

The Investors Meeting for a Results Briefing of the FY 2007

May 24, 2007

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

2-2-9 Hongo, Bunkyo-ku, Tokyo 113-8503 Tel: (03) 4455-3131 Fax: (03) 3815-6807

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

2006.3-2007.3 HIGHLIGHT

1 Financial Highlights of Fiscal Year Ended March 2007

Financial Highlights of Fiscal Year Ended March 2007

Consolidated Statements of income (Fiscal 2006 and 2007)

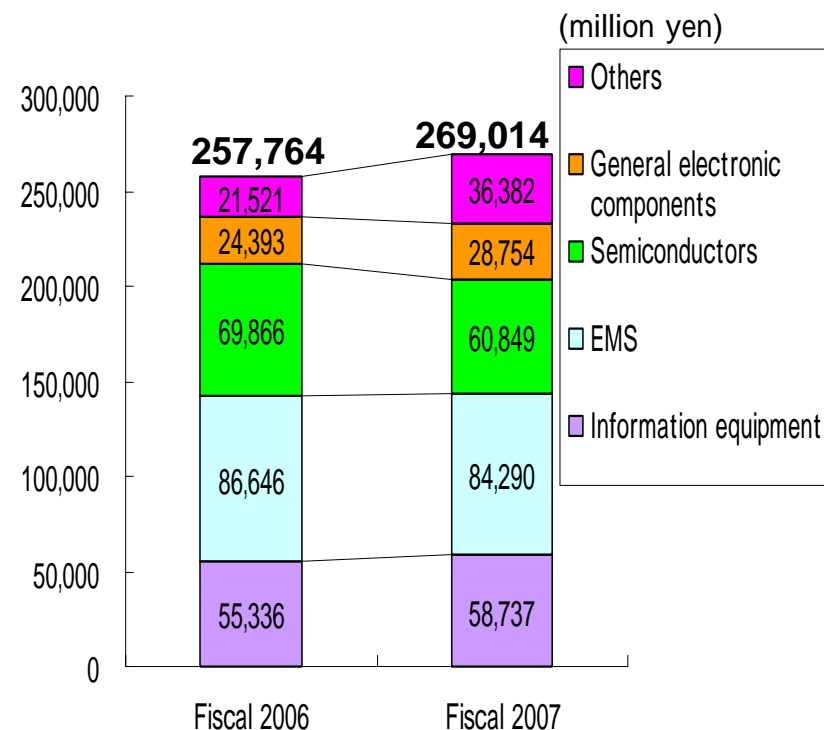
(million yen)

	Fiscal 2006		Fiscal 2007		Change
Net sales	257,764	100.0%	269,014	100.0%	11,250
Cost of sales	228,218	88.5%	236,214	87.8%	7,996
Gross Profit	29,546	11.5%	32,799	12.2%	3,253
Selling,general and administrative expenses	21,336	8.3%	25,884	9.6%	4,548
Operating income	8,209	3.2%	6,915	2.6%	-1,294
Non-operating income	806	0.3%	853	0.3%	47
Non-operating expenses	377	0.2%	363	0.1%	-14
Ordinary income	8,638	3.4%	7,404	2.8%	-1,234
Extraordinary income	2,792	1.2%	5	0.0%	-2,787
Income before income taxes and minority interests	11,429	4.4%	7,410	2.8%	-4,019
Income,Inhabitants and enterprise taxes	4,071	1.6%	3,270	1.2%	-801
Income tax adjustment	29	0.01%	-143	-0.1%	-172
Minority interest income/loss of consolidated subsidiaries	57	0.02%	-60	0.0%	-117
Net income	7,272	2.8%	4,343	1.6%	-2,929

Consolidated Sales by Business Category (Fiscal 2006 and 2007)

(million yen)

	Fiscal 2006		Fiscal 2007		Change
Information equipment	55,336	21.5%	58,737	21.8%	3,401
EMS	86,646	33.6%	84,290	31.3%	-2,356
Semiconductors	69,866	27.1%	60,849	22.6%	-9,017
General electronic components	24,393	9.5%	28,754	10.7%	4,361
Others	21,521	8.3%	36,382	13.5%	14,861
Total	257,764	100.0%	269,014	100.0%	11,250



Major changes

Others: Sales up ¥14,861 million (+69.1%)

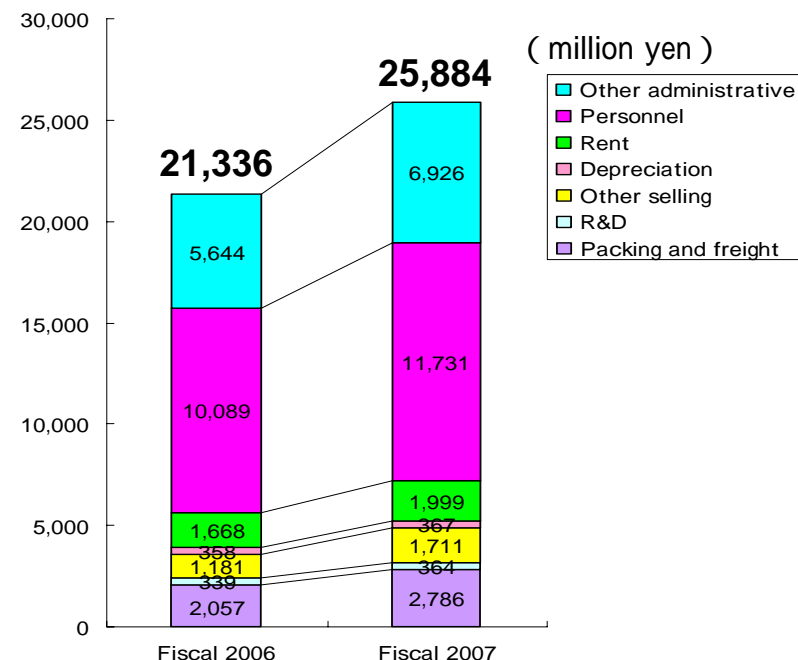
KAGA HITECH made its first full-year contribution in FY07, posting an increase in camera film. The result was an increase of ¥14,861 million in sales.

