

Electronics from upstream to downstream

KAGA ELECTRONICS
Information Meeting for First Half of Fiscal 2007



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What's KAGA ELECTRONICS GROUP?

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An Introduction to the KAGA ELECTRONICS Group

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)

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
electronic 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

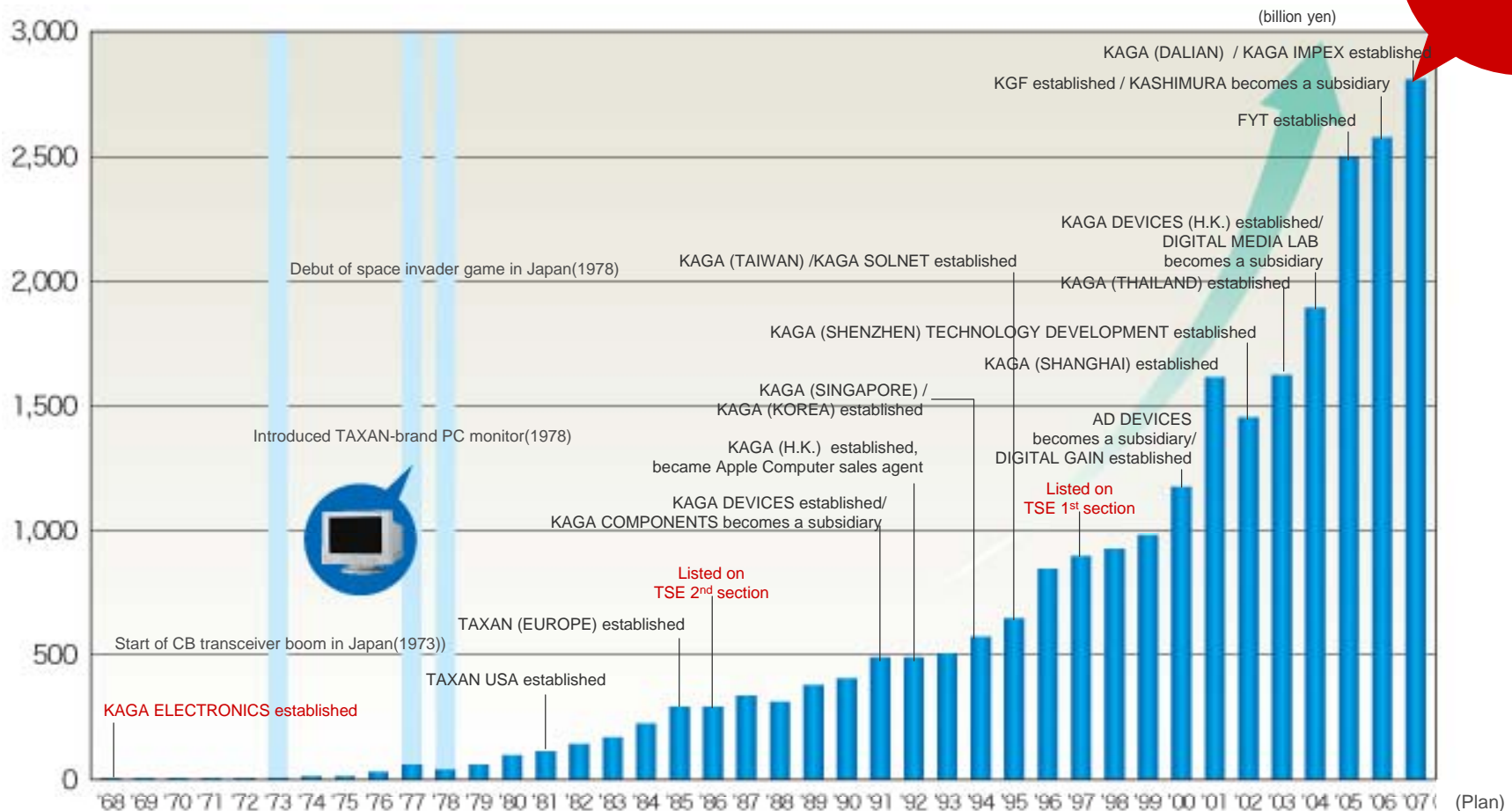
**Information
equipment
business**

**IT and new
businesses**

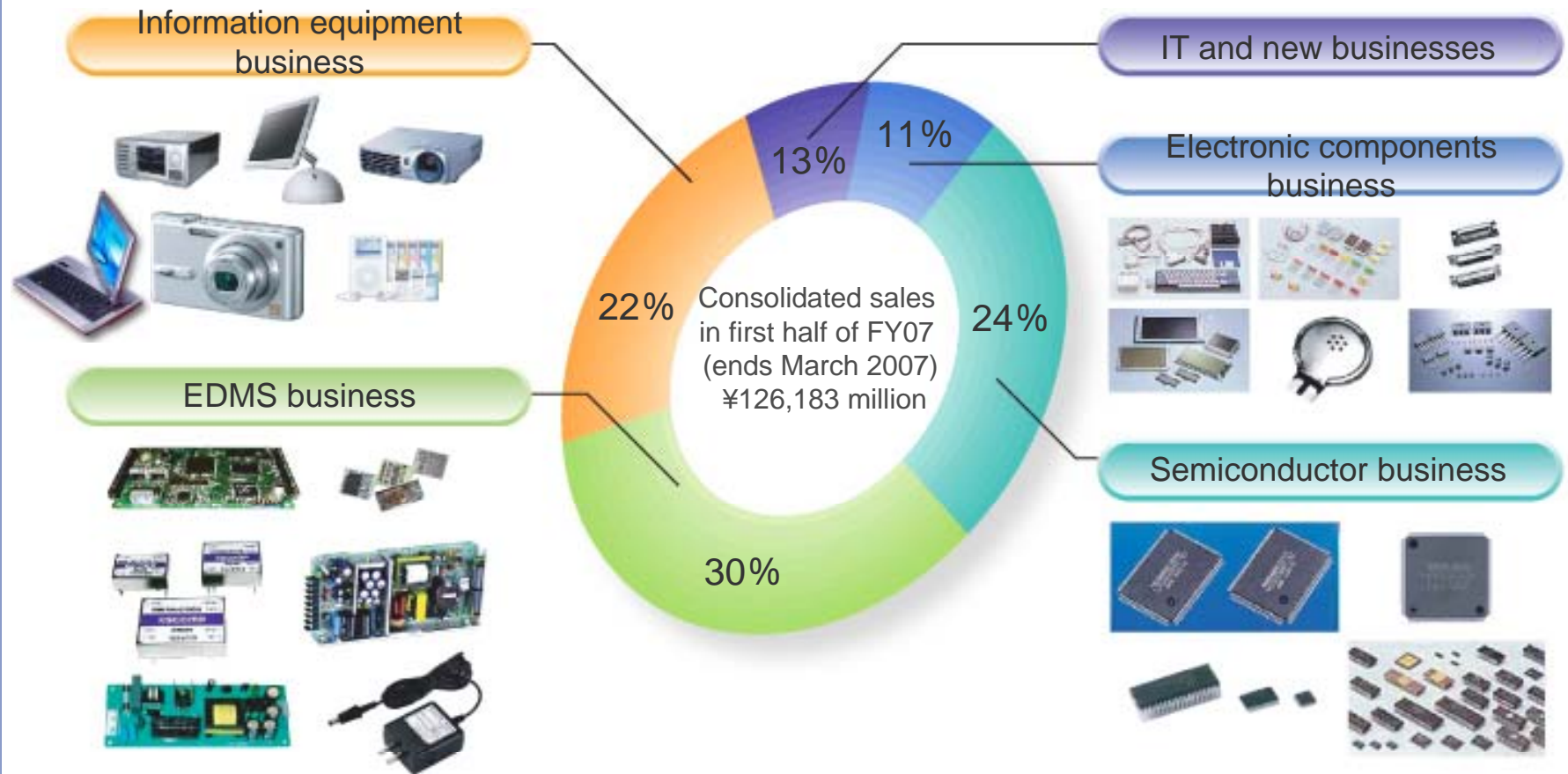
IP telephone systems
LAN systems
Voice recognition
systems

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

FY07 sales forecast is ¥280 billion, up 8.6%



Sales Composition by Product Category



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.

