

Information Meeting for Fiscal 2009



May 11, 2009

KAGA ELECTRONICS CO., LTD. (TSE 1st section, 8154)

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The Fiscal Year Ending March 2009

■ Fiscal 2009 Financial Highlights

Comparative Consolidated Income Statement

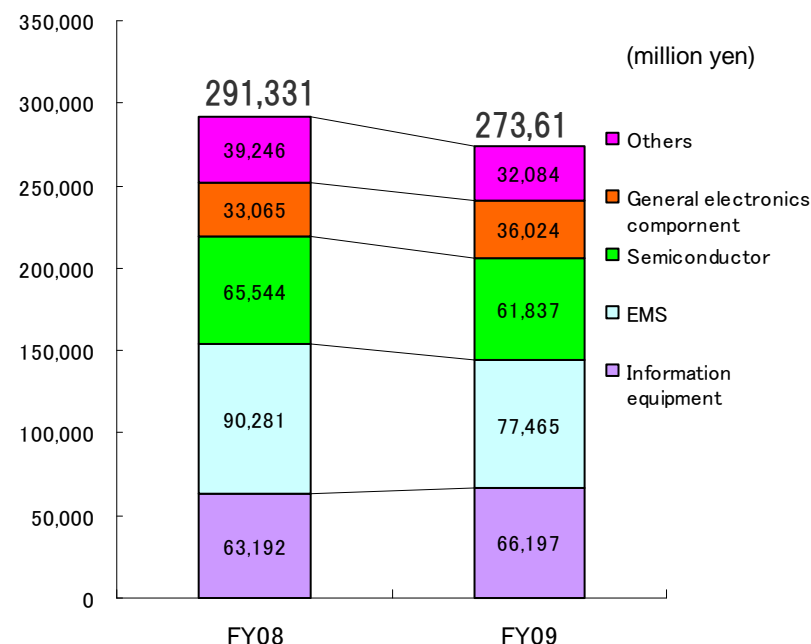
(million yen)

	FY2008		FY2009		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	291,331	100.0%	273,610	100.0%	-17,721	-6.1%
Cost of sales	256,090	87.9%	243,226	88.9%	-12,864	-5.0%
Gross profit	35,240	12.1%	30,383	11.1%	-4,857	-13.8%
SG&A expenses	27,454	9.4%	28,134	10.3%	680	2.5%
Operating income	7,786	2.7%	2,249	0.8%	-5,537	-71.1%
Non-operating income	969	0.3%	854	0.3%	-115	-11.9%
Non-operating expence	1,715	0.6%	896	0.3%	-819	-47.8%
Ordinary income	7,040	2.4%	2,208	0.8%	-4,832	-68.6%
Extraordinary items	372	0.1%	-2,159	-0.8%	-2,531	-
Income before income taxes	7,412	2.6%	49	0.02%	-7,363	-99.3%
Income and inhabitants taxes	3,693	1.3%	1,459	0.5%	-2,234	-60.5%
Deferred taxes	99	0.03%	-364	-0.13%	-463	-
Minority interests	64	0.02%	-238	-0.09%	-302	-
Net income	3,684	1.3%	-806	-0.3%	-4,490	-

Comparison of Consolidated Sales by Product (FY2008 and FY2009)

(million yen)

	FY2008		FY2009		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	63,192	21.7%	66,197	24.2%	3,005	4.8%
EMS	90,281	31.0%	77,465	28.3%	-12,816	-14.2%
Semiconductor	65,544	22.5%	61,837	22.6%	-3,707	-5.7%
General electronics component	33,065	11.3%	36,024	13.2%	2,959	8.9%
Others	39,246	13.5%	32,084	11.7%	-7,162	-18.2%
Total	291,331	100.0%	273,610	100.0%	-17,721	-6.1%