Semiconductors: Sales down ¥9,017 million (-12.9%)

KAGA succeeded in signing new sales agency agreements with overseas semiconductor manufacturers, but there was a big drop in sales of sound ICs to large cell phone manufacturers and of semiconductors used in amusement equipment. The result was a decline of ¥9,017 million in sales.

• Selling, General and Administrative Expenses (Fiscal 2006 and 2007)

Changes in SG&A expenses		(million yen)			
	Fiscal 2006		Fiscal 2007		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,057	9.6%	2,786	10.8%	729
R&D	339	1.6%	364	1.4%	25
Others	1,181	5.5%	1,711	6.6%	530
Total selling expenses	3,577	16.8%	4,861	18.8%	1,284
Depreciation	358	1.7%	367	1.4%	9
Rent	1,668	7.8%	1,999	7.7%	331
Personnel	10,089	47.3%	11,731	45.3%	1,642
Others	5,644	26.5%	6,926	26.8%	1,282
Total administrative expenses	17,759	83.2%	21,023	81.2%	3,264
Total SG&A expenses	21,336	100.0%	25,884	100.0%	4,548



Major changes

Selling expenses: Packing and freight expenses, sales promotion expenses and other items increased because of the consolidation of KAGA HITECH for the entire fiscal year. The result was an increase of ¥1,284 million in selling expenses.

Administrative expenses:

Growth in office supply expenses due to KAGA HITECH and in rent due to KAGA SPORTS (formerly FYT)

Growth in personnel expenses due to YoY increase of 332 in number of employees (from 4,469 to 4,801)

The result was an increase of ¥3,264 million in administrative expenses.

Financial Highlights of Fiscal Year Ended March 2007

Consolidated Balance sheets (Fiscal 2006 and 2007)

(million yen)

	Fiscal06	Fiscal07	Change
(ASSETS)	119,441	125,812	6,371
Current assets	102,008	107,853	5,845
Cash and cash equivalents	20,143	14,568	-5,575
Notes and accounts	61,335	67,464	6,129
Inventories	14,926	19,727	4,801
Others	5,603	6,094	491
Fixed assets	17,432	17,959	527
Property, plant and equipment	5,176	5,495	319
Intangible assets	1,307	1,567	260
Investment and other assets	10,948	10,896	-52
Total assets	119,441	125,812	6,371

	Fiscal06	Fiscal07	Change
(LIABILITIES)	69,271	72,763	3,492
Current liabilities	61,343	67,059	5,716
Notes and accounts payable	47,863	54,217	6,354
Short-term bank loans	5,612	7,045	1,433
Others	7,865	5,797	-2,068
Long-term liabilities	7,928	5,704	-2,224
Long-term bank loans	4,687	2,378	-2,309
Others	3,241	3,326	85
(NET ASSETS)	49,841	53,049	3,208
Owners' equity			
Paid-in capital	12,133	12,133	0
Capital surplus	13,912	13,912	0
Earned surplus	22,430	25,161	2,731
Treasury stock	-74	-80	-6
Valuation and translation	1,439	1,787	348
Minority interests	328	134	-194
Total liabilities and net assets	119,441	125,812	6,371

Cash Flows (Fiscal 2006 and 2007)

(million yen)

	Fiscal 2006	Fiscal 2007	Change
Operating activities	17,332	-1,120	-18,452
Investing activities	-5,976	-2,141	3,835
Financing activities	-2,152	-2,586	-434
Effect of foreign exchange	507	274	-233
Net change in cash and cash equivalents	9,711	-5,563	-15,274
Cash and cash equivalents at beginning of year	10,420	20,131	9,711
Cash and cash equivalents at end of year	20,131	14,558	-5,573

Major changes

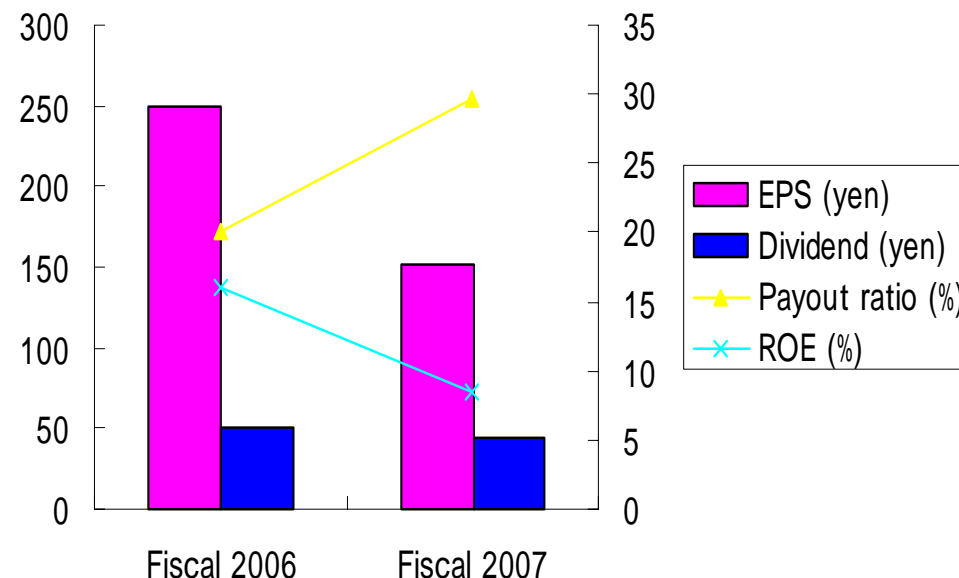
Operating activities: Net cash used was ¥1,120 million because cash provided by earnings was exceeded by cash used for increases in accounts receivable and inventories.

