



Information Meeting for Fiscal 2010

May 13, 2010



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

3-12-8 Sotokannda, Chiyoda-ku, Tokyo 101-8629

Tel: (03) 4455-3131 Fax: (03) 3815-6807

URL : <http://www.taxan.co.jp>

The Fiscal Year Ending March 2010

■ Fiscal 2010 Financial Highlights

Comparative Consolidated Income Statement

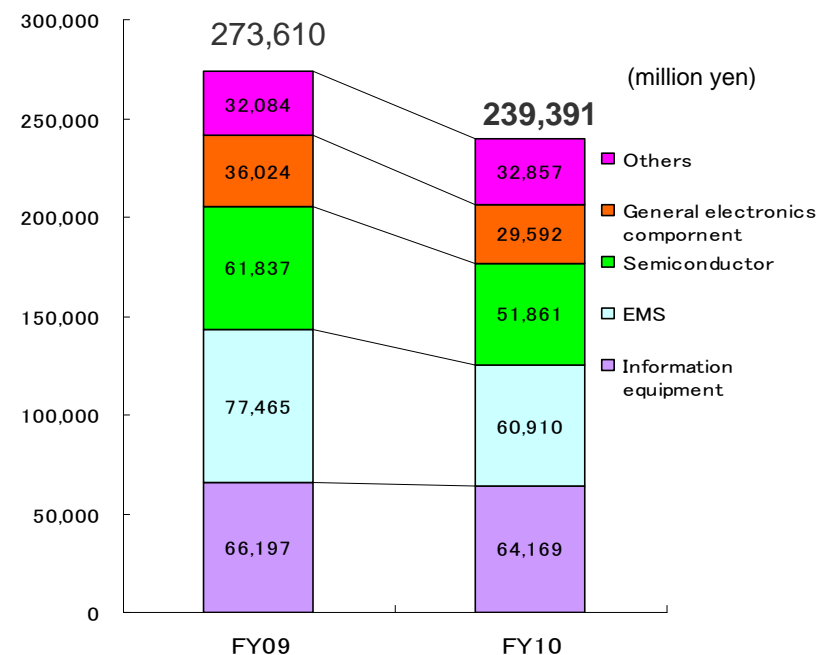
(million yen)

	FY2009		FY2010		Change	
	Amount	Pct.	Amount	Pct.	Amount	Pct.
Net Sales	273,610	100.0%	239,391	100.0%	-34,219	-12.5%
Cost of sales	243,226	88.9%	211,153	88.2%	-32,073	-13.2%
Gross profit	30,383	11.1%	28,237	11.8%	-2,146	-7.1%
SG&A expenses	28,134	10.3%	26,655	11.1%	-1,479	-5.3%
Operating income	2,249	0.8%	1,582	0.7%	-667	-29.7%
Non-operating income	854	0.3%	714	0.3%	-140	-16.4%
Non-operating expense	896	0.3%	1,016	0.4%	120	13.4%
Ordinary income	2,208	0.8%	1,280	0.5%	-928	-42.0%
Extraordinary items	-2,159	-0.8%	116	0.05%	2,275	-
Income before income taxes	49	0.02%	1,396	0.6%	1,347	-
Income and inhabitants taxes	1,459	0.5%	1,411	0.6%	-48	-3.3%
Deferred taxes	-364	-0.1%	347	0.1%	711	-
Minority interests	-238	-0.1%	-43	-0.02%	195	-
Net income	-806	-0.3%	-318	-0.1%	488	-

Comparison of Consolidated Sales by Product (FY2009 and FY2010)

(million yen)

	FY2009		FY2010		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.
Information equipment	66,197	24.2%	64,169	26.8%	-2,028	-3.1%
EMS	77,465	28.3%	60,910	25.4%	-16,555	-21.4%
Semiconductor	61,837	22.6%	51,861	21.7%	-9,976	-16.1%
General electronics component	36,024	13.2%	29,592	12.4%	-6,432	-17.9%
Others	32,084	11.7%	32,857	13.7%	773	2.4%
Total	273,610	100.0%	239,391	100.0%	-34,219	-12.5%



