

The Investor Meeting for a results briefing of FY2005

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 “*Takusan*” 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 : 03-3815-6757
May 26, 2005

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**Front entrance of headquarter building
(Ochanomizu, Tokyo)**

1, KAGA ELECTRONICS group outline

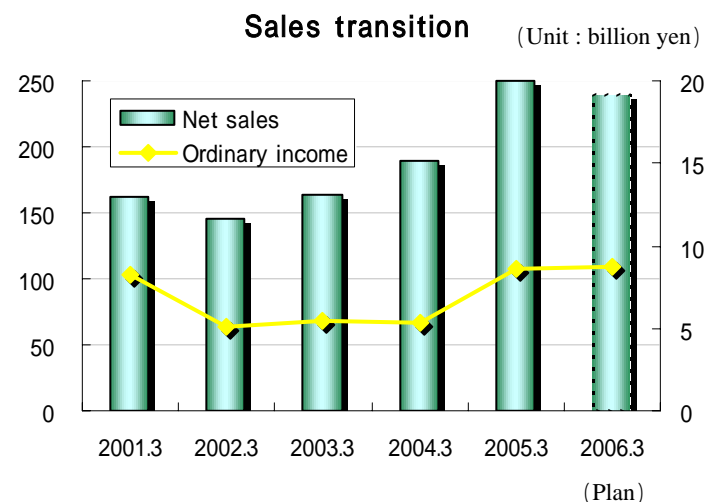
Company profile



- Established **September 12, 1968**
- Capital **11.1 billion yen**
- Founder & CEO **Isao Tsukamoto**
- Net sales :
FY2005 <actual>
Non-consolidated : 186.9 billion yen
Consolidated : 250.2 billion yen
FY2006 <Plan>
Non-consolidated : 160.0 billion yen
Consolidated : 240.0 billion yen

- Number of consolidated subsidiaries (As of March 31, 2005)
30 (Domestic : 11 / Overseas : 19)
- Number of Group employees (As of March 31, 2005)
3,590 (Non-consolidated : 540 / Consolidated : 3,050)

- 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 types 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