Investing activities: Net cash used was ¥2,141 million because of payments for the purchase of property, plant and equipment and investment securities.

Financing activities: Net cash used was ¥2,586 million because of loan repayments and the payment of cash dividends.

Major Performance Indicators (Fiscal 2006 and 2007)

	Fiscal 2006	Fiscal 2007
Earnings per share	250.18yen	151.55yen
Dividend per share	40+10yen	45yen
Dividend payout ratio	20.0%	29.7%
Return on equity	16.1%	8.5%
Net income	7,272million yen	4,343million yen



Major changes

EPS: Down because of ¥2,929 million decline in net income resulting from higher SG&A expenses and declines in non-operating income and extraordinary gains.

Dividend: Paid ¥20 interim dividend and ¥25 year-end dividend (¥5 higher than for FY06 to attract long-term shareholders and mark the company's 40th anniversary).

Payout ratio: Up 9.7 pct. points because of decline in net income.

ROE: Down 7.6 pct. points because of increase in net assets and decrease in EPS.

Forecast for the Fiscal Year Ending March 2008

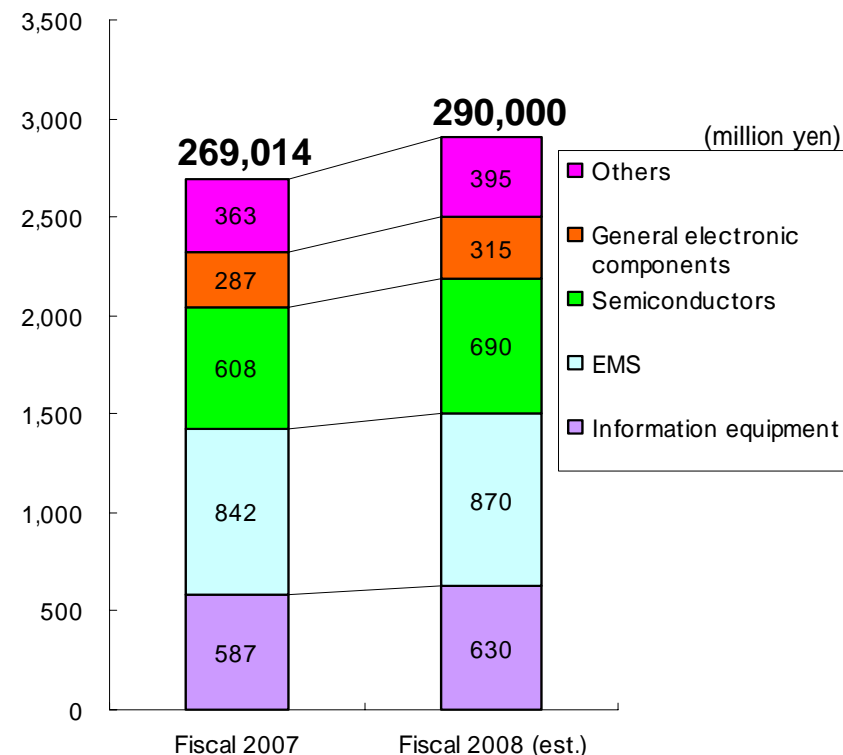
Statements of income FY07 Performance and FY08 (Consolidated) (million yen)

	Fiscal07		Fiscal 2008 (est.)		Change
Net sales	269,014	100.0%	290,000	100.0%	20,986
Cost of sales	236,214	87.8%	254,350	87.7%	18,136
Gross profit	32,799	12.2%	35,650	12.3%	2,851
Selling,general and administrative expenses	25,884	9.6%	27,800	9.6%	1,916
Operating income	6,915	2.6%	7,850	2.7%	935
Non-operating income	853	0.3%	250	0.1%	-603
Ordinary income	7,404	2.8%	8,100	2.8%	696
Extraordinary income and losses	5	0.0%	-150	-0.1%	-155
Income before income taxes and minority interest	7,410	2.8%	7,950	2.7%	540
Income tax	3,067	1.1%	3,250	1.1%	183
Net income	4,343	1.6%	4,700	1.6%	357

Consolidated Sales Forecast by Business Category (Fiscal 2007 and 2008)

(million yen)

	Fiscal 2007		Fiscal 2008 (est.)		Change	%
Information equipment	58,737	21.8%	63,000	21.7%	4,263	7.3%
EMS	84,290	31.3%	87,000	30.0%	2,710	3.2%
Semiconductors	60,849	22.6%	69,000	23.8%	8,151	13.4%
General electronic components	28,754	10.7%	31,500	10.9%	2,746	9.5%
Others	36,382	13.5%	39,500	13.6%	3,118	8.6%
Total	269,014	100.0%	290,000	100.0%	20,986	7.8%



Major changes

Information equipment: Forecasting ¥4,263 million (+7.2%) sales increase because of expanded distribution channels due to KAGA HITECH and the addition of new products.

EMS: Forecasting ¥2,710 million (+3.3%) sales increase mainly because of projected growth in overseas EMS applications.