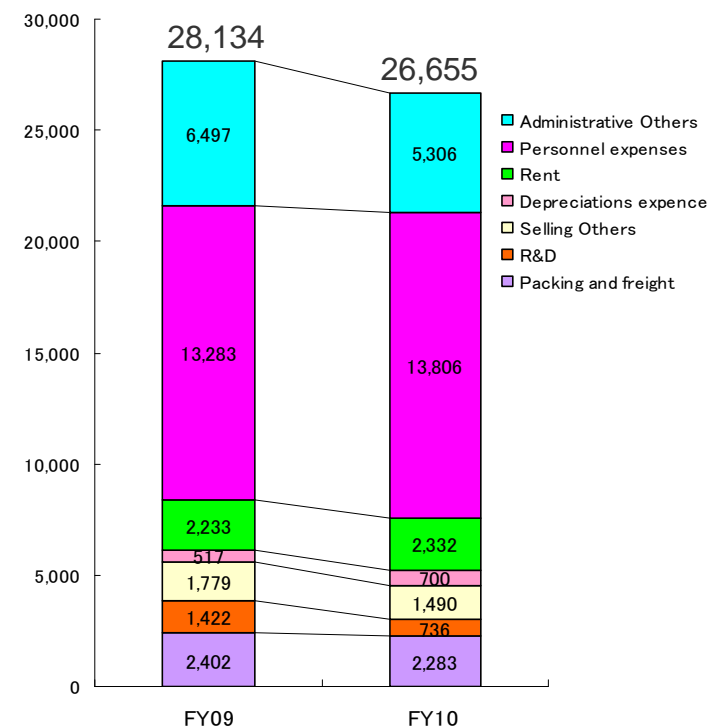
Summary

- **Information equipment**: Sales Down ¥2,028million (-3.1%) •• Decrease sales of PCs handled in the Unite state.
- **EMS**: Sales Down ¥16,555 million (-21.4%) •• Decrease sales of LCD units for amusement equipment manufacturers and circuit board assembly for overseas office equipments because of delays in product introductions and cuts in production volume by EMS client companies.
- **Semiconductors**: Sales Down ¥9,976 million (-16.1%) •• Decrease sales of semiconductors for amusement equipments and digital audio-visual products.
- **General electronic components**: Sales Down ¥ 6,432million (-17.9%) •• Decrease sales for amusement equipments and Japanese office equipments manufacturers in china as these companies reduce production volume.
- **Others**: Sales Up ¥ 773 million (+2.4%) •• Sales in this segment includes Tokyo DenDen Kogyo (renamed KAGA TECHNO SERVICE on April 2010). Increase sales from terrestrial digital TV reception construction for apartment.

▪ Selling, General and Administrative Expenses (FY2009 and FY2010)

(million yen)

	FY2009		FY2010		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.
Packing and freight	2,402	8.5%	2,283	8.6%	-119	-5.0%
R&D	1,422	5.1%	736	2.8%	-686	-48.2%
Others	1,779	6.3%	1,490	5.6%	-289	-16.2%
Total selling expenses	5,603	19.9%	4,509	16.9%	-1,094	-19.5%
Depreciations expense	517	1.8%	700	2.6%	183	35.4%
Rent	2,233	7.9%	2,332	8.7%	99	4.4%
Personnel expenses	13,283	47.2%	13,806	51.8%	523	3.9%
Others	6,497	23.1%	5,306	19.9%	-1,191	-18.3%
Total administrative expenses	22,530	80.1%	22,144	83.1%	-386	-1.7%
Total SG&A expenses	28,134	100.0%	26,655	100.0%	-1,479	-5.3%



Summary

- Selling expenses:** R&D has decreased for 686 million yen. (SI electronics decrease 611 million yen)
 Sales promotion expense has decreased for 248 million yen.
- Administrative expenses:** Personnel expenses has increased for 523 million yen.
 Traveling expenses transportation has decrease for 210 million yen.
 Entertainment expense has decreased for 182 million yen.

Financial Highlights of FY 2010

Consolidated Balance Sheets

	FY2009 FY end	FY2010	Change
(ASSETS)	117,251	113,962	-3,289
Current assets	99,639	96,838	-2,801
Cash and cash equivalents	11,378	11,917	539
Notes and account receivable-trade	61,053	59,214	-1,839
Merchandise and finished goods	13,969	14,483	514
Goods in progress	577	647	70
Raw materials and other supplies	3,749	3,011	-738
Others	8,913	7,566	-1,347
Fixed assets	17,612	17,123	-489
Property, plant and equipment	6,168	6,434	266
Intangible assets	1,914	1,901	-13
Investments and other assets	9,528	8,786	-742
Total assets	117,251	113,962	-3,289

(million yen)

	FY2009 FY end	FY2010	Change
(LIABILITIES)	67,690	65,408	-2,282
Current liabilities	60,521	58,779	-1,742
Notes and accounts payable-trade	44,772	43,535	-1,237
Short-term bank loans	9,291	8,935	-356
Others	6,458	6,309	-149
Long-term liabilities	7,168	6,629	-539
Long-term bank loans	3,620	2,500	-1,120
Others	3,548	4,129	581
(NET ASSETS)	49,560	48,553	-1,007
Shareholders' equity	49,873	48,726	-1,147
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	25,158	24,012	-1,146
Treasury stock	-1,331	-1,332	-1
Valuation and translation adjustment	-2,103	-1,884	219
Minority interests	1,790	1,711	-79
Total liabilities and net assets	117,251	113,962	-3,289

Consolidated Cash Flows (FY2009 and FY2010)

(million yen)

	FY2009	FY2010	Change
Operating activities	5,435	5,728	293
Investing activities	-4,212	-3,040	1,172
Financials activities	-3,407	-2,307	1,100
Net change in cash and cash equivalents	-457	49	506
Increase in cash and cash equivalents	-2,642	428	3,070
Cash and cash equivalents at beginning of year	14,011	11,368	-2,643
Cash and cash equivalents at end of year	11,368	11,797	429

Summary

- **Operating activities** : Provided net cash of 5,728 million yen mainly because of a decrease in note and accounts receivable-trade, depreciation and amortization
- **Investing activities** : Used net cash of 3,040 million yen mainly because of payments for the purchase of property, plant and equipment.
- **Financing activities** : Used net cash of 2,307 million yen mainly because of long-term bank loans payment and dividends payment.

