

KAGA group head office (in Ochanomizu, Tokyo)



The Investor Meeting for a Results Briefing of the FY 2006

TAXAN, its brand name for original I.C. and PC peripheral products, and highly penetrated in many countries all over the world, comes from a Japanese “Takusun” which means “many,” in hoping to distribute lots of quality products to make more people much happier.

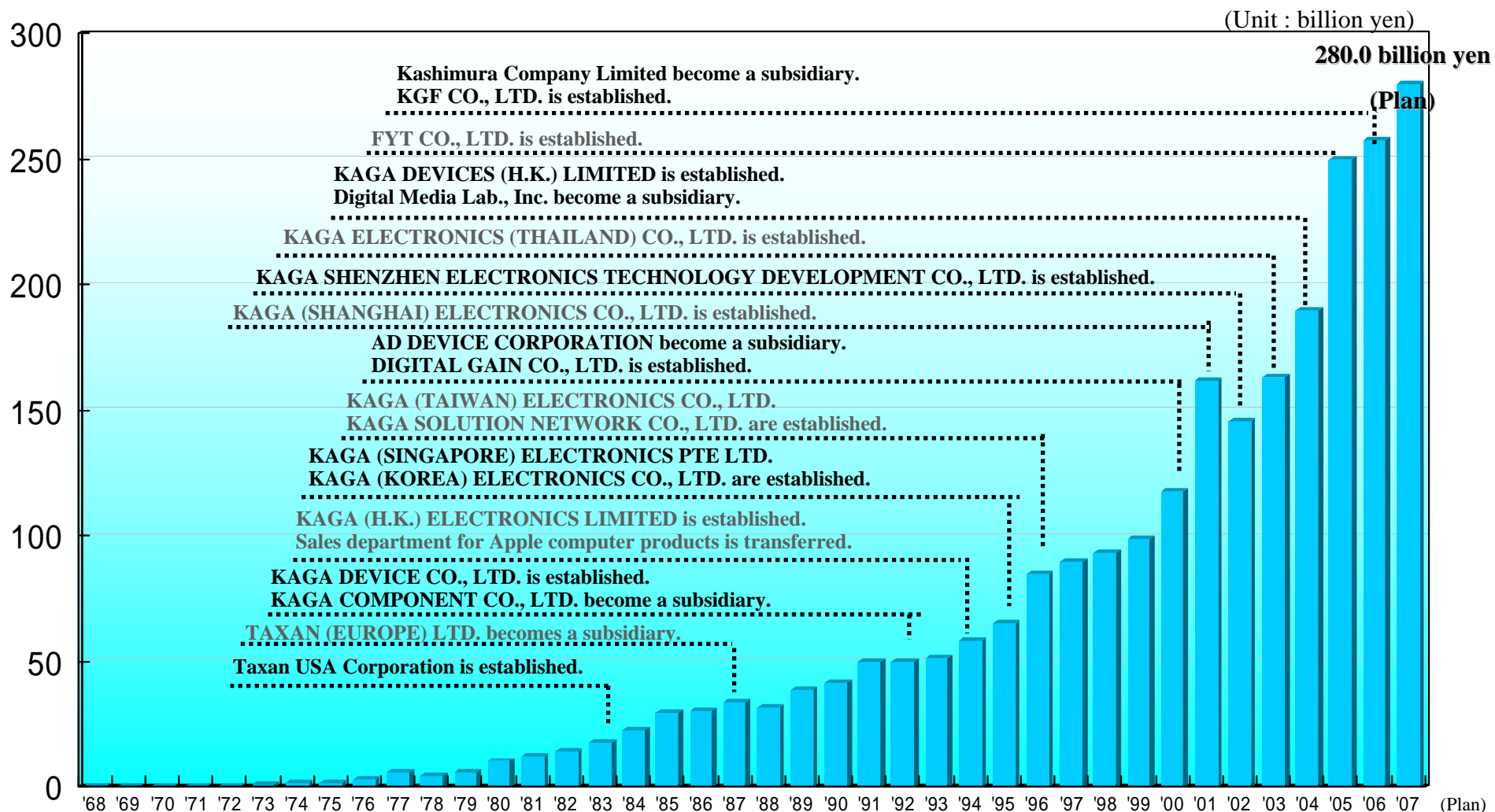
KAGA ELECTRONICS CO., LTD.
(Tokyo Stock Exchange, First Section
Stock code: 8154)
2-2-9, Hongo, Bunkyo-ku, Tokyo, Japan
113-8503
URL : <http://www.taxan.co.jp>
TEL : 03-4455-3131
FAX : 03-3815-6807
May 23, 2006

