

Summary of Consolidated Operating Results and Financial Position For the First Half ended September 2008

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154
 Stock Exchange Listing: Tokyo Stock Exchange, First Section
 URL: <http://www.taxan.co.jp/>
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 Date of filing: November 13th, 2008
 Date of commencement of dividend payment (tentative): December 8th, 2008

(Yen in millions, rounded down)

1. Financial results for the first half ended September 2008 (April 1, 2008 – September 30, 2008)

(1) Results of operations (consolidated, year-to-date)

(Percentage figures represent year on year changes)

| | Net sales | | Operating income | | Ordinary income | | Net income (Interim) | |
|---------------------------------|-------------|--------------|------------------|--------------|-----------------|--------------|----------------------|--------------|
| | Million yen | YoY Change % | Million yen | YoY Change % | Million yen | YoY Change % | Million yen | YoY Change % |
| First half ended September 2008 | 141,192 | - | 3,224 | - | 3,444 | - | 952 | - |
| First half ended September 2007 | 136,139 | 7.9 | 2,876 | 1.8 | 2,887 | (5.0) | 765 | (53.5) |

| | Net income per share | Net income per share, fully diluted |
|---------------------------------|----------------------|-------------------------------------|
| | Yen | Yen |
| First half ended September 2008 | 33.95 | - |
| First half ended September 2007 | 26.72 | - |

(2) Financial position (Consolidated)

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| First half ended September 2008 | 136,637 | 54,379 | 38.3 | 1,863.84 |
| Fiscal year ended March 2008 | 130,423 | 52,192 | 40.0 | 1,858.26 |

Note: Shareholders' equity

As of September 30, 2008 : 52,295 million yen

As of March 31, 2008: 52,140 million yen

2. Dividends

| | Dividend per share | | | | |
|--------------------------------------|--------------------|----------------|---------------|-----------------|-----------|
| | First quarter | Second quarter | Third quarter | End fiscal Year | Full year |
| | Yen | Yen | Yen | Yen | Yen |
| Fiscal year ended March 2008 | - | 25.00 | - | 25.00 | 50.00 |
| Fiscal year ending March 2009 | - | 25.00 | - | - | - |
| Fiscal year ending March 2009 (Est.) | - | - | - | 25.00 | 50.00 |

Note: No changes in dividend forecast for the first half

3. Forecast for the fiscal year ending March 2009 (Consolidated, April 1, 2008 to March 31, 2009)

(Percentage figures represent year on year changes)

| | Net sales | | Operating profit | | Ordinary income | | Net income | | Net income per share |
|-----------|-----------|-------|------------------|--------|-----------------|--------|------------|--------|----------------------|
| | Million | % | Million | % | Million | % | Million | % | Yen |
| Full year | 290,000 | (0.5) | 6,000 | (22.9) | 6,200 | (11.9) | 2,400 | (34.9) | 85.54 |

Note: No change in full year earnings forecast

4. Others

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation):

New: None

Excluded: None

(2) Use of simple method in accounting procedures and application of accounting procedures specific to the consolidated quarterly financial statements: None

(3) Changes in accounting principles and procedures, presentation methods and other items in the preparation of the quarterly consolidated financial statements (Presented in the section on Changes to the Basis of Presenting the Quarterly Consolidated Financial Statements):

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than in (a): Yes

Note: For details, see Page 5: Results of Operations and Financial Condition, Sub-section 4. Other items (3) Changes in accounting principles, procedures, presentation methods, etc. for preparation of quarterly consolidated financial statements

(4) Numbers of shares outstanding (common stock)

(a) Shares outstanding (including treasury stock)

As of September 30, 2008: 28,702,118

As of March 31, 2008: 28,702,118

(b) Treasury stock

As of September 30, 2008: 644,322

As of March 31, 2008: 643,305

(c) Average number of shares (consolidated half cumulative)