Forecast for the Fiscal Year Ending March 2011

Consolidated Income Statement (FY2010 and FY2011 Plan)

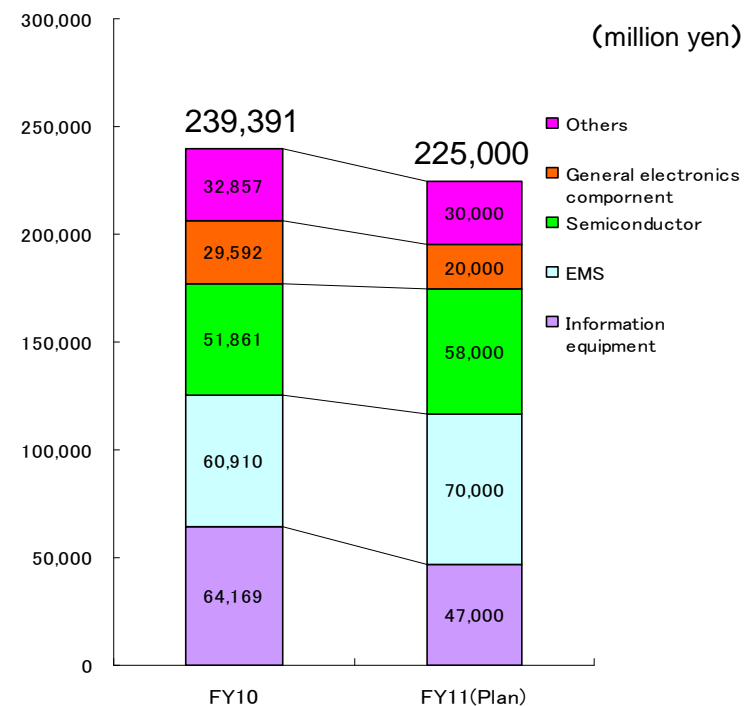
(million yen)

	FY2010(actual)		FY2011 (plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	239,391	100.0%	225,000	100.0%	-14,391	-6.0%
Cost of sales	211,153	88.2%	195,000	86.7%	-16,153	-7.6%
Gross profit	28,237	11.8%	30,000	13.3%	1,763	6.2%
SG&A expenses	26,655	11.1%	28,300	12.6%	1,645	6.2%
Operating income	1,582	0.7%	1,700	0.8%	118	7.5%
Non-operating income	-302	-0.13%	400	0.2%	702	-
Ordinary income	1,280	0.5%	2,100	0.9%	820	64.1%
Net income	-318	-0.2%	1,300	0.6%	1,618	-

Consolidated Sales Forecast by Business Category (FY2010 and FY2011 plan)

(million yen)

	FY2010		FY2011(est.)		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.change
Information equipment	64,169	26.8%	47,000	20.9%	-17,169	-26.8%
EMS	60,910	25.4%	70,000	31.1%	9,090	14.9%
Semiconductors	51,861	21.7%	58,000	25.8%	6,139	11.8%
General electronic components	29,592	12.4%	20,000	8.9%	-9,592	-32.4%
Others	32,857	13.7%	30,000	13.3%	-2,857	-8.7%
Total	239,391	100.0%	225,000	100.0%	-14,391	-6.0%