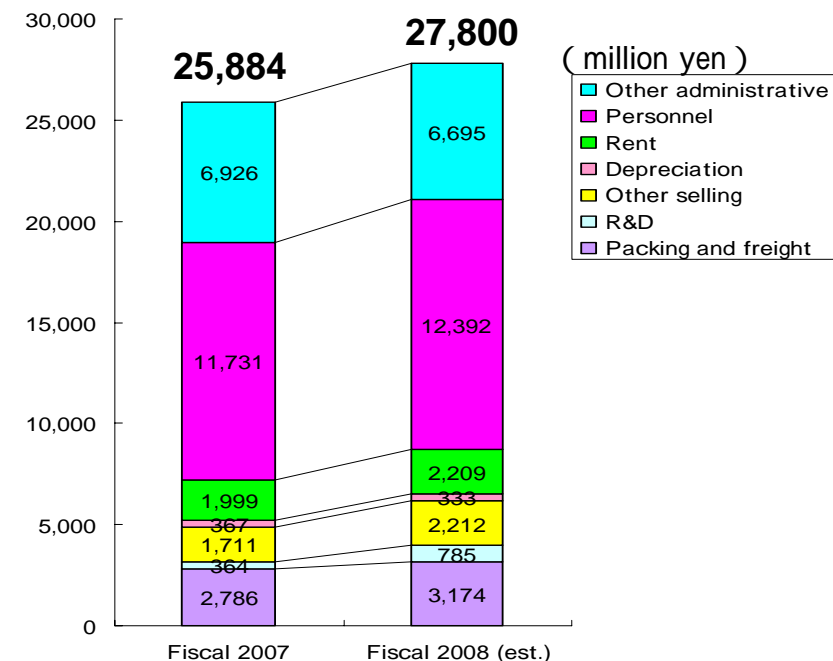
Semiconductors: Forecasting ¥8,151 million (+13.5%) sales increase mainly because of projected growth in sales of digital TV semiconductors.

General electronic components: Forecasting ¥2,746 million (+9.5%) sales increase because of projected growth in sales to OTSUKA ELECTRIC and higher sales of newly added products.

Others: Forecasting ¥3,118 million (+8.6%) sales increase because of projected growth in sales of Kodak products and higher sales of newly added products.

• Selling, General and Administrative Expense Forecast (Fiscal 2007 and 2008)

Changes in SG&A expenses		(million yen)			
	Fiscal 2007		Fiscal 2008 (est.)		Change
	Amount	Pct.	Amount	Pct.	
Packing and freight	2,786	10.8%	3,174	11.4%	388
R&D	364	1.4%	785	2.8%	421
Others	1,711	6.6%	2,212	8.0%	501
Total selling expenses	4,861	18.8%	6,171	22.2%	1,310
Depreciation	367	1.4%	333	1.2%	-34
Rent	1,999	7.7%	2,209	7.9%	210
Personnel	11,731	45.3%	12,392	44.6%	661
Others	6,926	26.8%	6,695	24.1%	-231
Total administrative expenses	21,023	81.2%	21,629	77.8%	606
Total SG&A expenses	25,884	100.0%	27,800	100.0%	1,916



Major changes

Selling expenses: Forecasting ¥1,310 million increase mainly because of projected growth in packing and freight expenses and sales promotion expenses at KAGA HITECH.

Administrative expenses: Forecasting ¥606 million increase because of the first contributions to expenses in FY08 of newly established group companies.

What's KAGA ELECTRONICS GROUP?

2

An Introduction to the KAGA ELECTRONICS Group

Profile of the KAGA ELECTRONICS Group

Established	September 12, 1968
Paid-in capital	¥12.1 billion (March 31, 2007)
CEO	Isac Tsukamoto, President
Shares listed	Tokyo Stock Exchange, First Section (8154)
Consolidated results	Year ended March 2007: Net sales: ¥269.0 billion Ordinary income: ¥7.4 billion Year ending March 2008 (forecast) Net sales: ¥290.0 billion Ordinary income: ¥8.1 billion
Group companies	(May 16, 2007) 52 (21 in Japan, 31 overseas)
Group workforce	(April 1, 2007) 4,914 (parent company, 561/group, 4,353)
Group activities	Sales of electronic components and semiconductors EDMS (outsourced manufacture of electronic devices) sales of information equipment; design and development of semiconductors and electronic substrates; production of computer graphics; others



KAGA ELECTRONICS Group Head
Office
(Ochanomizu, Tokyo)



Left: CEO Isao Tsukamoto

Right: President&COO

Tomohisa Tsukamoto

Company Profile

An independent electronics general trading company that meets every need from the customers' perspective

Demand for
electronic
components

Demand for
assembly
services

Demand for
product designs
and development

Demand for
selling
product

Using the KAGA ELECTRONICS Group's comprehensive strengths to assist customers worldwide

3 G

GENERAL
GLOBAL
GROUP

(General merchandise)
(Global coverage)
(Group resources)

Company Profile

The one-stop source of services for electronics
A complete lineup of products and services

