



Information Meeting for Interim FY 2010

November 16, 2009

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

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Financial Highlights

First half of fiscal year ending in March 2010

**April to September 2009
(Consolidated First Half)**

Financial Highlights of Interim FY 2010

Comparative Consolidated Income Statement

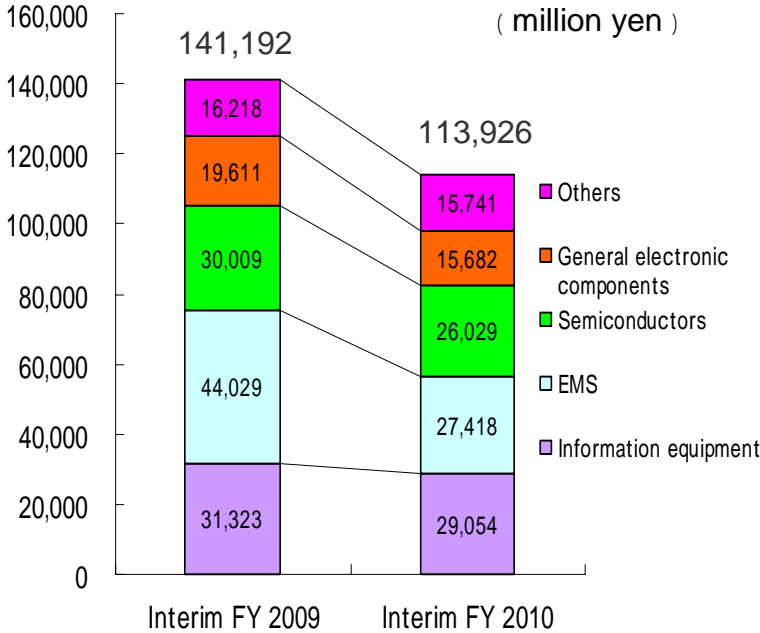
(million yen)

	Interim FY2009		Interim FY2010		Change	
Net sales	141,192	100.0%	113,926	100.0%	-27,266	-19.3%
Cost of sales	124,297	88.0%	100,265	88.0%	-24,032	-19.3%
Gross profit	16,895	12.0%	13,661	12.0%	-3,234	-19.1%
Selling, general and administrative expenses	13,670	9.7%	13,293	11.7%	-377	-2.8%
Operating income	3,224	2.3%	367	0.3%	-2,857	-88.6%
Non-operating income	404	0.3%	363	0.3%	-41	-10.1%
Non-operating expenses	185	0.1%	529	0.5%	344	185.9%
Ordinary income	3,444	2.4%	201	0.2%	-3,243	-94.2%
Extraordinary losses	-1,021	-0.7%	-194	-0.2%	827	-
Income before income taxes and minority interests	2,423	1.7%	8	0.0%	-2,415	-99.7%
Income, residential and enterprise taxes	1,680	1.2%	620	0.5%	-1,060	-63.1%
Income tax adjustment	-191	-0.14%	370	0.32%	561	-
Minority interest in income/loss of consolidated subsidiaries	-18	-0.01%	-50	-0.04%	-32	-
Net income	952	0.7%	-931	-0.8%	-1,883	-

Comparison of Consolidated Sales by Business Category (Interim FY 2009 and 2010)

(million yen)

	Interim FY 2009		Interim FY 2010		Change
Information equipment	31,323	22.2%	29,054	25.5%	-2,269
EMS	44,029	31.1%	27,418	24.1%	-16,611
Semiconductors	30,009	21.3%	26,029	22.8%	-3,980
General electronic components	19,611	13.9%	15,682	13.8%	-3,929
Others	16,218	11.5%	15,741	13.8%	-477
Total	141,192	100.0%	113,926	100.0%	-27,266



Major changes

EMS sales : Down 16,611 million yen (37.7%)