1, KAGA ELECTRONICS group outline

Company profile

- **Established** September 12, 1968
- **Capital** 12.1 billion yen (as of March 31, 2006)
- **Founder & CEO** Isao Tsukamoto
- **Stock exchange listing** Tokyo stock exchange, First section (Stock code:8154)
- **Consolidated financial results**
 - FY2006 <actual>**
 - Net sales : 257.7 billion yen**
 - Ordinary income : 8.6 billion yen**
 - FY2007 <plan>**
 - Net sales : 280.0 billion yen**
 - Ordinary income : 8.7 billion yen**
- **Number of group companies (as of March 31, 2006)**
 - 39 (Domestic : 20 / Overseas : 19)**
- **Number of group employees**
 - 4,469 (Head quarters : 559 / KAGA ELECTRONICS group : 3,910)**
- **Group business outline**
 - Sale of general electronic components and semiconductors, EMS (Electric manufacturing service), sale of computers and computers peripherals, development and design of dedicated integrated circuit and semiconductors, production of computer graphics,**

Sales transition



Management policies

Statement of management policies

“KAGA ELECTRONICS becomes a company which could please its stockholders, its customers, its employees and all others, who associate with us, hope and contribute to the society”.

The spirit of “FYT”

**F = Flexibility, Y = keeping Young,
T = Try**

The keyword is “3G”

**General
Global
Group**

“We always think of tomorrow and eventually become the number one”,

*Founder & CEO
Isao Tsukamoto*



Strengths of KAGA ELECTRONICS Group

We cater to all needs in electronics from upstream to downstream

< How an electronics product is produced >



Electronics components · Semiconductors business / EDMS business

- ◆ Drawing up the plan for the product.
- ◆ Designing and developing the product.
- ◆ Developing electronic parts, semiconductors and motherboards.
- ◆ Gathering electronic parts and semiconductors for the product in a place where they are needed.
- ◆ Carrying out the manufacturing process as requested at a requested place.

Information equipment business

- ◆ Selling PCs and peripheral equipment to home appliance volume stores, PC shops, DPE shops and convenience stores.
- ◆ Selling digital videos and editing equipment.

Sales by products category

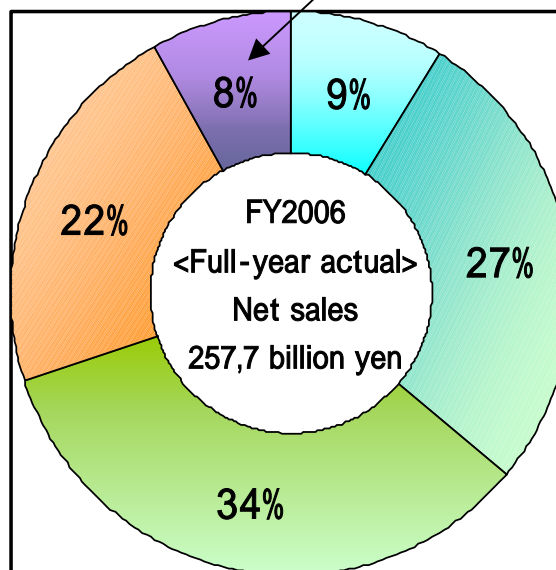
Information equipment



EMS (Processed business)



Others (IT-related business)