Period ended September 30, 2008: 28,058,403

Period ended September 30, 2007: 28,656,384

Cautionary statement regarding forecasts of operating results and special notes

1. Forecasts for the fiscal year ending March 2009 announced on May 12, 2008 was revised.
2. The forecasts presented above are estimates based on information available to management at the time this report was prepared. Actual results may differ from these forecasts due to changes in business conditions and other factors. For a more detailed discussion of these factors, see Page 5: Results of Operations and Financial Condition, Sub-section 3. Forecast for fiscal year ending March 2009
3. Effective from the current fiscal year, the Company is using the "Accounting Standards for Quarterly Consolidated Financial statements" (Accounting Standards Board of Japan Statement No. 12) and "Implementation Guidance for Accounting Standards for Quarterly Consolidated Financial Statements" (Accounting Standards Board of Japan Implementation Guidance No. 14). In addition, the quarterly consolidated financial statements have been prepared in accordance with "Rules for Quarterly Consolidated Financial Statements."

Results of Operations

(1) Analysis of results of operations

During the first half of the current fiscal year, the global economy began to weaken as the economic outlook became even more uncertain. Major causes are financial market turmoil that began with the U.S. subprime loan crisis, the rapid increase in the cost of crude oil and other resources, and the worldwide drop in stock prices. Signs of slowing growth have started to emerge even in eastern Asia, and especially India and China, a region where economic growth has been strong.

The Japanese economy has been weakening, too. There are increasing indications of a decline in economic growth, including lackluster private-sector capital expenditures and a downturn in consumer spending.

In the electronics industry, manufacturers in Japan and other countries took numerous actions to launch new products and conduct high-profile marketing campaigns to target expected demand associated with the Beijing Olympics. However, this demand failed to emerge. Following the Olympics, sales of digital home electronics, cell phones and all other categories of electronic products have been sluggish. In addition, the difficulty of raising prices to reflect the higher cost of raw materials is exerting pressure on profit margins.

In this environment, the companies of the KAGA ELECTRONICS Group worked even more closely together and focused on operating more efficiently. At the same time, group companies worked on handling more new products and expanding their sales routes.

First half consolidated net sales increased 3.7% to 141,192 million yen, operating income increased 12.1% to 3,224 million yen, ordinary income increased 19.3% to 3,444 million yen and net income increased 24.4% to 952 million yen.

Performance by geographic segment was as follows.

1) Japan

Consumer spending in Japan declined because of financial market volatility and rising prices linked to the higher cost of raw materials. The result was a downturn in shipments of high-end digital home electronics and other products. This caused a decline at the KAGA ELECTRONICS Group in the volume handled of semiconductors and electronic components used in these products. However, first half performance benefited from strong orders for electronic components and EMS* components used in amusement equipment. Furthermore, sales in Japan include a contribution from a subsidiary newly consolidated in the first half of this fiscal year. Overall, sales in Japan increased 5.4% to 121,537 million yen and operating income increased 37.5% to 2,407 million yen.

* Electronics Manufacturing Service is a term used for companies that design, test, manufacture, distribute, and provide return/repair services.

2) North America

In the United States, the economy continues to be severely impacted by the subprime loan crisis and other events. In addition, consumer spending is flat. These difficult market conditions caused a decline in orders at group companies for semiconductors used in digital home electronics and components used in amusement equipment. Sales fell 68.0% to 311 million yen and the operating loss was 52 million yen compared with a 71 million yen loss one year earlier.

3) Europe

Just as in the United States, consumer spending in Europe was flat as the economy in this region remained weak. Despite these challenges, the Group received a large volume of orders in the EMS business for components used in climate control equipment and other products. The result was a 330.2% increase sales to 2,659 million yen and operating income of 20 million yen compared with a 160 million yen loss one year earlier.

4) East Asia

Economic growth continued in this region along with strong corporate earnings, particularly in India and China. But growth in this region is beginning to slow because of the weakening global economy. One result was a decline in orders in the EMS business for components used in office equipment, climate control equipment and other products. Sales decreased 1.5% to 30,767 million yen and operating income decreased 39.4% to 818 million yen.

