

The Investor Meeting for a Results Briefing of the First Half 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.

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Stock code: 8154)
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Table of contents

1, KAGA ELECTRONICS group outline

- Company profile
- Management policies
- Sales transition
- Sales by products category
- World network
- Main business connection
- KAGA ELECTRONICS group identity

2, Outlook for KAGA ELECTRONICS group business

- Establishing CE sales department, sales force specializing in cars
- Full-blown entry into golf related equipment business
- Entering food business
- Continued expansion of information equipment business

3, Financial highlights for interim FY2006



Front entrance of headquarter building
(Ochanomizu, Tokyo)

1, KAGA ELECTRONICS group outline

Company profile

- Established September 12, 1968
- Capital 11.9 billion yen
(As of September 30, 2005)
- Founder & CEO Isao Tsukamoto
- Net sales :

FY2005 <actual>

Non-consolidated : 186.9 billion yen

Consolidated : 250.2 billion yen

FY2006 <plan>

Non-consolidated : 163.0 billion yen

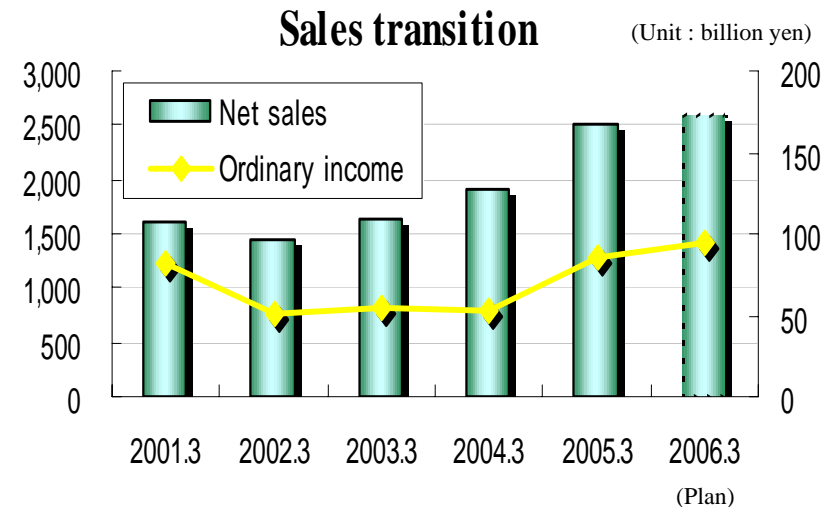
Consolidated : 259.0 billion yen

- Number of consolidated subsidiaries (As of September 30, 2005)
35 (Domestic : 17 / Overseas : 18)

- Number of group employees (As of September 30, 2005)
4,162 (Non-consolidated : 618 / Consolidated : 3,544)

- Group business outline

- Sale of general electronic components.
- Sale of semiconductors (memories, ASIC's).
- EMS business (Electronic manufacturing service.
Manufacturing and sale of AC adapter and charger).
- Sale of computers and computers peripherals. Sale of computers peripherals on a private-label basis.
- Development and design of dedicated integrated circuit. Planning, development and sale of various type of Software and information network system.