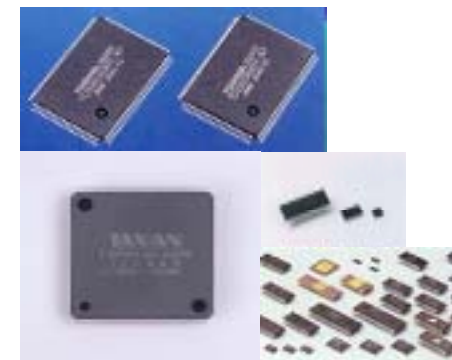


- General electronic components
- Semiconductors
- EMS (Processed business)
- Information equipment
- Others (IT-related business)

General electronic components



Semiconductors



KAGA ELECTRONICS features

We cater to all kinds of electronic product requests

- **We serve all needs from upstream to downstream.**
- **Advantage of Independent company**
 - **Merchandise : About 2,000 companies**
 - **Sales : About 4,000 companies, 7,000 accounts**
- **Wide variety of business field**
 - **Information equipment · Communication device · Audio-Visual · Office-automation devices · Amusement devices**
- **Overseas deployment**
 - **Developing business worldwide with outposts in nine countries in the world**
- **Number of engineer**
 - **KAGA ELECTRONIS Group : 400,**
 - **Business partner : 5,000**

Main business connection

A wide range of products for a wide range of customers

Merchandise

(About 2,000 companies)