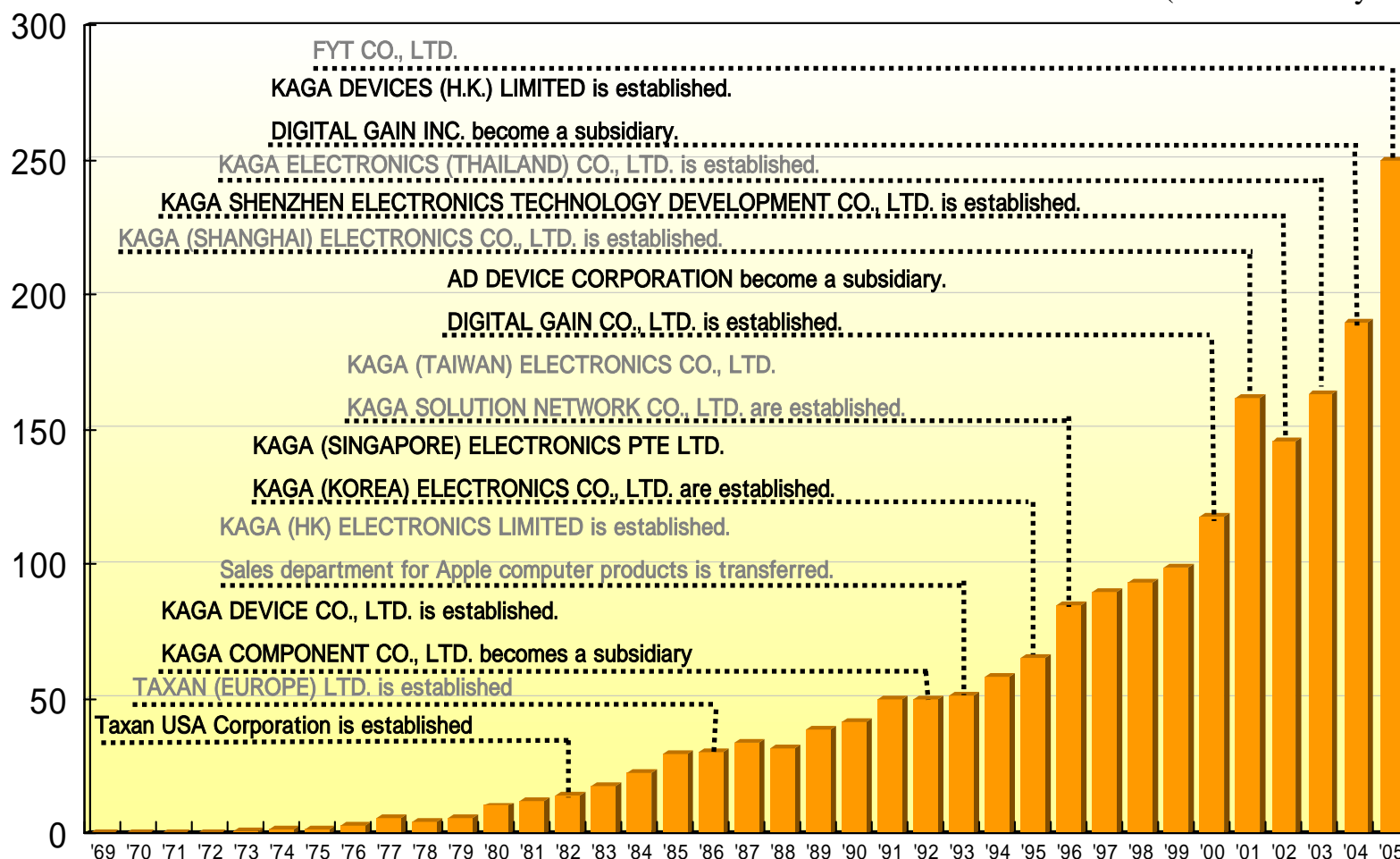
Isao Tsukamoto



Sales transition



(Unit : billion yen)



Net sales by products category

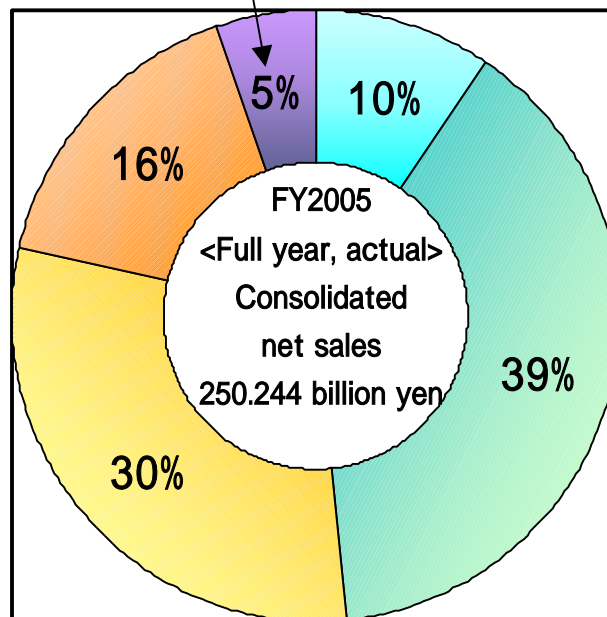
Information equipment



EMS (Processed business)



Others (IT-related business)

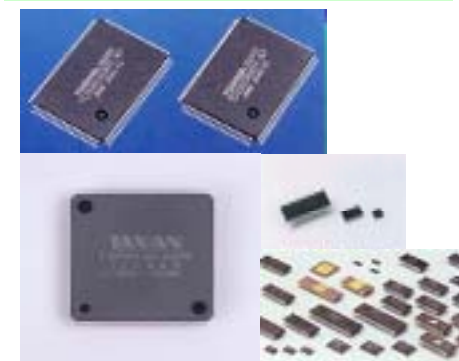


- General electronic components
- Semiconductors
- EMS (Processed business)
- Information equipment
- Others (IT-related business)