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.”*

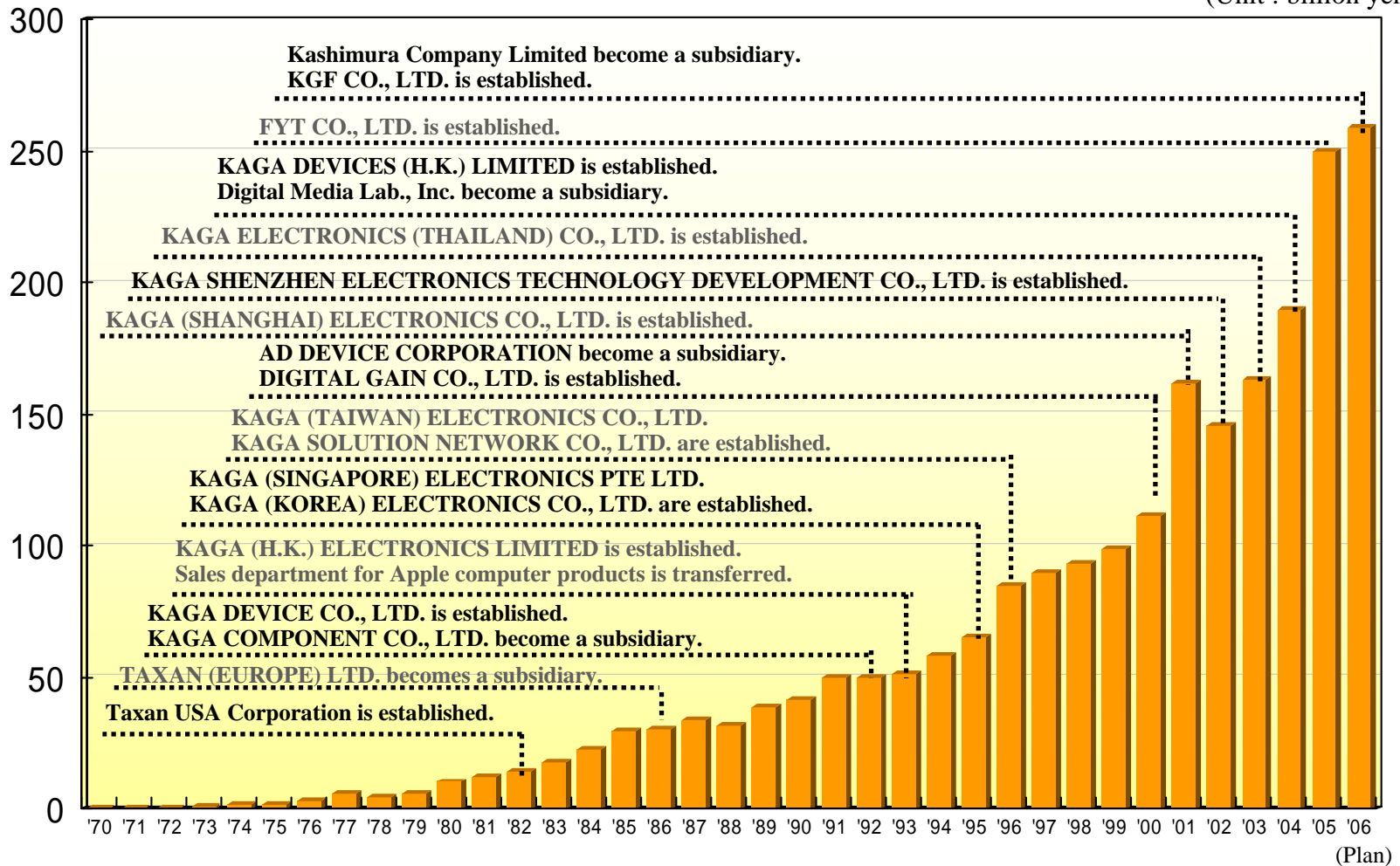
Founder & CEO

Isao Tsukamoto



Sales transition

(Unit : billion yen)

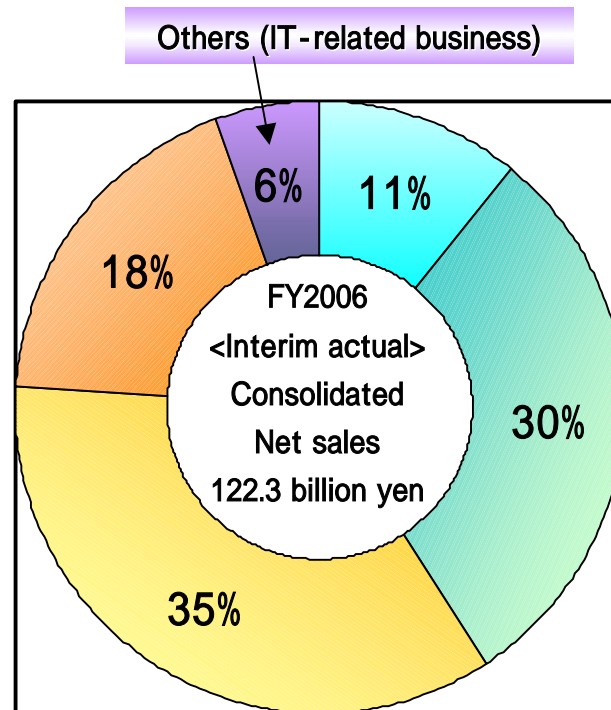


Net sales by products category

Information equipment



EMS (Processed business)



