

Information Meeting for Interim FY 2009

November 25, 2008

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

2-2-9 Hongo, Bunkyo-ku, Tokyo 113-8503

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

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

Financial Highlights

First half of fiscal year ending in March 2009

**April to September 2008
(Consolidated First Half)**

Financial Highlights of Interim FY 2009

Comparative Consolidated Income Statement

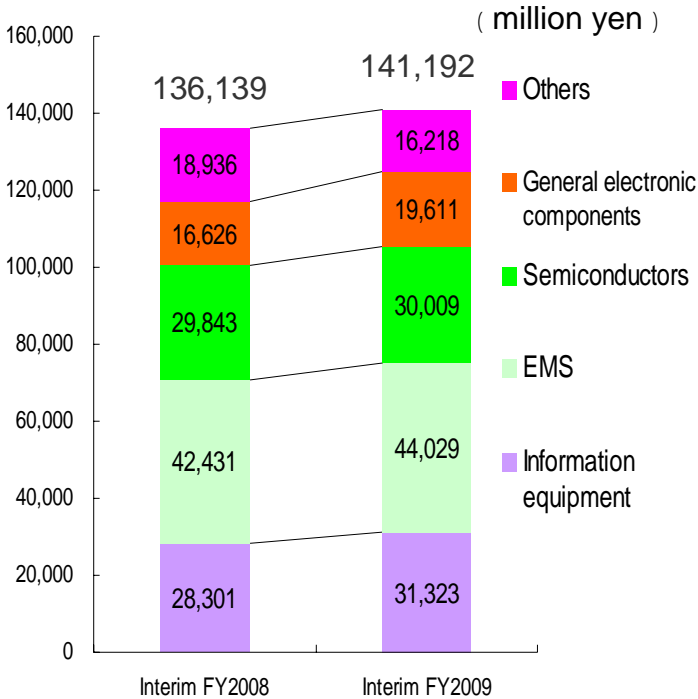
(million yen)

	Interim FY2008		Interim FY2009		Change
Net sales	136,139	100.00%	141,192	100.00%	5,053
Cost of sales	119,310	87.64%	124,297	88.03%	4,987
Gross profit	16,828	12.36%	16,895	11.97%	67
Selling, general and administrative expenses	13,951	10.25%	13,670	9.68%	-281
Operating income	2,876	2.11%	3,224	2.28%	348
Non-operating income	482	0.36%	404	0.33%	-78
Non-operating expenses	471	0.35%	185	0.13%	-286
Ordinary income	2,887	2.12%	3,444	2.44%	557
Extraordinary losses	-591	-0.43%	-1,021	-0.72%	-430
Income before income taxes and minority interests	2,297	1.69%	2,423	1.72%	126
Income, residential and enterprise taxes	1,459	1.07%	1,680	1.19%	221
Income tax adjustment	131	0.10%	-191	-0.14%	-322
Minority interest in income/loss of consolidated subsidiaries	-59	-0.04%	-18	-0.01%	41
Net income	765	0.56%	952	0.67%	187

Comparison of Consolidated Sales by Business Category (Interim FY 2008 and 2009)

(million yen)

	Interim FY 2008		Interim FY 2009		Change
Information equipment	28,301	20.8%	31,323	22.2%	3,022
EMS	42,431	31.2%	44,029	31.2%	1,598
Semiconductors	29,843	21.9%	30,009	21.3%	166
General electronic components	16,626	12.2%	19,611	13.9%	2,985
Others	18,936	13.9%	16,218	11.5%	-2,718
Total	136,139	100.0%	141,192	100.0%	5,053



Major changes

Information equipment: Sales Up ¥3,022million (+10.7%) · Higher sales of PCs and peripherals. Higher sales of security systems.

EMS: Sales Up ¥ 1,598million (+3.8%) · Higher sales of LCD units for amusement equipment, but lower sales from overseas office equipment circuit board assembly as manufacturers reduced production.

