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***Kaga Electronics Co., Ltd. and  
Subsidiaries***

*Unaudited Consolidated Semi-Annual  
Financial Statements for the Six Months  
Ended September 30, 2007 and 2006*

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# Kaga Electronics Co., Ltd. and Subsidiaries

## Consolidated Balance Sheets September 30, 2007 and 2006-unaudited

ASSETS	Millions of Yen		Thousands of U.S. Dollars (Note 2)	LIABILITIES AND EQUITY	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	2007	2006	2007		2007	2006	2007
CURRENT ASSETS:				CURRENT LIABILITIES:			
Cash and cash equivalents	¥ 14,164	¥ 14,638	\$ 123,165	Short-term bank loans	¥ 7,636	¥ 2,215	\$ 66,400
Marketable securities	191	274	1,661	Current portion of long-term bank loans	2,188	2,500	19,026
Notes and accounts receivable:				Notes and accounts payable			
Trade	65,515	59,780	569,696	Trade	50,128	48,218	435,896
Other	4,342	3,111	37,757	Other	1,213	768	10,548
Allowance for doubtful receivables	(521)	(187)	(4,530)	Income taxes payable	1,253	1,490	10,896
Inventories	20,507	19,481	178,322	Accrued expenses and other current liabilities	3,773	3,196	32,808
Deferred tax assets	420	491	3,652				
Prepaid expenses and other current assets	1,027	1,009	8,930				
				Total current liabilities	66,191	58,387	575,574
Total current assets	105,645	98,597	918,653				
PROPERTY, PLANT AND EQUIPMENT:				LONG-TERM LIABILITIES:			
Land	1,522	1,921	13,235	Long-term bank loans	1,370	3,438	11,913
Buildings and structures	2,059	3,459	17,904	Liability for employees' retirement benefits	1,125	1,030	9,783
Machinery, equipment and vehicles	3,486	2,752	30,313	Retirement benefits for directors and corporate auditors	965	1,115	8,391
Molding dies and furniture	2,193	1,715	19,070	Deferred tax liabilities	737	769	6,409
Construction in Progress	167		1,452	Other long-term liabilities	377	389	3,278
Total	9,427	9,847	81,974				
Accumulated depreciation	(4,295)	(4,634)	(37,348)	Total long-term liabilities	4,574	6,741	39,774
Net property, plant and equipment	5,132	5,213	44,626				
INVESTMENTS AND OTHER ASSETS:				CONTINGENT LIABILITIES (Note 3)			
Investment securities	7,399	6,504	64,339				
Guarantee deposits	2,092	2,473	18,191	EQUITY			
Refundable insurance premium	829	863	7,209	Common stock	12,134	12,134	105,513
Deferred tax assets	106	68	922	Capital surplus	13,912	13,912	120,974
Other assets	2,512	2,028	21,843	Retained earnings	25,211	23,038	219,226
				Unrealized gain on available-for-sale securities	624	870	5,426
Total investments and other assets	12,938	11,936	112,504	Deferred gain(loss) on derivatives under hedge accounting	(0)	2	(0)
				Foreign currency translation adjustments	1,090	457	9,479
				Treasury stock—at cost	(83)	(77)	(722)
				Total	52,888	50,336	459,896
				Minority interests	62	282	539
				Total equity	52,950	50,618	460,435
TOTAL	¥ 123,715	¥ 115,746	\$ 1,075,783	TOTAL	¥ 123,715	¥ 115,746	\$ 1,075,783

See notes to unaudited consolidated financial statements.