Net sales by product category

(million yen)

| Business | Second quarter FY2008 | | Second quarter FY2009 | |
|-------------------------------|-------------------------------------|------------|------------------------------------|------------|
| | For the first half ended Sept. 2007 | | For the first half ended Sept 2008 | |
| | Amount | Pct. share | Amount | Pct. share |
| Information equipment | 28,301 | 20.8 | 31,323 | 22.2 |
| EMS | 42,431 | 31.2 | 44,029 | 31.1 |
| Semiconductors | 29,843 | 21.9 | 30,009 | 21.3 |
| General electronic components | 16,626 | 12.2 | 19,611 | 13.9 |
| Others | 18,936 | 13.9 | 16,218 | 11.5 |
| Total | 136,139 | 100.0 | 141,192 | 100.0 |

Information equipment

In this segment, the Group concentrated on increasing sales of PCs and peripherals to current customers, targeting demand associated with the Beijing Olympics to increase sales of digital editing equipment for TV broadcasters, and increasing sales of security system products and other new products. The result was a 10.7% increase in sales to 31,323 million yen.

EMS

Overseas, there was a decline in sales in China for EMS operations serving Japanese manufacturers of office equipment mainly because of lower production by client companies. In Japan, performance was supported by strong orders for the manufacture of components for amusement equipment. Total segment sales increased 3.8% to 44,029 million yen.

Semiconductors

There was a decline in the volume of sound ICs sold to overseas cell phone manufacturers, which used to purchase large volumes of these ICs. This decrease was offset by strong orders for semiconductors used in televisions and amusement equipment. The addition of new products, including devices from overseas semiconductor companies, and measures to increase the number of customers were responsible for the growth in orders. Overall, segment sales increased 0.6% to 30,009 million yen.

General electronic components

In this segment, there was an increase in sales of electronic components used in PCs because of activities aimed at capturing more orders for these parts. There was also an increase in orders for electronic components used in amusement equipment. The result was an 18.0% increase in sales to 19,611 million yen.

Others

There was a substantial decline in the volume of chemical film and other photography products handled. Segment sales decreased 14.4% to 16,218 million yen.

*Year-on-year changes in sales are provided for reference.

2. Analysis of financial condition

Assets totaled 136,637 million yen at the end of the first half, 6,213 million yen more than at the end of the previous fiscal year. Increases in merchandise and manufactured products and in buildings and structures were largely responsible for this increase.

Net assets increased 2,187 million yen to 54,379 million yen and the equity ratio decreased 1.7 point to 38.3%.

Cash flows

There was a net decrease of 20 million yen in cash and cash equivalents to 13,990 million yen at the end of the first half.

Net cash provided by operating activities was 3,806 million yen due to a decrease in notes and accounts receivable-trade and other items.

Net cash used in investing activities was 2,568 million yen because of payments for the purchase of property, plant and equipment and other items.

Net cash used in financing activities was 1,111 million yen because of dividend payments and other items.

3. Forecast for fiscal year ending March 2009

(1) Revisions to consolidated forecast for fiscal year ending March 2009 (April 1, 2008 – March 31, 2009)

(Million yen)

| | Net sales | Operating income | Ordinary income | Net income |
|-----------------------------|-----------|------------------|-----------------|------------|
| Previous forecast (A) | 295,000 | 6,750 | 7,100 | 4,100 |
| Revised forecast (B) | 290,000 | 6,000 | 6,200 | 2,400 |
| Difference (B) – (A) | (5,000) | (750) | (900) | (1,700) |
| Pct. change (%) | (1.7) | (11.1) | (12.7) | (41.5) |
| (Ref.) Previous fiscal year | 291,331 | 7,786 | 7,040 | 3,684 |

(2) Reasons for revisions

Japan's economy is expected to continue weakening because of turmoil in global financial market sparked by the U.S. subprime loan crisis, the high cost of crude oil and other raw materials, and the effects of a stronger yen and falling stock prices.

The KAGA ELECTRONICS Group is taking many actions to achieve growth. However, the recent rapid increase in the yen's value along with expected demands by customers for cost reductions and reductions in customers' production volume are posing challenges. In addition, synergies from the seven companies that joined the Group in the current fiscal year are not yet making a contribution to operating results. Performance is also affected by delays in the introduction of AV products. As a result, KAGA ELECTRONICS expects sales and earnings to be less than in the original forecast. In addition, the net income forecast has been reduced because of a first half investment security valuation loss and other items.