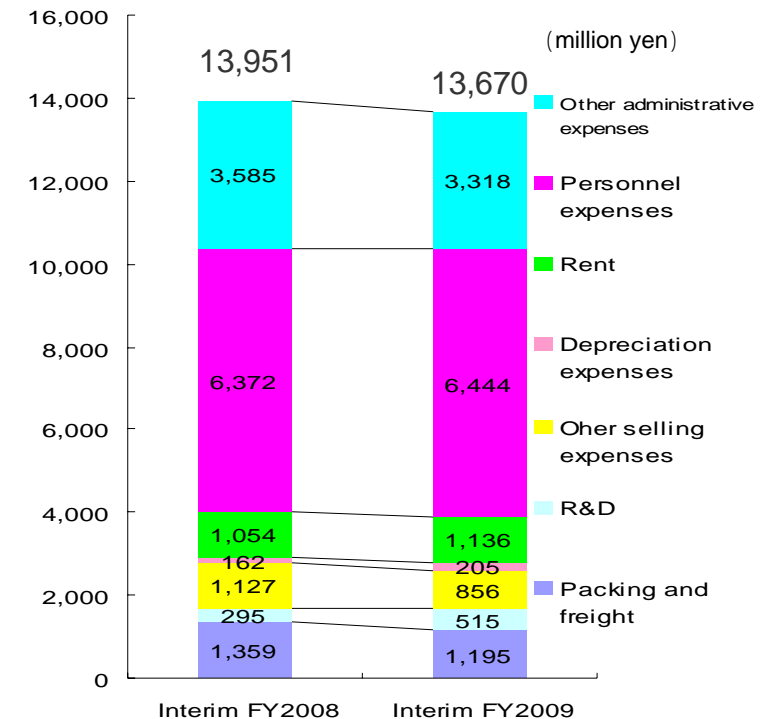
Semiconductors: Sales Up ¥ 166million (+0.6%) · Higher sales of some semiconductors for digital TVs and semiconductors for amusement equipment. But lower sales of semiconductors for cell phones.

General electronic components: Sales Up ¥ 2,985million (+18.0%) · Higher sales of HD for information devices

Others: Sales Down ¥ 2,718million (-14.4%) · Lower sales of chemical film and other photography products

Selling, General and Administrative Expenses (Interim FY 2008 and FY 2009)

	Interim FY2008		Interim FY2009		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	1,356	9.7%	1,195	8.7%	-161
R&D	295	2.1%	515	3.8%	220
Others	1,127	8.1%	856	6.3%	-271
Total selling expenses	2,778	19.9%	2,566	18.8%	-212
Depreciation expenses	162	1.2%	205	1.5%	43
Rent	1,054	7.6%	1,136	8.3%	82
Personnel expenses	6,372	45.7%	6,444	47.1%	72
Others	3,585	25.7%	3,318	24.3%	-267
Total administrative expenses	11,173	80.1%	11,103	81.2%	-70
Total SG&A expenses	13,951	100.0%	13,670	100.0%	-281



Major changes

Selling expenses: Decline in packing and freight due to review of the logistics system at KAGA HIGHTECH. Decline of 271 million yen in others mainly due to decreases of 235 million yen in sales promotion expenses (at KAGA DEVICES and other companies) and 63 million yen in advertising and marketing expenses (at KAGA COMPONENTS and other companies).

Administrative expenses: Personnel expenses up 72 million yen. Workforce up 353 from end of March '08. 141 in sales departments, 53 in administrative departments, etc. Others down 267 million yen mainly due to 130 million yen decrease in office expenses (at KAGA ELECTRONICS and other companies).

Financial Highlights of Interim FY 2009

Consolidated Balance Sheets

(million yen)

	FY2008 FY end	Interim FY2009	Change
(ASSETS)	130,423	136,637	6,214
Current assets	113,147	118,742	5,595
Cash and cash equivalents	14,021	14,000	-21
Notes and account receivable-trade	72,530	72,335	-195
Merchandise and finished goods	15,998	18,350	2,352
Goods in progress	506	902	396
Raw materials and other supplies	3,672	4,354	682
Others	6,420	8,801	2,381
Fixed assets	17,276	17,894	618
Property, plant and equipment	5,415	6,064	649
Intangible assets	1,559	2,062	503
Investments and other assets	10,301	9,768	-533
Total assets	130,423	136,637	6,214

	FY2008 FY end	Interim FY2009	Change
(LIABILITIES)	78,231	82,258	4,027
Current liabilities	74,461	78,178	3,717
Notes and accounts payable-trade	56,109	58,017	1,908
Short-term bank loans	11,697	13,682	1,985
Others	6,655	6,479	-176
Long-term liabilities	3,769	4,079	310
Long-term bank loans	625	400	-225
Others	3,144	3,679	535
(NET ASSETS)	52,192	54,379	2,187
Shareholders' equity			
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Retained earnings	27,413	27,619	206
Treasury stock	-843	-844	-1
Valuation and translation adjustment	-475	-525	-50
Minority interests	51	2,083	2,032
Total liabilities and net assets	130,423	136,637	6,214

Consolidated Cash Flows (FY 2008 and Interim FY 2009)

(million yen)

	FY2008	Interim FY2009	Change
Operating activities	640	3,806	3,166
Investing activities	-718	-2,568	-1,850
Financing activities	718	-1,111	-1,829
Effect of exchange rate changes on cash and cash equivalents	-1,186	-147	1,039
Increase (decrease) in cash and cash equivalents	-546	-20	526
Cash and cash equivalents, beginning of period	14,558	14,011	-547
Cash and cash equivalents, end of period	14,011	13,990	-20

Major changes

Operating activities : Provided net cash of 3,806 million yen mainly because of a decrease in receivables

Investing activities : Used net cash of 2,568 million yen mainly because of payments for the purchase of property, plant and equipment.