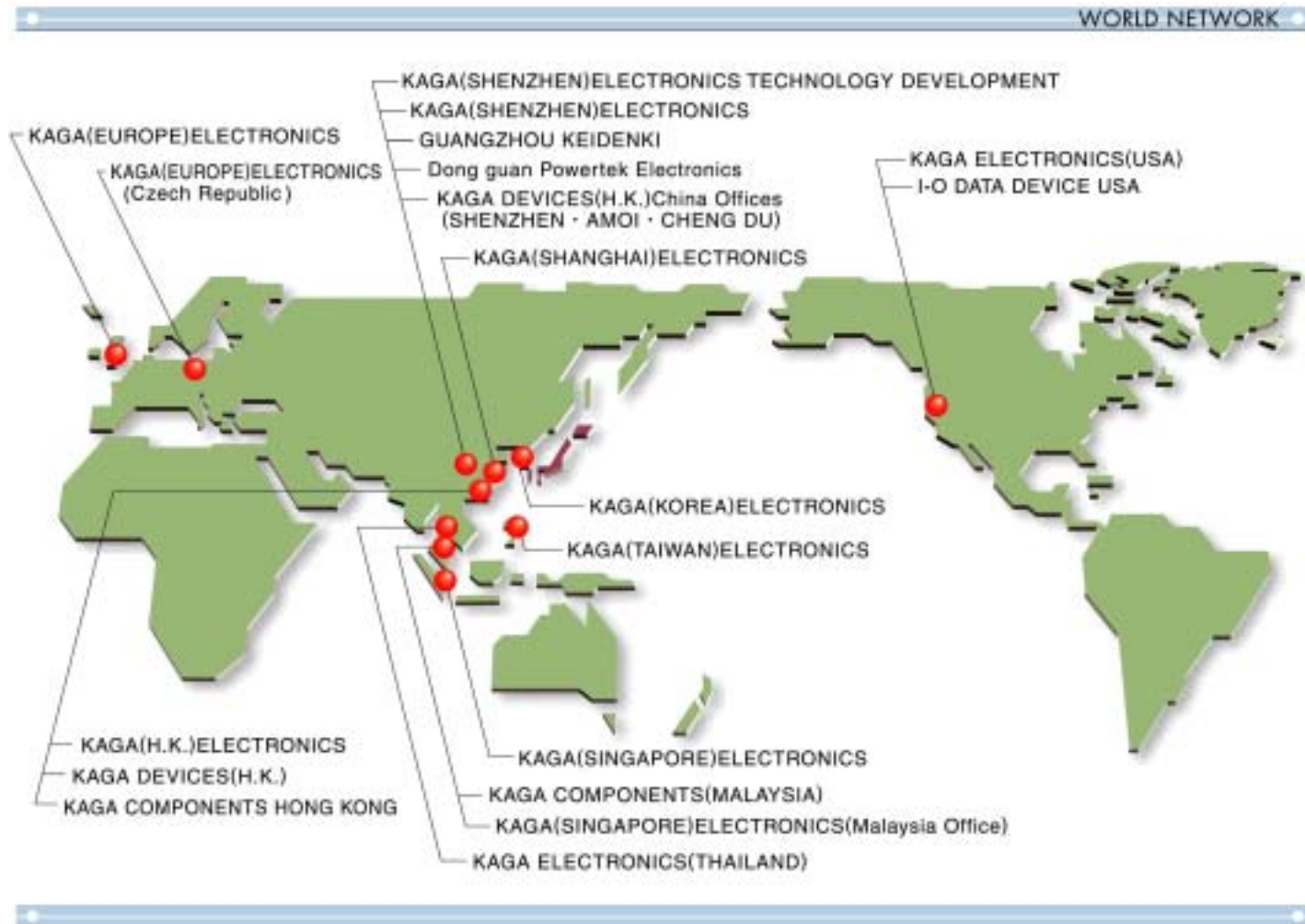
General electronic components



Semiconductors



World network



* KAGA ELECTRONICS provides worldwide business services upon customer needs. Plans for a branch office in Northern China are under way.

* Business marketing has been also started in Russia and Eastern European Countries.

Main business connection

TAXAN

Merchandise
(About 2,000 companies)

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



2, Business outline

KAGA ELECTRONICS group identity



From business sales in electronic products & information equipment to
a “High-Added-Value EDMS Business”

Electronic products & Semiconductor business

Distributing electronic components for
all standard and custom products in
accordance with customers' requests.



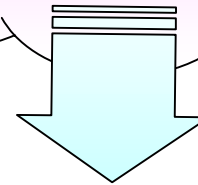
Information equipment business

Sales in personal computers, PC
peripherals, electronic health equipment,
electronic toys and more



Customer's needs

We need various components.
We need a product created.
We need engineering
development designed.



Expanding EDMS Business
The Solution to Customer Problems!