In response to this challenging operating environment, Group companies are seeking to capture more synergies through collaboration among all group members. Another goal is expanding the range of products handled by adding new products and more trading rights. In addition, the Group is working on operating more efficiently in order to improve operating results.

4. Others

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation)

None

(2) Simplified accounting methods and special accounting treatment used only for preparation of quarterly consolidated financial statements

None

(3) Changes in accounting principles, procedures, presentation methods, etc. for preparation of quarterly

consolidated financial statements

1. Beginning with the current fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (Accounting Standards Board of Japan Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) have been applied. In addition, the quarterly consolidated financial statements are prepared in accordance with “Rules for Quarterly Consolidated Financial Statements.”
2. Beginning with the first quarter of the current fiscal year, valuations of inventories held for sale in the ordinary course of business are determined in accordance with “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9). Previously inventories were valued primarily based on the cost method using the specific identification method or the cost method using the moving-average method. As a result, inventories are now valued primarily based on the cost method using the specific identification method (in which the book values of inventories are reduced to reflect declines in profitability) or the cost method using the moving-average method (in which the book values of inventories are reduced to reflect declines in profitability). This change resulted in a decrease of 68 million yen each in first half gross profit, operating income, ordinary income and income before income taxes. The effect on business segments is shown in the business segment information section.
3. Beginning with the first quarter of the current fiscal year, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18) has been applied and the consolidated financial statements revised as necessary. This change did not have a significant effect on earnings.
4. Financial leases other than leases where ownership is transferred were previously accounted for using accounting methods for rental transactions. Beginning with the current fiscal year, the Group has applied “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) and “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16) before the required application of this standard. As a result, financial leases other than leases where ownership is transferred are now accounted for using accounting methods applicable to ordinary buying and selling transactions. This change did not have a significant effect on earnings.

5. Quarterly Consolidated Financial Statements

(1) Quarterly balance sheets

| | (Million yen) | |
|--|---|--|
| | First half ended September 2008 (As of September 30, 2008) | Fiscal year ended March 2008 (As of March 31, 2008) |
| (ASSETS) | | |
| Current assets | | |
| Cash and cash equivalent | 14,000 | 14,021 |
| Notes and account receivable-trade | 72,335 | 72,530 |
| Marketable securities | 67 | 84 |
| Merchandise and finished goods | 18,350 | 15,998 |
| Goods in progress | 902 | 506 |
| Raw materials and other supplies | 4,354 | 3,672 |
| Deferred tax assets | 735 | 570 |
| Others | 8,182 | 5,924 |
| Allowance for doubtful receivables | (184) | (161) |
| Total current assets | 118,742 | 113,147 |
| Fixed assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,259 | 1,012 |
| Machinery, equipment and vehicles, net | 1,809 | 1,919 |
| Tools and office furniture, net | 653 | 552 |
| Land | 1,324 | 1,324 |
| Construction in progress | 16 | 606 |
| Total property, plant and equipment | 6,064 | 5,415 |
| Intangible assets | | |
| Goodwill | 992 | 745 |
| Software | 875 | 593 |
| Others | 194 | 219 |
| Total intangible assets | 2,062 | 1,559 |
| Investments and other assets | | |
| Investment securities | 5,902 | 6,596 |
| Deferred tax assets | 201 | 213 |
| Others | 4,873 | 4,637 |
| Allowance for doubtful receivables | (1,209) | (1,146) |
| Total investments and other assets | 9,768 | 10,301 |
| Total fixed assets | 17,894 | 17,276 |
| Total assets | 136,637 | 130,423 |