Financing activities : Used net cash of 1,111 million yen mainly because of dividend payments

Forecast for the Fiscal Year Ending March 2009

Consolidated Income Statement (FY2008 and FY2009 Plan)

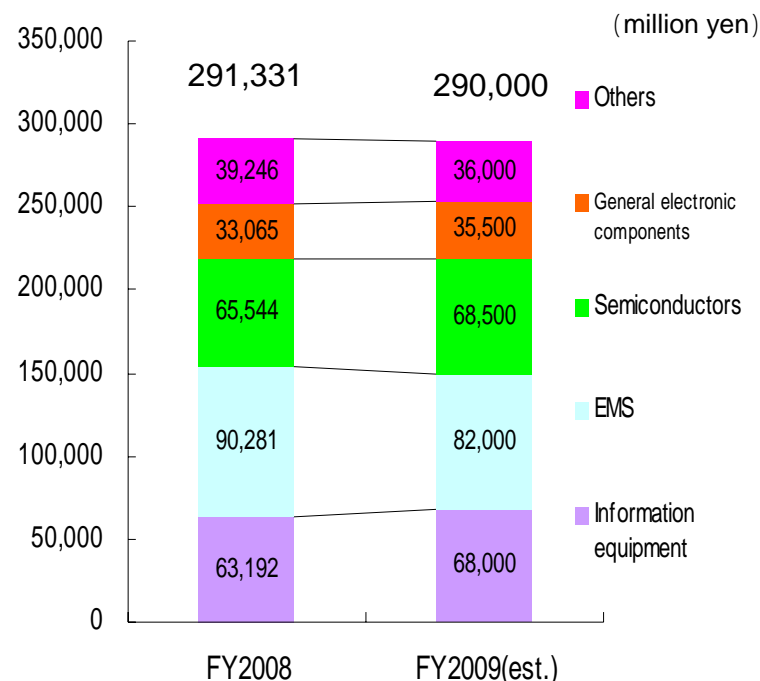
(million yen)

	FY2008 (actual)		FY2009 (plan)		Change	
	Amount	Pct.	Amount	Pct.	Change	Pct.change
Net sales	291,331	100.0%	290,000	100.0%	-1,331	-0.5%
Cost of sales	256,090	87.9%	255,000	87.9%	-1,090	-0.4%
Gross profit	35,240	12.1%	35,000	12.1%	-240	-0.7%
SG&A expenses	27,454	9.4%	29,000	10.0%	1,546	5.6%
Operating income	7,786	2.7%	6,000	2.1%	-1,786	-22.9%
Non-operating income	-746	-0.3%	200	0.1%	946	-126.8%
Ordinary income	7,040	2.4%	6,200	2.1%	-840	-11.9%
Net income	3,684	1.3%	2,400	0.8%	-1,284	-34.9%

The fiscal 2009 consolidated forecast was revised on November 10, 2008.

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

	FY2008		FY2009(est.)		Change	
	Net sales	Pct.	Net sales	Pct.	Change	Pct.change
Information equipment	63,192	21.7%	68,000	23.4%	4,808	7.6%
EMS	90,281	31.0%	82,000	28.3%	-8,281	-9.2%
Semiconductors	65,544	22.5%	68,500	23.6%	2,956	4.5%
General electronic components	33,065	11.3%	35,500	12.2%	2,435	7.4%
Others	39,246	13.5%	36,000	12.4%	-3,246	-8.3%
Total	291,331	100.0%	290,000	100.0%	-1,331	-0.5%



Summary

Information equipment: Sales up 4,808 million yen due to higher sales of PC peripherals at KAGA HIGHTECH and projectors at KAGA COMPONENTS

EMS: Sales down 8,281 million yen. Sales for LCD units for amusement equipment in Japan increased, but reduced overseas production by Japanese office equipment companies lowered sales for main circuit boards for this equipment.

Semiconductors: Sales up 2,956 million yen. Lower sales of ICs used by major overseas cell phone manufacturers and ICs used in digital TVs. But segment sales benefited from inclusion of new group member ADM and other factors.