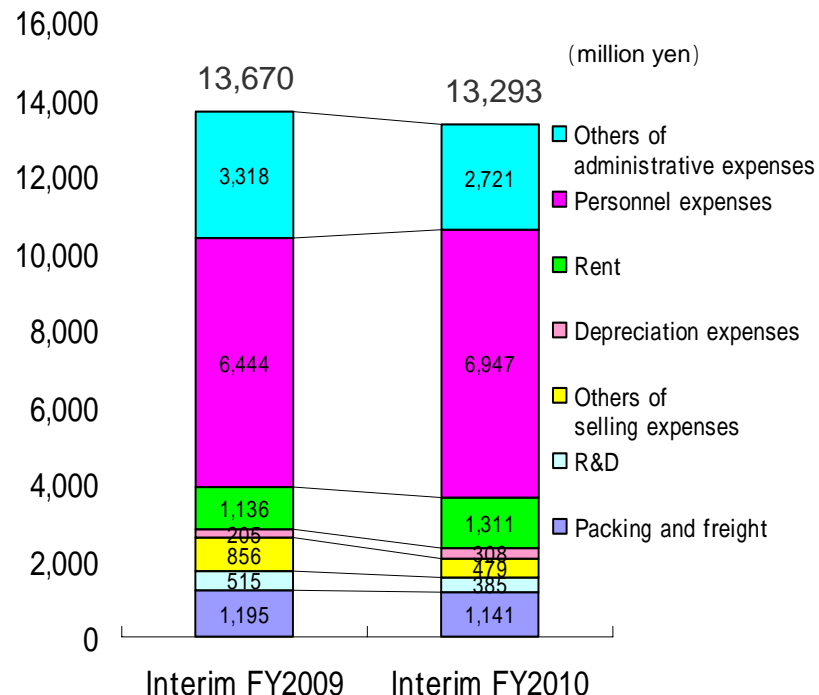
There was a sharp decline in orders along with cuts in production volume at EMS client companies. In Japan, orders were lower for LCD units used by amusement equipment manufacturers. Overseas, there was a decline in orders for circuit boards used by Japanese manufacturers of office equipment and climate control equipment. As a result, sales were down 37.7% to 27,418 million yen.

Semiconductor sales : Down 3,980 million yen (13.3%)

There was a contribution to sales from ADM Inc., a semiconductor trading company that became a consolidated subsidiary in August 2008. Despite this contribution, sales decreased 13.3% to 26,029 million yen because of declines in the handling volume of image processing ICs for amusement equipment and signal conversion ICs for digital audio-visual products.

Selling, General and Administrative Expenses (Interim FY 2009 and FY 2010)

	Interim FY2009		Interim FY2010		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	1,195	8.7%	1,141	8.6%	-54
R&D	515	3.8%	385	2.9%	-130
Others	856	6.3%	479	3.6%	-377
Total selling expenses	2,566	18.8%	2,005	15.1%	-561
Depreciation expenses	205	1.5%	308	2.3%	103
Rent	1,136	8.3%	1,311	9.9%	175
Personnel expenses	6,444	47.1%	6,947	52.3%	503
Others	3,318	24.3%	2,721	20.5%	-597
Total administrative expenses	11,103	81.2%	11,287	84.9%	184
Total SG&A expenses	13,670	100.0%	13,293	100.0%	-377



Major changes

Selling expenses :R&D cost

Due to the decrease of R&D cost at SI ELECTRONICS, Selling expenses decrease 130 million yen.

Administrative expenses :Personnel expenses increased 503 million yen.

The number of employees decrease 63. (5,205 → 5,142)

Financial Highlights of Interim FY 2010

Consolidated Balance Sheets

(million yen)

	FY2009 FY end	Interim FY2010	Change
(ASSETS)	117,251	106,764	-10,487
Current assets	99,639	88,449	-11,190
Cash and cash equivalents	11,378	11,491	113
Notes and account receivable-trade	61,053	53,754	-7,299
Merchandise and finished goods	13,969	12,789	-1,180
Goods in progress	577	816	239
Raw materials and other supplies	3,749	2,896	-853
Others	8,913	6,703	-2,210
Fixed assets	17,612	18,314	702
Property, plant and equipment	6,168	6,660	492
Intangible assets	1,914	1,757	-157
Investments and other assets	9,528	9,896	368
Total assets	117,251	106,764	-10,487