NEW KAGA ハイテック株式会社

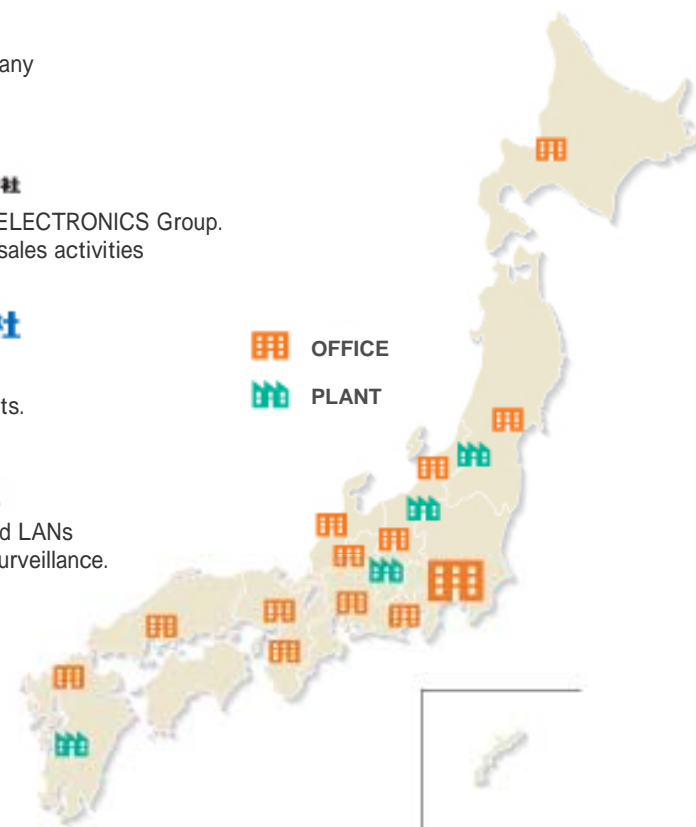
Total coordinator for digital imaging devices.
General sales agent in Japan for Kodak products.

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.

FYT Flexibility Young Try

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



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.



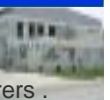
KAGA (SHANGHAI)

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.



Profile of the KAGA ELECTRONICS Group

Established	September 12, 1968
Paid-in capital	¥12.1 billion (March 31, 2006)
CEO	Isao Tsukamoto, President
Shares listed	Tokyo Stock Exchange, First Section (8154)
Consolidated results	Year ended March 2006: Net sales: ¥257.7 billion Ordinary income: ¥8.6 billion Year ending March 2007 (forecast) Net sales: ¥280.0 billion Ordinary income: ¥8.7 billion
Group companies	(September 30, 2006) 42 (21 in Japan, 21 overseas) (September 30, 2006)
Group workforce	(September 30, 2006) 4,623 (parent company, 560/group, 4,063)
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)

KAGA ELECTRONICS COMPETENCE

2 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**

Diverse and unrestricted relationships with business partners

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2 The Strengths of
the KAGA ELECTRONICS Group

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

Suppliers (about 2,000 companies)

