

# Financial and Business Results for the First Quarter of the Fiscal Year Ending March 31, 2008

Date: July 27, 2007

C o m p a n y	<b>KEL Corporation</b>	Registered on the JASDAQ
Stock Code	6919	
U R L	http://www.kel.jp/	
Representative	Kazuyoshi Takahashi	
C o n t a c t	Title Director and Administration Manager	
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(Note: Rounded down to Million Yen)

## 1. Consolidated results of operations for the first quarter of the fiscal year ending March 2008 (April 1, 2007 to June 30, 2007)

### (1) Consolidated results of operations

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2008 1 <sup>st</sup> Quarter	2,335	(9.1)	205	(-9.5)	219	(-7.3)	125	(8.8)
FY2007 1 <sup>st</sup> Quarter	2,141	(29.6)	227	(149.3)	236	(130.4)	114	(93.0)
March 2007	9,229		1,066		1,071		546	

	Net income per share		Diluted net Income per share	
	Yen		Yen	
FY2008 1 <sup>st</sup> Quarter	8.36		8.34	
FY2007 1 <sup>st</sup> Quarter	15.49		15.48	
March 2007	73.70		73.24	

(Note) A 2-for-1 stock split was conducted on April 1, 2007. Earnings per share for the first quarter of the fiscal year ended March 2007 and for the fiscal year ended March 2007 have been calculated on the basis of the number of shares before the stock split was conducted.

### (2) Consolidated financial position

	Total assets		Net assets		Capital adequacy ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
FY2008 1 <sup>st</sup> Quarter	12,158		8,521		70.1		569.54	
FY2007 1 <sup>st</sup> Quarter	11,314		8,230		72.7		1,109.91	
March 2007	12,372		8,540		69.0		1,143.50	

(Note) A 2-for-1 stock split was conducted on April 1, 2007. Earnings per share for the first quarter of the fiscal year ended March 2007 and for the fiscal year ended March 2007 have been calculated on the basis of the number of shares before the stock split was conducted.

## 2. Consolidated forecasts for the fiscal year ending March 2008 (From April 1, 2007 to March 31, 2008)

(Reference)

	Net sales		Operating income		Ordinary income		Net income		Net income per share	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen	
Interim	4,700	(4.4)	459	(-17.0)	461	(-18.4)	253	(-10.0)	16.94	
FY ending Mar. 2008	9,600	(4.0)	964	(-9.6)	963	(-10.2)	530	(-3.1)	35.48	

## 3. Others

(1) Change in important subsidiary during the period (change in specified subsidiary due to change in the scope of consolidation): None

- (2) Adoption of simplified accounting method: Yes
- (3) Change in accounting treatment compared to the most recent fiscal year: Yes

\* Explanation regarding appropriate use of business forecasts and other special instructions

Forecasts regarding future performance in these materials are based on information available at the time this report was prepared. Forecasts therefore embody risks and uncertainties. Actual results may differ significantly from the above forecasts for a number of factors.

**【Qualitative Analysis and Financial Statements】**

1. Consolidated results of operations

Although uncertainties caused by rising oil prices, expanding income disparities and other factors clouded the outlook, Japan's economy was gradually expanding during the first quarter of the fiscal year (April 1, 2007 to June 30, 2007). This was due to growth in consumer spending reflecting an improvement in the employment environment in addition to an increase in capital investment backed by favorable corporate performances and expansion of exports due to weak yen.

KEL Group's performance in the electronics industry was also favorable underpinned by strong buying motivation towards digital consumer electronics and the widespread use of large-screen television, despite the rise in material prices.

Under such circumstances, KEL Group gained steady orders in products for amusement and industrial markets, the Company's priority areas, leading its net sales to rise 9.1% year-on-year to 2,335 million yen. Regarding profit, operating income decreased 9.5% year-on-year to 205 million yen due to an increase of 17 million yen in depreciation expense associated with the amendment to the corporate tax law, and ordinary income decreased 7.3% year-on-year to 219 million yen. Net income increased 8.8% year-on-year to 125 million yen.

2. Consolidated financial condition

Total assets at the end of the first quarter were 12,158 million yen, a decrease of 213 million yen from the previous fiscal year. This is mainly attributable to a 276 million yen decrease in cash and deposits.

Liabilities dropped by 194 million yen. This is mainly attributable to a 135 million yen decrease in reserve for bonuses.

Net assets decreased 18 million yen. This is due mainly for posting 156 million yen in dividend payment from retained earnings and 125 million yen in net income.

3. Forecast

The first quarter business performance is in line with the forecast. Therefore, there are no revisions to the business forecasts announced on May 8, 2007 at this time.

4. Others

- (1) Change in important subsidiary during the period (change in specified subsidiary due to change in the scope of consolidation)

No suitable information provided

- (2) Adoption of simplified accounting method

The simple method is used for posting corporate taxes, etc.

(3) Change in accounting treatment compared to the most recent fiscal year

From the current consolidated fiscal year, in accordance with the amendment to corporate tax law, depreciation expense is recorded through depreciation method stipulated in the revised corporate tax law for tangible fixed assets that has been depreciated up to the depreciable limit (95% of the acquisition price) before March 31, 2007 and tangible fixed assets to be acquired after April 1, 2007.