| | First half ended September 2008 (As of September 30, 2008) | Fiscal year ended March 2008 (As of March 31, 2008) |
|--|---|--|
| (LIABILITIES) | | |
| Current liabilities | | |
| Notes and accounts payable-trade | 58,017 | 56,109 |
| Short-term bank loans | 13,682 | 11,697 |
| Income tax payable | 1,617 | 2,238 |
| Allowance for directors' and corporate auditors' bonuses | 89 | 137 |
| Others | 4,772 | 4,278 |
| Total current liabilities | 78,178 | 74,461 |
| Long-term liabilities | | |
| Long-term bank loans | 400 | 625 |
| Allowance for retirement benefits for employees | 1,276 | 1,159 |
| Allowance for retirement benefits for directors and corporate auditors | 1,075 | 1,004 |
| Others | 1,327 | 980 |
| Total long-term liabilities | 4,079 | 3,769 |
| Total liabilities | 82,258 | 78,231 |
| (NET ASSETS) | | |
| Shareholders' equity | | |
| Paid-in capital | 12,133 | 12,133 |
| Capital surplus | 13,912 | 13,912 |
| Retained earnings | 27,619 | 27,413 |
| Treasury stock | (844) | (843) |
| Total Shareholders' equity | 52,821 | 52,615 |
| Valuation and translation adjustment | | |
| Valuation difference on available-for sales securities | 99 | 36 |
| Deferred gain or losses on hedges | (3) | 2 |
| Foreign currency translation adjustments | (622) | (514) |
| Total valuation and translation adjustments | (525) | (475) |
| Minority interests | 2,083 | 51 |
| Total net assets | 54,379 | 52,192 |
| Total liabilities and net assets | 136,637 | 130,423 |

(2) Quarterly statements of income

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

(Million yen)

| | First half ended September 2008 (April 1, 2008 – September 30, 2008) |
|---|---|
| Net sales | 141,192 |
| Cost of sales | 124,297 |
| Gross profit | 16,895 |
| Selling, general and administrative expenses | 13,670 |
| Operating income | 3,224 |
| Non-operating income | |
| Interest income | 81 |
| Dividend income | 58 |
| Exchange income | 13 |
| Others | 250 |
| Total non-operating income | 404 |
| Non-operating expenses | |
| Interest expense | 68 |
| Others | 117 |
| Total non-operating expenses | 185 |
| Ordinary income | 3,444 |
| Extraordinary income | |
| Gain on forgiveness of debt | 34 |
| Gain on liquidation of subsidiaries | 16 |
| Others | 15 |
| Total extraordinary income | 66 |
| Extraordinary losses | |
| Loss on retirement of fixed assets | 79 |
| Loss on revaluation of investment securities | 864 |
| Loss on impairment of fixed assets | 37 |
| Others | 106 |
| Total extraordinary losses | 1,087 |
| Income before income taxes and minority interests | 2,423 |
| Income, residential and enterprise taxes | 1,680 |
| Income tax adjustment | (191) |
| Total taxes | 1,489 |
| Minority interest in income/loss of consolidated subsidiaries | (18) |
| Net income | 952 |

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

(Million yen)

| | Second quarter ended September 2008 (July 1, 2008 – September 30, 2008) |
|---|--|
| Net sales | 76,752 |
| Cost of sales | 67,959 |
| Gross profit | 8,793 |
| Selling, general and administrative expenses | 6,936 |
| Operating income | 1,857 |
| Non-operating income | |
| Interest income | 44 |
| Dividend income | 10 |
| Others | 141 |
| Total non-operating income | 196 |
| Non-operating expenses | |
| Interest expense | 31 |
| Exchange loss | 36 |
| Others | 29 |
| Total non-operating expenses | 96 |
| Ordinary income | 1,957 |
| Extraordinary income | |
| Gain on forgiveness of debt | 34 |
| Gain on liquidation of subsidiaries | 16 |
| Others | 6 |
| Total extraordinary income | 57 |
| Extraordinary losses | |
| Loss on retirement of fixed assets | 10 |
| Loss on revaluation of investment securities | 742 |
| Loss on impairment of fixed assets | 37 |
| Others | 32 |
| Total extraordinary losses | 823 |
| Income before income taxes and minority interests | 1,191 |
| Income, residential and enterprise taxes | 966 |
| Income tax adjustment | (268) |
| Total taxes | 697 |
| Minority interest in income/loss of consolidated subsidiaries | 16 |
| Net income | 476 |

