

KAGA ELECTRONICS (8154)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2019		292,779	7,570	7,859	8,014	292.07	80.00	2,790.97
FY03/2020		443,615	10,014	10,137	5,852	213.21	70.00	2,850.99
FY03/2021CoE		-	-	-	-	-	-	-
FY03/2019	YoY	24.1%	(6.8%)	(10.1%)	23.5%	-	-	-
FY03/2020	YoY	51.5%	32.3%	29.0%	(27.0%)	-	-	-
FY03/2021CoE	YoY	-	-	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 NEWS RELEASE (3 June 2020)

Merger Play


On 28 May 2020, KAGA ELECTRONICS or independent electronics trading company held financial results briefing (web conference) for FY03/2020. It has been revealed that the Company saw increased sales and earnings on an organic basis and favorable add-ons from Fujitsu Electronics which has been consolidated since Q4 FY03/2019. Initial Company forecasts were exceeded for earnings in particular, having resulted in renewal of record high in operating profit and recurring profit. Meanwhile, the Company is to pay extra dividend of ¥10 on top of regular dividend of ¥30 as of the end of the fiscal year, resulting in annual dividend of ¥70 (¥30 as of the end of Q2 and ¥40 as of the end of Q4) for FY03/2020. Still, FY03/2021 Company forecasts have not been decided, while the Company suggests a prospective tendency of decreased sales and operating profit as own "rough outlook". The Company used to have a plan to compensate for loss of sales in line with that of large-scale trading rights through a new merger, while it looks difficult to do so now, given a situation that uncertainty stemming from outbreak of new coronavirus infections could not be dispelled. Still, the Company is going for increased profit attributable to owners of parent as it is to see gain on negative goodwill as much as ¥8,200m in line with the above-mentioned new merger.

For information: [Financial Results Briefing Materials for FY03/2020](#)

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2.0 Company Profile

Independent Electronics Trading Company

Company Name	KAGA ELECTRONICS CO.,LTD. Website IR Information Share Price (Japanese) 
Established	12 September 1968
Listing	4 December 1985: Tokyo Stock Exchange 1st section (ticker: 8154)
Capital	¥12,133m (as of the end of March 2020)
No. of Shares	28,702,118 shares, including 1,243,279 treasury shares (as of the end of March 2020)
Main Features	<ul style="list-style-type: none"> ● Heavily involved with EMS Business (consigned substrate mounting) with high growth potential ● Targeting stable growth of EMS over the long term ● Promoting sales to customers of Fujitsu Electronics to have been consolidated
Business Segments	I . Electronic Components Business II . Information Equipment Business III . Software Business IV . Other Business
Top Management	Founder & CEO: Isao Tsukamoto / President & COO: Ryoichi Kado
Shareholders	SANKYO Co. 13.3%, OKOZE Co. 6.4%, Japan Trustee Services, T. 4.8%, MUFG Bank 4.2%, Employees' Stockholding 4.0% (as of the end of March 2020)
Head Office	Chiyoda-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 6,731, Parent: 567 (as of the end of March 2020)

