficiency ~

① Sales strategy

Focus on four strategic areas: China, India, Middle East and Eastern Europe

② Cut expenses

Relocate production activities, purchase parts and materials locally, cut R&D expenditures and take other actions

③ Enlarge the product lineup

Expand the lineup from one model to five models

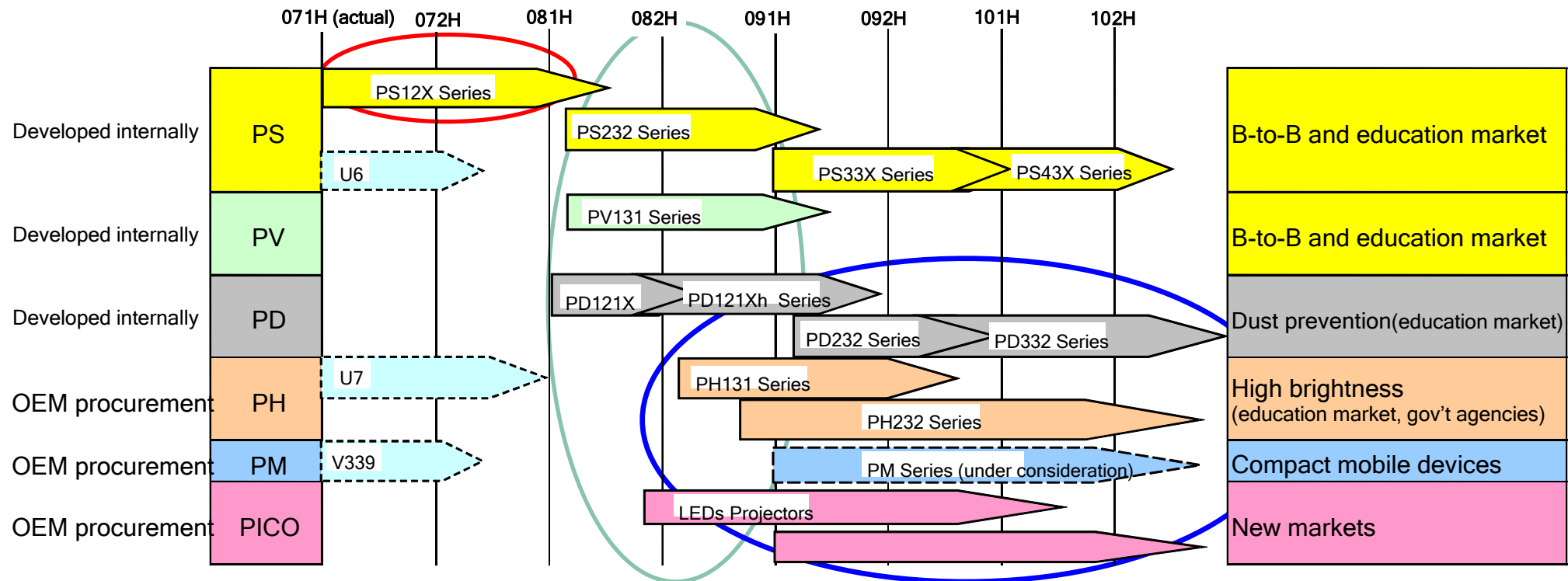
→ Increase earnings

Expand the Product Lineup in the Projector Business

Expand the product lineup



PS232 Series (To be introduced in 2008)



B-to-B and education market
B-to-B and education market
Dust prevention (education market)
High brightness (education market, gov't agencies)
Compact mobile devices
New markets

New products and technologies in the power supply business

■ Power supplies for amusement equipment

- Smaller DC-DC converters
- Customized ICs

→ Places PFC circuitry on an IC to lower the power consumption of amusement equipment



Customized ICs for amusement equipment

■ Inverters and main power supplies for flat-panel

- Hybrid method
- Technology for「high-frequency drive inverter」and「newly developed DC drive inverter」

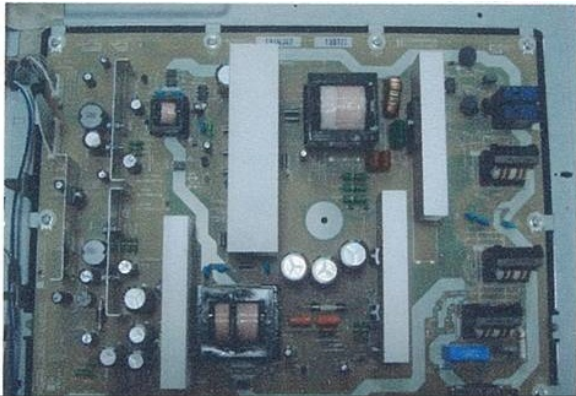
→ Benefits include low price, low noise, high efficiency, compact size and space-saving design