(3) Quarterly statements of cash flows

(Million yen)

| | First half ended September 2008 (April 1, 2008 – September 30, 2008) |
|---|---|
| Operating activities | |
| Income before income taxes and minority interest | 2,423 |
| Depreciation | 745 |
| Goodwill amortization | 128 |
| Increase/(decrease) in allowance for doubtful receivable | 83 |
| Interest and dividend income | (140) |
| Interest expense | 68 |
| Loss/(gain) on revaluation of investment securities | 864 |
| Decrease/(increase) in notes and accounts receivable-trade | 3,318 |
| Decrease/(increase) in inventories | (1,621) |
| Decrease/(increase) in non-trade receivables | (1,286) |
| Increase/(decrease) in notes and accounts payable | 533 |
| Others | 1,099 |
| Sub total | 6,216 |
| Decrease/(increase) in advance payments | (178) |
| Interest and dividend received | 132 |
| Interest paid | (61) |
| Income taxes paid | (2,271) |
| Others | (31) |
| Cash flow from operations | 3,806 |
| Investing activities | |
| Payment for purchase of property, plant and equipment | (1,509) |
| Proceeds from sales of property, plant and equipment | 127 |
| Payment for purchase of intangible assets | (379) |
| Payment along with exchange of stock related to changes in the scope of consolidation | (441) |
| Short term loans provided | (667) |
| Short term loans collected | 358 |
| Others | (56) |
| Cash flow from investing activities | (2,568) |
| Financing activities | |
| Increase/(decrease) in short-term bank loans, net | (377) |
| Payment of dividends by parent company | (700) |
| Others | (33) |
| Cash flow from financing activities | (1,111) |
| Effect of exchange rate changes on cash and cash equivalents | (147) |
| Increase (decrease) in cash and cash equivalents | (20) |
| Cash and cash equivalents, beginning of period | 14,011 |
| Cash and cash equivalents, end of period | 13,990 |

Effective from the current fiscal year, the Company is using the “Accounting Standards for Quarterly Consolidated Financial statements” (Accounting Standards Board of Japan Statement No. 12) and “Implementation Guidance for Accounting Standards for Quarterly Consolidated Financial Statements” (Accounting Standards Board of Japan Implementation Guidance No. 14). In addition, the quarterly consolidated financial statements have been prepared in accordance with “Rules for Quarterly Consolidated Financial Statements.”

(4) Notes to ongoing concern assumptions
None

(5) Segment Information

Operating segment information

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

Operating segment information is not presented since the KAGA ELECTRONICS Group has been engaged in a single sector generally described as the manufacturing and sale of electronics merchandise and products.

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

Operating segment information is not presented since the KAGA ELECTRONICS Group has been engaged in a single sector generally described as the manufacturing and sale of electronics merchandise and products.

Geographical segment information

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

| | Japan | North America | Europe | East Asia | Total | Eliminations or Corporate | Consolidated |
|-------------------------------------|--------|---------------|--------|-----------|--------|---------------------------|--------------|
| Net sales | | | | | | | |
| (1) (of which to outside customers) | 62,322 | 77 | 1,175 | 13,177 | 76,752 | - | 76,752 |
| (2) (of which inter-segment) | 4,454 | 65 | 23 | 2,996 | 7,540 | (7,540) | - |
| Total | 66,777 | 143 | 1,199 | 16,173 | 84,293 | (7,540) | 76,752 |
| Operating income (loss) | 1,429 | (23) | (5) | 479 | 1,880 | (22) | 1,857 |

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

| | Japan | North America | Europe | East Asia | Total | Eliminations or Corporate | Consolidated |
|-------------------------------------|---------|---------------|--------|-----------|---------|---------------------------|--------------|
| Net sales | | | | | | | |
| (1) (of which to outside customers) | 113,585 | 179 | 2,608 | 24,819 | 141,192 | - | 141,192 |
| (2) (of which inter-segment) | 7,952 | 131 | 50 | 5,948 | 14,083 | (14,083) | - |
| Total | 121,537 | 311 | 2,659 | 30,767 | 155,276 | (14,083) | 141,192 |
| Operating income (loss) | 2,407 | (52) | 20 | 818 | 3,194 | 30 | 3,224 |

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas.