KAGA ELECTRONICS group identity



Business identity · Advantage of being an independent

**Our motto since the foundation
“Covering All the Customer Needs”**

Upon customer’s requests, KAGA ELECTRONICS “Gathers anything, Can do anything, the Answer to everything”



Electronic products & Semiconductor business

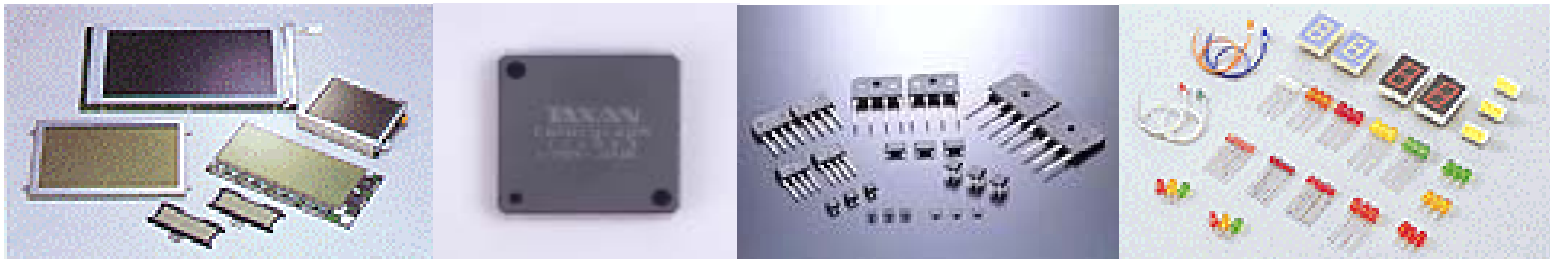


Business overview

Utilizing our unfettered advantage, KAGA ELECTRONICS have established a corporate structure capable of supplying all products required by our customers, both domestically and overseas. In the semiconductor area, our in-house engineers are the key strength behind our ability to handle anything from the design of large-scale integrated circuits commissioned by customers to original LSIs and components planning and development based on technical trends collected by our distinctive marketing division.

Products

General electronic components / Camera modules / Memories / Microcomputers / LCD panels / System LSI's / ASIC's / Original IC's (TAXAN) etc.



Electronic products & Semiconductor business



Source locally components and information world-wide



**Providing stable and effective material operations
through global-networking**

Electronic products & Semiconductor business



Focus on procurement of cutting-edge devices

<Lamina Ceramics, Inc.>



Realization of the highest level of brightness per unit area through high density mounting of LED components.

Already with 42 Ceramic Packaging and Optics-related patents acquisitioned, KAGA ELECTRONICS is currently anticipating these LED products to be applied for Flat Panel Displays and Indoor/Outdoor Lighting equipments.



Lamina's LED products

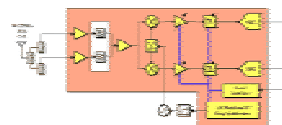


Interior lighting equipment



Displays

<Integrant Technologies Inc. >



CMOS based RF Tuner IC



Cellular telephone



PDA

Aiming to introduce to the Japanese and European markets the next technological energy-efficient compact CMOS based RF tuner IC for the market in the receiving terminals geared to Mobile Digital Broadcasting.

Information equipment business

TAXAN

Overview

The mainstay of this business is sales of popular brands of PC-related information systems, although another key aspect is the planning, manufacture and sales of our own brand “TAXAN” of peripheral PC devices. In addition, KAGA ELECTRONICS continue to infuse the domestic and international market with superior, new value-added products.

Products

Personal computers / PC peripheral devices / Monitors / Printers / Digital cameras / Scanners / HDDs / DVDs / Health equipment etc.



Information equipment business



Devoted to the demands of the Era, focusing on advanced equipments

Staying one step ahead in upcoming technology (Digital imaging, portable players, etc.)