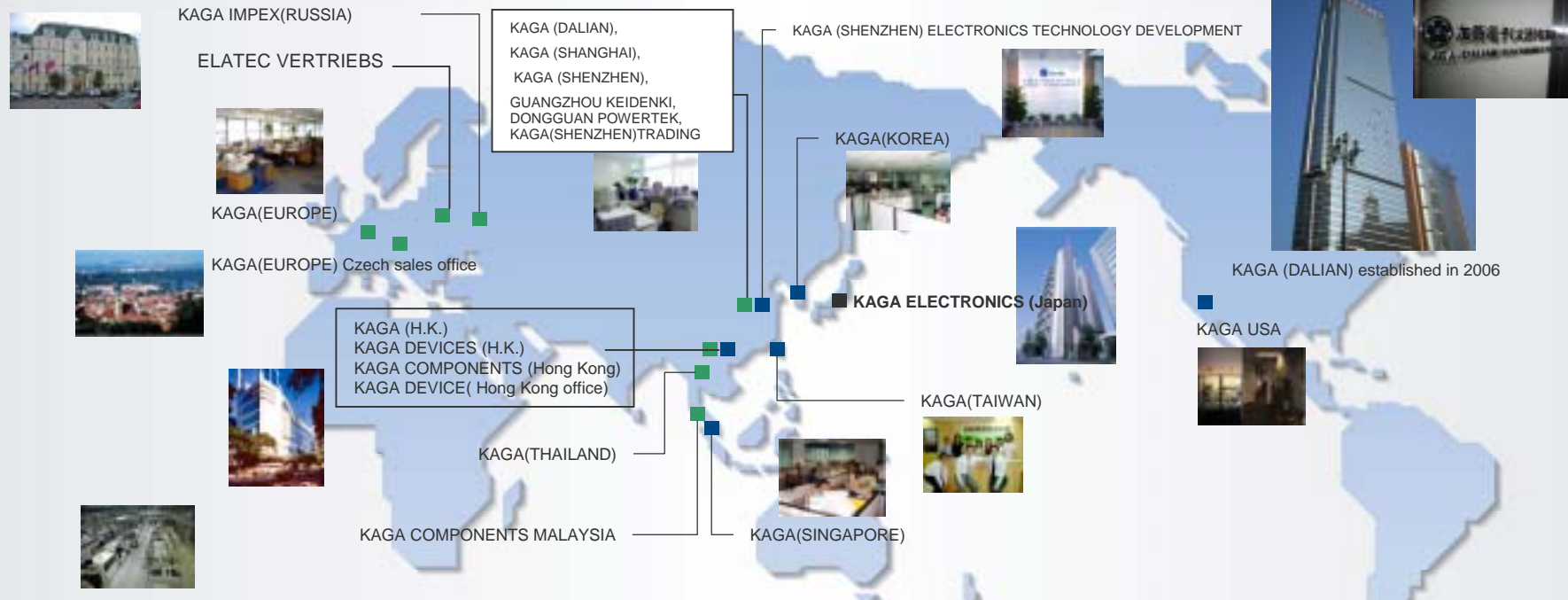


Sales channels (about 4,000 companies, about 7,000 accounts)



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

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

**Aiming to raise annual sales in China to about ¥60 billion;
... Starting operations in more regions of China and increasing the number of applications**

Nine production lines equipped with high-density SMT equipment

<EMS>

KAGA H.K. 1 factory, 5 partner factories Office equipment, ATMs, others

KAGA (SHANHAI) 3 partner factories Office equipment, home healthcare devices, automotive devices, others



KAGA COMPONENTS

- GUANGZHOU KEIDENKI 1 factory Precision devices, communication devices

- DONGGUAN POWERTEK 1 factory Precision devices, communication devices

- Kaga Denki (Hong Kong) Operations Precision devices, communication devices



main boards



AC adapters, power supplies, etc

<Electronic component sales>

KAGA DEVICE HK Head office: Hong Kong Sales of electronic components, TV and home electronics makers in China

(Sales offices: Shenzhen and Chengdu)

KAGA TRADING SHENZHEN Head office: Shenzhen Sales of electronic components TV and home electronics makers in China • Can handle yuan transactions