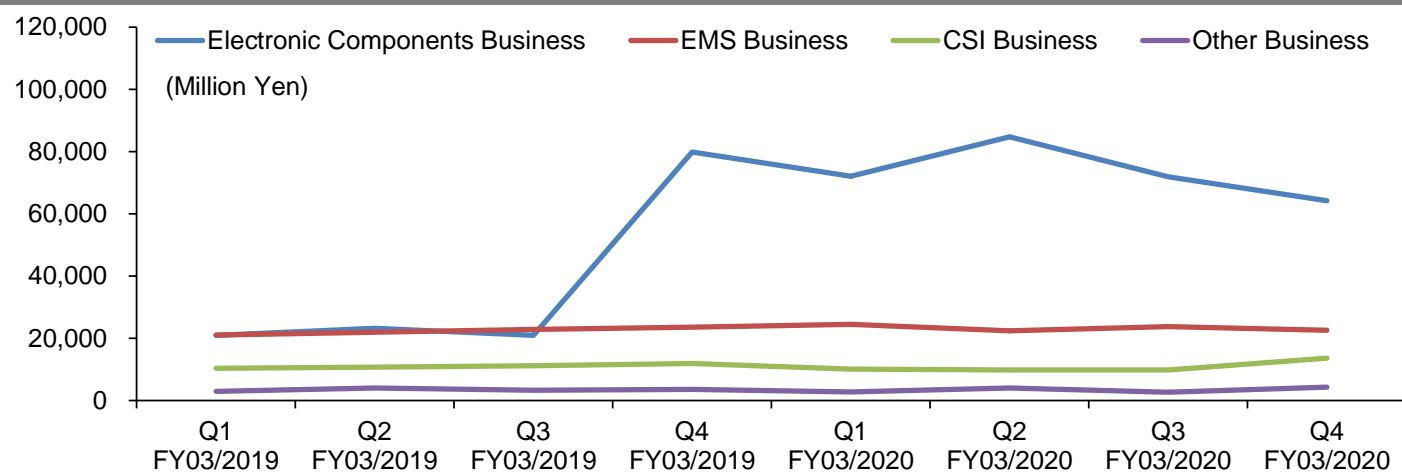
Source: Company Data

3.0 Recent Trading and Prospects

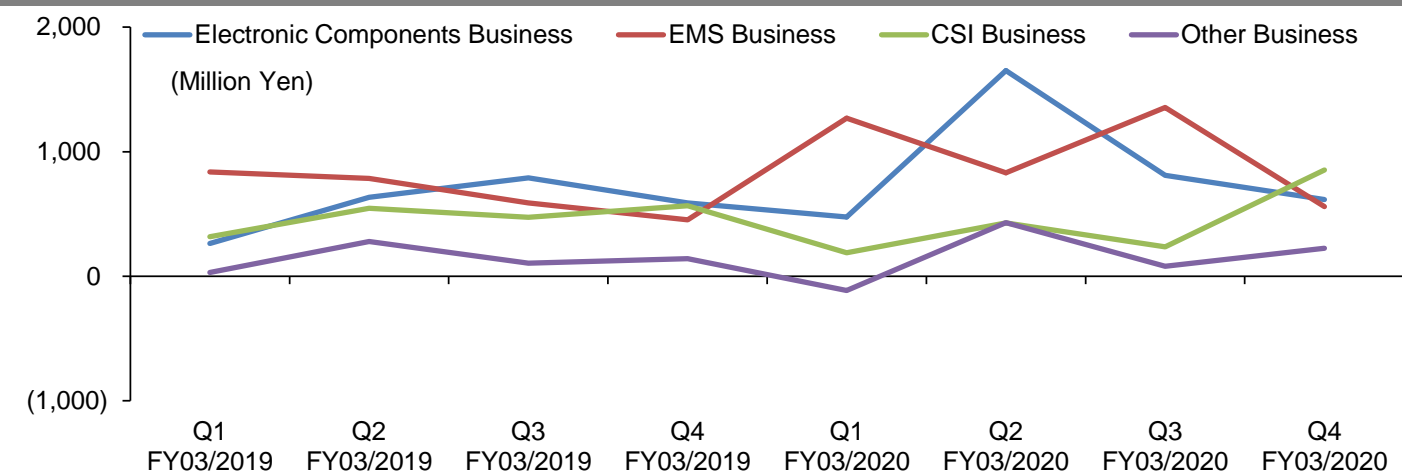
FY03/2020 Results

In FY03/2020, sales came in at ¥443,615m (up 51.5% YoY), operating profit ¥10,014m (up 32.3%), recurring profit ¥10,137m (up 29.0%) and profit attributable to owners of parent ¥5,852m (down 27.0%), while operating profit margin 2.3% (down 0.3% points). The Company suffered from deterioration by ¥2,641m over the previous year at the extraordinary level. Gain on negative goodwill stemming from merger with Fujitsu Electronics did not reappear, while increased loss on revaluation of investments in securities, etc. appeared.