(1) North America: United States

(2) Europe: United Kingdom, Czech Republic, Russia

(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand

3. Change in accounting

(Accounting standards on inventories)

Effective from the current fiscal year the company has adapted the “Accounting Standard on Inventory Evaluation” (Corporate Accounting Standard, No 9, July 5th, 2006). As a result, the operating profit decreased by 68 million yen in Japan compared with the case where the previous

standard was applied.

Overseas sales

For the second quarter ended September 2008 (July 1, 2008 – September 30, 2008)

(Million yen)

| | North America | Europe | East Asia | Total |
|--|---------------|--------|-----------|--------|
| I Overseas sales | 609 | 1,383 | 20,058 | 22,051 |
| II Consolidated sales | - | - | - | 76,752 |
| III Share of overseas sales in total sales (%) | 0.8 | 1.8 | 26.1 | 28.7 |

For the first half ended September 2008 (April 1, 2008 – September 30, 2008)

(Million yen)

| | North America | Europe | East Asia | Total |
|--|---------------|--------|-----------|---------|
| I Overseas sales | 1,011 | 3,143 | 36,100 | 40,255 |
| II Consolidated sales | - | - | - | 141,192 |
| III Share of overseas sales in total sales (%) | 0.7 | 2.2 | 25.6 | 28.5 |

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken into the following geographical area:

(1) North America: United States

(2) Europe: United Kingdom, Czech Republic, Russia

(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand

3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan

(6) Notes on significant change in shareholder equity

None

Appendix

Financial summary of the first half ended September 2007 (April 1, 2007 – September 30, 2007)

(1) Quarterly Statements of income

(Million yen)

| Account | First half ended September 2007 (April 1, 2007 – September 30, 2007) | | |
|---|---|---------|-------|
| | Amount | % | |
| I. Net sales | | 136,139 | 100.0 |
| II. Cost of sales | | 119,310 | 87.6 |
| Gross profit | | 16,828 | 12.4 |
| III. Selling, general and administrative expenses | | 13,951 | 10.3 |
| Operating income | | 2,876 | 2.1 |
| IV. Non-operating income | | | |
| 1. Interest income | 136 | | |
| 2. Commission income | 63 | | |
| 3. Dividend income | 67 | | |
| 4. Insurance premium income | 55 | | |
| 5. Others | 159 | 482 | 0.4 |
| V. Non-operating expenses | | | |
| 1. Interest expense | 60 | | |
| 2. Discount of sales | 2 | | |
| 3. Exchange loss | 244 | | |
| 4. Equity in income/loss of unconsolidated subsidiaries | 36 | | |
| 5. Others | 128 | 471 | 0.4 |
| Ordinary income | | 2,887 | 2.1 |
| VI. Extraordinary income | | | |
| 1. Gain on sale of fixed assets | 13 | | |
| 2. Gain on sale of investment securities | 13 | | |
| 3. Reversal of provision for retirement allowance for directors | 31 | | |
| 4. Others | 10 | 68 | 0.1 |
| VII. Extraordinary losses | | | |
| 1. Loss on retirement of fixed assets | 147 | | |
| 2. Loss on revaluation of investment securities | 20 | | |
| 3. Provision of allowance for doubtful receivables | 334 | | |
| 4. Others | 155 | 659 | 0.5 |
| Income before income taxes and minority interests | | 2,297 | 1.7 |
| Income, residential and enterprise taxes | 1,459 | | |
| Income tax adjustment | 131 | 1,590 | 1.1 |
| Minority interest in income/loss of consolidated subsidiaries | | (59) | (0.0) |
| Net income | | 765 | 0.6 |