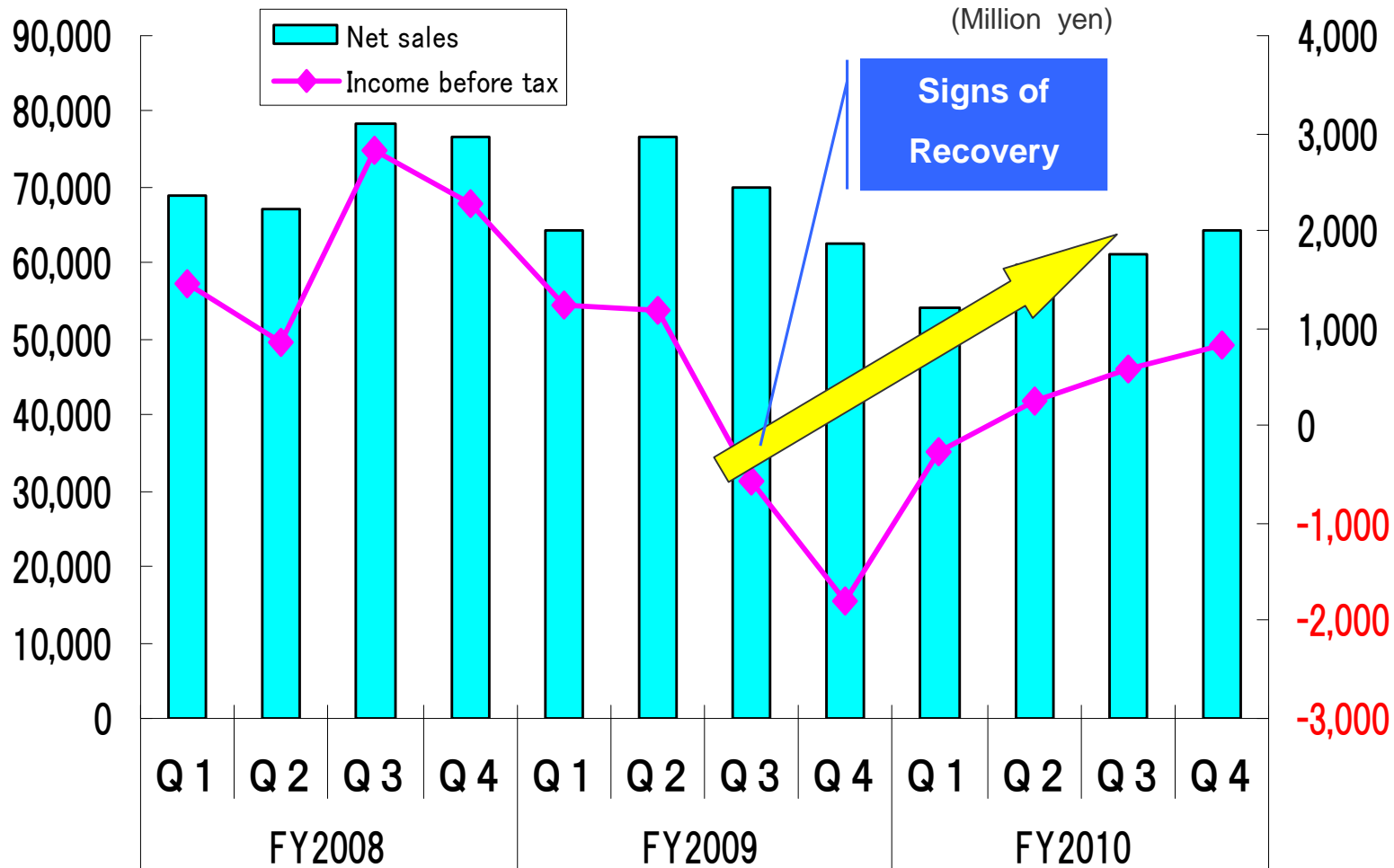
Summary

- **Information equipment:** Sales down 17,169 million yen due to decrease sales of PCs in the US.
- **EMS:** Sales up 9,090 million yen due to increase sales of LCD units for amusement equipment in Japan and circuit board assembly for overseas office equipments
- **Semiconductors:** Sales up 6,139 million yen due to completing of inventory reductions by amusement equipment manufacturers and electric products manufacturers.
- **General electronic components:** Sales down 9,592 million yen due to decrease sales of electronic components of major electronics equipment manufacturers.
- **Others:** Sales down 2,857 million yen due to decrease sales of terrestrial digital TV reception construction work for apartment.

Topics of fiscal 2010

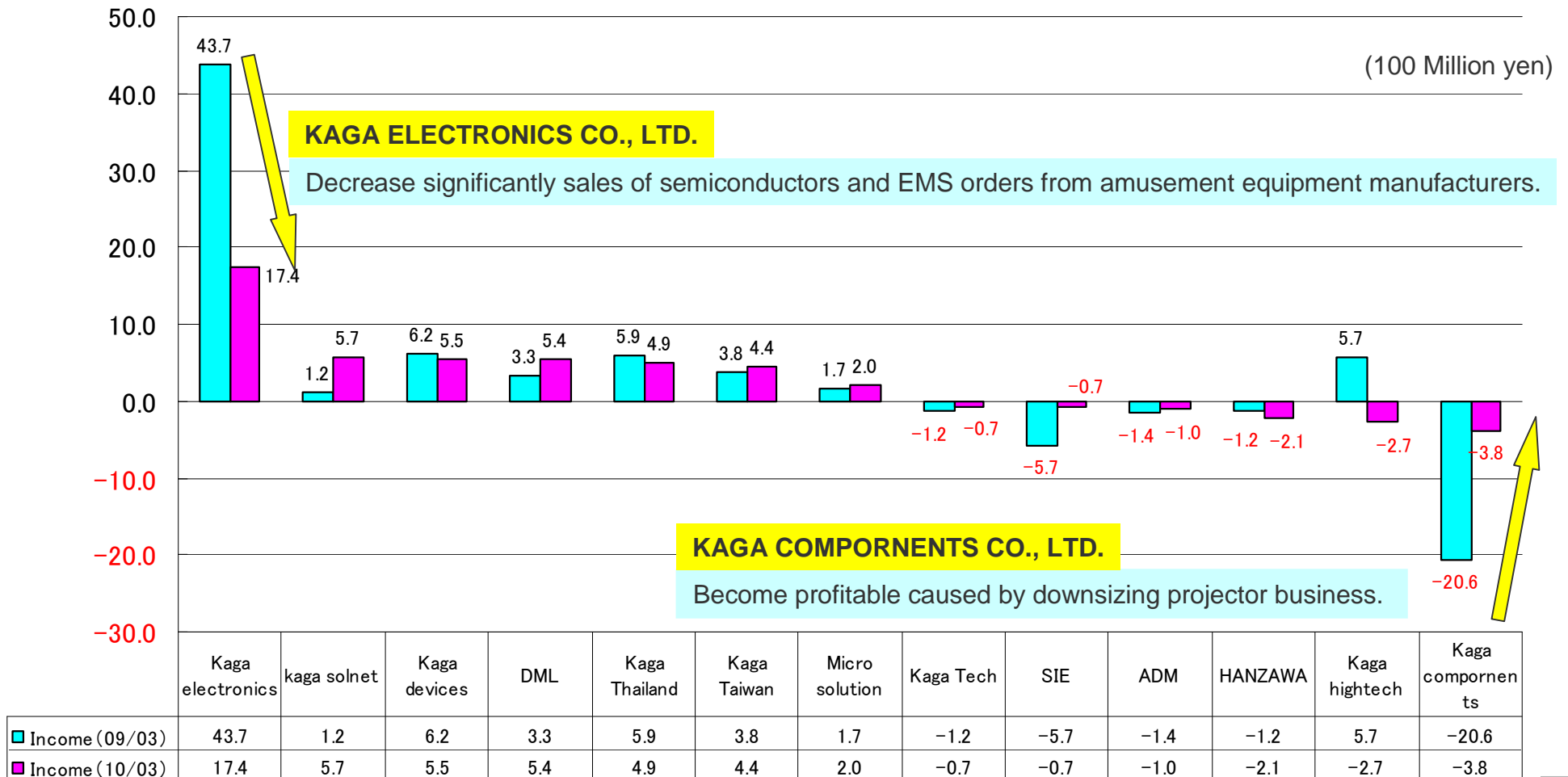
Financial Highlights (Quarter)