Newly developed inverter

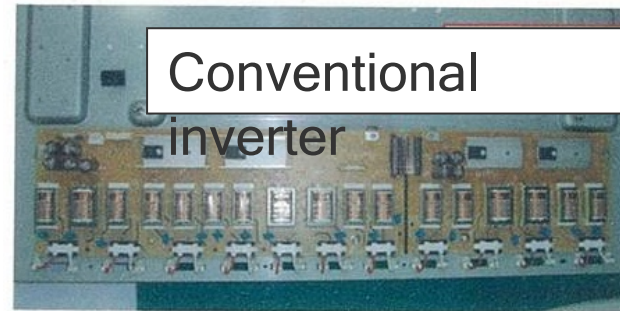
Plan to Develop Large LCD Power Supply with Low Power Consumption

Current product: 42-inch LCD TV (Company S), 2007 model



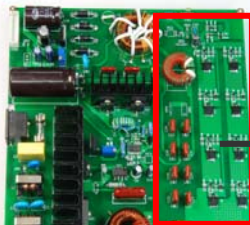
Switching power supply

+

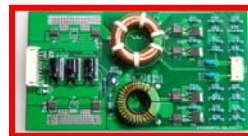


Conventional inverter

New product: 42-inch LCD TV (prototype of newly developed model)



Newly developed inverter



※Same reduction scale as for above products

Combines 「power supply」and newly developed「inverter」

~closeup~



Fiscal 2008 Topics

■ Fiscal 2008 Topics (Kodak one-seg organic EL compact TV)

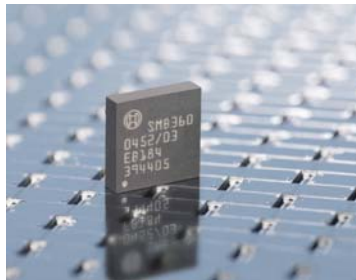


Achieved slim profile
of only 8mm

- ① Became sales agent in Japan for Korea's Integrant Technologies (since merged with U.S. Analog Devices), a manufacturer of digital broadcast (one-seg) reception Ics.
- ② Created a unit product with ANDES Electric (Aomori, Japan) (combines KAGA ELECTRONICS software technology and ANDES Electric RF technology).
- ③ Became sales agent in Japan for an ultra-compact lithium-ion battery made in KOERA.
- ④ Became sales agent in Japan for the organic EL products of Korea's LG Display .
- ⑤ KAGA HIGHTECH became the general sales agent in Japan for Eastman Kodak → Commercializing products using the Kodak brand .

Plan, develop, manufacture and sell products that only the KAGA ELECTRONICS Group is capable of creating.

■Fiscal 2008 Topics (Added products for cell phones and other markets)




•Bosch Sensortech (Germany)

...Wholly owned subsidiary of Bosch that is the market leader in automotive MEMS sensors

⇒Established to target the consumer electronics market

...Cell phones with digital acceleration sensors

⇒Phone can function as a pedometer

...Also prevents blurred photos  **BOSCH**

•Quantum(U.K.)

...Developed touch sensor control IC

⇒ Now used in cell phones

⇒ Will sell this IC to Japanese home electronics manufacturers, too

■Fiscal 2008 Topics (Semiconductor Development Company Joins the Group)



Name: Workbit Corporation

Established: May 1995

Capital: 20 million yen

Head office: 1-1-2 Chuo, Yamato City, Kanagawa

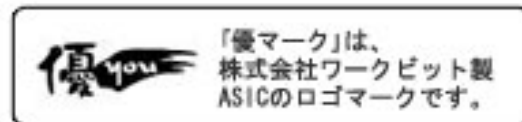
President: Kazunori Iwabe (General Manager of Technology Division)
ELECTRONICS)

Employees: 8

Activities: Planning, development, manufacture and sale of LSIs and other semiconductors for PCs and peripherals, audio/digital home electronics, industrial devices, measuring instruments

Products: File interface LSIs, interface boards and cards, LSIs and devices for specific applications (including OEM)

Major customers: I-O Data Device, Tobishima, ASKA, Konica Minolta Opt, Shinko Shoji, Zentek, Sony, Hitachi, Matsushita Electric, UNIX, others





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