

Summary of Consolidated Operating Results and Financial Position For the Third Quarter ended December 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/>
 Representative
 Title: President & COO
 Name: Tomohisa Tsukamoto
 Contact Person
 Title: Senior Managing Director, Finance & Administration Headquarters
 Name: Waichiro Shimoyama
 Tel: +81-(0) 3-4455-3111
 Date of filing: February 13th, 2009

(Yen in millions, rounded down)

1. Financial results for the third quarter ended December 2008 (April 1, 2008 – December 31, 2008)

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

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %	Million yen	YoY Change %
Third quarter ended Dec 2008	211,138	-	4,009	-	3,522	-	(14)	-
Third quarter ended Dec 2007	214,598	9.3	5,543	23.2	5,537	19.6	2,496	(17.2)

	Net income per share	Net income per share, fully diluted
	Yen	Yen
Third quarter ended Dec 2008	(0.52)	-
Third quarter ended Dec 2007	87.12	-

(2) Financial position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
Third quarter ended Dec 2008	128,368	50,473	37.8	1,758.35
Fiscal year ended March 2008	130,423	52,192	40.0	1,858.26

Note: Shareholders' equity

As of December 31, 2008 : 48,528 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.)	-	-	-	-	-

Notes: Change in the estimation of dividend for the fiscal year in this period: Yes

At present, the estimated amount of year-end dividend is not yet determined.

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 yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	275,000	(5.6)	3,800	(51.2)	3,600	(48.9)	(200)	-	-

Note: Change in the forecast made in this period : Yes

4. Others

(1) Changes in significant subsidiaries (Changes in specific subsidiaries accompanied by changes in the scope of consolidation)
: 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, Sub-section 4. Others (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 December 31, 2008: 28,702,118

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

(b) Treasury stock

As of December 31, 2008: 1,103,252

As of March 31, 2008: 643,305

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

Period ended December 31, 2008: 28,005,288

Period ended December 31, 2007: 28,656,045

*Cautionary statement regarding forecasts of operating results and special notes

1. The fiscal year figures in the consolidated forecast that was announced on November 10, 2008 have been revised.
2. The year-end dividend forecast has been revised to undecided at this time. Due to the uncertain outlook for market conditions, a year-end dividend proposal will be announced later after further examining the forecasts for the current fiscal year and the next fiscal year.
3. Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For a more thorough discussion of information about assumptions used for the forecasts and the forecast revision mentioned in item 1. above, see "Results of Operations 3. Forecast for fiscal year ending March 2009" on page 5.
4. Effective from the current fiscal year, the Company is using "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ 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 three quarters of the current fiscal year, the financial crisis that began with the U.S. subprime loan problem deepened, causing a steep drop in stock prices and weakness in consumer spending that severely impacted the economies of countries worldwide.

In Japan, stock prices fell sharply, the yen strengthened and consumer spending declined. In response to these rapid changes in the operating environment, companies in all industries were forced to take actions such as postponing capital expenditures and reducing production. As a result, perceptions of the state of Japan's economy in the corporate sector deteriorated further.

In the electronics industry, manufacturers are starting to reduce production of cell phones, flat-panel televisions, digital cameras and other digital home electronics because of falling demand. These reductions are creating a difficult operating environment due to a drop in demand for semiconductors and other electronic components used in these products.

In this environment, the companies of the KAGA ELECTRONICS Group worked even more closely together and took steps aimed at raising operating efficiency. Group companies also concentrated on locating new products and expanding sales channels.

For the first three quarters, consolidated net sales decreased 1.6% to 211,138 million yen, operating income decreased 27.7% to 4,009 million yen, ordinary income decreased 36.4% to 3,522 million yen and there was a net loss of 14 million yen compared with net income of 2,496 million yen one year earlier.

Performance by geographic segment was as follows.

1) Japan

The global economic downturn caused exports from Japan to drop rapidly, which resulted in a decline in capital expenditures as manufacturers reduced production. In addition, consumer spending weakened as unemployment climbed, causing a big decrease in demand for high-end digital home electronics and other products. In response, the KAGA ELECTRONICS Group recorded solid sales of electronic components used in PCs due to measures to increase sales in this market sector. However, there were declines in the volume handled of sound ICs for overseas cell phone manufacturers, which were major buyers of these ICs, and of image processing ICs used by amusement equipment manufacturers in Japan. As a result, sales in Japan decreased 0.4% to 182,787 million yen and operating income decreased 27.3% to 2,715 million yen.