General electronic components: Sales up 2,435 million yen due to higher sales of electronic components for amusement devices in Japan and information devices

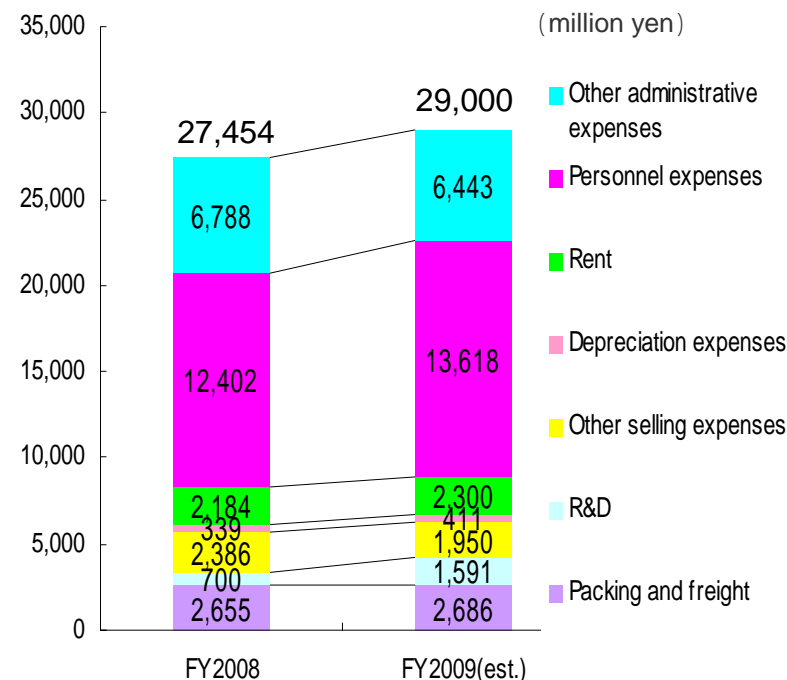
Others: Sales down 3,246 million yen due to lower sales of chemical film and other photography products at KAGA HIGHTECH

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

Changes in SG&A expenses

(million yen)

	FY2008		FY2009(est.)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,655	9.7%	2,686	9.3%	31
R&D	700	2.5%	1,591	5.5%	891
Others	2,386	8.7%	1,950	6.7%	-436
Total selling expenses	5,741	20.9%	6,227	21.5%	486
Depreciation expenses	339	1.2%	411	1.4%	72
Rent	2,184	8.0%	2,300	7.9%	116
Personnel expenses	12,402	45.2%	13,618	47.0%	1,216
Others	6,788	24.7%	6,443	22.2%	-345
Total administrative expenses	21,713	79.1%	22,772	78.5%	1,059
Total SG&A expenses	27,454	100.0%	29,000	100.0%	1,546



Summary

Selling expenses: R&D expenses up 891 million yen
(Up 470 million yen at KAGA ELECTRONICS Technology Division)

Administrative expenses: Personnel expenses higher as workforce increased by 406
(Increases of 7 at WORKBIT, 1 at KAGA EDUCATIONAL MARKETING, 49 at SI ELECTRONICS, 97 at ADM, etc.)

Fiscal 2009 Topics

Fiscal 2009 Topics – Stronger Foundation and Business Expansion

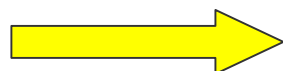
A stronger foundation for the KAGA ELECTRONICS Group's trading company function = Expansion into new business domains!

	Category	Name	Major products	Objectives as group member
M&A	LSI development	WORKBIT CORPORATION	Development of interface LSIs (for PCs and peripherals, digital consumer electronics, measuring instruments and other products)	Reinforce technology development skills involving LSI development Reinforce technological skills
M&A	ASIC development	SI ELECTRONICS, LTD.	<ul style="list-style-type: none"> ASICs for display devices Graphic boards 	Upgrade product development skills in the amusement equipment field Upgrade product development
New company	Information devices trading company	KAGA EDUCATIONAL MARKETING CO., LTD.	<ul style="list-style-type: none"> PCs (Apple Computer) Picture editing software Installation of LAN systems 	Enlarge sales channels in the information devices business (to include universities, professional schools, etc.) Enlarge sales channels
M&A	Semiconductor trading company	ADM INC. (shares traded on JASDAQ)	Sales of products made by Analog Devices, Inc. of the U.S. <ul style="list-style-type: none"> Analog ICs (converters, amps, and others devices) Digital signal processors and other devices 	Acquired right to serve as sales agent for Analog Devices <ul style="list-style-type: none"> Addition of new products Relationships with new customers A larger product lineup

Fiscal 2009 Topics – New Group Companies (1)

Added a company that develops interface conversion LSIs = Reinforce technological skills

Purchased all shares of WORKBIT CORPORATION in April 2008



A company with outstanding technologies that specializes in developing conversion LSIs for interfaces of all types

= These LSIs are sold to PC peripheral manufacturers in Japan and other customers.