# Kaga Electronics Co., Ltd. and Subsidiaries

## Consolidated Statements of Income Six Months Ended September 30 , 2007 and 2006-unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
NET SALES (Note 4 )	¥ 136,139	¥126,184	\$ 1,183,817
COST OF SALES (Note 4)	<u>119,311</u>	<u>110,654</u>	<u>1,037,487</u>
Gross profit	16,828	15,530	146,330
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES (Note 4)	<u>13,951</u>	<u>12,704</u>	<u>121,313</u>
Operating income	<u>2,877</u>	<u>2,826</u>	<u>25,017</u>
OTHER INCOME(EXPENSE):			
Interest and dividend income	204	115	1,774
Interest expense	(60)	(100)	(522)
Gain on sales of marketable and investment securities	15	66	130
Provision for allowance for doubtful receivables	(335)		(2,913)
Exchange (loss) gain	(245)	15	(2,130)
Other—net	<u>(159)</u>	<u>65</u>	<u>(1,382)</u>
Other income (expense)—net	<u>(580)</u>	<u>161</u>	<u>(5,043)</u>
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	<u>2,297</u>	<u>2,987</u>	<u>19,974</u>
INCOME TAXES			
Current	1,459	1,448	12,687
Deferred	<u>131</u>	<u>(102)</u>	<u>1,139</u>
Total income taxes	<u>1,590</u>	<u>1,346</u>	<u>13,826</u>
MINORITY INTERESTS IN NET LOSS	<u>(59)</u>	<u>(5)</u>	<u>(513)</u>
NET INCOME	<u>¥ 766</u>	<u>¥ 1,646</u>	<u>\$ 6,661</u>
	<u>Yen</u>	<u>U.S. Dollars</u>	
PER SHARE OF COMMON STOCK			
Basic net income	¥ 26.72	¥ 57.43	\$ 0.23
Cash dividends applicable to the period	25.00	20.00	0.22

See notes to unaudited consolidated financial statements.

# Kaga Electronics Co., Ltd. and Subsidiaries

## Consolidated Statements of Changes in Equity Six Months Ended September 30, 2007 -unaudited

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available -for-sale Securities	Deferred Gain(Loss) On Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	28,657	¥ 12,134	¥ 13,912	¥ 25,162	¥ 758	¥ (1)	¥ 1,030	¥ (80)	¥ 52,915	¥ 135	¥ 53,050
Reclassified balance as of April 1, 2007											
Net income				766					766		766
Cash dividends, ¥25.00 per share				(717)					(717)		(717)
Repurchase of treasury stock	(1)							(3)	(3)		(3)
Disposal of treasury stock	0		0					0	0		0
Net change in the period					(134)	1	60		(73)	(73)	(146)
BALANCE, SEPTEMBER 30, 2007	<u>28,656</u>	<u>¥ 12,134</u>	<u>¥ 13,912</u>	<u>¥ 25,211</u>	<u>¥ 624</u>	<u>¥ (0)</u>	<u>¥ 1,090</u>	<u>¥ (83)</u>	<u>¥ 52,888</u>	<u>¥ 62</u>	<u>¥ 52,950</u>

	Thousands of U.S. Dollars (Note 2)									
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available -for-sale Securities	Deferred Gain(Loss) On Derivatives Under Hedge Accounting	Foreign Currency Translation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2007	\$105,513	\$120,974	\$ 218,800	\$ 6,591	\$ (9)	\$ 8,957	\$ (696)	\$ 460,130	1,174	\$ 461,304
Reclassified balance as of April 1, 2007										
Net income			6,661					6,661		6,661
Cash dividends, \$0.2 per share			(6,235)					(6,235)		(6,235)
Repurchase of treasury stock							(26)	(26)		(26)
Disposal of treasury stock		0					0	0		0
Net change in the period				(1,165)	9	522		(634)	(635)	(1,269)
BALANCE, SEPTEMBER 30, 2007	<u>\$105,513</u>	<u>\$120,974</u>	<u>\$ 219,226</u>	<u>\$ 5,426</u>	<u>\$ (0)</u>	<u>\$ 9,479</u>	<u>\$ (722)</u>	<u>\$ 459,896</u>	<u>\$ 539</u>	<u>\$ 460,435</u>

See notes to unaudited consolidated financial statements.

Kaga Electronics Co., Ltd. and Subsidiaries

Consolidated Statements of Changes in Equity  
Six Months Ended September 30, 2006 –unaudited

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available -for-sale Securities	Deferred Gain on Derivatives Under Hedge Accounting	Foreign CurrencyTransl ation Adjustments	Treasury Stock	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2006	28,660	¥ 12,134	¥ 13,912	¥ 22,430	¥ 1,020		¥ 420	¥ (76)	¥ 49,840		¥ 49,840
Reclassified balance as of April 1, 2006										¥ 329	329
Net income				1,646					1,646		1,646
Cash dividends, ¥30.00 per share				(860)					(860)		(860)
Bonuses to directors and corporate auditors				(178)					(178)		(178)
Repurchase of treasury stock	(1)							(1)	(1)		(1)
Net change in the period					(150)	¥ 2	37		(111)	(47)	( 158)
BALANCE, SEPTEMBER 30, 2006	28,659	¥12,134	¥13,912	¥ 23,038	¥ 870	¥ 2	¥ 457	¥ (77)	¥ 50,336	¥ 282	¥ 50,618