Summary

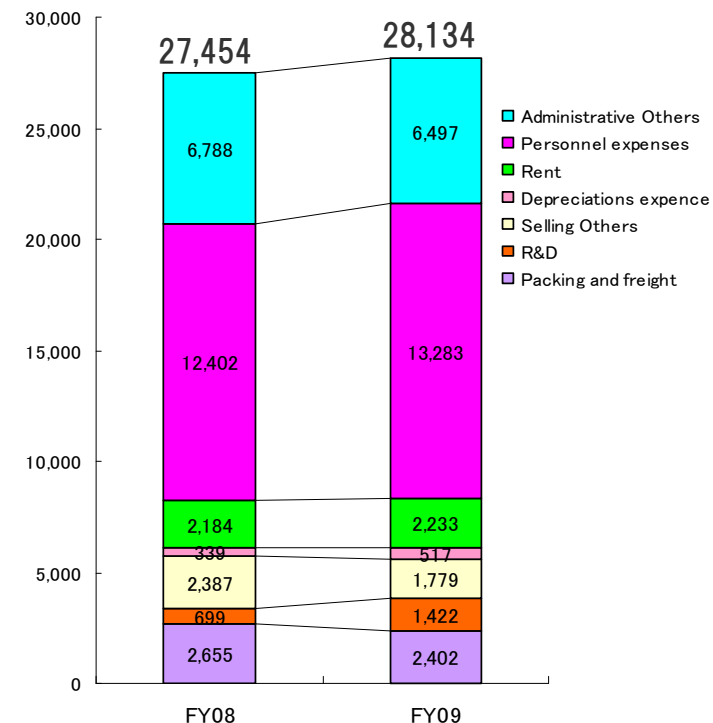
- **Information equipment**: Sales Up ¥3,005million (+4.8%) • Higher sales of PCs and peripherals and sales of security systems.
- **EMS**: Sales Down ¥12,816 million (-14.2%) • Lower sales from overseas office equipment circuit board assembly as manufacturers reduced production.
- **Semiconductors**: Sales Down ¥3,707 million (-5.7%) • Lower sales of semiconductors for amusement equipments and cell phones.
- **General electronic components**: Sales Up ¥ 2,959million (+8.9%) • Higher sales of HD for information devices
- **Others**: Sales Down ¥ 7,162 million (-18.2%) • Lower sales of chemical film and other photography products.

▪ Selling, General and Administrative Expenses (FY2008 and FY2009)

Comparison of SG&A Expenses

(million yen)

	FY2007		FY2008		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.
Packing and freight	2,655	9.7%	2,402	8.5%	-253	-9.5%
R&D	699	2.5%	1,422	5.1%	723	103.4%
Others	2,387	8.7%	1,779	6.3%	-608	-25.5%
Total selling expenses	5,741	20.9%	5,603	19.9%	-138	-2.4%
Depreciations expense	339	1.2%	517	1.8%	178	52.5%
Rent	2,184	8.0%	2,233	7.9%	49	2.2%
Personnel expenses	12,402	45.2%	13,283	47.2%	881	7.1%
Others	6,788	24.7%	6,497	23.1%	-291	-4.3%
Total administrative expenses	21,713	79.1%	22,530	80.1%	817	3.8%
Total SG&A expenses	27,454	100.0%	28,134	100.0%	680	2.5%



Summary

■ **Selling expenses** : Decline in packing and freight due to review of the logistics system at KAGA HIGHT ECH, decline of 253 million yen.

■ **Administrative expenses**: Personnel expenses up 881 million yen.

Financial Highlights of FY 2009

Consolidated Balance Sheets

	FY2008 FY end	FY2009	Change
(ASSETS)	130,423	117,251	-13,172
Current assets	113,147	99,639	-13,508
Cash and cash equivalents	14,021	11,378	-2,643
Notes and account receivable-trade	72,530	61,053	-11,477
Merchandise and finished goods	15,998	13,969	-2,029
Goods in progress	506	577	71
Raw materials and other supplies	3,672	3,749	77
Others	6,420	8,913	2,493
Fixed assets	17,276	17,612	336
Property, plant and equipment	5,415	6,168	753
Intangible assets	1,559	1,914	355
Investments and other assets	10,301	9,528	-773
Total assets	130,423	117,251	-13,172

(million yen)

	FY2008 FY end	Interim FY2009	Change
(LIABILITIES)	78,231	67,690	-10,541
Current liabilities	74,461	60,521	-13,940
Notes and accounts payable-trade	56,109	44,772	-11,337
Short-term bank loans	11,697	9,291	-2,406
Others	6,655	6,458	-197
Long-term liabilities	3,769	7,168	3,399
Long-term bank loans	625	3,620	2,995
Others	3,144	3,548	404
(NET ASSETS)	52,192	49,560	-2,632
Shareholders' equity			
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	27,413	25,158	-2,255
Treasury stock	-843	-1,331	-488
Valuation and translation adjustment	-475	-2,103	-1,628
Minority interests	51	1,790	1,739
Total liabilities and net assets	130,423	117,251	-13,172

Consolidated Cash Flows (FY2008 and FY2009)

(million yen)

	FY2008 FY end	FY2009 FY end	Change
Operating activities	640	5,435	4,795
Investing activities	-718	-4,212	-3,494
Financials activities	718	-3,407	-4,125
Net change in cash and cash equivalents	-1,186	-457	729
Decrease in cash and cash equivalents	-546	-2,642	-2,096
Cash and cash equivalents at beginning of year	14,558	14,011	-547
Cash and cash equivalents at end of year	14,011	11,368	-2,643