WORKBIT will provide technical support for the many development projects at the KAGA ELECTRONICS Group.

Name : WORKBIT CORPORATION

Established : September 1995

Activities : Planning, development, manufacture and sale of LSIs and other semiconductors for PCs and peripherals, digital consumer electronics, measuring instruments

Capital : 20 million yen

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

Sales : 178 million yen (year ended February 2008)

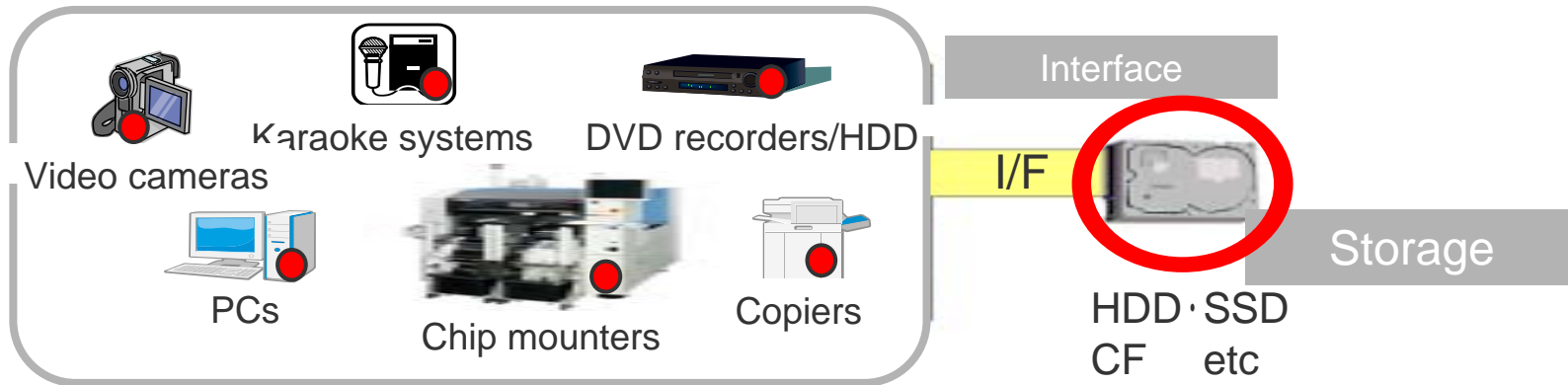
Major customer : Large PC manufacturers , PC peripheral manufacturers in Japan, other companies



WORKBIT
www.workbit.co.jp

Fiscal 2009 Topics – New Group Companies (1)

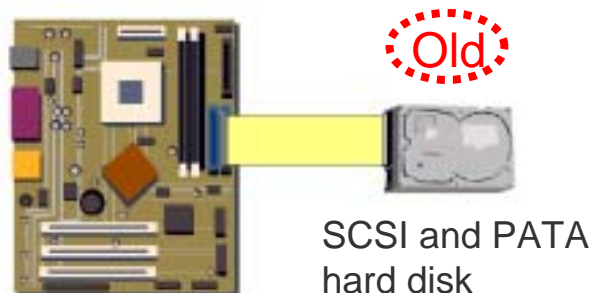
Storage is used in many types of devices



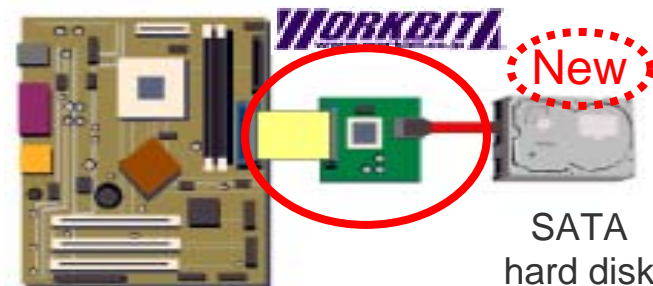
Conversion boards: Converts old storage into new storage