# Kaga Electronics Co., Ltd. and Subsidiaries

## Consolidated Statements of Cash Flows

Six Months Ended September 30, 2007 and 2006-unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
<b>OPERATING ACTIVITIES:</b>			
Income before income taxes and minority interests	¥ 2,297	¥ 2,987	\$ 19,974
Adjustments for:			
Income taxes—paid	(2,126)	(3,084)	(18,487)
Depreciation and amortization	781	546	6,791
Loss on disposals of property, plant and equipment	148	39	1,287
Provision for directors' and corporate auditors' bonuses	83	55	722
Gain on sales of marketable and investment securities	(15)	(66)	(130)
Loss on sales of marketable and investment securities		6	
Devaluation losses on investment securities	21	31	183
Provision for employees' retirement benefits	44	18	383
(Reversal of) provision for directors' and corporate auditors' retirement benefits	(184)	29	(1,600)
Increase in allowance for doubtful accounts	329	200	2,861
Payment of directors and corporate auditors' bonuses		(179)	
Changes in assets and liabilities:			
Decrease in notes and accounts receivable	2,450	1,388	21,304
Increase in inventories	(687)	(4,517)	(5,974)
Decrease in prepaid expenses and other current assets	1,200	583	10,435
(Decrease) increase in trade notes and accounts payable	(4,378)	340	(38,070)
Decrease in accrued expenses and other current liabilities	(86)	(471)	( 748)
Other—net	(533)	116	(4,635)
Total adjustments	<u>(2,953)</u>	<u>(4,966)</u>	<u>(25,678)</u>
Net cash used in operating activities	<u>(656)</u>	<u>(1,979)</u>	<u>( 5,704)</u>
<b>INVESTING ACTIVITIES:</b>			
Purchases of property, plant and equipment	(634)	(525)	(5,513)
Proceeds from sales of property, plant and equipment	700	64	6,087
Purchases of investment securities	(847)	(559)	(7,365)
Cash decrease due to acquisition of newly consolidated subsidiaries	(150)		(1,304)
Proceeds from sales of investment securities	164	613	1,426
Increase in short-term loans	(38)	(25)	(330)
Other-net	<u>(14)</u>	<u>(130)</u>	<u>(122)</u>
Net cash used in investing activities	<u>(819)</u>	<u>(562)</u>	<u>(7,121)</u>
<b>FORWARD</b>	<u>¥ (1,475)</u>	<u>¥ (2,541)</u>	<u>\$ (12,825)</u>

# Kaga Electronics Co., Ltd. and Subsidiaries

## Consolidated Statements of Cash Flows

Six Months Ended September 30, 2007 and 2006-unaudited

	Millions of Yen		Thousands of U.S. Dollars (Note 2)
	<u>2007</u>	<u>2006</u>	<u>2007</u>
FORWARD	¥ (1,475 )	¥ (2,541)	\$ (12,825)
FINANCING ACTIVITIES:			
Increase(decrease) in short-term bank loans	3,085	(907)	26,826
Repayments of long-term bank loans	(1,321 )	(1,250)	(11,487)
Dividends paid	(713 )	(873)	(6,200)
Purchases of treasury stock—net	(3)	(2)	(26)
Other-net	<u>(14)</u>	<u>80</u>	<u>(122)</u>
Net cash provided by (used in) financing activities	<u>1,034</u>	<u>(2,952)</u>	<u>8,991</u>
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	<u>47</u>	<u>(1)</u>	<u>408</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(394 )	(5,494)	(3,426)
CASH AND CASH EQUIVALENTS, BEGINNING OF THE PERIOD	<u>14,558</u>	<u>20,132</u>	<u>126,591</u>
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	<u>¥ 14,164</u>	<u>¥ 14,638</u>	<u>\$ 123,165</u>

See notes to unaudited consolidated financial statements.