A complete lineup

General-purpose memories
System LSIs
Original ICs
ASICs

**Semiconductor
business**

**Electronic
components
business**

General electronic components
LCD panels Others

**EDMS
business**

Main boards for electric
devices
LCD units
Power supplies

One-stop source of services

Planning
Ideas

Designs
Development

Parts
procurement

Manufacturing

Sales

**Problem
solving**

PCs
Digital cameras
Digital imaging devices

**Information
equipment
business**

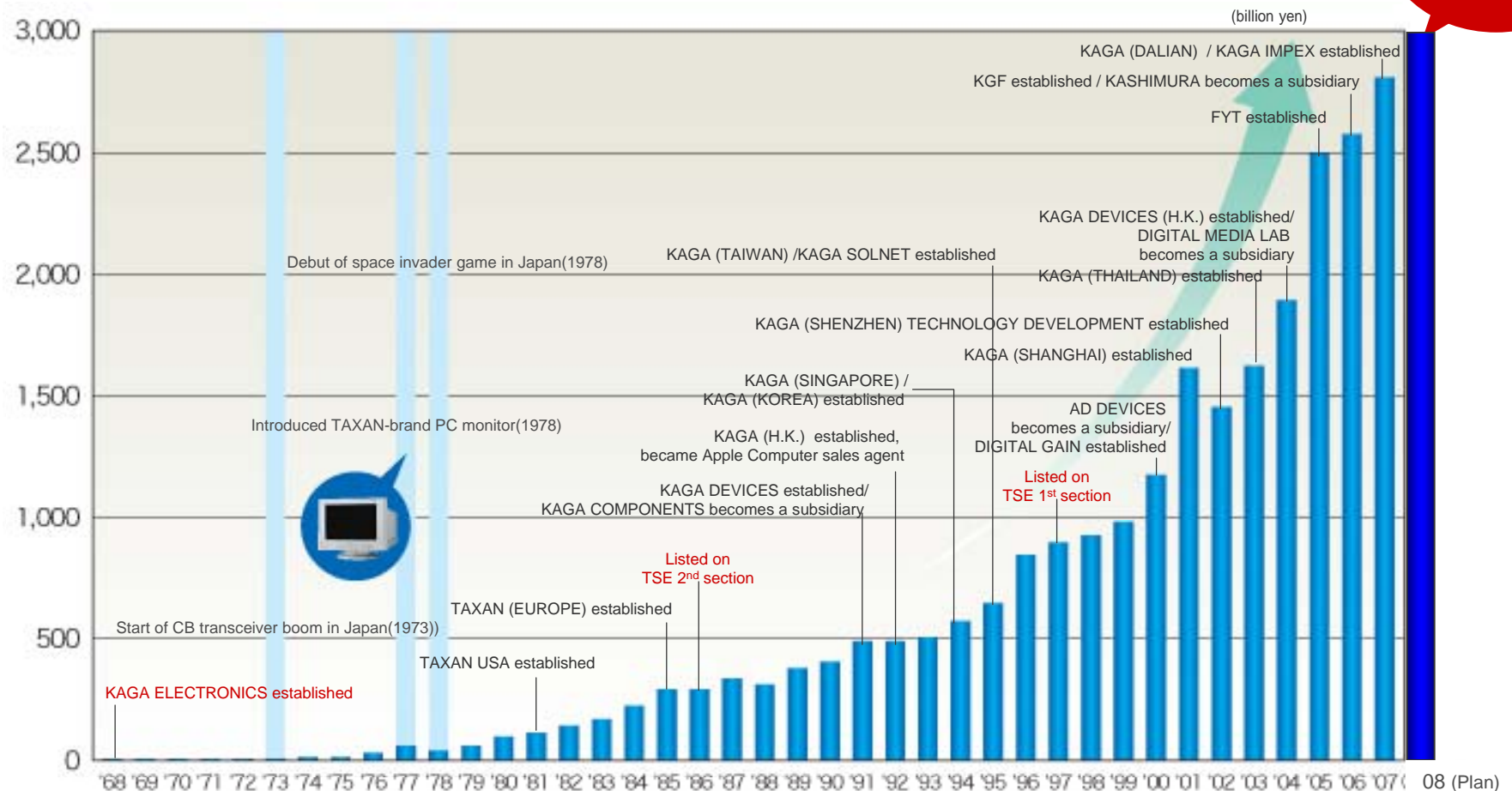
**IT and new
businesses**

IP telephone systems
LAN systems
Voice recognition
systems

Company Profile

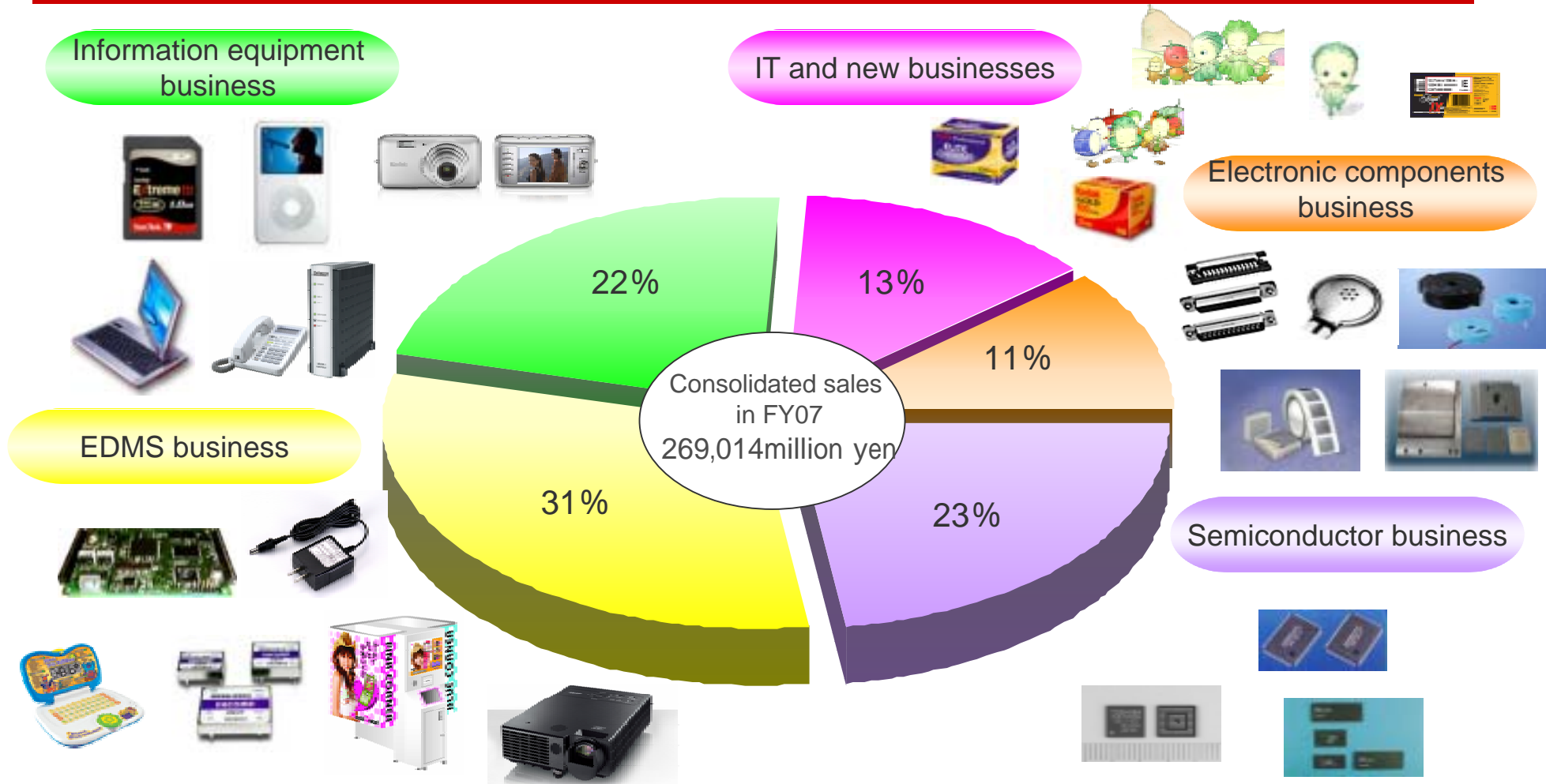
The KAGA ELECTRONICS Group has grown steadily along with progress in the electronics industry.