KAGA (DALIAN) Head office: Dalian Sales of electronic components TV and home electronics makers in China • New sales base

KAGA DEVICE Hong Kong branch Sales of electronic components TV and home electronics makers in China

<Development and design>

KAGA (SHENZHEN) ELECTRONICS TECHNOLOGY DEVELOPMENT Head office: Shenzhen

Development and design of semiconductors and electronic devices TV and home electronics makers in China • Provision of technologies

* Established in 2006 KAGA TRADING SHENZHEN / KAGA (DALIAN)

More production bases in Southeast Asia Preparing to expand from Thailand and Malaysia to Vietnam and India

<EMS>

KAGA THAILAND One factory, one partner factory

Produces main boards, Air conditioners, office equipment, automotive devices, others

KAGA COMPONENT MALAYSIA Two factories

Manufacture of power supplies and AC adapters, precision devices communication devices, audio devices, others



In Vietnam, started office equipment EMS and are preparing to establish local subsidiary

In India, continuing to sell electronic components and conducting EMS marketing activities

Operations near large markets for finished products Czech Republic (EMS), Germany, Russia/Eastern Europe (electronic components)

<EMS>

KAGA EUROPE Czech sales office Two partner factories

Produce main boards Air conditioners, office equipment, others

<Electronic components>

ELATEC VERTRIEBS GMBH Germany Sales of electronic components

Germany, Bulgaria, Slovakia, Hungary, Poland, Czech Republic, Russia

KAGA IMPEX, LLC Russia Sales of electronic components/devices



Using alliances with small, fast-growing companies to further upgrade technology development skills in order to meet customers' needs

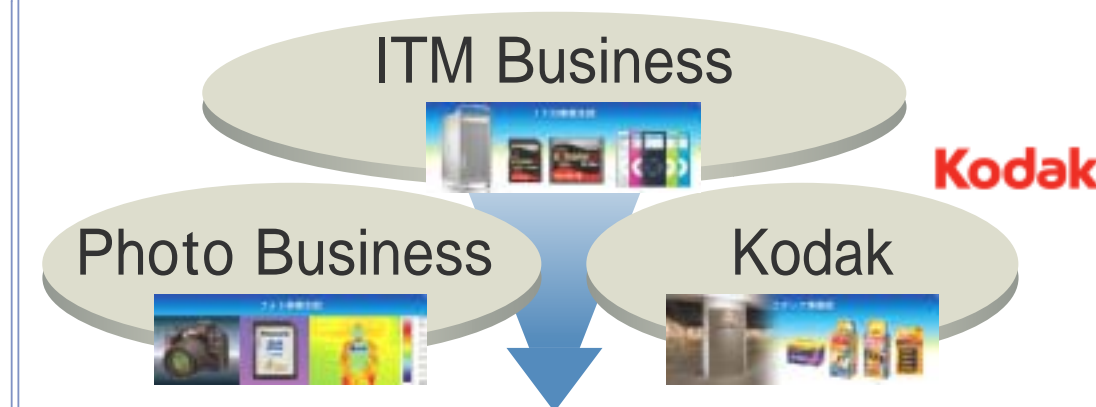
Investing in many small, fast-growing companies in fields
ranging from semiconductors and electronic devices to content and software development



STRATEGIC TOPICS

3 Topics for First Half of Fiscal 2007

Established KAGA HITECH as the nucleus of the group's information equipment operations



**Established KAGA HITECH in October 2006;
goal is sales of ¥100 billion in fiscal 2008.**

Increase sales by using many sales channels and a diverse product lineup
Complete revitalization of former KASHIMURA group in current fiscal year.
Sales of this group's assets are proceeding as planned, resulting in net income in past FY and projected profit in current FY.
Build efficient operating structure by reviewing distribution and personnel expenses

(1) **Liquidate or sell money-losing subsidiaries**

(2) Achieve proper size of workforce
= Move personnel among group companies

(3) Quickly take steps to make big changes to distribution expenses and other aspects of operations

Aim at profitability starting in the second half of fiscal 2007

Build a profitable operating framework by expanding the scale of operations and raising efficiency through synergies.