2) North America

In the United States, the recession is deepening as the subprime loan problem and other events are having a severe impact on the economy. The result was a decline in orders at group companies for semiconductors used in digital home electronics and components used in amusement equipment. Sales fell 64.8% to 431 million yen and there was an operating loss of 77 million yen compared with a 102 million yen loss one year earlier.

3) Europe

In Europe, economies are remaining weak as rising unemployment and other effects of the global financial crisis hold down consumer spending. The KAGA ELECTRONICS Group benefited from consistently strong orders in the EMS* business for components used in climate control equipment and other products. But expenses for up-front investments in Russia and other activities had a negative effect on performance. Sales increased 177.2% to 3,296 million yen and there was an operating loss of 31 million yen compared with a 228 million yen loss one year earlier.

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

4) East Asia

There was a sharp decline in exports from East Asia of electronics products, which account for a large share of

exports in this region, because of the global economic downturn. Even the Chinese economy, which had been posting strong growth, has started to weaken. In this environment, there was a decline in orders in the EMS business for components used in office equipment, climate control equipment and other products. Sales decreased 6.0% to 45,028 million yen and operating income was down 54.3% to 1,017 million yen.

Net sales by product category

(Million yen)

Business	Third quarter FY2008		Third quarter FY2009	
	For the nine months ended Dec. 2007		For the nine months ended Dec. 2008	
	Amount	Pct. share	Amount	Pct. share
Information equipment	45,831	21.4	51,287	24.3
EMS	63,615	29.6	60,400	28.6
Semiconductors	49,286	23.0	46,635	22.1
General electronic components	24,921	11.6	29,385	13.9
Others	30,944	14.4	23,429	11.1
Total	214,598	100.0	211,138	100.0

Information equipment

Performance benefited from activities to increase sales of PCs and peripherals to current customers and from measures to increase sales of security system products and other new products. The result was an 11.9% increase in sales to 51,287 million yen.

EMS

Overseas, sales at EMS operations in China serving Japanese manufacturers of office equipment decreased mainly because of lower production by client companies. In Japan, there was a downturn in orders for the manufacture of amusement equipment components. As a result, sales decreased 5.1% to 60,400 million yen.

Semiconductors

This segment includes the operations of semiconductor trading company ADM Inc. starting in August 2008, when this company was added to the KAGA ELECTRONICS Group. Despite the contribution to sales of this company, segment sales declined because of decreases in the volume handled of sound ICs for overseas cell phone manufacturers, which were major buyers of these ICs, and of image processing ICs used by amusement equipment manufacturers in Japan. Sales decreased 5.4% to 46,635 million yen.

General electronic components

Due to strong sales of electronic components for PCs, a market sector where group companies have been working on capturing more orders, sales increased 17.9% to 29,385 million yen.

Others

Sales of chemical film and other photographic products were down significantly as the entire market contracted. As a result, sales decreased 24.3% to 23,429 million yen.

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

2. Analysis of financial condition

Total assets at the end of the third quarter were 128,368 million yen, 2,054 million yen less than at the end of the previous fiscal year. The decrease was attributable mainly to a decline in notes and accounts receivable.

Net assets decreased 1,719 million yen to 50,473 million yen and the equity ratio was down 2.2 points to 37.8%.

Cash flows

Cash and cash equivalents decreased 1,485 million yen compared with the end of the previous fiscal year to 12,525 million yen at the end of the third quarter.

Net cash used in operating activities was 673 million yen due mainly to a decrease in notes and accounts payable-trade.

Net cash used in investing activities was 3,061 million yen due mainly to payments for the purchase of property, plant and equipment.

Net cash provided by financing activities was 2,957 million yen due mainly to an increase in long-term bank loans.

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)	290,000	6,000	6,200	2,400
Revised forecast (B)	275,000	3,800	3,600	(200)
Difference (B) – (A)	(15,000)	(2,200)	(2,600)	(2,600)
Pct. change (%)	(5.2)	(36.7)	(41.9)	-
(Ref.) Previous fiscal year	291,331	7,786	7,040	3,684

(2) Reasons for revisions

In the current fiscal year, the global economy is declining because of the increasingly severe effects of the financial crisis, including the failure of a major U.S. securities company due to the subprime loan problem. In the electronics industry as well, the operating environment has rapidly deteriorated as falling earnings cause companies to postpone capital expenditures and weak consumer spending brings down demand for digital products.