FY08 sales forecast is
¥290 billion



Company Profile

Sales Composition by Product Category (FY2007)



Company Profile

Group companies in Japan (21)

Major KAGA ELECTRONICS Group companies in Japan

加賀テック株式会社
KAGA TECH CO.,LTD.

Taking full advantage of the group's technological expertise to launch new businesses

AD DEVICE

Support extending from semiconductor sales to EDMS as a Toshiba system integrator

Digital Media Lab.

Uses expertise in high-resolution images and designs to produce computer graphics for movies and video games

Micro Solution CO.,LTD.

Manufacturing bases in Japan.
Produces information equipment, amusement products and other products.

DG
株式会社デジタル・ゲイン

Sales promotion and content businesses that use computer graphics, Web and other digital technologies

KGF

Internet shopping for food products, nutritional supplements and other merchandise

加賀デバイス株式会社

A highly skilled semiconductor trading company backed by a sales agent agreement with Mitsubishi Electric and Renesas

KGCOMP
加賀コンポーネント株式会社

Performs EDMS operations for the KAGA ELECTRONICS Group. Planning, development, manufacturing and sales activities in Japan and overseas.

加賀ハイテック株式会社

Total coordinator for digital imaging devices.
General sales agent in Japan for Kodak products.

SOLNET
加賀ソルネット株式会社

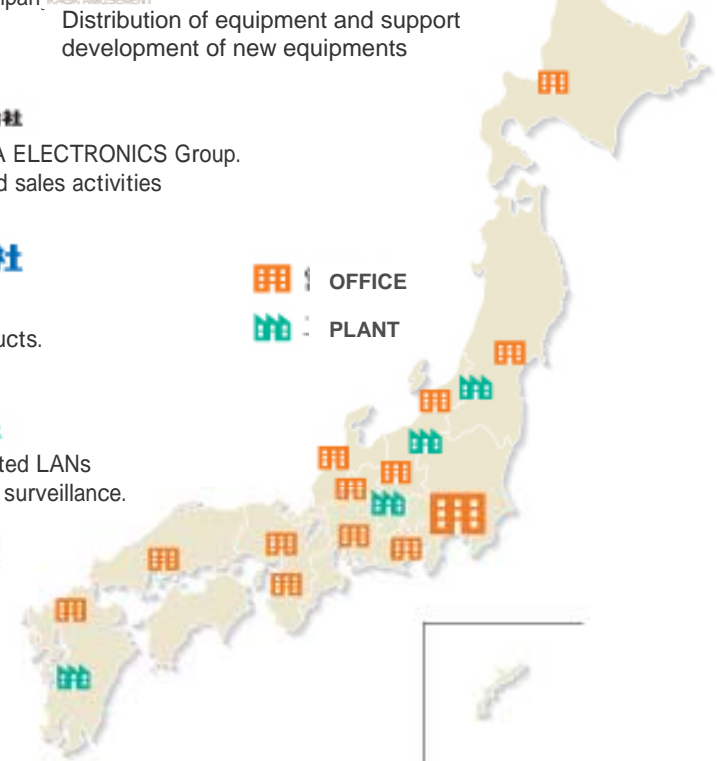
Able to build systems ranging from sophisticated LANs with powerful security to imaging systems for surveillance.

KAGA SPORTS CO.,LTD.

New businesses that use digital technology and IT for golf and other sports

加賀アミューズメント株式会社

Distribution of equipment and support development of new equipments



Company Profile

Overseas group companies (21 in 12 countries)

KAGA (USA)

Gathers information on the latest advances in electronics technology and products in Silicon Valley and other regions and conducts marketing activities.



KAGA DEVICES(H.K.)

Serves mainly Japanese and Chinese TV manufacturers in China by selling semiconductors backed by technology development activities.



KAGA (KOREA)

Exports electronic components from Korea and sells components to companies in Korea.



KAGA (TAIWAN)

Export/import of electronic components and electronic devices. Identification of new products and information gathering in Taiwan.



KAGA (SINGAPORE)

The nucleus of electronic component trading activities in Southeast Asia. Covers Indonesia, Malaysia, India and other countries in the region.



KAGA (DALIAN)

Sells semiconductors and electronic components to Japanese and Chinese companies in northern China. Established in 2006.



KAGA (H.K.)

The nucleus of the KAGA ELECTRONICS Group's overseas EMS business. Offers a main board EMS business for Japanese digital device manufacturers at its own factory (Kaga (Shenzhen) Electronics) and five partner factories.



KAGA (SHANGHAI)

An EMS base that serves Japanese digital device manufacturers located mainly in the Shanghai area. The number of customers is growing. Major customers include manufacturers of electronic musical instruments, home healthcare devices, and equipment for homes.



KAGA (THAILAND)

Offers a main board EMS business for Japanese manufacturers located in Thailand that produce air conditioners and digital devices at its own factory (Ayutthaya Factory) and partner factories. This company has also started to serve automotive device manufacturers.



KAGA (EUROPE) Sales offices in the U.K. and Czech Republic.

Sells electronic components and semiconductors to the European factories of Japanese manufacturers of digital devices and air conditioners. Recently started an EMS business by using partner factories.