— Used for conversions between different types of storage systems

Before conversion

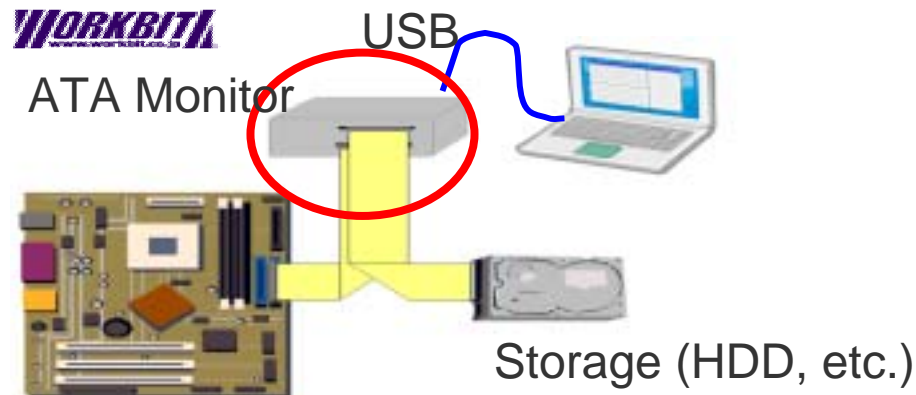


After conversion

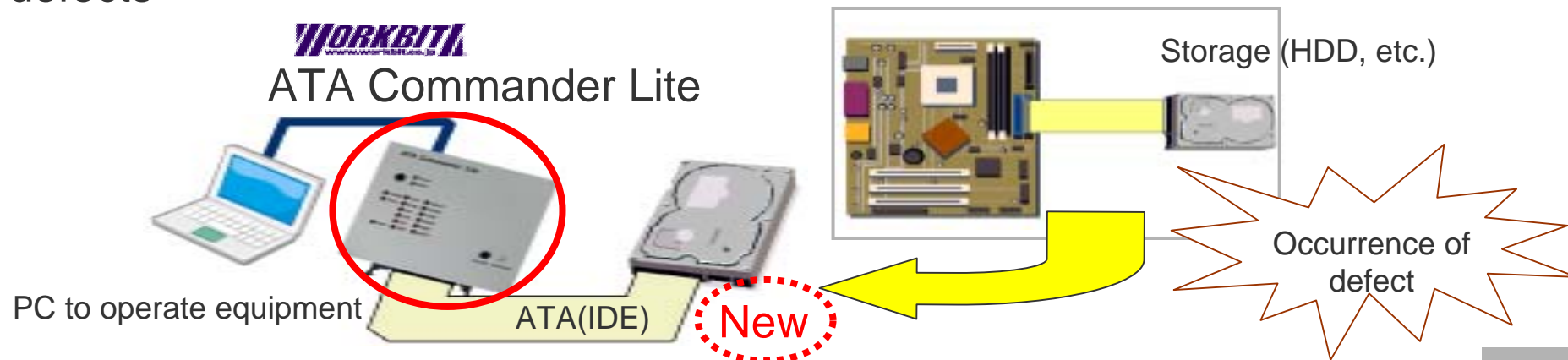


Fiscal 2009 Topics – New Group Companies (1)

Monitors: Used for development and maintenance = Check operations



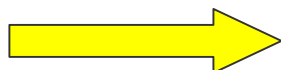
Inspection equipment: Used for development = Check operations and analyze defects



Fiscal 2009 Topics – New Group Companies (2)

Added a company that develops display devices for amusement equipment

Purchased 88.09% of shares of SI ELECTRONICS LTD. in July 2008



A company with outstanding development skills for designing graphic ASICs and graphic boards

= Much experience in supplying devices to major amusement equipment manufacturers and in other activities

Will yield synergies with group companies for OEM supply of display devices for amusement equipment and in other business fields

Name : SI ELECTRONICS LTD.

Established : April 1992

Activities : Development, design, manufacture and sale of devices for displays in amusement equipment

Capital : 244.4 million yen

Head office : YS Kaigan Bldg., 2-2-6 Kaigan, Minato-ku, Tokyo

Sales : 1,969 million yen (year ended March 2008)

Major customers : Large amusement equipment manufacturers in Japan, other companies



si SI ELECTRONICS. LTD.

Businesses Involving Graphics

Provision of hardware, software libraries and other items as a system

Development of 3D graphics engines and sale as ASICs

Design and commercialization of substrates for amusement equipment, AM and other applications

Provision of OS, drivers, software libraries, middleware and other system software and software development kits (SDK)

Authoring tools to enable producing applications more efficiently

Workforce made up primarily of engineers that helped develop Sega TV game consoles



Fiscal 2009 Topics – New Group Companies (2)

Businesses Other Than Graphics

■ Consumer products

TV game peripherals, electronic toys
Able to select the best factory in China
for each product
Much expertise in high-volume
production with outstanding quality



■ Quality assurance

Automated inspection equipment
Used for amusement equipment and
other products



Amusement equipment parts

■ Reliability tests

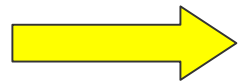
A full assortment of testing machines
Used by the KAGA ELECTRONICS
Group



Fiscal 2009 Topics – New Group Companies (3)

Information devices business specializing in the education market = Start of measures to add sales channels

Established **KAGA EDUCATIONAL MARKETING CO., LTD.** in July 2008



Received sales license from Apple Japan to sell products to students and academic institutions = Goals are to enlarge sales channels and capture a larger share of the education market

Sales of the KAGA ELECTRONICS Group's extensive lineup of products to customers in the education sector

Name: KAGA EDUCATIONAL MARKETING CO., LTD.