Summary

- **Operating activities** : Provided net cash of 5,435 million yen mainly because of a decrease in receivables
- **Investing activities** : Used net cash of 4,212 million yen mainly because of payments for the purchase of property, plant and equipment.
- **Financing activities** : Used net cash of 3,407 million yen mainly because of dividend payments

Forecast for the Fiscal Year Ending March 2010

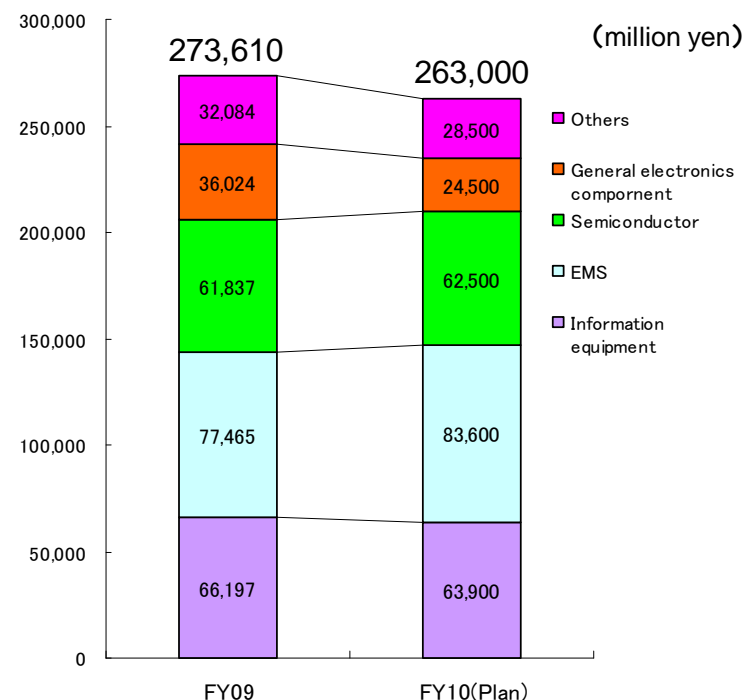
Consolidated Income Statement (FY2009 and FY2010 Plan)

(million yen)

	FY2009 (actual)		FY2010 (plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	273,610	100.0%	263,000	100.0%	-10,610	-3.9%
Cost of sales	243,226	88.9%	231,800	88.1%	-11,426	-4.7%
Gross profit	30,383	11.1%	31,200	11.9%	817	2.7%
SG&A expenses	28,134	10.3%	28,600	10.9%	466	1.7%
Operating income	2,249	0.8%	2,600	1.0%	351	15.6%
Non-operating income	-42	-0.02%	200	0.1%	242	-
Ordinary income	2,208	0.8%	2,800	1.1%	592	26.8%
Net income	-806	-0.3%	1,600	0.6%	2,406	-

■ Consolidated Sales Forecast by Business Category (FY2009 and FY2010 plan)

	FY2009		FY2010(est.)		(million yen)	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.change
Information equipment	66,197	24.2%	63,900	24.3%	-2,297	-3.5%
EMS	77,465	28.3%	83,600	31.8%	6,135	7.9%
Semiconductors	61,837	22.6%	62,500	23.8%	663	1.1%
General electronic components	36,024	13.2%	24,500	9.3%	-11,524	-32.0%
Others	32,084	11.7%	28,500	10.8%	-3,584	-11.2%
Total	273,610	100.0%	263,000	100.0%	-10,610	-3.9%



Summary

- **Information equipment**: Sales down 2,297 million yen due to lower the prices of portable music player made in US, and business contraction of projectors (KAGA COMPONENTS).
- **EMS**: Sales up 6,135 million yen. Sales for LCD units for amusement equipment in Japan increased.
- **Semiconductors**: Sales up 663 million yen.
- **General electronic components**: Sales down 11,524 million yen due to lower sales of electronic components because of adjust production of makers.
- **Others**: Sales down 3,584 million yen due to lower sales of chemical film and other photography products.

Highlights of fiscal

Information Equipment Business - 1 -

System Solution Business transfer from KAGA Electronics to KAGA SOLNET

「KAGA Electronics system solution business」

- Retail of PCs and PC Related products.
- Retail of VOD and VOD related equipment for rental apartment.
- Retail of security system equipment.
- Retail of digital audio-visual editing equipment.
- Development of CG and 3D image for WEB.