In response to these difficult market conditions, the KAGA ELECTRONICS Group concentrated on monitoring market trends and conducting flexible sales activities focused on increasing sales to current customers, developing ties with new customers and achieving other goals. However, sales in the current fiscal year have been weaker than initially planned. Production cuts by manufacturers have lowered sales of electronic components and semiconductors as well as orders for components used in amusement equipment. There is also a decline in orders in the EMS business for manufacturers of office equipment and other products. Furthermore, earnings have been reduced by securities valuation losses caused by the steep drop in stock prices and by consolidated foreign exchange losses resulting from the rapid appreciation of the yen. Expenses associated with the head office relocation will also hold down earnings. For these reasons, the fiscal year forecast has been revised as shown in the table above.

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

- Effective from the current fiscal year, the Company is using “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Implementation Guidance No. 14). In addition, the quarterly consolidated financial statements have been prepared in accordance with “Rules for Quarterly Consolidated Financial Statements.”
- 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 of this change, 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). For the first three quarters of the current fiscal year, this change resulted in a decrease of 139 million yen in consolidated 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 and other leases where ownership is transferred were previously accounted for using accounting methods for rental transactions. Beginning with the current fiscal year, the group is using “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 of this change, 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)	
	Third quarter ended December 2008 (As of December 31, 2008)	Fiscal year ended March 2008 (As of March 31, 2008)
ASSETS		
Current assets		
Cash and cash equivalent	12,535	14,021
Notes and account receivable-trade	67,935	72,530
Marketable securities	63	84
Merchandize and finished goods	19,280	15,998
Goods in progress	1,107	506
Raw materials and other supplies	4,185	3,672
Deferred tax assets	566	570
Others	5,864	5,924
Allowance for doubtful receivables	(179)	(161)
Total current assets	111,361	113,147
Fixed assets		
Property, plant and equipment		
Buildings and structures, net	2,196	1,012
Machinery, equipment and vehicles, net	1,545	1,919
Tools and office furniture, net	978	552
Land	1,323	1,324
Construction in progress	-	606
Total property, plant and equipment	6,044	5,415
Intangible assets		
Goodwill	1,016	745
Software	838	593
Others	173	219
Total intangible assets	2,028	1,559
Investments and other assets		
Investment securities	4,948	6,596
Deferred tax assets	348	213
Others	4,822	4,637
Allowance for doubtful receivables	(1,184)	(1,146)
Total investments and other assets	8,934	10,301
Total fixed assets	17,007	17,276
Total assets	128,368	130,423

	Third quarter ended December 2008 (As of December 31, 2008)	Fiscal year ended March 2008 (As of March 31, 2008)
LIABILITIES		
Current liabilities		
Notes and accounts payable-trade	49,193	56,109
Short-term bank loans	14,866	11,697
Income tax payable	771	2,238
Allowance for directors' and corporate auditors' bonuses	109	137
Others	5,369	4,278
Total current liabilities	70,310	74,461
Long-term liabilities		
Long-term bank loans	4,110	625
Allowance for retirement benefits for employees	1,315	1,159
Allowance for retirement benefits for directors and corporate auditors	1,097	1,004
Others	1,062	980
Total long-term liabilities	7,585	3,769
Total liabilities	77,895	78,231
NET ASSETS		
Shareholders' equity		
Paid-in capital	12,133	12,133
Capital surplus	13,912	13,912
Retained earnings	25,951	27,413
Treasury stock	(1,331)	(843)
Total Shareholders' equity	50,666	52,615
Valuation and translation adjustment		
Valuation difference on available-for sales securities	(239)	36
Deferred gain or losses on hedges	(25)	2
Foreign currency translation adjustments	(1,871)	(514)
Total valuation and translation adjustments	(2,137)	(475)
Minority interests	1,944	51
Total net assets	50,473	52,192
Total liabilities and net assets	128,368	130,423

(2) Quarterly statements of income

For the third quarter ended December 2008 (April 1, 2008 – December 31, 2008)

(Million yen)