TOSHIBA OKI



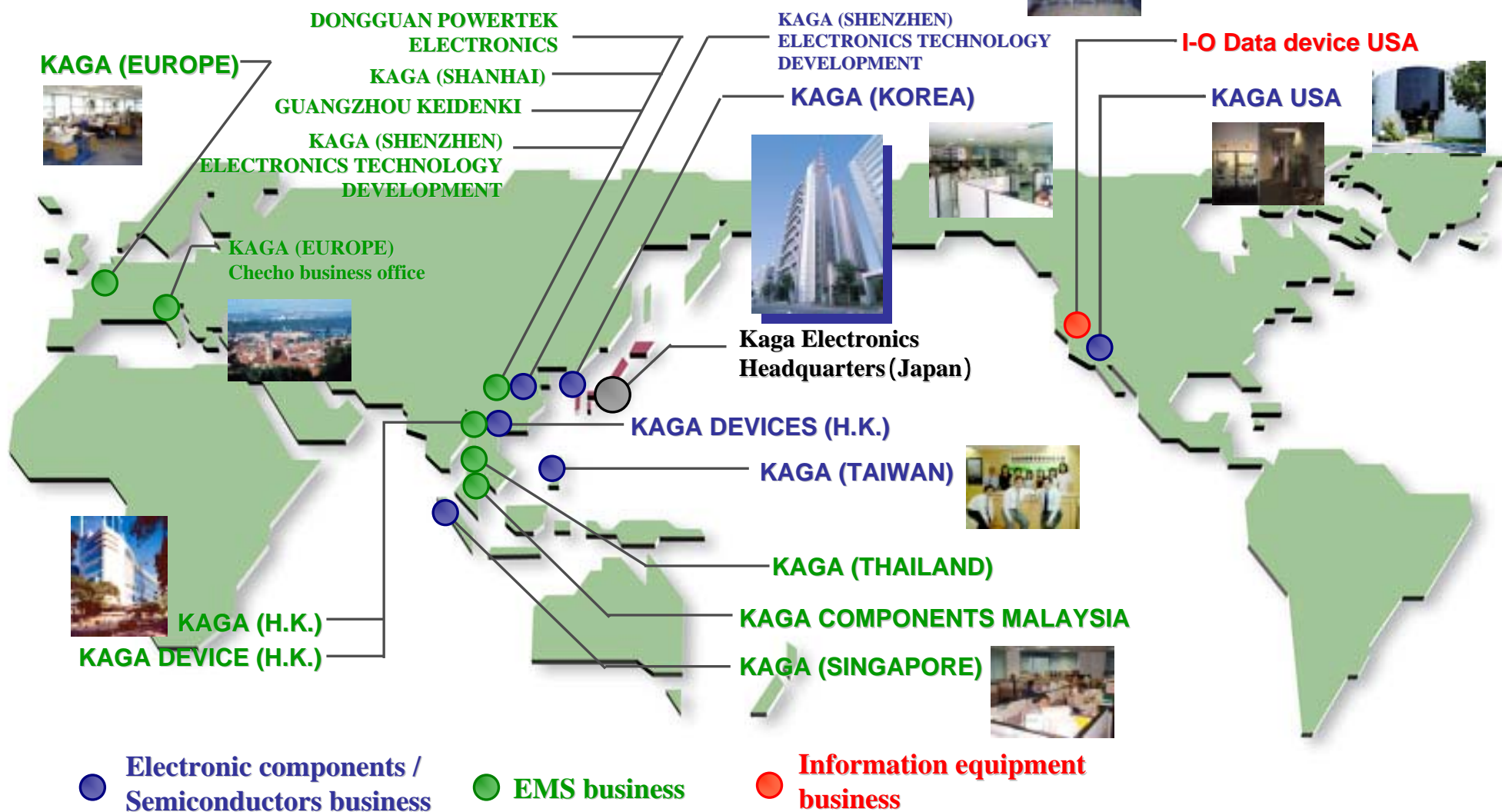
Sales

(About 4,000 companies, 7,000 accounts)

SHARP



KAGA ELECTRONICS Group, developing business worldwide

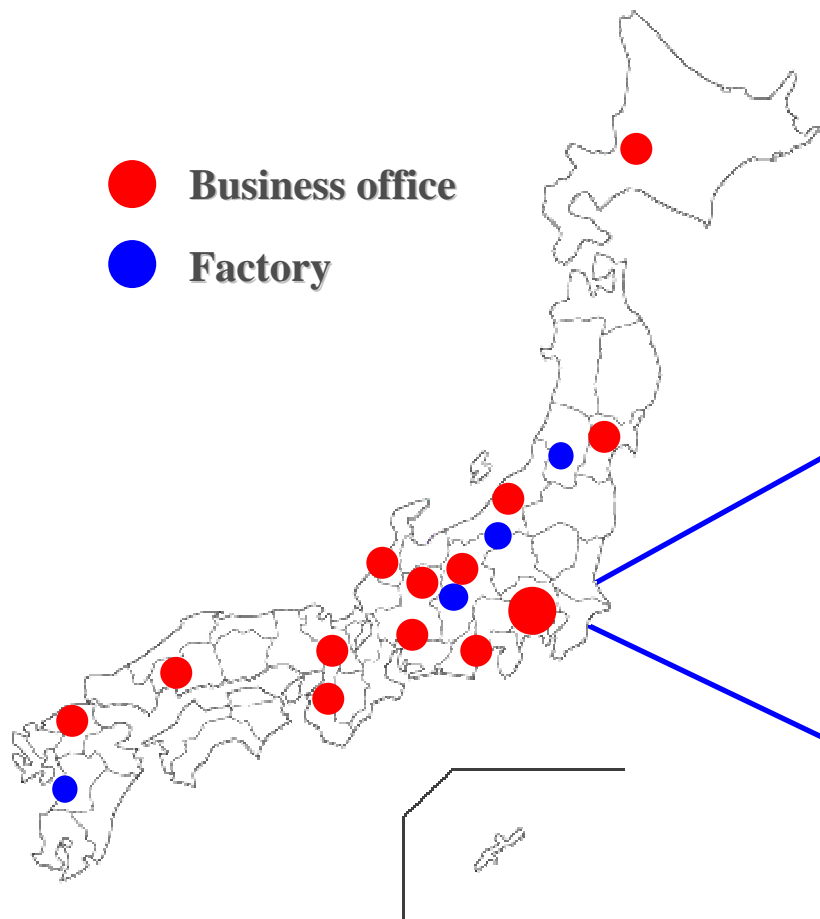


Toward the further globalization of KAGA ELECTRONICS Group

We are organizing marketing campaigns in areas all over the world to further promote the globalization of our group



Summary of Main subsidiaries



< Kaga Electronics group domestic subsidiaries >

加賀テック株式会社

KAGA TECH CO.,LTD.