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

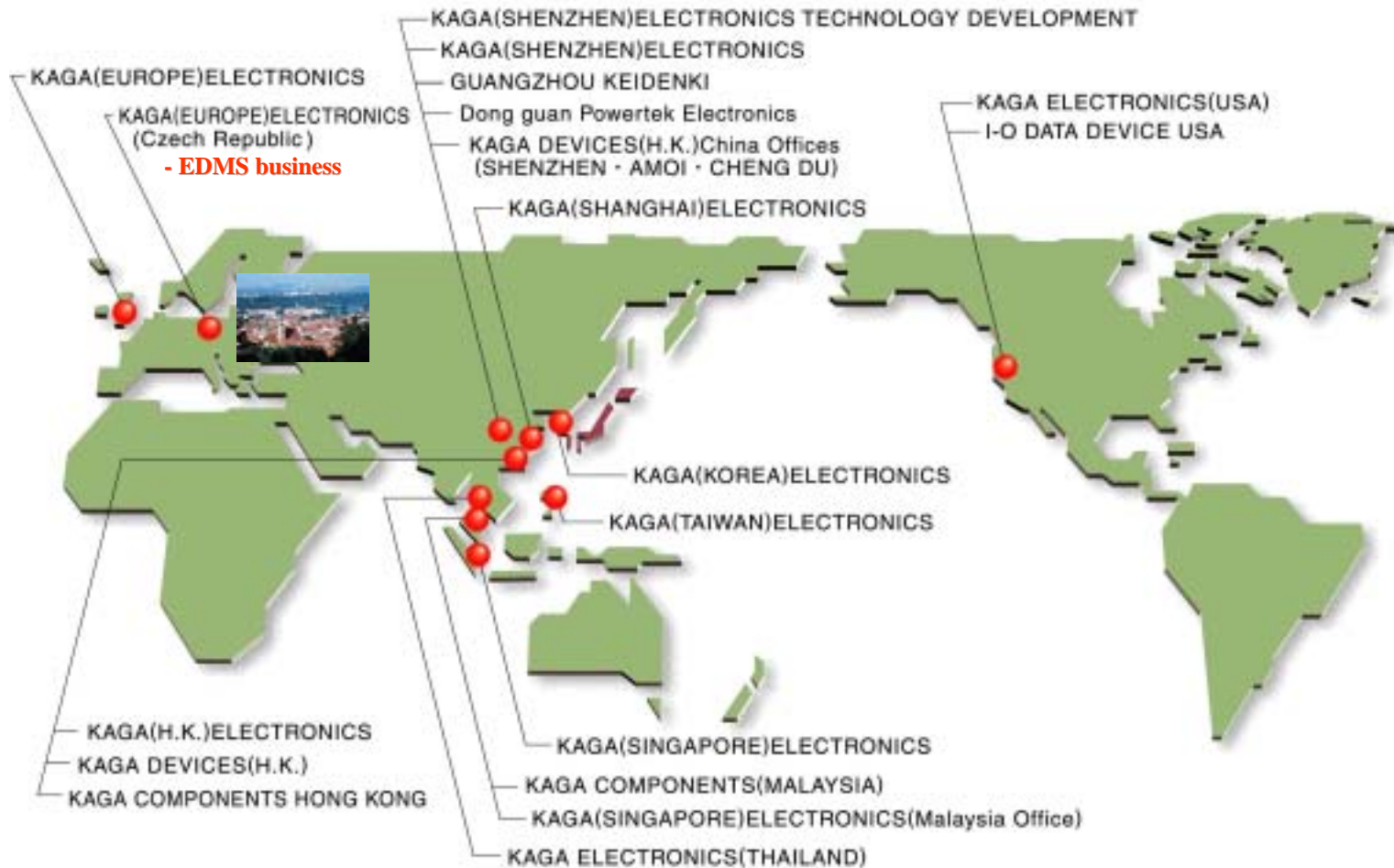
General electronic components



Semiconductors



World network



**The newly established sales office in the Czech republic is now in full operation!
The office should now play a pivotal role in developing operations in Europe,
particularly in the field of EDMS.**

Main business connection

Merchandise (About 2,000 companies)



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



Upon customer's requests, KAGA ELECTRONICS "Gathers anything, Can do anything, the Answer to everything"

Customer's needs

We need various components.

We need engineering development designed.

We need a product created.

We need a choice of locations for development and manufacturing.

We need a distributor of our products.