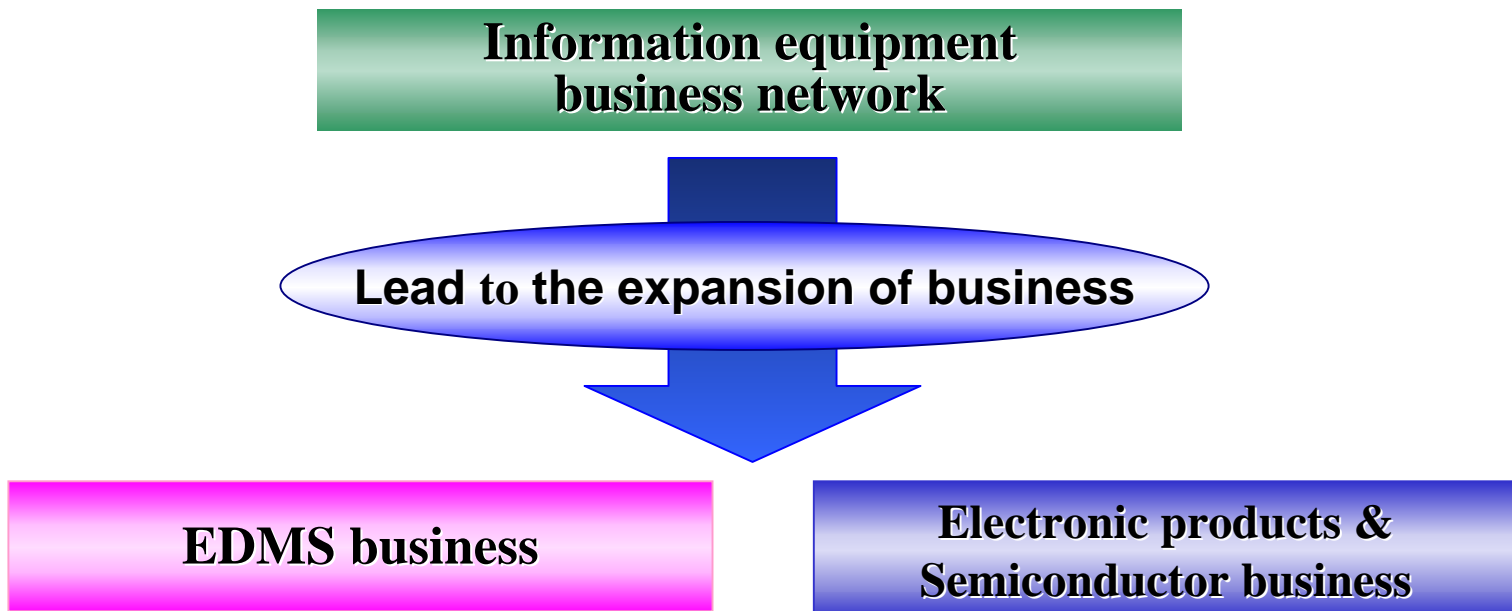
Information equipment business



Business Model for the Future

■ Expanding businesses based on the networks in China and Eastern Southern Asian

KAGA ELECTRONICS has networks in China, Korea, and all other Asian regions. The company plans on developing sales strategies, utilizing its own marketing and technological skills to further expand products discovered in the Asian regions to various markets together with the brands already established in the Japanese market.



EDMS business



EDMS business・・・A newly established business providing total solutions which utilizes our expanding EMS (Electronics Manufacturing Service: A service which adapts to the customer's designs providing a variety of services from components procurement to kitting) business and design and development in accordance with the customer's desired specifications.

Business overview (EDMS: Electronics Design Manufacturing Service)

■ Meeting customer needs, providing high value-added solutions from material procurement to the provision of completed products

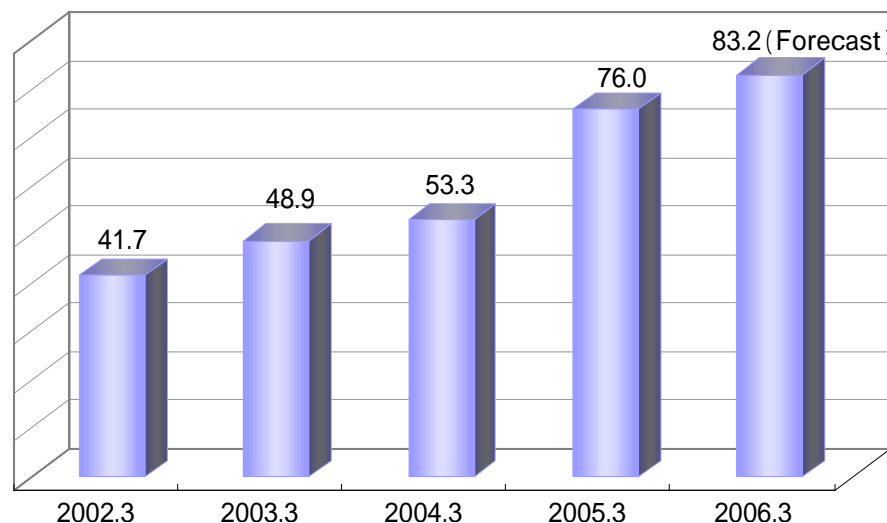
Utilizing the group's components procurement capabilities, which comprise the use of in-house technical staff for development through manufacturing of products, both domestically and overseas, KAGA ELECTRONICS is able to supply high value-added solutions, such as the manufacture of everything from our kitting service to completed products (including surface mounting and partly-finished products).