Sales by Segment of Midterm Management Plan (managerial accounting)



Profit by Segment of Midterm Management Plan (managerial accounting)



Source: Company Data, WRJ Calculation

Compared with initial Company forecasts released on 14 May 2019, sales were better by ¥13,615m (3.2%), operating profit better by ¥3,014m (43.1%), recurring profit better by ¥3,137m (44.8%) and profit attributable to owners of parent better by ¥852m (17.0%).

Fujitsu Electronics saw sales of ¥200,584m (down 14.0%), operating profit of ¥2,086m (up 49.1%) and operating profit margin of 1.0% (up 0.4% points), when compared with the full-year results of the previous year. The Company suggests that “one-off earnings” appeared in line with elimination of inventory coincided with loss of large-scale trading rights. On an organic basis, meanwhile, the Company saw sales of ¥243,031m (up 3.1%), operating profit of ¥7,927m (up 8.2%) and operating profit margin of 3.3% (up 0.2% points). With respect to EMS Business on which the Company places emphasis, sales came in at ¥93,340m (up 4.3%), segment profit ¥4,015m (up 50.5%) and segment profit margin 4.3% (up 1.3%). Sales carrying high gross profit margin increased favorably, i.e., sales associated with medical devices for the United States, according to the Company.

For FY03/2021, the Company is going for some net add-ons in sales from merger with [electronics trading company EXCEL](#) and for breakeven in earnings. Meanwhile, this deal is to generate gain on negative goodwill as much as ¥8,200m, according to the Company.