Trend of Net sales and Income before income taxes (consolidated)



Financial Highlights

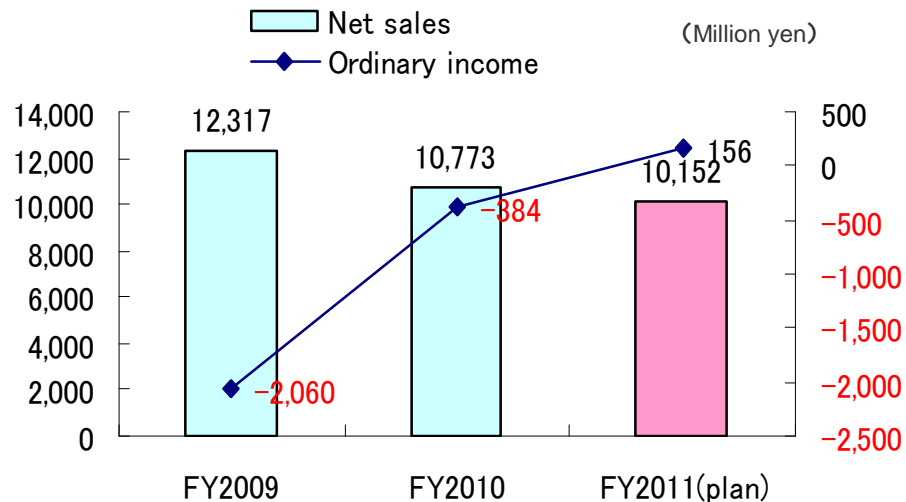
Trends of Ordinary income about major group companies



Deficit-ridden group companies on FY2010

KAGA COMPONENTS CO.,LTD.

(Manufacture and sales of switching power supplies and electronics devices.)

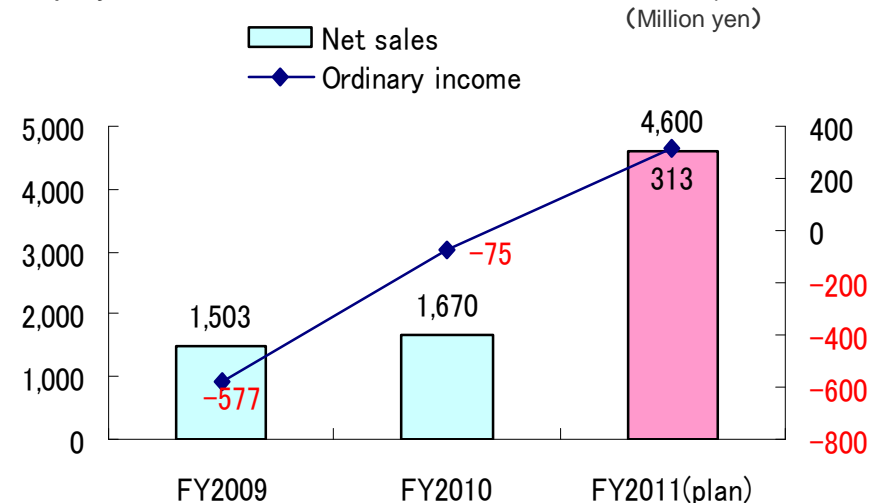


<SUMMARY> EDMS business

- Stopped developing the projectors by own company.
Sales OEM projectors supplied by foreign companies.
- Focus on environment-related switching power supplies.
- Closed unprofitable foreign factories.

SI ELECTRONICS LTD.

(Development, design, manufacture, and sale of image display-related devices for amusement machines.)



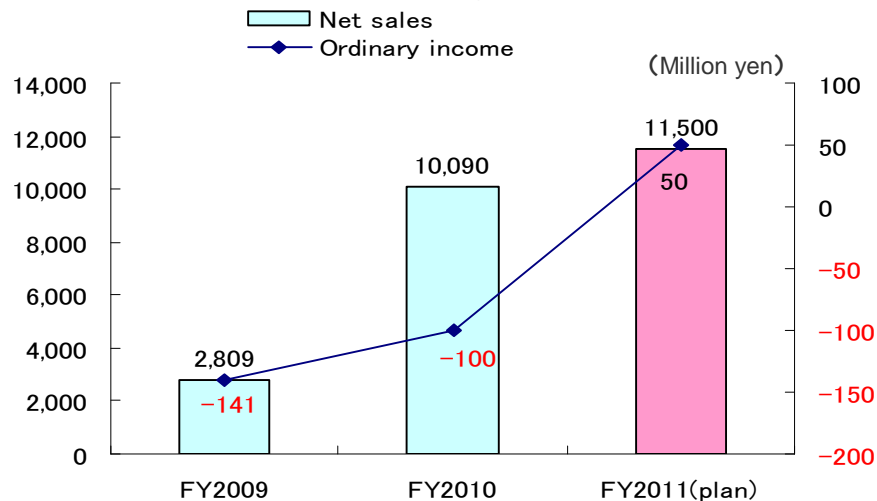
<SUMMARY> EDMS business

- R&D expenses decreased significantly by the development of graphic ASIC "Y3" was completed.
- From this term, expect increase orders of 2D and 3D graphics engines from amusement equipment manufacturers.