■ Aggressive challenges to New Fields

As a future project, KAGA ELECTRONICS is looking into the digital imaging field to propel an aggressive business focusing on providing image engines including optical projectors and further expanding business with domestic and Chinese manufacturers.

Sales transition and plan in EDMS business

(Unit : billion yen)



EDMS business



EDMS business overseas business establishment introduction

EDMS deployed in east Europe!

KAGA (EUROPE) operational liaison office



**GUANGZHOU KEIDENNKI /
DONGGUAN POWERTEK ELCTRONICS**

<Content>

Power supply, AC adapter, battery charger

KAGA (THAILAND)

<Content>

The main board of Japanese air-conditioner makers and office equipment makers.

Manufacturing at in-house and cooperative plants



**KAGA (SHENZHEN) ELECTRONICS
TECHNOLOGY DEVELOPMENT**

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Development of semiconductors and board for Chinese TV makers



KAGA (H.K.) / KAGA (SHENZHEN)

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Main board and completed products for Japanese office equipment makers



KAGA (SHANGHAI)

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Main board and completed products for Japanese office equipment makers



KAGA COMPONENTS (MALAYSIA)

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Power supply, AC adapter, battery charger



Headquarters established in nine countries worldwide (Europe, America, Asia, etc).

Capable of providing EMS and collecting electronic components in any region upon customer needs utilizing five in-house plants and numerous cooperative plants for production.

EDMS business



**EDMS business domestic business
establishment introduction**

Flexible towards EDMS even domestically

**KAGA COMPONENTS /
Niigata factory**

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Manufacture of battery
charger and power supply



Micro Solution / Yamagata factory

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Assemble a personal computers, PC
peripheral devices, electronics
communication equipment, precision
equipment, audio equipment and
medical equipment.



**KAGA COMPONENTS /
Kumamoto factory**

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Manufacture of battery charger and
power supply

Micro Solution / Nagano factory

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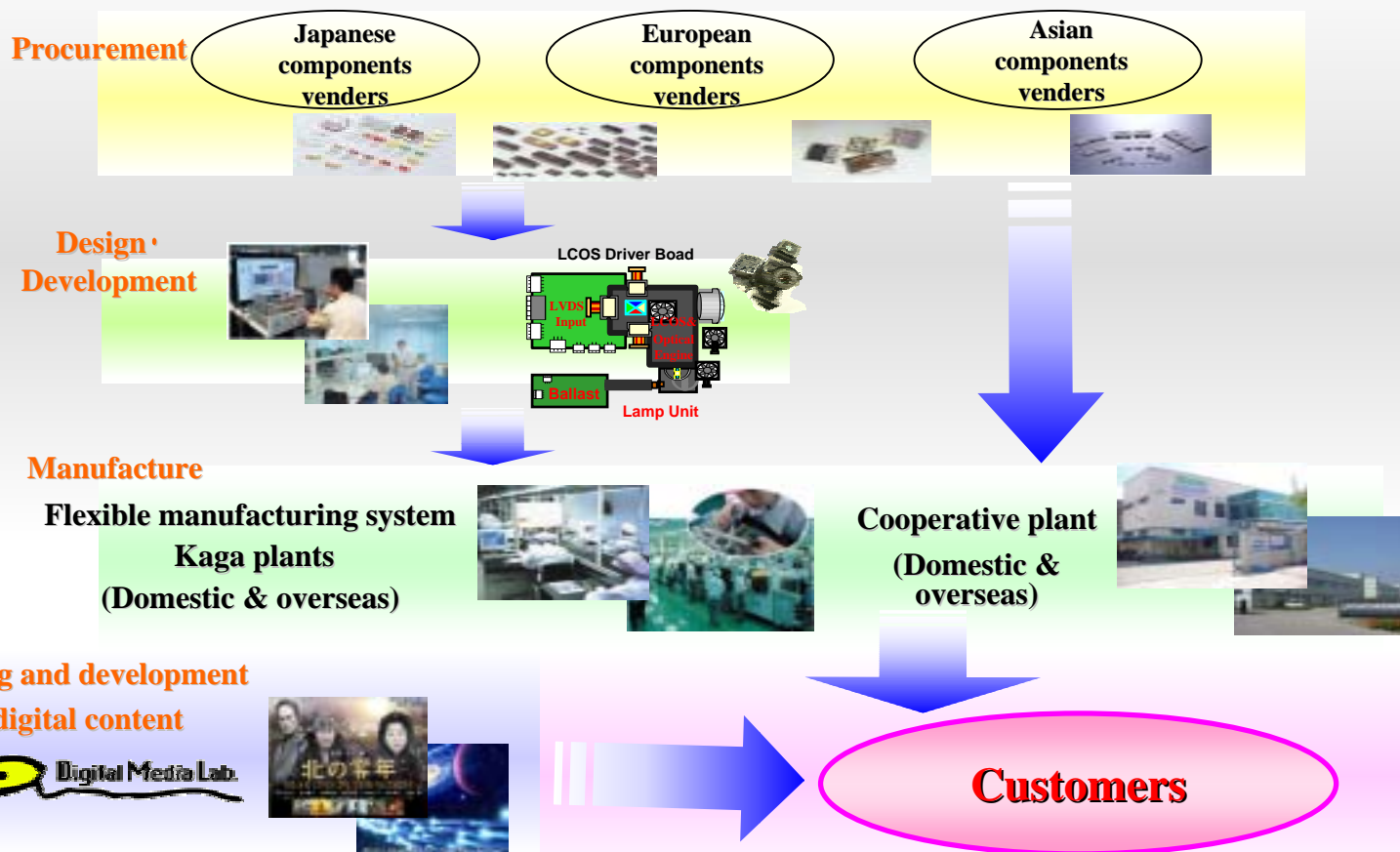
Assemble a Amusement machine
and a game machine.