4.0 Financial Statements

Income Statement (Cumulative/Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Sales	55,493	115,383	173,782	292,779	109,564	230,630	338,801	443,615		+150,836
Cost of Sales	47,851	99,360	149,758	257,233	98,501	206,859	303,555	396,598		+139,365
Gross Profit	7,641	16,023	24,023	35,546	11,062	23,771	35,245	47,016		+11,470
SG&A Expenses	6,152	12,251	18,275	27,976	9,212	18,531	27,513	37,001		+9,025
Operating Profit	1,489	3,772	5,748	7,570	1,850	5,239	7,732	10,014		+2,444
Non Operating Balance	190	277	252	289	195	307	243	123		(166)
Recurring Profit	1,679	4,049	6,000	7,859	2,045	5,546	7,975	10,137		+2,278
Extraordinary Balance	83	93	(254)	1,790	(246)	(244)	(388)	(851)		(2,641)
Profit before Income Taxes	1,762	4,142	5,746	9,649	1,799	5,302	7,587	9,286		(363)
Total Income Taxes	609	1,384	861	1,597	368	1,453	2,255	2,992		+1,395
NP Belonging to Non-Controlling SHs	3	7	9	37	80	346	407	441		+404
Profit Attributable to Owners of Parent	1,148	2,750	4,874	8,014	1,350	3,502	4,924	5,852		(2,162)
Sales YoY	(1.2%)	(1.0%)	(0.2%)	+24.1%	+97.4%	+99.9%	+95.0%	+51.5%		-
Operating Profit YoY	(28.7%)	(14.2%)	(13.1%)	(6.8%)	+24.2%	+38.9%	+34.5%	+32.3%		-
Recurring Profit YoY	(23.8%)	(13.9%)	(15.4%)	(10.1%)	+21.8%	+37.0%	+32.9%	+29.0%		-
Profit Attributable to Owners of Parent YoY	(34.4%)	(21.8%)	(11.5%)	+23.5%	+17.6%	+27.4%	+1.0%	(27.0%)		-
Gross Profit Margin	13.8%	13.9%	13.8%	12.1%	10.1%	10.3%	10.4%	10.6%		(1.5%)
Sales to SG&A Expenses Ratio	11.1%	10.6%	10.5%	9.6%	8.4%	8.0%	8.1%	8.3%		(1.2%)
Operating Profit Margin	2.7%	3.3%	3.3%	2.6%	1.7%	2.3%	2.3%	2.3%		(0.3%)
Recurring Profit Margin	3.0%	3.5%	3.5%	2.7%	1.9%	2.4%	2.4%	2.3%		(0.4%)
Profit Attributable to Owners of Parent Margin	2.1%	2.4%	2.8%	2.7%	1.2%	1.5%	1.5%	1.3%		(1.4%)
Total Income Taxes/Profit before Income Taxes	34.6%	33.4%	15.0%	16.6%	20.5%	27.4%	29.7%	32.2%		+15.7%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020	03/2020	
Sales	55,493	59,890	58,399	118,997	109,564	121,066	108,171	104,814		(14,183)
Cost of Sales	47,851	51,509	50,398	107,475	98,501	108,358	96,696	93,043		(14,432)
Gross Profit	7,641	8,382	8,000	11,523	11,062	12,709	11,474	11,771		+248
SG&A Expenses	6,152	6,099	6,024	9,701	9,212	9,319	8,982	9,488		(213)
Operating Profit	1,489	2,283	1,976	1,822	1,850	3,389	2,493	2,282		+460
Non Operating Balance	190	87	(25)	37	195	112	(64)	(120)		(157)
Recurring Profit	1,679	2,370	1,951	1,859	2,045	3,501	2,429	2,162		+303
Extraordinary Balance	83	10	(347)	2,044	(246)	2	(144)	(463)		(2,507)
Profit before Income Taxes	1,762	2,380	1,604	3,903	1,799	3,503	2,285	1,699		(2,204)
Total Income Taxes	609	775	(523)	736	368	1,085	802	737		+1
NP Belonging to Non-Controlling SHs	3	4	2	28	80	266	61	34		+6
Profit Attributable to Owners of Parent	1,148	1,602	2,124	3,140	1,350	2,152	1,422	928		(2,212)
Sales YoY	(1.2%)	(0.9%)	+1.6%	+92.3%	+97.4%	+102.1%	+85.2%	(11.9%)		-
Operating Profit YoY	(28.7%)	(1.0%)	(11.0%)	+21.0%	+24.2%	+48.4%	+26.2%	+25.2%		-
Recurring Profit YoY	(23.8%)	(5.1%)	(18.4%)	+12.9%	+21.8%	+47.7%	+24.5%	+16.3%		-
Profit Attributable to Owners of Parent YoY	(34.4%)	(9.3%)	+6.5%	+220.4%	+17.6%	+34.3%	(33.1%)	(70.4%)		-
Gross Profit Margin	13.8%	14.0%	13.7%	9.7%	10.1%	10.5%	10.6%	11.2%		+1.5%
Sales to SG&A Expenses Ratio	11.1%	10.2%	10.3%	8.2%	8.4%	7.7%	8.3%	9.1%		+0.9%
Operating Profit Margin	2.7%	3.8%	3.4%	1.5%	1.7%	2.8%	2.3%	2.2%		+0.6%
Recurring Profit Margin	3.0%	4.0%	3.3%	1.6%	1.9%	2.9%	2.2%	2.1%		+0.5%
Profit Attributable to Owners of Parent Margin	2.1%	2.7%	3.6%	2.6%	1.2%	1.8%	1.3%	0.9%		(1.8%)
Total Income Taxes/Profit before Income Taxes	34.6%	32.6%	(32.6%)	18.9%	20.5%	31.0%	35.1%	43.4%		+24.5%