Our motto since the foundation
"Covering All the Customer Needs"

Electronic products, semiconductor and EDMS business

Ready to accommodate all requirements, as far as electronic components and semiconductors go, from design/development & other EDMS services to all procurement needs across the world

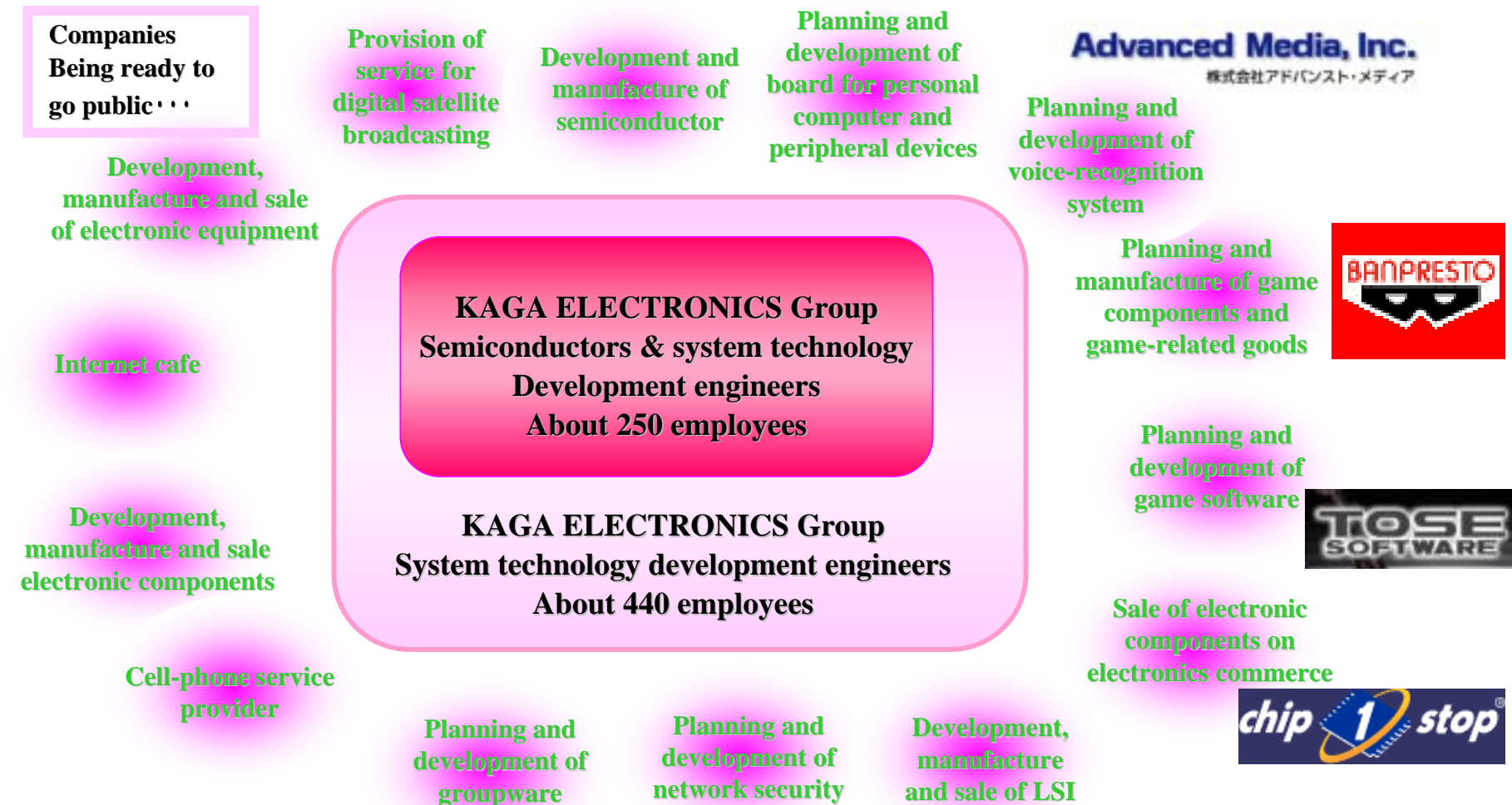
Information equipment business

PC & peripherals, including iPod, and digital cinema servers & players, along with other product lines, are intended to showcase the Digital Age.

Offshoots of Electronics business

The operation of golf shops & practice facilities, and the entry into the food business via Solacche demonstrate the eagerness to accommodate customers' needs and the enthusiasm to explore now fields relevant to electronics.