**Understanding the customer's desires and providing total
solutions utilizing the features of in-house and
cooperative/assigned cooperative plants. (about 40 Plants) .**

Peculiar features of the EDMS business

Total support system encompassing design & development as well as material procurement



Reinforcing design (Design and development department)

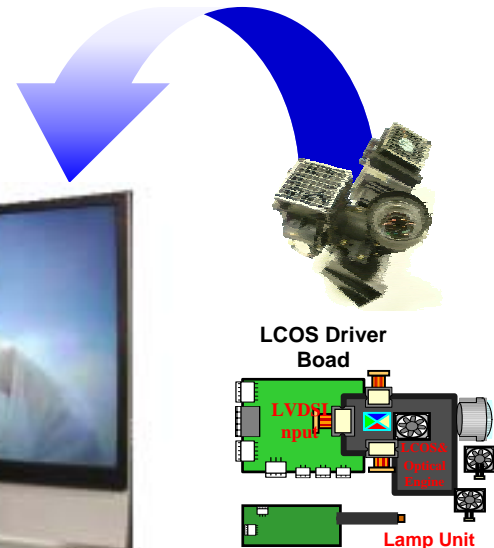
Focus on development of optical instruments for the digital imaging Era

Taking an aggressive approach towards image engines for projectors utilizing both the DLP & LCOS systems for the digital imaging Era.

LCOS rear projection TV project

High-quality large screen home theater system at a low price

DLP front projector project



Making a compact low-cost home theater system a reality

Reinforcing design (Design and development department)

Our focused products

I-O DATA DEVICE, INC.

Hands free in-vehicle wireless model 'PDI-B912/CAG'



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

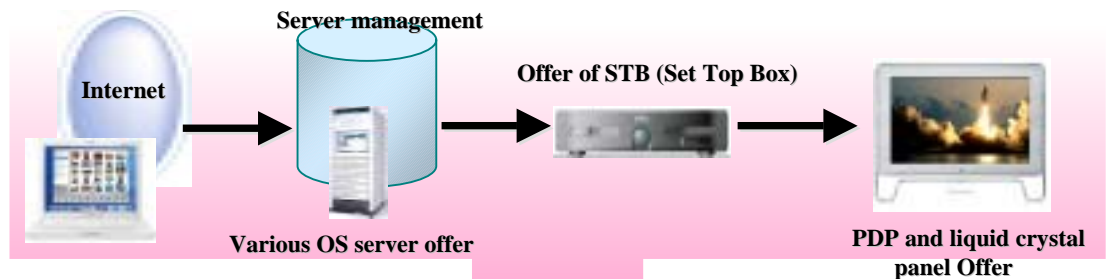


Multi function printer



Electrical toy

VOD (Video On Demand) development of business



Apartment



Hotel



Hospital



A school and an educational institution

Aggressively focus on production and development of digital contents

Planning and developing digital contents, Another new project in development to meet with the new advanced imaging technology and CG technology markets that are taking the digital imaging Era in advance besides electronic products.