Established: July 2008

Activities: Installation of computer systems, sales and support for equipment and software for the education market, instructors and students

Capital: 20 million yen

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

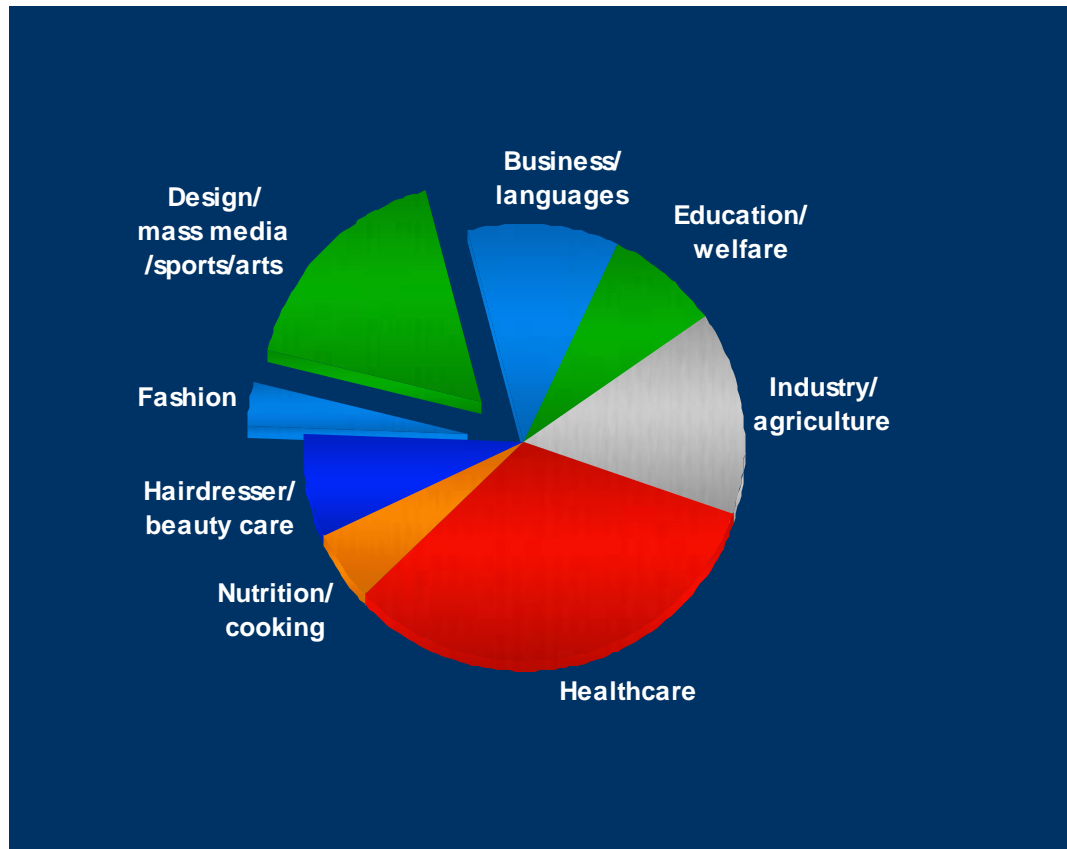
Sales target: 2 billion yen in three years

Major customers: Professional design schools, universities, others



Fiscal 2009 Topics – New Group Companies (3)

Number of Students at Professional Schools in Japan



All professional schools
627,224 students
Design and fashion
127,038 students

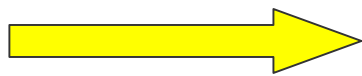


Source: Preliminary results of basic school survey
(Ministry of Education, Culture, Sports, Science and Technology)

Fiscal 2009 Topics – New Group Companies (4)

Goal is to add more products and sales channels by bringing a semiconductor trading company into the KAGA ELECTRONICS Group

Purchased 51% of shares of ADM in August 2008



Acquired the right to sell the products of
Analog Devices of the U.S.



Goals are to establish relationships with new customers and
supply products for new applications

Name: ADM INC.