Business model



Direct investments in 40 companies and indirect investments in 380 electronics-related companies in domestic & international entrepreneurial venture through 18 funds

Expansion of commercial rights

2, Operating highlights during First Half

Establishing CE sales department, sales force specializing in cars

Fortifying in-car component operations

In October 2005, the CE (Car Electronics) Sales Department was set up in the Electronics Sales Headquarters to specialize in the in-car component related business.

The in-car component business is demanding of quality and reliability, which on the flip side means opportunities for long-range stable earnings once a contract is won.

The specialized department's establishment reflects the Company's confidence in this market's growth potential, and its readiness to test the Group's collective strength to attack this market, beginning with sales of in-car electronics.



Realization of hands-free calls with a mobile phone and Bluetooth® wireless communication!

A longer-term strategy is to grow high value-adding EDMS operations, in conjunction with sales operations.

Entry into Golf-related equipment business

Established of FYT CO., LTD.



Established in December 2004, as a fully invested subsidiary of KAGA ELECTRONICS.

FYT handles Japanese and foreign name-brand golf equipment for distribution to specialist and general retailers, as well as operates its golf shops, branded ACTIVE, across the country. FYT's establishment of ACTIVE AKIBA, a new-style golfing spot, marks a starting point in its pursuit of developing a new field of sports related business where IT comes into play.



Inaugurated on September 16 in the Yodobashi Camera Multimedia Akiba complex in Akihabara, ACTIVE AKIBA is a new type of golfing spot that combines a golf shop and a golf practice facility. This is a cutting-edge golf spot where KAGA ELECTRONICS makes a difference by taking full advantage of high technology equipment.

Cultivating new business models through supply chain management, IT technology, and KAGA ELECTRONICS experience and know-how.

ACTIVE AKIBA Opens its Doors !



ACTIVE AKIBA, Japan's Cutting-edge First-of-its-kind Golf Spot, is Now Open in Yodobashi Camera Multimedia Akiba



アクティブ AKIBA
ゴルフガーデン
Golf Garden

An enclave amid a busy urban center known as Akihabara, the golf practice facility enjoys a large 35-yard 30-bay driving range. This is also a cutting-edge facility where KAGA ELLECRONICS, as being a specialist distributor of electronics, makes a difference by putting to good use high technology equipment, including a swing measuring device and a booking system via mobile phone.



ゴルフプラザ
アクティブ AKIBA

The 1,000-square-meter extensive golf shop carries the gamut of golf equipment and related merchandise, including clubs, wear, bags, and shoes, supplied by more than 50 Japanese and foreign manufacturers.



<FYT released the golf simulator DVD "Virtual Golf Guide">

A collaboration with DIGITAL GOLF, Inc., in which the Company is invested, is now in progress to produce and distribute Virtual Golf Guide, a software simulator of golf courses.

Virtual Golf Guide uses aerial and ground-level photo data for the realistic 3D reconstruction of physical golf courses, and enables the player to simulate shots, club-by-club, according to distance and trajectory characteristics, in a real golf-course environment. The database is currently available for simulating a total of 30 golf courses, including Great Island Club (in Chiba Prefecture), and is scheduled to be extended to cover 500 courses by the end of 2006.



Entering Food Business

Establishment of KGF CO., LTD.

KAGA ELECTRONICS set up the subsidiary in September 2005.

KGF now operates a Solacche stand for serving fresh juice with no addition of water or sugar, on the second floor of Yodobashi Camera Multimedia Akiba, one of Japan's largest home electronics retail complexes, open since September 16, 2005.



<Outline of Solacche>

Shop name: Solacche

Address: 2F, Yodobashi Multimedia Akiba,
1-1, Hanaoka-cho, Kanda,
Chiyoda-ku, Tokyo 101-0028 Japan

TEL: 03-5207-5524

Business hour: 9:30 ~ 22:00

Seating capacity: Thirty-five seats total

Menu:

- 100% natural fresh juice
- Soft serve ice cream
- Panini
- Soup

KGF's Future Growth Strategy



Tapping KAGA ELECTRONICS Group's Knowledge to Participate in Food Business in a Variety of Ways

KGF

<Operation of restaurant "Solacche">

KGF operates a Solacche stand to offer fresh juices and panini, using natural ingredients. The first Solacche outlet in Yodobashi Camera Multimedia Akiba was joined by a new food stand, inaugurated on November 18 in Yodobashi Camera Multimedia Yokohama, whose menu features curry.