Recent actual performances Digital Media Laboratory Projects



TOEI COMPANY, LTD.
Creation of computer graphics for invent
in the movie “Year one in the north.”



SQUARE ENIX CO., LTD.
Creation of computer graphics for invent in
the game software “FINAL FANTASY X.”



NHK Educational Corporation
Creation of computer graphics for educational TV
program for children “Fun Fun English.”

3, Outlook for KAGA ELECTRONICS group

Business model



Provision of
service for
digital satellite
broadcasting

Development and
manufacture of
semiconductor

Planning and
development of
board for personal
computer and
peripheral devices

Planning and
development of
nickserv

Companies
being ready to
go public...

Development,
manufacture and
sale of electronic
equipment

Internet cafe

Development,
manufacture and
sale of electronic
components

Cell-phone service
provider

KAGA ELECTRONICS Group
Semiconductors & system technology
development engineers
About 250 employees

KAGA ELECTRONICS Group
System technology development engineers
About 440 employees

Planning and
development of
groupware

Planning and
development
of network
security

Development,
manufacture
and sale of LSI

Planning and
manufacture of
game components
and game-related
goods



Planning and
development of
game software



Sale of electronic
components on
electronics
commerce



Mixed Signal Processing System on Chip.

Direct investments in 40 companies and indirect investments in
230 electronics-related companies in domestic & international
entrepreneurial venture through 8 funds
Expansion of Commercial Rights

Entry into sports-related equipment business



Establishment of FYT CO., LTD.



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

This company has developed distributions for sports shops mainly handling golf equipments and expanded its distributions to other golf shops, further expanding the business under the trade name of “Golf Plaza ACTIVE” all over Japan.



(Images)

Currently, the company is developing swing speed measuring and swing form checking instruments for a golf manufacturer.

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

4, Financial highlights for FY2005

(Consolidated)

Financial highlights in FY2004 & FY2005



(Unit : million yen)

	FY 2004	FY 2005	Increase / decrease	
Net sales	189,904	250,244	60,340	31.8%
Gross profit	20,365	25,624	5,259	25.8%
Gross profit ratio	10.7%	10.2%	(0.5)%	
SG & A expenses	14,950	17,149	2,199	14.7%
Operating income	5,415	8,474	3,059	56.5%
Ordinary income	5,348	8,644	3,296	61.6%
Net income	4,129	4,731	602	14.6%

	FY 2004	FY 2005	Increase / decrease	
(Total assets)	86,993	115,901	28,908	33.2%
(Total shareholders' equity)	33,027	40,661	7,634	23.1%
(Interest-bearing debt)	7,847	12,928	5,081	64.8%

(Consolidated)

Results by business category in FY2004 / FY2005



(Unit : million yen)

Business	Net sales		Increase / decrease	
	FY 2004	FY 2005	Amount	Percentage
Information equipment	40,384	40,254	(130)	(0.3)%
EMS	53,330	76,099	22,769	42.7%
Semiconductors	72,617	97,075	24,458	33.7%
General electronic components	14,170	23,758	9,588	67.7%
Others	9,401	13,056	3,655	38.9%
Total	189,904	250,244	60,340	31.8%

(Consolidated)

Financial highlights and plan in FY 2005 / FY 2006



(Unit : million yen)

	FY 2005	FY 2006	Increase / decrease	
Net sales	250,244	240,000	(10,244)	(4.1)%
Gross profit	25,624	26,500	876	3.4%
Gross profit ratio	10.2%	11.0%	0.8%	
SG & A expenses	17,149	18,000	851	5.0%
Operating income	8,474	8,500	26	0.3%
Ordinary income	8,644	8,700	56	0.6%
Net income	4,731	5,200	469	9.9%

	FY 2005	FY 2006	Increase / decrease	
(Total assets)	115,901	117,217	1,316	1.1%
(Total shareholders' equity)	40,661	44,614	3,953	9.7%
(Interest-bearing debt)	12,928	12,545	(383)	(3.0)%

(Consolidated)

Sales and sales plan by business category in FY2005 / FY2006



(Unit : million yen)

Business	Net sales		Increase / decrease	
	FY 2005	FY 2006 (Plan)	Amount	Percentage
Information equipment	40,254	42,000	1,746	4.3%
EMS	76,099	83,200	7,101	9.3%
Semiconductors	97,075	79,000	(18,075)	(18.6)%
General electronic components	23,758	20,300	(3,458)	(14.6)%
Others	13,056	15,500	2,444	18.7%
Total	250,244	240,000	(10,244)	(4.1)%