	FY2009 FY end	Interim FY2010	Change
(LIABILITIES)	67,690	58,476	-9,214
Current liabilities	60,521	51,523	-8,998
Notes and accounts payable-trade	44,772	37,679	-7,093
Short-term bank loans	9,291	8,508	-783
Others	6,458	5,336	-1,122
Long-term liabilities	7,168	6,953	-215
Long-term bank loans	3,620	3,050	-570
Others	3,548	3,903	355
(NET ASSETS)	49,560	48,288	-1,272
Shareholders' equity			
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	25,158	23,813	-1,345
Treasury stock	-1,331	-1,333	-2
Valuation and translation adjustment	-2,103	-1,946	157
Minority interests	1,790	1,709	-81
Total liabilities and net assets	117,251	106,764	-10,487

Consolidated Cash Flows (FY2009 and Interim FY2010)

(million yen)

	FY2009	Interim FY2010	Change
Operating activities	3,806	3,936	130
Investing activities	-2,568	-2,093	475
Financing activities	-1,111	-1,655	-544
Effect of exchange rate changes on cash and cash equivalents	-147	-64	83
Increase (decrease) in cash and cash equivalents	-20	122	142
Cash and cash equivalents, beginning of period	14,011	11,368	-2,643
Cash and cash equivalents, end of period	13,990	11,491	-525

Major changes

Operating activities : Net cash provided by operating activities was 3,936 million yen. A decrease in notes and accounts receivable-trade was a major source of cash.

Investing activities : Net cash used in investing activities was 2,093 million yen. Cash was used mainly for payments for the purchase of property, plant and equipment.

Financing activities : Net cash used in financing activities was 1,655 million yen. The main reason was a net decrease in short-term bank loans.

Forecast for the Fiscal Year Ending March 2010

Consolidated Income Statement (FY2009 and FY2010 Plan)

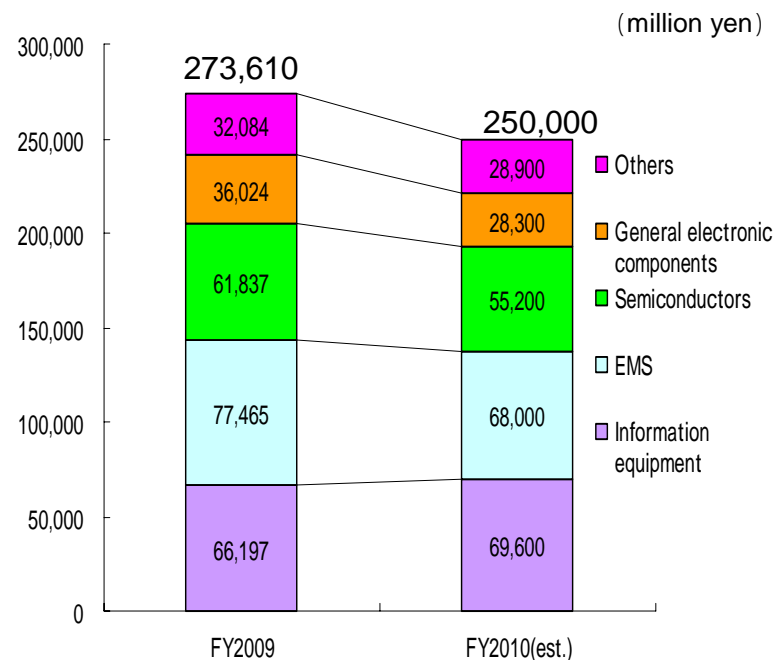
(million yen)

	FY20089(actual)		FY2010 (plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	273,610	100.0%	250,000	100.0%	-23,610	-8.6%
Cost of sales	243,226	88.9%	220,500	88.2%	-22,726	-9.3%
Gross profit	30,383	11.1%	29,500	11.8%	-883	-2.9%
SG&A expenses	28,134	10.3%	27,900	11.2%	-234	-0.8%
Operating income	2,249	0.8%	1,600	0.6%	-649	-28.9%
Non-operating income	-42	-0.02%	400	0.2%	442	-
Ordinary income	2,208	0.8%	2,000	0.8%	-208	-9.4%
Net income	-806	-0.3%	300	0.1%	1,106	-