KAGA (SHENZHEN) Electronics Technology Development

Provides extensive technological support to semiconductor companies in China. Design and development support for semiconductor companies in Japan. Local design and development support for the EMS business.



KAGA IMPEX

Sales of electronic components and devices in Russia. Engaged in the electronic components and semiconductor business and the EMS business. Established in 2006.



HANZAWA (H.K.)

The electronics educational equipment maker. Contribute to EMS for toy makers.



KAGA ELECTRONICS COMPETENCE

3 The Strengths of the KAGA ELECTRONICS Group

The Strengths of the KAGA ELECTRONICS Group

Strength as a group with no corporate affiliations

Able to establish diverse business relationships with no restrictions

Suppliers: 2,000 companies

Sales channels: 4,000 companies (7,000 accounts)

**Information, communication, AV, office,
amusement and other products**

Overseas operations

**A global network
with bases in 13 countries**

**Japan, U.S., U.K., Germany, Czech
Republic, Netherlands, Russia, China,
Korea, Taiwan, Thailand, Singapore,
Malaysia**

Powerful technological capabilities

**400 engineers
at the KAGA ELECTRONICS Group
5,000 engineers at alliance partners**

The Strengths of the KAGA ELECTRONICS Group

2,000 suppliers in Japan and other countries
Products sold through 4,000 companies (7,000 accounts)

Suppliers (about 2,000 companies)



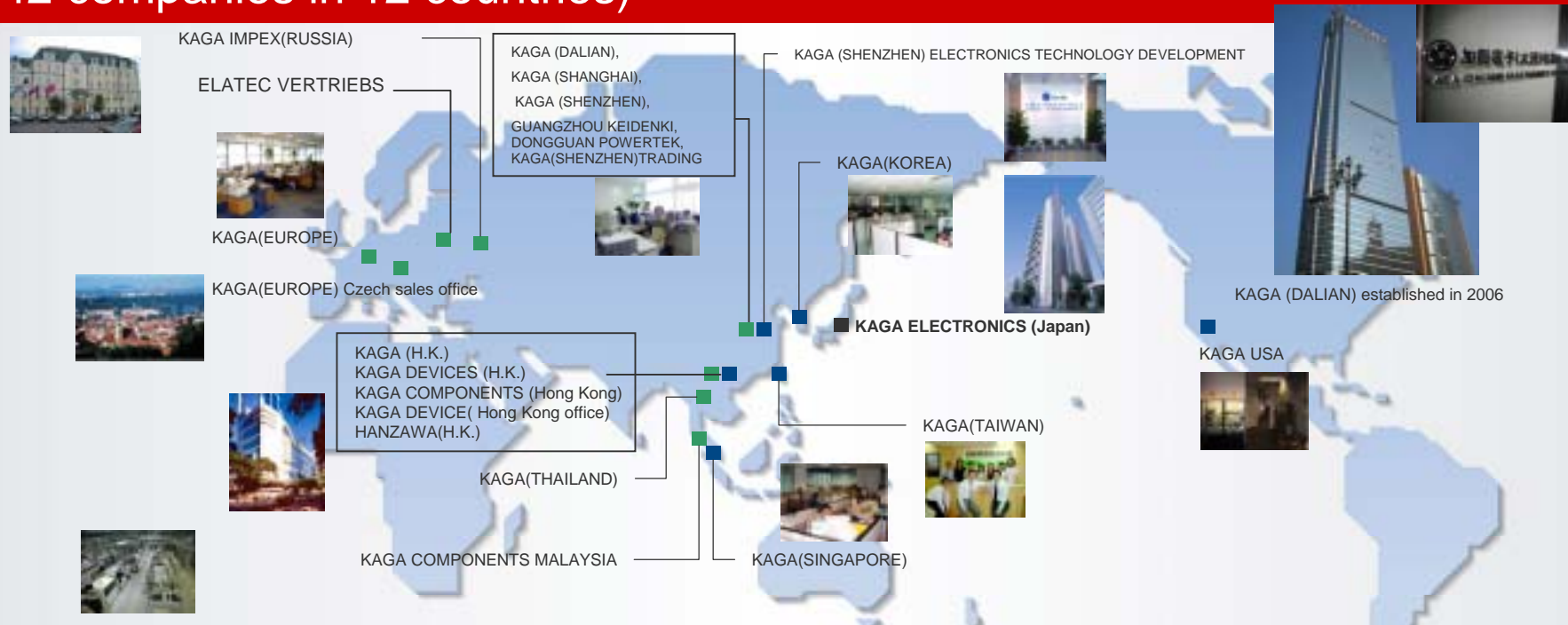
Sales channels (about 4,000 companies, about 7,000 accounts)



Customers are active in many growing market sectors, including information, communication, AV, office and amusement products

Global strategy of the KAGA ELECTRONICS Group

The KAGA ELECTRONICS Group operates on a global scale.
(42 companies in 12 countries)



A global operation that matches the needs of each customer.
Covers China, Russia, Czech Republic, U.S. and other countries. Makes possible procurement, manufacturing and sales on a global scale

STRATEGIC TOPICS

4 Topics for First for the Year Ended March 2007

Information Equipment (Fiscal 2007)

Report on integration with distribution department and status of solutions department

Established KAGA HITECH in October 2006

Goals

- Make the photo business of the former KASHIMURA profitable
- Reduce product distribution expenses
- Eliminate overlapping sales channels
- Liquidated subsidiaries of the former KASHIMURA



Actions

- Streamlined operations by liquidating three subsidiaries of the former KASHIMURA
- Considered adopting a distribution system to cut distribution expenses.
- Moved KAGA HITECH head office to KAGA ELECTRONICS head office = made employees more aware of the importance of cutting costs
- Used the large product lineups of KAGA ELECTRONICS, the former KASHIMURA and Kodak along with the use of many sales channels to increase sales



Achieved low-cost operations

and leveraged a diverse product
lineup and many sales channels to



Increase sales

Increased Emphasis on Value-added Products

System Solutions Department

- Expanded the lineup of products involving communications equipment
- Increased sales of digital video editing equipment to broadcasters
- Operation of e-commerce sites and provision of products for these sites
Taking on the challenge of entering new business fields



KAGA SOLUTION NETWORK CO., LTD.