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative/Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Electronic Components Business	40,507	83,455	124,893	225,598	94,587	199,818	293,527	377,587		+151,989
Information Equipment Business	10,417	21,143	32,374	44,344	10,126	19,968	29,789	43,466		(878)
Software Business	465	1,404	1,943	2,876	437	1,332	1,788	2,778		(98)
Other Business	4,103	9,379	14,570	19,959	4,412	9,510	13,696	19,781		(178)
Sales	55,493	115,383	173,782	292,779	109,564	230,630	338,801	443,615		+150,836
Electronic Components Business	1,071	2,474	3,780	4,761	1,621	4,238	6,418	7,503		+2,742
Information Equipment Business	317	864	1,339	1,906	188	618	854	1,707		(199)
Software Business	(19)	143	122	247	(61)	46	9	236		(11)
Other Business	80	216	415	490	72	259	364	452		(38)
Segment Profit	1,450	3,698	5,657	7,406	1,820	5,163	7,647	9,900		+2,494
Elimination	38	73	91	163	30	76	84	114		(49)
Operating Profit	1,489	3,772	5,748	7,570	1,850	5,239	7,732	10,014		+2,444
Electronic Components Business	2.6%	3.0%	3.0%	2.1%	1.7%	2.1%	2.2%	2.0%		(0.1%)
Information Equipment Business	3.0%	4.1%	4.1%	4.3%	1.9%	3.1%	2.9%	3.9%		(0.4%)
Software Business	(4.1%)	10.2%	6.3%	8.6%	(14.0%)	3.5%	0.5%	8.5%		(0.1%)
Other Business	1.9%	2.3%	2.8%	2.5%	1.6%	2.7%	2.7%	2.3%		(0.2%)
Segment Profit Margin	2.6%	3.2%	3.3%	2.5%	1.7%	2.2%	2.3%	2.2%		(0.3%)
Elimination	0.1%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%		(0.0%)
Operating Profit Margin	2.7%	3.3%	3.3%	2.6%	1.7%	2.3%	2.3%	2.3%		(0.3%)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
	03/2019	03/2019	03/2019	03/2019	03/2020	03/2020	03/2020	03/2020		
Electronic Components Business	40,507	42,948	41,438	100,705	94,587	105,231	93,709	84,060		(16,645)
Information Equipment Business	10,417	10,726	11,231	11,970	10,126	9,842	9,821	13,677		+1,707
Software Business	465	939	539	933	437	895	456	990		+57
Other Business	4,103	5,276	5,191	5,389	4,412	5,098	4,186	6,085		+696
Sales	55,493	59,890	58,399	118,997	109,564	121,066	108,171	104,814		(14,183)
Electronic Components Business	1,071	1,403	1,306	981	1,621	2,617	2,180	1,085		+104
Information Equipment Business	317	547	475	567	188	430	236	853		+286
Software Business	(19)	162	(21)	125	(61)	107	(37)	227		+102
Other Business	80	136	199	75	72	187	105	88		+13
Segment Profit	1,450	2,248	1,959	1,749	1,820	3,343	2,484	2,253		+504
Elimination	38	35	18	72	30	46	8	30		(42)
Operating Profit	1,489	2,283	1,976	1,822	1,850	3,389	2,493	2,282		+460
Electronic Components Business	2.6%	3.3%	3.2%	1.0%	1.7%	2.5%	2.3%	1.3%		+0.3%
Information Equipment Business	3.0%	5.1%	4.2%	4.7%	1.9%	4.4%	2.4%	6.2%		+1.5%
Software Business	(4.1%)	17.3%	(3.9%)	13.4%	(14.0%)	12.0%	(8.1%)	22.9%		+9.5%
Other Business	1.9%	2.6%	3.8%	1.4%	1.6%	3.7%	2.5%	1.4%		+0.1%
Segment Profit Margin	2.6%	3.8%	3.4%	1.5%	1.7%	2.8%	2.3%	2.1%		+0.7%
Elimination	0.1%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%		(0.0%)
Operating Profit Margin	2.7%	3.8%	3.4%	1.5%	1.7%	2.8%	2.3%	2.2%		+0.6%