# Kaga Electronics Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

**Six Months Ended September 30, 2007 and 2006 –unaudited**

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### 1. PRINCIPLES OF CONSOLIDATION

The accompanying consolidated semi-annual financial statements include the accounts of Kaga Electronics Co., Ltd (the “Company”) and its subsidiaries.

These notes disclosed herein do not cover all the notes which are generally required to be disclosed in the consolidated financial statements prepared in accordance with the provisions set forth in the Japanese laws and regulations.

### 2. TRANSLATION

The consolidated semi-annual financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥115 to \$1, the approximate rate of exchange at September 30, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

### 3. CONTINGENT LIABILITIES

At September 30, 2007, the Company and subsidiaries had the following contingent liabilities:

	<u>Millions of yen</u>	<u>Thousands of U.S.Dollars</u>
Trade notes discounted	¥ 185	\$ 1,609
Guarantees of employee’s loans	69	600
Guarantees for customer’s lease contract	0	4



#### 4. SEGMENT INFORMATION

##### *a. Operations in Different Industries*

The Company and subsidiaries operate within one business segment, which is the electronic component trading business.

##### *b. Operations by Geographic Area*

The following table shows segment information by geographic area for the six months ended September 30, 2007 and 2006.

	Millions of Yen					
	2007					
	<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Eliminations or Corporate</u>	<u>Consolidated</u>
Sales to customers	¥ 107,149	¥ 660	¥ 560	¥ 27,770		¥ 136,139
Interarea transfer	<u>8,172</u>	<u>313</u>	<u>58</u>	<u>3,476</u>	¥ (12,019)	
Total sales	115,321	973	618	31,246	(12,019)	136,139
Operating expenses	<u>113,570</u>	<u>1,044</u>	<u>779</u>	<u>29,894</u>	<u>(12,025)</u>	<u>133,262</u>
Operating income(loss)	<u>¥ 1,751</u>	<u>¥ (71)</u>	<u>¥ (161)</u>	<u>¥ 1,352</u>	<u>¥ 6</u>	<u>¥ 2,877</u>

  

	Thousands of U.S. Dollars					
	2007					
	<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Eliminations or Corporate</u>	<u>Consolidated</u>
Sales to customers	\$ 931,730	\$ 5,739	\$ 4,870	\$ 241,478		\$ 1,183,817
Interarea transfer	<u>71,061</u>	<u>2,722</u>	<u>504</u>	<u>30,226</u>	\$(104,513)	
Total sales	1,002,791	8,461	5,374	271,704	(104,513)	\$ 1,183,817
Operating expenses	<u>987,565</u>	<u>9,078</u>	<u>6,774</u>	<u>259,948</u>	<u>(104,565)</u>	<u>1,158,800</u>
Operating income(loss)	<u>\$ 15,226</u>	<u>\$ (617)</u>	<u>\$ (1,400)</u>	<u>\$ 11,756</u>	<u>\$52</u>	<u>\$ 25,017</u>

Millions of Yen						
2006						
	<u>Japan</u>	<u>North America</u>	<u>Europe</u>	<u>East Asia</u>	<u>Eliminations or Corporate</u>	<u>Consolidated</u>
Sales to customers	¥ 98,220	¥ 859	¥ 535	¥ 26,570		¥ 126,184
Interarea transfer	<u>9,462</u>	<u>328</u>	<u>72</u>	<u>3,992</u>	¥ (13,854)	
Total sales	107,682	1,187	607	30,562	(13,854)	126,184
Operating expenses	<u>106,280</u>	<u>1,168</u>	<u>600</u>	<u>29,150</u>	<u>(13,840)</u>	<u>123,358</u>
Operating income	<u>¥ 1,402</u>	<u>¥ 19</u>	<u>¥ 7</u>	<u>¥ 1,412</u>	<u>¥ (14)</u>	<u>¥ 2,826</u>

*c. Sales to Foreign Customers*

Sales to foreign customers for the six months ended September 30, 2007 and 2006 amounted to ¥ 36,233 million (\$315,069 thousand) and ¥ 38,581 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	<u>2007</u>	<u>2006</u>	<u>2007</u>
Sales to:			
North America	¥ 1,073	¥ 1,271	\$ 9,330
Europe	1,350	1,037	11,739
East Asia	33,810	36,273	294,000