Deficit-ridden group companies on FY2010

ADM INC.

Sales of electronic devices and partial products, primarily manufactured by Analog Devices.

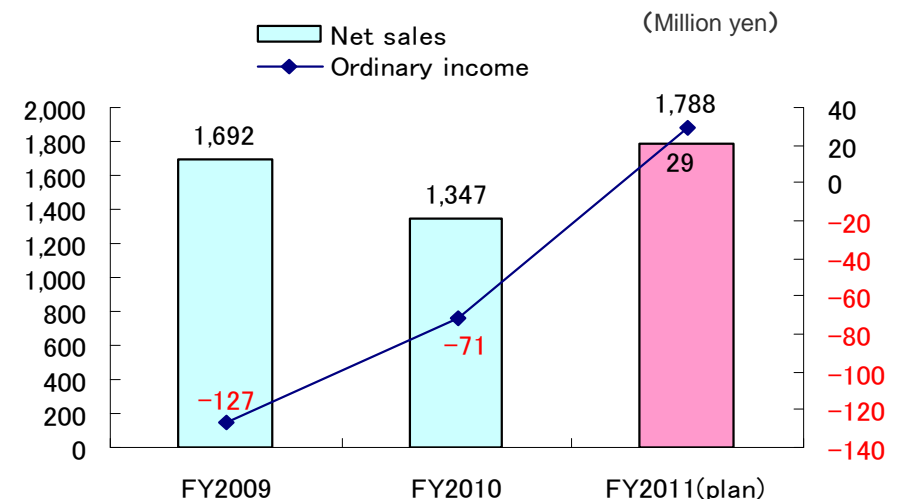


<SUMMARY> SEMICONDUCTORS Business.

- Increase sales of camera module for mobile phone and restarting new business in China.
- Recover highly profitable sales of electronic devices for industrial equipment, but the profit growth stopped because of price reduction of consumer products.
- Plan to increase sales by operation which include development and collaboration with group companies.

KAGA TECH CO.,LTD.

Domestic sales with attention to detail, primarily of mechanical parts for industrial equipment.



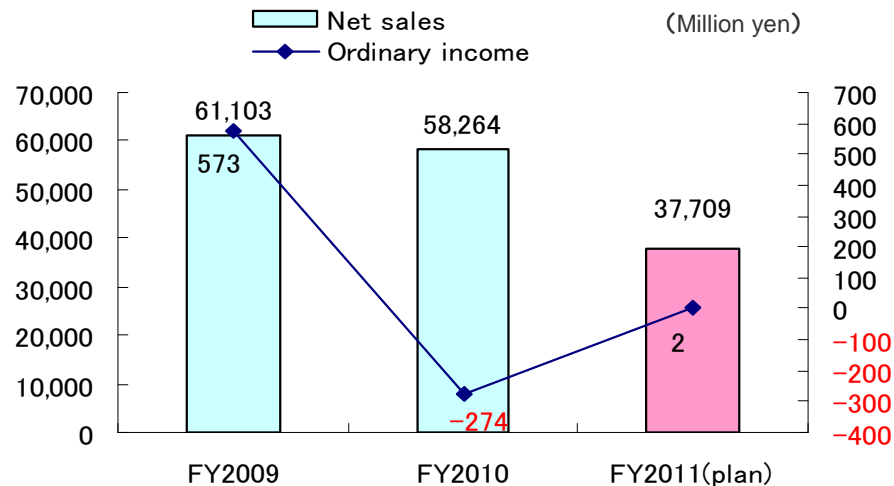
<SUMMARY> General Electronic Components Business

- Affected by the economic slowdown, decrease sales of devices for industrial and amusement equipment.
- Focus on sales of LED devices(Samsung,Lumimicro) for LED lighting and LED lighting power supplies.

Deficit-ridden group companies on FY2010

KAGA HIGHTECH CO.,LTD.

Sales of PCs,peripherals,and camera equipment, general agent in Japan for Kodak products.

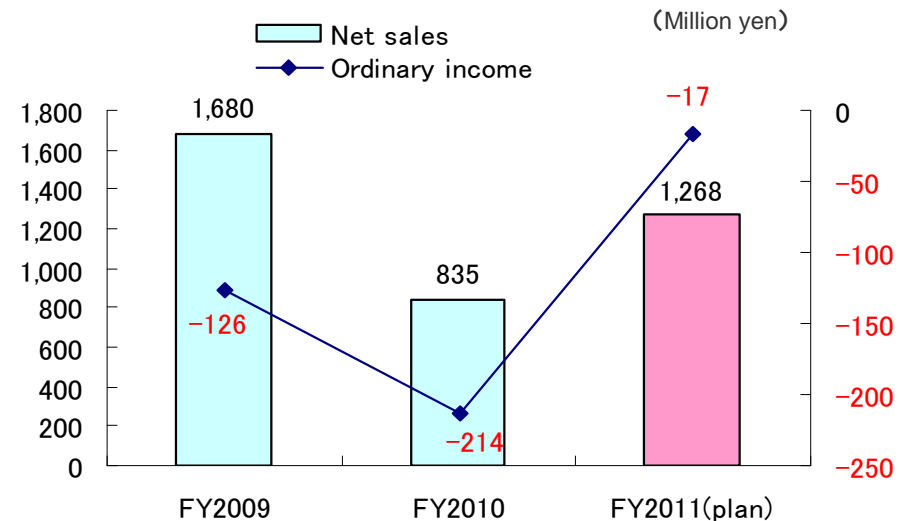


<SUMMARY> Information Equipment Business Div.