A company that undertakes new business ventures by making full use of the engineering expertise of Kaga Electronics Group.

加賀デバイス株式会社

A semiconductor dealer and agency with the advanced technology for Mitsubishi Electric Corporation and Renesas Technology Corporation.



A company that supports Toshiba as its system integrator in activities from the sale of semiconductors to the EDMS.



加賀コンポネント株式会社

A company that integrates all the EDMS divisions of Kaga Electronics Group to design, develop, manufacture and sell products in Japan and overseas.



A company that produces movies and computer graphics for TV games using high-resolution pictures and design expertise.



A total coordinator of digital video equipment and general sales agency for Kodak.



A domestic manufacturing outpost of Kaga Electronics Group, which manufactures products such as information equipment and game machines.



加賀ソルネオ株式会社

A company that provides a range of services from the construction of the most advanced company LAN protected by an effective security system to the creation of a security video system.



A company that conducts sales promotion and content business using digital technologies such as computer graphics and the Web.



A company that undertakes new business ventures for promoting digital equipment and IT in sports industries such as golf.



On-line shopping of food and health supplements using E-commerce.

Business models of the companies that are financially supported by the group

Financial support provided for a wide range of venture businesses, from manufacturers of semiconductors and electronics equipment to developers of content and software

CSC Cyber Space Communications



「CSC engine」

Planning and development of communication module

Development and manufacturing of semiconductors

Digital Satellite Broadcasting service

Planning and development of voice recognition system

Planning and development of game software

Planning and manufacturing of TV game equipment and free bonus gift

Development and design of PC, peripheral devices and board

NEO INDEX



「STB(Set Top Box)」

Planning and development of STB, VOD, and information communication devices

KAGA ELECTRONICS group

AXE



Embedded OS 「axLinux」

Development of capture boards

Planning and development of groupware

Development, manufacture and sale of electronic devices

Planning and development of internet security system

Sale of electronic components in an online transaction

Development, manufacture and sale of LSI

Internet cafe

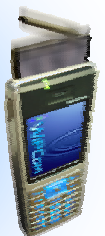
Net-2Com

ネットツーコム株式会社

Dual mode

IP wireless mobile phone 「WipCom 1000」

Planning and development of IP wireless mobile phone



2, Operating highlights during FY2006

New business strategy for the information equipment divisions

< Kaga Electronics · ITM management headquarters >

Summary	Sales channel	Line of business
Selling all types of digital equipment, including PCs and peripheral equipment in finished form	<ul style="list-style-type: none"> Major volume retailers of home appliances Specialty stores 	<ul style="list-style-type: none"> PCs and peripheral equipment Digital image devices

Sharing the sales channels and commodity products with each other

< Kashimura >

Summary	Sales channel	Line of business
Selling all types of camera-related products, such as films, films with lenses and photographic paper	<ul style="list-style-type: none"> Photo-specialty store Public office DPE shops 	<ul style="list-style-type: none"> Films Films with lens Photographic papers

< Information equipment divisions >

Sales target of the current term

Producing synergistic effects by sharing the ITM Headquarters of Kaga Electronics and the sales channels and commodity products of Kashimura



Aiming to achieve sales of 65billion yen in fiscal 2007!!

New business strategy for the information equipment divisions

We will continue to create pioneering products in the future

SONY



Mac OSX-compliant software

「Location Free®」



Kodak



Concluding general sales agency contracts for Kodak digital cameras and other digital equipment, films, photographic paper and other products

 KAGA ELECTRONICS GROUP



High-resolution digital image server for digital cinema

「QuVIS Cinema Player™」

IWATSU

IP phone system for small scale office

「Selaza」



TAXAN



Wireless earphones for cell phones using the Bluetooth technology

Further development of the EDMS business

Integrating all the EDMS business divisions of Kaga Electronics Group into the subsidiary, Kaga Components Co., Ltd.

DLP front projector

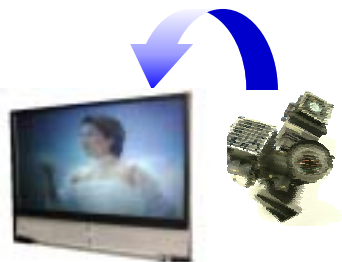
PLUS Vision Corp.