Due to this change, operating income, ordinary income and net income before income taxes and others decreased by 17 million yen, respectively.

5. (Summary) Consolidated Financial Statements  
(1) (Summary) Consolidated Balance Sheet

(Rounded down to ¥ thousand)

Item	1Q of FY ended June 2006 (as of June 30, 2006)		1Q of FY June 2007 (as of June 30, 2007)		FY ended March 2007 (as of March 31, 2007)	
	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)
(Assets)						
I . Currents assets						
1. Cash on hand and in banks	731,020		803,702		1,080,595	
2. Trade notes and accounts receivable	3,045,617		3,918,282		3,836,941	
3. Inventory assets	743,601		843,806		849,359	
4. Others	343,686		345,125		303,693	
Total current assets	4,863,924	43.0	5,910,916	48.6	6,070,589	49.1
II . Fixed assets						
1. Tangible fixed assets						
(1) Buildings and structures	1,324,409		1,246,411		1,261,988	
(2) Machinery and transport equipment	1,424,747		1,573,069		1,579,256	
(3) Tools, furniture and fixtures	673,384		647,132		674,767	
(4) Land	869,232		730,774		730,774	
Total tangible fixed assets	4,291,773	37.9	4,197,387	34.5	4,246,786	34.3
2. Intangible fixed assets	87,433	0.8	78,467	0.7	81,722	0.7
3. Investment and other assets						
(1) Investment securities	956,942		864,431		864,282	
(2) Others	1,114,398		1,107,414		1,108,310	
Total investment and other assets	2,071,341	18.3	1,971,845	16.2	1,972,593	15.9
Total fixed assets	6,450,548	57.0	6,247,700	51.4	6,301,103	50.9
III . Deferred assets	520	0.0	344	0.0	378	0.0
Total assets	11,314,993	100.0	12,158,961	100.0	12,372,071	100.0

Item	1Q of FY ended June 2006 (as of June 30, 2006)		1Q of FY ended June 2007 (as of June 30, 2007)		FY ended March 2007 (as of March 31, 2007)	
	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)
(Liabilities)						
I . Current liabilities						
1. Trade notes and accounts payable	1,479,355		1,488,026		1,506,106	
2. Reserve for bonuses	114,237		103,369		239,345	
3. Others	1,263,822		1,504,563		1,548,823	
Total current liabilities	2,857,415	25.3	3,095,959	25.5	3,294,275	26.6
II . Fixed liabilities						
1. Bonds	—		300,000		300,000	
2. Employees' retirement benefit	130,175		147,920		145,220	
3. Others	96,405		93,496		92,338	
Total fixed liabilities	226,580	2.0	541,416	4.4	537,558	4.4
Total liabilities	3,083,995	27.3	3,637,375	29.9	3,831,834	31.0
(Net Assets)						
I . Shareholders' equity						
1. Capital	1,617,000		1,617,000		1,617,000	
2. Capital surplus	1,440,058		1,455,924		1,453,124	
3. Retained earnings	5,132,460		5,480,683		5,512,506	
4. Treasury stock	-289,064		-259,838		-265,855	
Total shareholders' equity	7,900,454	69.8	8,293,768	68.2	8,316,776	67.2
II . Estimated exchange difference						
1. Net unrealized holding gains	325,217		217,518		217,518	
2. Foreign currency translation adjustment account	5,325		10,298		5,942	
Total estimated exchange difference	330,543	2.9	227,816	1.9	223,460	1.8
Total net assets	8,230,997	72.7	8,521,585	70.1	8,540,236	69.0
Total liabilities and net assets	11,314,993	100.0	12,158,961	100.0	12,372,071	100.0

## (2) (Summary) Consolidated Income Statement

(Rounded down to ¥ thousand)

Item	1Q of FY ended June 2006 (Apr.il 1, 2006 – June.30, 2006)		1Q of FY ended June 2007 (Apr.il 1, 2007 – June 30, 2007)		FY ended March 2007 (Apr.il 1, 2007 – March 31, 2007)	
	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)	Amount (thousand)	Share (%)
I . Net sales	2,141,476	100.0	2,335,791	100.0	9,229,717	100.0
II . Cost of sales	1,522,078	71.1	1,713,683	73.4	6,525,729	70.7
Gross profit	619,379	28.9	622,108	26.6	2,703,987	29.3
III . SG&A expenses	392,073	18.3	416,346	17.8	1,637,169	17.7
Operating income	227,323	10.6	205,762	8.8	1,066,817	11.6
IV . Non-operating income	12,697	0.6	17,455	0.7	33,665	0.3
V . Non-operating expenses	3,301	0.1	3,738	0.1	28,488	0.3
Ordinary income	236,720	11.1	219,479	9.4	1,071,994	11.6
VI . Extraordinary profit	—	—	—	—	74,182	0.8
VII . Extraordinary loss	39,934	1.9	538	0.0	189,262	2.0
Net income before income taxes	196,785	9.2	218,940	9.4	956,914	10.4
Corporate taxes	81,902	3.8	93,925	4.0	410,082	4.5
Quarterly net income	114,882	5.4	125,015	5.4	546,831	5.9