Established: February 1975

Activities: Semiconductor trading company that purchases and sells electronic devices

Established to sell the products of Analog Devices

Capital: 560.33 million yen

Head office: 2-6-12 Minami-Honmachi, Chuo-ku, Osaka

Sales: 21,765 million yen (year ended October 2007)

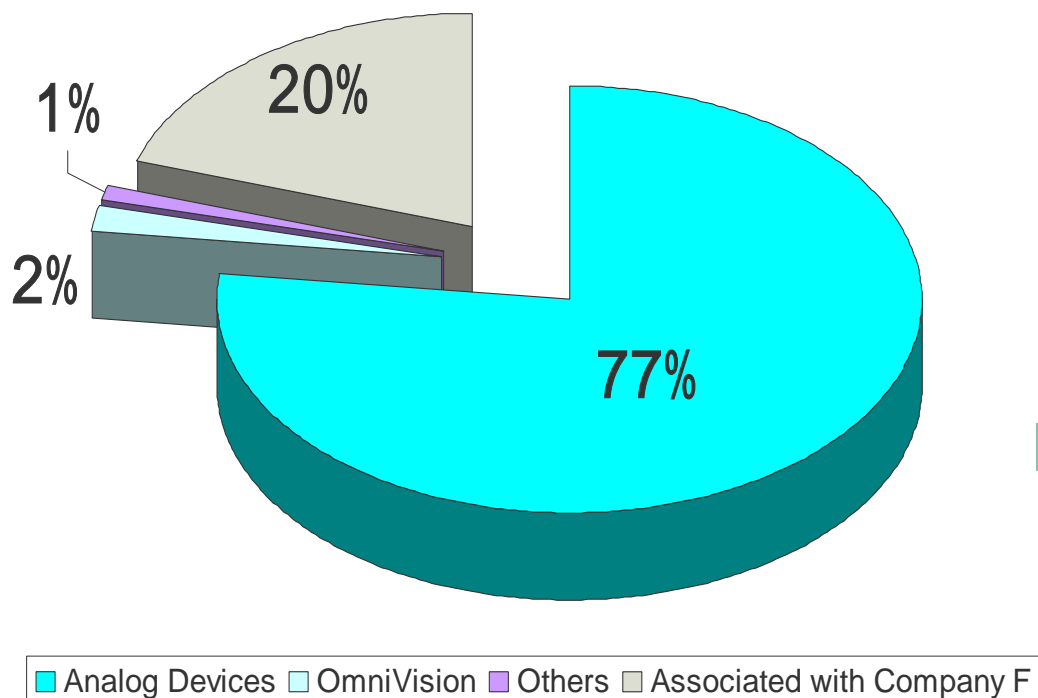
Major customers: Manufacturers of digital consumer electronics, amusement
equipment

and other products in Japan



Fiscal 2009 Topics – New Group Companies (4)

Share of Sales by Manufacturer (Fiscal 2007)



Major Applications



Fiscal 2009 Topics – New Group Companies (4)

Core strength of ADM = Sales agent for products of Analog Devices

- Experience and know-how gained from working with Analog Devices for more than three decades
- Sound relationships with many prominent manufacturers
 - = Major manufacturers of consumer digital electronics, digital still cameras, industrial equipment and other products

Objectives

- * Use KAGA ELECTRONICS Group companies to sell the products of Analog Devices
 - = Allows selling products to new customers and providing ideas for new applications!
- * Use ADM to sell the broad selection of products handled by the KAGA ELECTRONICS Group
 - = Enlarge the product lineup to provide new ideas to current high-end customers!
- * Use the capabilities of KAGA ELECTRONICS Group companies to increase sales and earnings!
 - = Makes possible cooperation in Japan and overseas among the EMS, general electronic components and semiconductor businesses!

Fiscal 2009 Topics – Other Topics

Newly developed inverter (KAGA COMPONENTS)

- Technologies for high-frequency drive inverter and newly developed DC drive inverter
- = Lower price, less noise, higher efficiency, compact, and space-saving dimensions



Introduced the new KG-PL105S data projector

- Uses LED lamp = Compact, light weight and energy efficient



Business activities in Russia (KAGA IMPEX)



EcoCute hot water system business

- Developed hot water heater remote control by starting with the ASIC and now supply this remote control to a major hot water heater manufacturer



KAGA ELECTRONICS CO., LTD.

Century Tower, 2-2-9 Hongo, Bunkyo-ku, Tokyo 113-8503

Contact: Public Relations Department

TEL:03-4455-3131

FAX:03-3815-6807

E-mail : webmaster@taxan.co.jp

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