	Third quarter ended December 2008 (April 1, 2008 – December 31, 2008)
Net sales	211,138
Cost of sales	186,261
Gross profit	24,877
Selling, general and administrative expenses	20,868
Operating income	4,009
Non-operating income	
Interest income	111
Dividend income	101
Others	370
Total non-operating income	583
Non-operating expenses	
Interest expense	136
Loss in foreign exchange	805
Others	129
Total non-operating expenses	1,071
Ordinary income	3,522
Extraordinary income	
Gain on sale of fixed assets	7
Gain on sale of investment securities	14
Others	62
Total extraordinary income	84
Extraordinary losses	
Loss on retirement of fixed assets	96
Loss on revaluation of investment securities	1,315
Loss on impairment of fixed assets	235
Others	108
Total extraordinary losses	1,756
Income before income taxes and minority interests	1,850
Income, residential and enterprise taxes	2,017
Income tax adjustment	(31)
Total taxes	1,985
Minority interest in income/loss of consolidated subsidiaries	(121)
Net income/loss	(14)

For the third quarter ended December 2008(October 1, 2008 – December 31, 2008)

	(Million yen)
	Third quarter ended December 2008 (October 1, 2008 – December 31, 2008)
Net sales	69,945
Cost of sales	61,963
Gross profit	7,982
Selling, general and administrative expenses	7,197
Operating income	784
Non-operating income	
Interest income	30
Dividend income	42
Others	124
Total non-operating income	197
Non-operating expenses	
Interest expense	68
Exchange loss	819
Others	16
Total non-operating expenses	904
Ordinary income	78
Extraordinary income	
Gain on sale of investment securities	14
Others	3
Total extraordinary income	17
Extraordinary losses	
Loss on retirement of fixed assets	17
Loss on revaluation of investment securities	451
Loss on impairment of fixed assets	197
Others	2
Total extraordinary losses	669
Income/loss before income taxes and minority interests	(573)
Income, residential and enterprise taxes	336
Income tax adjustment	160
Total taxes	496
Minority interest in income/loss of consolidated subsidiaries	(102)
Net income/loss	(967)

(3) Quarterly statements of cash flows

(Million yen)

	Third quarter ended December 2008 (April 1, 2008 – December 31, 2008)
Operating activities	
Income before income taxes and minority interest	1,850
Depreciation	1,225
Loss on impairment of fixed assets	235
Goodwill amortization	195
Interest and dividend income	(213)
Interest expense	136
Loss/(gain) on revaluation of investment securities	1,315
Decrease/(increase) in notes and accounts receivable-trade	6,648
Decrease/(increase) in inventories	(3,378)
Decrease/(increase) in non-trade receivables	1,178
Increase/(decrease) in accrued expenses	(264)
Increase/(decrease) in notes and accounts payable	(7,015)
Increase/(decrease) in other current liabilities	999
Others	127
Sub total	3,041
Decrease/(increase) in advance payments	(343)
Interest and dividend received	208
Interest paid	(135)
Income taxes paid	(3,417)
Others	(27)
Cash flow from operations	(673)
Investing activities	
Payment for purchase of property, plant and equipment	(1,822)
Payment for purchase of intangible assets	(621)
Payment along with exchange of stock related to changes in the scope of consolidation	(441)
Short term loans provided	(1,259)
Short term loans collected	1,086
Others	(4)
Cash flow from investing activities	(3,061)
Financing activities	
Increase/(decrease) in short-term bank loans, net	(131)
Proceeds from long-term bank loans	5,000
Payment for acquisition of treasury stocks,	(488)
Payment of dividends	(1,393)
Others	(29)
Cash flow from financing activities	2,957
Effect of exchange rate changes on cash and cash equivalents	(707)
Increase/(decrease) in cash and cash equivalents	(1,485)
Cash and cash equivalents, beginning of period	14,011
Cash and cash equivalents, end of period	12,525

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 third quarter ended December 2008 (October 1, 2008 – December 31, 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 third quarter ended December 2008 (April 1, 2008 – December 31, 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 third quarter ended December 2008 (October 1, 2008 – December 31, 2008)

							(Million yen)	
	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated	
Net sales								
(1) (of which to outside customers)	57,072	74	634	12,164	69,945	-	69,945	
(2) (of which inter-segment)	4,177	45	3	2,096	6,321	(6,321)	-	
Total	61,249	119	637	14,260	76,267	(6,321)	69,945	
Operating income (loss)	307	(25)	(51)	199	429	354	784	

For the third quarter ended December 2008 (April 1, 2008 – December 31, 2008)

							(Million yen)	
	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated	
Net sales								
(1) (of which to outside customers)	170,657	254	3,243	36,983	211,138	-	211,138	
(2) (of which inter-segment)	12,129	176	53	8,044	20,405	(20,405)	-	
Total	182,787	431	3,296	45,028	231,543	(20,405)	211,138	
Operating income (loss)	2,715	(77)	(31)	1,017	3,624	385	4,009	

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 139 million yen in Japan compared with the case where the previous standard was applied.