FY2009

Net sales : 8,900 million yen / Employee : 78

「KAGA SOLNET」

- Building a network (LAN) system.
- Retail of network related products and software.
- IT consulting service.
- Management of computer system.



FY2009

Net sales : 1,900 million yen/Employee : 42

New「KAGA SOLNET」 ~Integrated on 1-Apr-2009~

- KAGA SOLNET handle all information equipment business of KAGA Electronics group.
- Retail of PCs and PC related products, building the network system and security system.
- Create synergy effect by efficient sales network and wide range of products.

FY2010(plan)
Net sales:10,800 M
Ordinary income:400 M
Employee:119

Information Equipment Business - 2 -

Information Equipment Business of KAGA Electronics Group

「KAGA HIGHTECH」

Major customer: A mass home electric and a mass camera retailer.

Main products: PCs and PC related products, digital camera
analogue camera, SD card and so on.

FY2010(plan)

Net sales: 62,200 M

Ordinary income: 300 M

Employee: 199



「KAGA SOLNET」

Major customer: General company and public office.

Main products: PCs and PC related products, audio-visual editing
equipment, VOD system, building a computer network,
management and maintenance service of
information system.

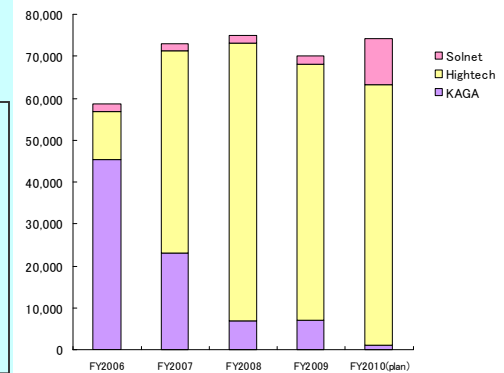
FY2010(plan)

Net sales: 10,800 M

Ordinary income: 400M

Employee: 119

※2009/Apr/1



Efficient business, effective use of human resources and improve synergy effect

By handle all information equipment business of KAGA Electronics group.

Strategic Change of Projector

■ Profile of KAGA COMPONENTS

Name : KAGA COMPONENTS CO.,LTD.

Established : March,1968

Capital : 400 million yen

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

President : Isao Tsukamoto

Employees : 1,867 (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 electronics products and outsourced assembly of circuit board.

Branches : Osaka,hamamatsu

Factories : Niigata,Kumamoto

Affiliates : KAGA COMPONENTS(MALASIA),KAGA COMPONENTS(HONG KONG)

DONGGUAN POWERTEK ELECTRONICS,KAGA INSTRUMENTS SHANTOU

KAGA COMPONENTS CO.,LTD.



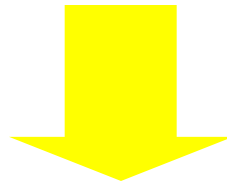
KAGA ELECTRONICS CO.

Strategies of rebuilding the projector business①

Plan for rebuilding business through growth and greater efficiency on Oct.2007

<Rebuilding strategy>

- ① Sales strategy : Focus on four strategic area.
- ② Cut expenses : Relocate production activities,purchase parts and material locally,cut R&D expenditures and take other actions.
- ③ Enlarge the product lineup : Expand the lineup from one model to five models.



Competition with low price products which made in China and Taiwan.

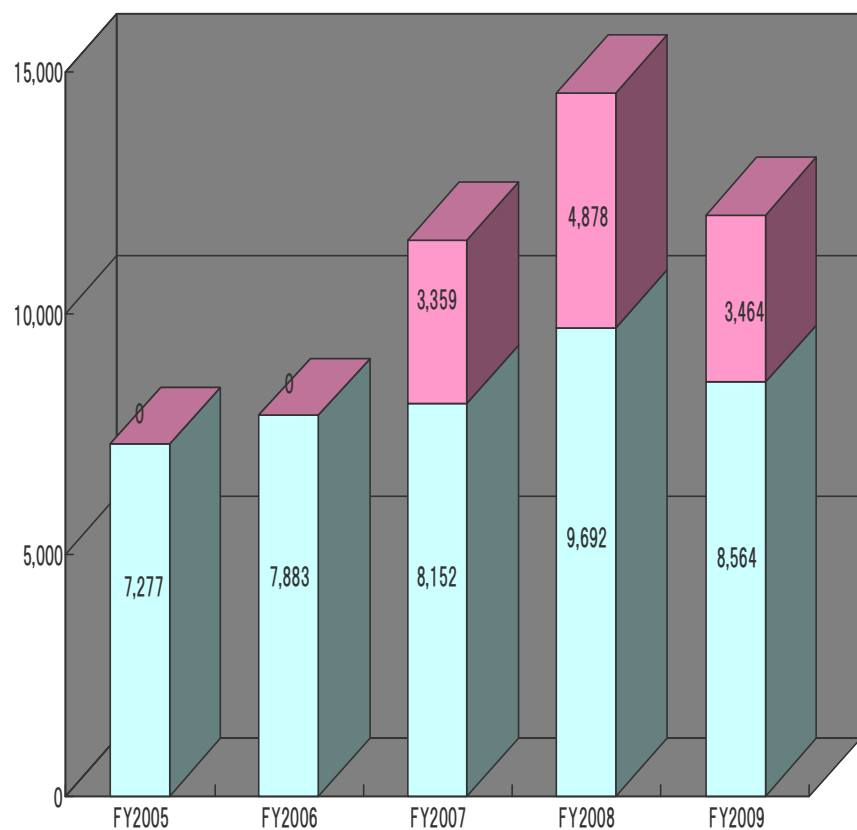
Shrinking of the projector market by deterioration of economy.