Taking over the front projector business from PLUS VISION Corp.



LCOS rear projection TV

Completing the development of the video engine for LCOS rear projection TVs



LED relationship



Lamina Ceramics

LED ceramic package

Luminous

New white fluorescent material KLD



Toricon

High brightness white LED

'2006 JAPAN SHOP

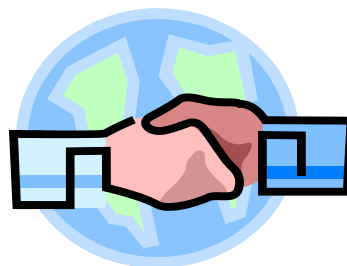
Submission to "LED show"



Challenges for one-segment broadcasting



Starting the development of “built-in one-segment TV module” using silicon tuners of Integrant Technologies Inc. as the core



Developing and manufacturing CMOS 1/3 segment silicon tuners needed for the market in receivers for digital mobile broadcasting



CMOS 1/3 segment silicon tuner



Portable DVD players

LCD TV for automobile use



Portable TV

PDA



Taking advantage of the technologies for reducing electricity consumption and downsizing, we will produce global solutions for portable receivers for mobile broadcasting

3, Financial highlights for FY2006

(Consolidated)

Financial highlights in FY2005 and FY2006

(Unit : million yen)

	FY2005	FY2006	Increase/decrease	
Net sales	250,244	257,764	7,520	3.0%
Gross profit	25,624	29,546	3,922	15.3%
Gross profit ratio	10.2%	11.5%	1.2%	
SG & A expenses	17,149	21,336	4,187	24.4%
Operating income	8,474	8,209	-265	-3.1%
Ordinary income	8,644	8,638	-6	-0.1%
Net income	4,731	7,272	2,541	53.7%

	FY2005	FY2006	Increase/decrease	
Total assets	115,901	119,441	3,540	3.1%
(Total shareholders' equity)	40,661	49,841	9,180	22.6%
(Interest bearing debt)	12,928	10,299	-2,629	-20.3%

(Consolidated)

Results by business category in FY2005 and FY2006

(Unit : million yen)

Business	Net sales		Increase/decrease	
	FY2005	FY2006	Amount	%
Information equipment	40,254	55,336	15,082	37.5%
EMS	76,099	86,646	10,547	13.9%
Semiconductors	97,075	69,866	-27,209	-28.0%
General electronic component	23,758	24,393	635	2.7%
Others	13,056	21,521	8,465	64.8%
Total	250,244	257,764	7,520	3.0%

(Consolidated)

Financial highlights and plan in FY2006 and FY2007

(Unit : million yen)

	FY2006	FY2007 (Plan)	Increase/decrease	
Net sales	257,764	280,000	22,236	8.6%
Gross profit	29,546	32,700	3,154	10.7%
Gross profit ratio	11.5%	11.7%	0.2%	
SG & A expenses	21,336	24,400	3,064	14.4%
Operating income	8,209	8,300	91	1.1%
Ordinary income	8,638	8,700	62	0.7%
Net income	7,272	5,300	-1,972	-27.1%

	FY2006	FY2007 (Plan)	Increase/decrease	
Total assets	119,441	126,539	7,098	5.9%
(Total shareholders' equity)	49,841	51,685	1,844	3.7%
(Interest-bearing debt)	10,299	9,004	-1,295	-12.6%

(Consolidated)

Sales and sales plan by business category in FY2006 and FY2007

(Unit : million yen)

Business	Net sales		Increase/decrease	
	FY2006	FY2007 (Plan)	Amount	%
Information equipment	55,336	65,000	9,664	17.5%
EMS	86,646	98,500	11,854	13.7%
Semiconductors	69,866	60,000	-9,866	-14.1%
General electronic components	24,393	24,500	107	0.4%
Others	21,521	32,000	10,479	48.7%
Total	257,764	280,000	22,236	8.6%