Golf product sales business (FYT) and health food and restaurant business (KGF) were launched in the prior fiscal year.

FYT Flexibility Young Try

wholesale sales of golf products to golf stores in Japan and the directly operated Active health food retail stores

Dedicated to low-cost operations---
Partial review of directly operated locations.

Conducting sports-related electronics business---Device to measure golf club speed, golf swing recording/playback unit.
Development and sale of original products---Golf clubs, golf apparel, golf products, etc.

Profitability starting in FY07

KGF

Health foods whole selling and operation of Alba curry and Solacche restaurants

Open highly profitable stores---
Place stores in prime locations that will attract targeted customer segments
Strengthen the wholesale business---
Enlarge the lineup of food and restaurant equipment products
Increase sales using the Internet ---
Beauty care products, health food, etc.

Profitability starting in FY07



Becoming an EDMS electronics trading company able to develop technologies for value-added products

EMS

Electronic device outsourced
manufacturing



Designing services

Rapid growth in demand for product
planning, development and designs

EDMS

Originality

Advanced
technical skills

Build a group network that can conduct value-added businesses, using internally created designs to make original products.

Use collaboration with alliance partners to strengthen OEM capabilities for finished and semi-finished products.

Finished products

Supply finished products and
DLP projectors.



**Sell products using KAGA
ELECTRONICS' TAXAN brand.**

半完成品

Supply one-seg modules
for digital terrestrial broadcasts.



Targeting one-seg components used in portable devices.
Looking for more applications for this technology.

Portable DVD players
Portable TVs

Automotive LCD TVs
PDV

EDMS business strategy--- Target more applications, increase production and sales bases



Target more applications



Increase production and sales bases

China (Shenzhen, Shanghai)
Southeast Asia (Thailand, Malaysia)
Eastern Europe (Czech Republic)
Vietnam (Hanoi)

2006.3-2007.3 HIGHLIGHT

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Financial Highlights of Fiscal 2007 First Half

On course to meet FY07 targets:

Net sales: ¥280.0 billion (up 8.6%) Ordinary income: up 0.7%

1. Increase sales

Semiconductors: Raise the number of sales agents Acquire original IP
EDMS : Expand in terms of applications and geographic coverage
Information equipment: Capture synergies within the group

Establish many alliances with small, fast-growing companies in Japan and overseas in order to expand the scale and scope of business activities.

Aggressive stance regarding mergers and acquisitions

Major goals

2. Cut SG&A expenses

Centralize group administrative functions at the head office to streamline the administrative organization and related expenses.

3. Improve the gross margin

Further expand EDMS business
Regional strategy: Grow in Southeast Asia.

Application strategy:
Use marketing activities to target demand in Asia for ATMs and air conditioners.

(consolidated) FY06 Performance and FY07 Plan

(million yen)

	FY06	FY07 (Plan)	Change	
Net sales	257,764	280,000	22,236	8.6%
Gross profit	29,546	34,200	4,654	15.8 %
Gross profit margin	11.5%	12.2%	0.7%	
SG&A expenses	21,336	25,900	4,564	21.4%
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%

	FY06	FY07 (Plan)	Change	
Total assets	119,441	124,430	4,989	4.2%
Equity	49,841	53,529	3,688	7.4%
Debt	10,299	7,201	-3,098	-30%

(consolidated) FY06 Sales and FY07 Plan by Business Category

(million yen)

Category	Net sales		Change	
	FY06	FY07 (plan)	Amount	%
Information equipment	55,336	65,800	10,464	18.9%
EMS	86,646	90,200	3,554	4.1%
Semiconductors	69,866	63,900	-5,966	-8.5%
General electronic components	24,393	25,200	807	3.3%
Others	21,521	34,900	13,379	62.1%
Total	257,764	280,000	22,238	8.6%