Approximately 2,000 million yen loss in projector business on FY2009

Strategies of rebuilding the projector business ②

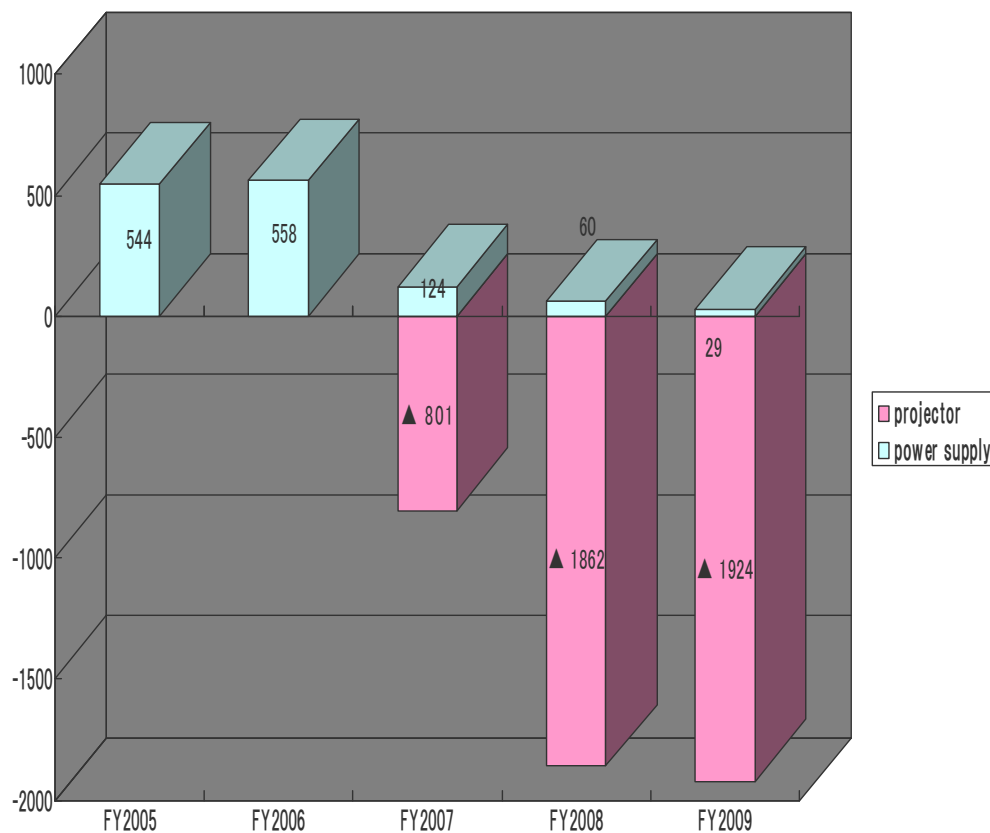
<Net sales>

(million yen)



<Ordinary income>

(million yen)



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

Strategies of rebuilding the projector business ③

～strategies of rebuilding the projector business～

FY2009		FY2010
■Products strategy		■Products strategy
Sales the projector which developed internally.		<u>Sales the projector of OEM supplied by foreign companies.</u>
■Area strategy		■Area strategy
Japan/china/India/Middle East and Eastern Europe		<u>Focus on Japan and China</u>
■Sales strategy		■Sales strategy
Focus On public sector market such as educational market.		<u>Same as FY2009.</u>



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※We will move our headquarters on 1-aug-2009.

For more information,please contact the public relations department.