- Decrease sales due to change the marketing strategy by PC manufacturers.
- Focus on sales of high value-add products ,such as SD cards which stored popular contents and electric commerce.

HANZAWA (HK) LTD.

Electric toy manufacturer in Hong Kong.



<SUMMARY> Others

- Affected by the economic slowdown all over the world, decrease sales of products for Japan, Europe, USA and Asia area.
- Decrease 214 Million yen by increase cost for developing new products.
- Focus on reducing loss by reduction in cost by restructuring,and increase sales of new products.

■ 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

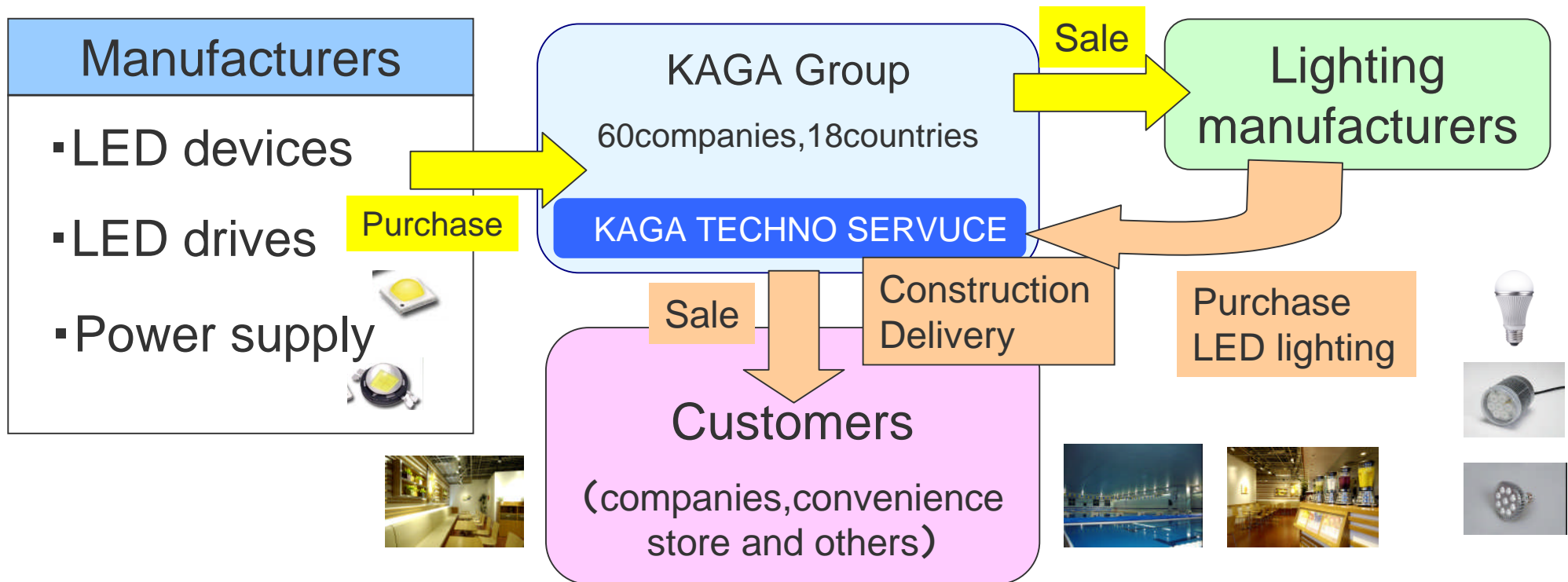
- automatically control “lighting”, “air conditioning”
→ to amusement facilities



ENVIRONMENTAL PRODUCTS

Focus on LED Lighting

Revised Energy conservation law \Rightarrow Companies have to grasp amount of energy consumption



Provide “One-Stop-Service” for LEDs by KAGA group synergies

TELE-COMMUNICATIONS FIELD

Sales of Huawei Technologies products

Increase in inquiries from several industries

⇒ Expansion of telecommunication environment

Major PCs Manufacturers

Built in Laptop computer.

Improvement of usability and portability by using wireless.



Digital Signage

Deliver the advertisements in real time.

Set the equipments flexibly



Security Related

Inform it timely in the emergency.

Set the equipments flexibly.



Electronic Money

Expansion of electronic money market.

For vending machine and handy Terminal.

Development of new market and proposal new applications

→ Sales Target 10 Billion yen.