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019	Q1 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020		
Cash & Deposit	30,765	30,412	24,669	35,003	32,668	42,931	42,084	43,384	+8,381	
Accounts Receivables	46,360	48,353	47,918	101,506	93,234	97,509	92,423	91,371	(10,135)	
Inventory	22,635	22,074	24,794	40,025	43,923	34,792	33,307	31,906	(8,119)	
Other	5,221	3,425	28,086	5,862	6,824	6,901	7,042	7,670	+1,808	
Current Assets	104,981	104,264	125,467	182,396	176,649	182,133	174,856	174,331	(8,065)	
Tangible Assets	12,250	12,456	13,187	15,011	16,599	17,020	18,496	17,974	+2,963	
Intangible Assets	861	964	952	2,206	2,167	1,957	2,072	2,256	+50	
Investments & Other Assets	12,385	13,126	13,277	14,147	13,856	13,364	14,578	13,075	(1,072)	
Fixed Assets	25,498	26,547	27,418	31,364	32,623	32,341	35,147	33,306	+1,942	
Total Assets	130,479	130,811	152,885	213,761	209,272	214,475	210,004	207,638	(6,123)	
Accounts Payables	37,448	35,381	35,789	77,884	71,685	74,696	72,038	70,188	(7,696)	
Short Term Debt	5,803	6,731	29,531	30,656	33,690	31,710	7,691	6,540	(24,116)	
Other	7,679	7,216	6,989	12,800	11,792	14,220	14,523	16,927	+4,127	
Current Liabilities	50,930	49,328	72,309	121,340	117,167	120,626	94,252	93,655	(27,685)	
Long Term Debt	2,850	2,540	2,194	1,882	1,692	1,372	21,054	20,833	+18,951	
Other	5,697	5,695	5,444	6,279	6,940	7,010	7,436	6,899	+620	
Fixed Liabilities	8,547	8,235	7,638	8,161	8,632	8,382	28,490	27,732	+19,571	
Total Liabilities	59,477	57,564	79,948	129,501	125,800	129,008	122,742	121,388	(8,113)	
Shareholders' Equity	69,308	70,909	72,110	75,272	75,387	77,539	78,138	79,097	+3,825	
Other	1,693	2,338	827	8,987	8,085	7,927	9,123	7,153	(1,834)	
Net Assets	71,001	73,247	72,937	84,259	83,472	85,466	87,261	86,250	+1,991	
Total Liabilities & Net Assets	130,479	130,811	152,885	213,761	209,272	214,475	210,004	207,638	(6,123)	
Equity Capital	70,921	73,162	72,852	76,604	75,837	77,617	79,254	78,284	+1,680	
Interest Bearing Debt	8,653	9,271	31,725	32,538	35,382	33,082	28,745	27,373	(5,165)	
Net Debt	(22,112)	(21,141)	7,056	(2,465)	2,714	(9,849)	(13,339)	(16,011)	(13,546)	
Equity Ratio	54.4%	55.9%	47.7%	35.8%	36.2%	36.2%	37.7%	37.7%	-	
Net Debt Equity Ratio	(31.2%)	(28.9%)	9.7%	(3.2%)	3.6%	(12.7%)	(16.8%)	(20.5%)	-	
ROE (12 months)	8.5%	8.1%	8.1%	10.9%	11.2%	11.6%	10.6%	7.6%	-	
ROA (12 months)	6.5%	6.3%	5.4%	4.6%	4.8%	5.4%	5.4%	4.8%	-	
Days for Inventory Turnover	43	39	45	34	41	29	31	31	-	
Quick Ratio	151%	160%	100%	113%	107%	116%	143%	144%	-	
Current Ratio	206%	211%	174%	150%	151%	151%	186%	186%	-	

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative/Quarterly)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019	Q1 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020		
Operating Cash Flow	-	1,898	-	(1,547)	-	12,242	-	22,406	+23,953	
Investing Cash Flow	-	(4,938)	-	(6,860)	-	(1,899)	-	(3,651)	+3,209	
Operating CF and Investing CF	-	(3,040)	-	(8,407)	-	10,343	-	18,755	+27,162	
Financing Cash Flow	-	(685)	-	11,684	-	(746)	-	(7,544)	(19,228)	

Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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