Overseas sales

For the third quarter ended December 2008 (October 1, 2008 – December 31, 2008)

(Million yen)

	North America	Europe	East Asia	Total
I Overseas sales	756	1,048	16,882	18,687
II Consolidated sales	-	-	-	69,945
III Share of overseas sales in total sales (%)	1.1	1.5	24.1	26.7

For the third quarter ended December 2008 (April 1, 2008 – December 31, 2008)

(Million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,767	4,192	52,982	58,942
II Consolidated sales	-	-	-	211,138
III Share of overseas sales in total sales (%)	0.8	2.0	25.1	27.9

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 shareholders' equity

KAGA ELECTRONICS has repurchased 458,500 shares of its common stock at a cost of 486 million yen in accordance with a resolution approved by its board of directors on November 10, 2008. After including shareholders requests for the purchase and sale of stock involving holdings of less than one trading unit, stock repurchases during the first three quarters totaled 488 million yen. At the end of the third quarter, treasury stock totaled 1,331 million yen.

Appendix

Financial summary of the third quarter ended December 2007 (April 1, 2007 – December 31, 2007)

(1) Quarterly Statements of income

(Million yen)

Account	Third quarter ended December 2007 (April 1, 2007 – December 31, 2007)	
	Amount	%
I. Net sales	214,598	100.0
II. Cost of sales	188,351	87.8
Gross profit	26,247	12.2
III. Selling, general and administrative expenses	20,704	9.6
Operating income	5,543	2.6
IV. Non-operating income	729	0.3
V. Non-operating expenses	735	0.3
Ordinary income	5,537	2.6
VI. Extraordinary income	98	0.0
VII. Extraordinary losses	512	0.2
Income before income taxes and minority interests	5,123	2.4
Income, residential and enterprise taxes	2,448	
Income tax adjustment	237	
Minority interest in income/loss of consolidated subsidiaries	59	(0.0)
Net income	2,496	1.2

(2) Quarterly statement of cash flow

(Million yen)

Account	Third quarter ended December 2007 (April 1, 2007 – December 31, 2007)
	Amount
I. Operating activities	
Income before income taxes and minority interest	5,123
Increase in notes and accounts receivable-trade	(4,927)
Increase in inventories	(4,828)
Increase in notes and accounts payable	7,649
Others	(133)
Sub total	2,882
Income taxes paid	(3,166)
Others	104
Cash flow from operations	(179)
II. Investing activities	
Payment for purchase of property, plant and equipment	(1,042)
Payment for purchase of investment securities	(1,259)
Others	696
Cash flow from investing activities	(1,605)
III. Financing activities	
Increase/(decrease) in short-term bank loans, net	4,740
Repayment of long-term borrowing	(1,980)
Payment of dividends by parent company	(1,349)
Others	(28)
Cash flow from financing activities	1,380
IV. Effect of exchange rate changes on cash and cash equivalents	(87)
V. Decrease in cash and cash equivalents	(492)
VI. Cash and cash equivalents, beginning of period	14,558
VII. Cash and cash equivalents, end of period	14,065

(3) Segment Information

Operating segment information

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 third quarter ended December 2007 (April 1, 2007 – December 31, 2007)

(Million yen)

	Japan	North America	Europe	East Asia	Total	Eliminations or Corporate	Consolidated
Net sales							
(1) (of which to outside customers)	171,196	858	1,095	41,447	214,598	-	214,598
(2) (of which inter-segment)	12,348	368	93	6,430	19,241	(19,241)	-
Total	183,545	1,227	1,189	47,878	233,840	(19,241)	214,598
Operating expenses	179,807	1,330	1,417	45,651	228,207	(19,151)	209,055
Operating income (loss)	3,737	(102)	(228)	2,226	5,632	(89)	5,543

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 third quarter ended December 2007 (April 1, 2007 – December 31, 2007)

(Million yen)

	North America	Europe	East Asia	Total
I Overseas sales	1,992	2,578	49,727	54,298
II Consolidated sales	-	-	-	214,598
III Share of overseas sales in total sales	0.9%	1.2%	23.2%	25.3%

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