(2) Quarterly statement of cash flow

(Million yen)

| Account | First half ended September 2007 (April 1, 2007 – September 30, 2007) |
|--|---|
| | Amount |
| I. Cash flow from operations | |
| Income before income taxes and minority interest | 2,297 |
| Depreciation | 665 |
| Goodwill amortization | 115 |
| Increase in retirement allowance for employees | 44 |
| Decrease in retirement allowance for directors | (184) |
| Increase in accrued bonus for directors | 83 |
| Increase in allowance for doubtful receivable | 328 |
| Interest and dividend income | (205) |
| Interest expense | 62 |
| Gain on sale of investment securities | (13) |
| Decrease in notes and accounts receivable-trade | 2,449 |
| Increase in inventories | (686) |
| Decrease in notes and accounts payable | (4,377) |
| Decrease in other current assets | 1,242 |
| Decrease in other current liabilities | (85) |
| Others | (551) |
| Sub total | 1,183 |
| Increase in advance payments | (43) |
| Interest and dividend received | 212 |
| Interest paid | (64) |
| Income taxes paid | (2,125) |
| Others | 181 |
| Cash flow from operations | (655) |

| Account | First half ended September 2007 (April 1, 2007 – September 30, 2007) |
|--|---|
| | Amount |
| II. Cash flow from investing activities | |
| Payment for purchase of property, plant and equipment | (634) |
| Proceeds from sales of property, plant and equipment | 700 |
| Payment for purchase of intangible assets | (181) |
| Payment for purchase of investment securities | (847) |
| Proceeds from sales of investment securities | 164 |
| Payment for purchase of affiliates' securities | (150) |
| Payment along with exchange of stock related to changes in the scope of consolidation | (2) |
| Increase in short term loans | (38) |
| Decrease in short term loans | 104 |
| Others | 65 |
| Cash flow from investing activities | (818) |
| III. Cash flow from financing activities | |
| Increase/(decrease) in short-term bank loans, net | 3,085 |
| Repayment of long-term borrowing | (1,320) |
| Payment for acquisition of treasury stocks, net | (2) |
| Payment of dividends by parent company | (704) |
| Payment of dividends to minority shareholders | (7) |
| Others | (15) |
| Cash flow from financing activities | 1,034 |
| IV. Effect of exchange rate changes on cash and cash equivalents | 46 |
| V. Decrease in cash and cash equivalents | (394) |
| VI. Cash and cash equivalents, beginning of period | 14,558 |
| VII. Cash and cash equivalents, end of period | 14,164 |

(3) Segment Information

Operating segment information

For the first half ended September 2007 (April 1, 2007 – September 30, 2007)

Operating segment information is not presented since the KAGA ELECTRONICS Group was engaged in a single sector generally described as the manufacturing and sale of electronics merchandise and products.

Geographical segment information

For the first half ended September 2007 (April 1, 2007 – September 30, 2007)

(Million yen)

| | Japan | North America | Europe | East Asia | Total | Eliminations or Corporate | Consolidated |
|-------------------------------------|---------|---------------|--------|-----------|---------|---------------------------|--------------|
| Net sales | | | | | | | |
| (1) (of which to outside customers) | 107,149 | 660 | 560 | 27,769 | 136,139 | - | 136,139 |
| (2) (of which inter-segment) | 8,172 | 312 | 57 | 3,476 | 12,019 | (12,019) | - |
| Total | 115,321 | 973 | 618 | 31,245 | 148,158 | (12,019) | 136,139 |
| Operating expenses | 113,570 | 1,044 | 778 | 29,894 | 145,287 | (12,025) | 133,262 |
| Operating income (loss) | 1,751 | (71) | (160) | 1,351 | 2,870 | 6 | 2,876 |

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken down into the following geographical areas.

(1) North America: United States

(2) Europe: United Kingdom, Czech Republic, Russia

(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand

Overseas sales

For the first half ended September 2007 (April 1, 2007 – September 30, 2007)

(Million yen)

| | North America | Europe | East Asia | Total |
|--|---------------|--------|-----------|---------|
| I Overseas sales | 1,072 | 1,349 | 33,810 | 36,232 |
| II Consolidated sales | - | - | - | 136,139 |
| III Share of overseas sales in total sales | 0.79% | 0.99% | 24.83% | 26.61% |

Notes: 1. Countries and regions are classified according to geographical proximity.

2. Countries and regions outside Japan are broken into the following geographical area:

(1) North America: United States

(2) Europe: United Kingdom, Czech Republic, Russia

(3) East Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand

3. Overseas sales refer to sales posted by the Company and its consolidated subsidiaries in countries and regions outside Japan