<Sale of foods>



KGF distributes via mail order and at Solacche curry prepared by Curry Citizen Alba, a 30-odd-year-old curry specialty restaurant renowned for the rich flavor of its curry sauce produced by stewing beef, onion, garlic, and ginger ingredients until they fall apart.

<Sale of beverage and health supplements>

In addition to operating Solacche and distributing curry, KGF is going to participate aggressively in the food business, beginning with distribution of health supplements and wholesale of beverage vending machines.



Continued Expansion of Information Equipment Operations



Adding to List of Subsidiaries Kashimura Company Limited, a Wholesale Distributor of Photography & Imaging Products

The TAXAN logo is displayed in a bold, green, sans-serif font.

**Information Technology Management Headquarters
(formerly Information Equipment Headquarters)**

Retains 7,000-account marketing routes, mostly home electronics mass retail outlets, through which to distribute a full spectrum of information equipment, including PC & peripherals, and digital cameras.

The KASHIMURA logo consists of a blue square containing a white stylized 'K' inside a diamond shape, with the word 'KASHIMURA' in white capital letters below it.

Enjoys different distribution channels than those used by KAGA ELECTRONICS, comprising photo camera specialist stores and DPE shops, as well as home improvement centers, discount sales outlets, schools, hospitals, and government agencies.

A diagram showing two boxes, one for TAXAN and one for KASHIMURA, with two large, curved pink arrows pointing from each box towards a central text block. Below this, a large, downward-pointing pink arrow leads to a final text block.

**Sharing Marketing Expertise &
Channels of Distribution**

Mutual complementation and increased synergies should provide opportunities both for further expansion of information equipment operations and for development of new services across the KAGA ELECTRONICS Group.

3, Financial highlights for Interim FY2006

(Consolidated)

Financial highlights in interim FY2005 & interim FY2006



(Unit : million yen)

	Interim FY2005	Interim FY2006	Increase / decrease	
Net sales	112,481	122,385	9,904	8.8%
Gross profit	11,767	14,059	2,292	19.5%
Gross profit ratio	10.5%	11.5%	1.0%	
SG & A expenses	8,124	9,378	1,254	15.4%
Operating income	3,643	4,681	1,038	28.5%
Ordinary income	3,748	4,947	1,199	32.0%
Net income	2,404	3,340	936	38.9%

	Interim FY2005	Interim FY2006	Increase / decrease	
Total assets	98,505	117,993	19,488	19.8%
(Total shareholders' equity)	34,951	45,341	10,390	29.7%
(Interest-bearing debt)	10,037	12,857	2,820	28.1%

(Consolidated)

Results by business category in interim FY2005 & interim FY2006



(Unit : million yen)

Business	Net sales		Increase / decrease	
	Interim FY2005	Interim FY2006	Amount	%
Information equipment	18,769	22,463	3,694	19.7%
EMS	32,224	42,612	10,388	32.2%
Semiconductors	45,447	37,358	(8,089)	(17.8)%
General electronic components	9,665	13,036	3,371	34.9%
Others	6,373	6,916	543	8.5%
Total	112,480	122,387	9,907	8.8%

(Consolidated)

Financial highlights and plan in FY2005 & FY2006



(Unit : million yen)

	FY2005	FY2006 (Plan)	Increase/decrease	
Net sales	250,244	259,000	8,756	3.5%
Gross profit	25,624	28,250	2,626	10.2%
Gross profit ratio	10.2%	10.9%	0.7%	
SG & A expenses	17,149	19,250	2,101	12.3%
Operating income	8,474	9,000	526	6.2%
Ordinary income	8,644	9,470	826	9.6%
Net income	4,731	5,960	1,229	26.0%

	FY2005	FY2006 (Plan)	Increase/decrease	
Total assets	115,901	121,985	6,084	5.2%
(Total shareholders' equity)	40,661	47,392	6,731	16.6%
(Interest-bearing debt)	11,009	11,607	598	5.4%

(Consolidated)

Sales and sales plan by business category in FY2005 & FY2006



(Unit : million yen)

Business	Net sales		Increase/decrease	
	FY2005	FY2006 (Plan)	Amount	%
Information equipment	40,254	56,000	15,746	39.1%
EMS	76,099	87,000	10,901	14.3%
Semiconductors	97,075	73,500	(23,575)	(24.3)%
General electronic components	23,758	24,000	242	1.0%
Others	13,056	18,500	5,444	41.7%
Total	250,244	259,000	8,756	3.5%