- Builds networks for corporate clients
- Started rental server business

Aims to be a solution provider for customers
by offering value-added, high-tech products

**Diverse products/sales channels + Efficient operations
= Sales growth and highly profitable businesses!**

Electronic Components (Fiscal 2007)

Strategy to strengthen the electronic components business in Japan and overseas

Acquired OTSUKA ELECTRIC CO., LTD.

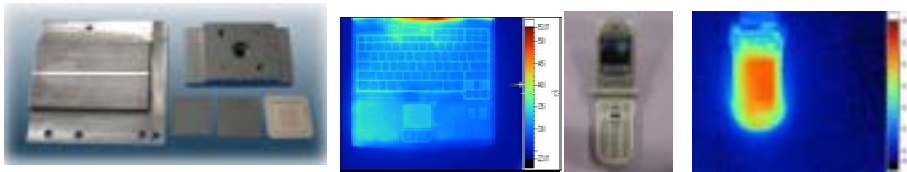
Reinforced electronic component trading company capabilities

OTSUKA ELECTRIC

Purchased all shares of OTSUKA ELECTRIC in Dec. 2006

- OTSUKA ELECTRIC is an electronic components trading company that was established in 1981.
- The company sells wire harnesses, connectors and other components used in electronic devices.
- The company is conducting sales activities devoted exclusively to a thermal radiation material that uses a new technology.

Aiming to raise sales to ¥5 billion by pursuing synergies with the KAGA ELECTRONICS sales network.



Equity Investment in ELATEC (Germany)

Reinforced trading company capabilities in Europe

ELATEC VERTRIEBS GMBH

Acquired 22% equity stake in Elatec in October 2006, making this company an equity-method affiliate.

- Elatec is an electronic components trading company based in Munich.
- Operations include sales of components for electronic devices, an RFID business and other activities.

With sales channels covering 8 European countries and Eastern Europe, Elatec gives the KAGA ELECTRONICS Group a powerful base of operations in Europe.

Major Elatec affiliates

ELATEC BULGARIA OOD (Bulgaria)
ELATEC S.R.O. (Czech Republic)
ELATEC KFT (Hungary)
ELATEC SPOLKA Z.O. (Poland)
ELATEC D.O.O. (Slovenia)
ELATEC VERTRIEBS GMBH (Switzerland)



Electronics Manufacturing Services (EMS)

EMS Operations in Japan and Overseas

Operations in Japan

EMS for amusement equipment manufacturers

- Production of LCD units for amusement equipment
 - Products for amusement halls (deodorizing units placed between game machines, LCD POP materials, etc.)
 - Game unit enclosures
- Developing associated businesses, mainly operations related to amusement equipment.**



Overseas Operations

Target more applications and regions

- In addition to the assembly of HVAC and office equipment, have extended EMS to new applications like ATMs.
- Expanding into more regions
China, Thailand, Czech Republic, Malaysia
Vietnam (now under consideration)



Equity Investment in Hanzawa (H.K.)

~ The Hanzawa Group ~

Core member is Hanzawa (H.K.)

- A manufacturer that plans, develops and manufactures educational electronic toys and games for children and other products.
- Hanzawa has used the specialized toy manufacturing skills of partner factories in China (Shenzhen) to serve as an OEM supplier of major Japanese toy manufacturers for many years.



A diverse range of customers

Hanzawa has sales channels in Brazil and other countries with emerging economies.



Reinforce the amusement equipment component business and EMS business

Aim to raise sales to ¥5 billion.

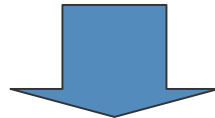


Semiconductors (Fiscal 2007)

Used alliances with overseas vendors to cover new market sectors and gain access to new technologies

New sales agency agreements

- Signed sales agent agreement with AMD
- Signed sales agent agreement with Fairchild Semiconductor

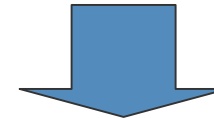


Expanded market coverage for primary ICs

- Alliances with many major overseas IC manufacturers
Use the diverse sales network of the KAGA ELECTRONICS Group
- Target business opportunities with customers worldwide

Access to products using new technologies

- Signed sales agent agreement with Integrated
- Increased sales of XM products



Started work on next-generation products

- One-seg tuners
- Satellite radio ICs (sold in U.S.)
- Added products for new applications, such as development projects for Chinese TV

New Businesses of the KAGA ELECTRONICS Group (Fiscal 2007)

Starting new businesses allows integrating new customers, sales channels and technologies with the KAGA ELECTRONICS Group

Taking on the challenge of starting new businesses that target the convergence of broadcasting and communications, the content business, e-commerce shopping and other opportunities



STRATEGIC TOPICS

5 Greeting from President, Tomohisa Tsukamoto

Greetings from the new President

New President Tomohisa Tsukamoto



< Company's basic principles >

Improve more customer
satisfaction

Strengthen relations among
group companies

[Biography]

October, 1949 Born in Kanazawa City, Ishikawa Prefecture

March, 1974 Graduated Kanazawa University, faculty of Engineering,
Department Industrial chemistry

April, 1974 Entered MITANI SANGYO CO., LTD.

January, 1981 Entered KAGA ELECTRONICS CO., LTD.

April, 1990 General Manager for Sales Promotion Department

June, 1991 Director

May, 2005 Managing Director

April, 2002 Senior Managing Director

June, 2004 Director Vice President

April, 2005 Representative Director Vice President

May, 2005 Representative Director Vice President

Supervisor for Electronics Sales Headquarters, Specific Industry
Sales Headquarters, Sales Promotion Division, Engineering Division

April, 2007 President & COO