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

(million yen)

	FY2009		FY2010(est.)		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.change
Information equipment	66,197	24.2%	69,600	27.8%	3,403	5.1%
EMS	77,465	28.3%	68,000	27.2%	-9,465	-12.2%
Semiconductors	61,837	22.6%	55,200	22.1%	-6,637	-10.7%
General electronic components	36,024	13.2%	28,300	11.3%	-7,724	-21.4%
Others	32,084	11.7%	28,900	11.6%	-3,184	-9.9%
Total	273,610	100.0%	250,000	100.0%	-23,610	-8.6%



Summary

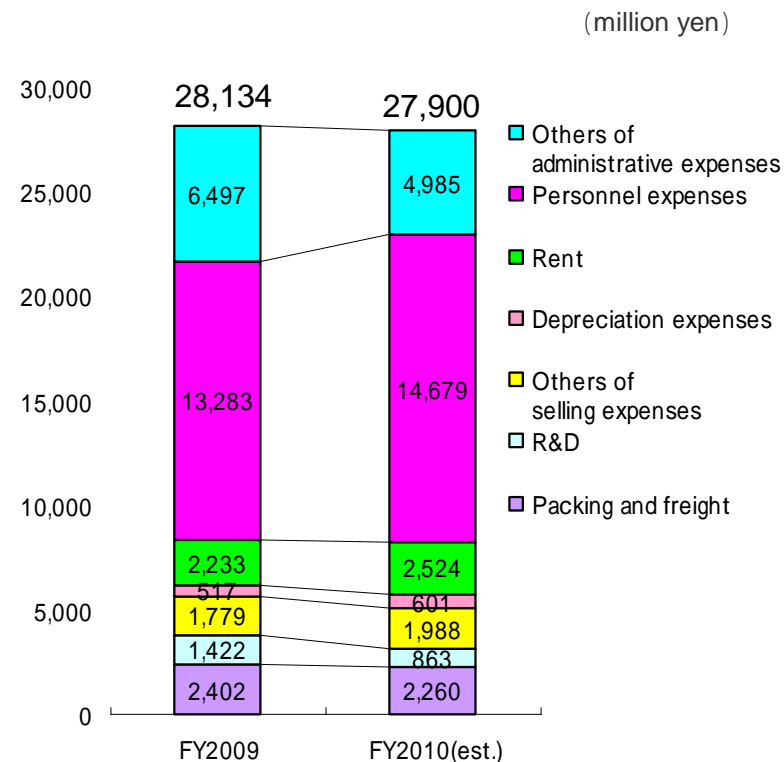
- 「**Information equipment**」: Sales Up 3,403 million yen due to increasing sales of portable music player made in US, and security systems.
- 「**EMS**」: Sales down 9,465 million yen due to decreasing sales of LCD units for amusement equipment in Japan and circuit boards of office equipment at overseas.
- 「**Semiconductors**」: Sales down 6,637 million yen due to decreasing sales for equipment manufacturers and digital audio-visual products.
- 「**General electronic components**」: Sales down 7,724 million yen due to lower sales of electronic components because of adjust production of makers.
- 「**Others**」: Sales down 3,184 million yen due to lower sales of chemical film and other photography products.

Selling, General and Administrative Expense Forecast (FY2009 and FY2010 plan)

Changes in SG&A expenses

(million yen)

	FY2009		FY2010(est.)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,402	8.5%	2,260	8.1%	-142
R&D	1,422	5.1%	863	3.1%	-559
Others	1,779	6.3%	1,988	7.1%	209
Total selling expenses	5,603	19.9%	5,111	18.3%	-492
Depreciation expenses	517	1.8%	601	2.2%	84
Rent	2,233	7.9%	2,524	9.0%	291
Personnel expenses	13,283	47.2%	14,679	52.6%	1,396
Others	6,497	23.1%	4,985	17.9%	-1,512
Total administrative expenses	22,530	80.1%	22,789	81.7%	259
Total SG&A expenses	28,134	100.0%	27,900	100.0%	-234



Summary

Selling expenses :R&D cost

Due to the decrease of R&D cost at SI ELECTRONICS, Selling expenses decrease 559 million yen.