GENERAL ELECTRONICS COMPONENTS AND SEMICONDUCTORS

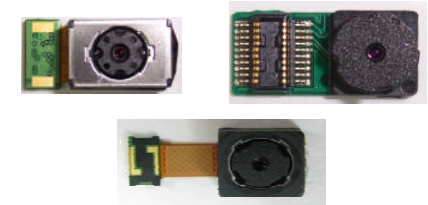
CMOS CAMERA MODULE

Hansung Elecomtec (Korea)

- • • Deliver to major mobile phone manufacturers in Korea.
- • • Offer the CMOS modules from 2 million pixels to 8 million pixels.

Possible to offer the CMOS modules of mobile phone cameras and digital cameras.

“High quality”, “High technology”, “Low price” and “Good support”



CMOS camera module

Target field

Mobile phone (including smart phone),
camera of PCs



Focus on mobile phone manufacturers in Japan
⇒ Sales target after 3 years is 3 billion yen.

ENTERTAINMENT FIELD

「IP-STB」 service for hotels

“2011 problem” ■ ■ ■ “Analog broadcasting” to “Digital broadcasting”

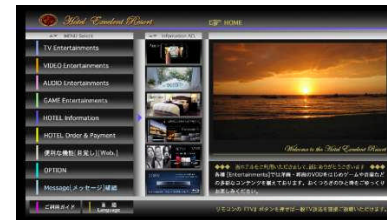
Propose the STB of “ZAXAS Corp.” to hotel industry

- Offer the IP-TV service include VOD for hotels.
High-definition and high-quality IPTV service by correspond to HD TV broadcasting.



Products with additional value

- Delivery not only TV and movie programs, but also high-definition and effective advertisement.



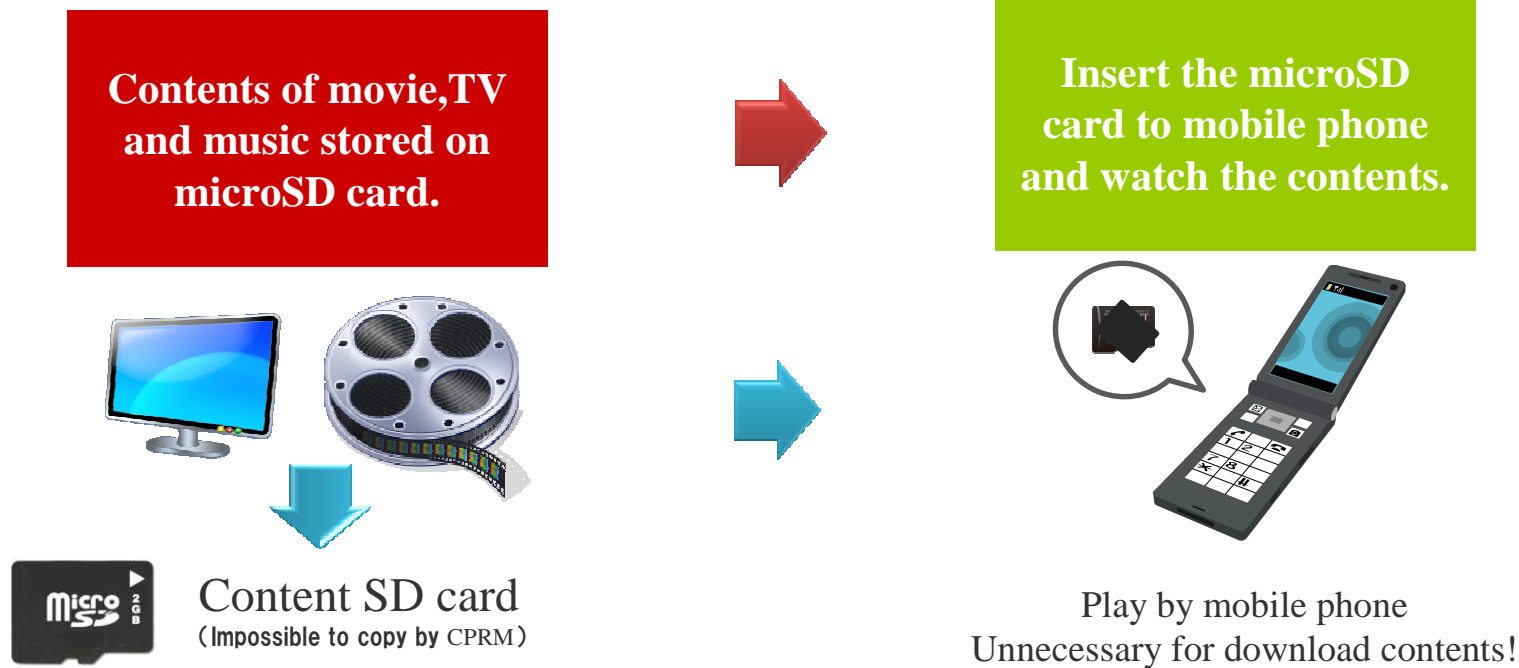
Focus on major hotel chains such as city hotels

■ ENVIROMENTAL RELATED PRODUCTS

■ Content Business of KAGA HIGHTECH

Kaga Hightech → Sales of PCs and peripherals to mass retailer.

「Content SD card」⇒ Original products are offered by adding the additional value to existing products.





KAGA ELECTRONICS CO.,LTD.

3-12-8 Sotokannda,Chiyoda-ku,Tokyo 101-8629

Contact:Public Relations Department

TEL:03-4455-3131

FAX:03-3254-7133

E-mail:webmaster@taxan.co.jp

<http://www.taxan.co.jp>

For more information,please contact the public relations department.