Administrative expenses :

Personnel expenses increased 1,396 million yen.

Topics of Interim FY 2010

1. Expansion of EMS factories
2. Expanding of environmental products
3. Management principles

Topics ~ Expansion of EMS factories ~

Back ground Growing customer needs for EMS companies

Diverse applications · · Adoption of the latest production lines

Accept to manufacturing a wide variety and small lot products

Requested further cost · · · Reduction of components cost by a centralized purchasing system

Requested to improve the quality · · · Corresponds to failure rate (single PPM)

Consideration of environmental issues · · · Corresponds to regulation of RoHS and REACH

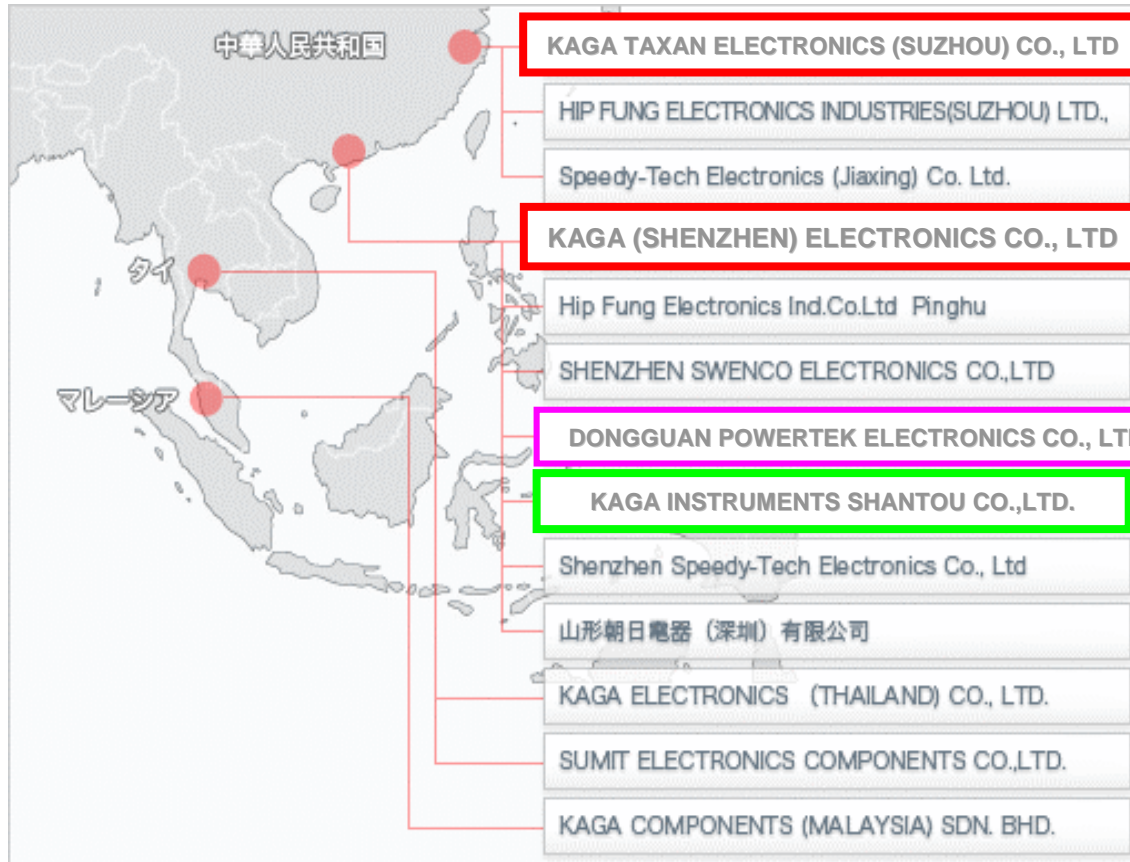
Response to Just-in-time needs · · · Construction of logistics and support system

Strengthening technology · · · Failure analysis and cost reduction proposal by a technical staff

With the establishment of own plant, building a flexible manufacturing system

Topics ~ Expansion of EMS factories ~

Major overseas EMS factories



East China ··· Own factory 1, Partners 2
 South China ··· Own factory 3, Partners 4
 South-East Asia ··· Own factory 2, Partners 1
 Europe ··· Own factory 1



Topics ~ Expansion of EMS factories ~

Extended transfer of KAGA (SHENZHEN) ELECTRONICS

KAGA (SHENZHEN) ELECTRONICS CO., LTD

- First own factory, established in 1999
- Subsidiary of KAGA (H.K.) Main factory at South China

Relocation benefits

Corresponds to needs of available applications from manufactured customers

- Corresponding improvement in manufacturing Accept to density assemble, Assembly of Finished, manufacturing a wide variety and small lot products and mass production
- Strengthening of quality management Quality control for vehicle. SMT process of clean room
- Construction of environmental management systems Corresponds to regulation of RoHS and REACH

Expansion of available products by extending new facilities

< KAGA (SHENZHEN) ELECTRONICS CO., LTD >

Address : Shenzhen city, China

Factory Area : 20,400m²

Lines : SMT14 lines, PCB 7lines

Employees : 700

approval ; ISO14001, 9001, 2000,
TS16949, etc



Topics ~ Expansion of EMS factories ~

Established KAGA TAXAN ELECTRONICS (SUZHOU) CO., LTD.

KAGA TAXAN ELECTRONICS (SUZHOU) CO., LTD.

- Established as a subsidiary factory of KAGA (Shanghai) in 2009
- Expected as a main factory in East China
- Unable to reduce the cost of processing manufactured by subcontract factory Reaching the limit of cost

< KAGA TAXAN ELECTRONICS (SUZHOU) CO., LTD >

Address : Suzhou city, China

Factory Area : 4,300m²

Lines : SMT 3 lines, PA 3 lines

Employees : 200



Benefits of establishing its own factory

- Directly manage “quality control”, “Delivery management”
Achieve high quality and high value-added production
- Reduce “processing fees” by subcontract factory Improve cost competitiveness
- Established in the export processing zone Exempt Value Added Tax (VAT) for sourcing components
By customs concentration, the distribution can be produced according to customer

Taking advantage of export processing zone and the production of high added value products.

Topics ~ Expansion of EMS factories ~

Established KD TEC S.R.O

K D T E C S . R . O (Czech Republic)

- In 2009, Established own factory in Europe
- Changes in the production base of Japanese – electronics manufacturers

Increasing the transfer of production area

Benefits of establishing own factory

- Meet the needs of Japanese manufacturers about local production and local delivery
Enhance the stability of the business with them
- Response to the needs of EMS in the European area, and other applications

< K D T E C S . R . O >

Address : Czech Republic

Factory Area : 6,700m²

Lines : 5 Unit assembly line

Employees : 49



Laying a foundation as a base of EMS in the European area

Topics ~ Expanding of environmental products ~

Increasing needs of the environment-related products
Raising awareness of global warming and cost advantage

Expanding of environmental products

Back ground

- Concern to the global environment To set the reduction targets of gases by countries
- Advantage Advantage of “low power consumption”, “durability”

Promoting environment businesses in KAGA ELECTRONICS Grope

1 . LED Lighting

- “low power consumption”, “High life” To convenience store and Food chain



2 . Solar power generation system

- Reducing energy bills by generation of electricity



3 . Energy-saving system

- automatically control “lighting”, “air conditioning”

to amusement facilities



Topics ~ Management principles ~

Management principles

“Everything we do, we do for our customers”

Action guideline

『 F · Y · T 』

F ··· Flexibility

Y ··· Keep Young

T ··· Try

To respond flexibly to market changes and needs,
Keep challenging boldly to have the respect of human by all employees,
Contribute to society as electronics trading company.



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