

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)
FY03/2020		443,615	10,014	10,137	5,852	213.21	70.00	2,850.99
FY03/2021		422,365	11,467	11,241	11,399	415.07	80.00	3,311.24
FY03/2022CoE		470,000	13,000	12,000	8,000	291.20	80.00	-
FY03/2021	YoY	(4.8%)	14.5%	10.9%	94.8%	-	-	-
FY03/2022CoE	YoY	11.3%	13.4%	6.7%	(29.8%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (28 May 2021)

Expanding EMS Business


On 27 May 2021, KAGA ELECTRONICS, one of the largest electronics trading companies, held its financial results briefing (web conference). It has been revealed that EMS business to mainly produce electronic substrates by commissioning is seeing performance better than previous expectations due mainly to strengths on in-car demand. There were concerns about the impacts stemming from COVID-19 at the beginning of the period, but the Company has renewed its record high in operating profit, recurring profit and profit attributable to owners of parent for FY03/2021. With the acquisition of Fujitsu Electronics (currently, KAGA FED), gross profit margin as a whole for the Company continued declining for FY03/2019 and FY03/2020, but it was followed by a recovery in FY03/2021. According to Ryoichi Kado, President & COO, the Company has “evolved its *capability to generate earnings*”. Meanwhile, the Company appears to be planning to ensure long-term growth by strengthening its governance structure. The Company plans to increase the number of independent External Board Director and establish Nominating and Compensation Committee after upcoming General Meeting of Shareholders (held on 29 June 2021). Prior to this, the Company has established SDGs Committee to promote sustainability management in a manner that covers all the group companies across the board.

For your reference: [Earnings Presentations for FY03/2021](#)

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2.0 Company Profile

Independent Electronics Trading Company

Company Name	KAGA ELECTRONICS CO.,LTD. Company Website IR Information Share price (Japanese)	 KAGA ELECTRONICS CO.,LTD.
Established	12 September 1968	
Listing	4 December 1985: Tokyo Stock Exchange 1st section (ticker: 8154)	
Capital	¥12,133m (as of the end of March 2021)	
No. of Shares	28,702,118 shares, including 1,229,877 treasury shares (as of the end of March 2021)	
Main Features	<ul style="list-style-type: none">● Heavily involved with EMS business to see high profitability● Trying to get at long-term growth for EMS business with a stability● Beefing up scale of business by consistent acquisitions	
Segment(s)	I . Electronic Components Business II . Information Equipment Business III . Software Business IV . Other Business	
Representative(s)	Founder & CEO: Isao Tsukamoto / President & COO: Ryoichi Kado	
Shareholders	SANKYO Co. 13.92%, OKOZE Co. 6.70%, Custody Bank of Japan, T. 6.25%, The Master Trust Bank of Japan, T. 5.32%, MUFG Bank 4.41% (as of the end of March 2021, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 7,826, Parent: 556 (as of the end of March 2021)	

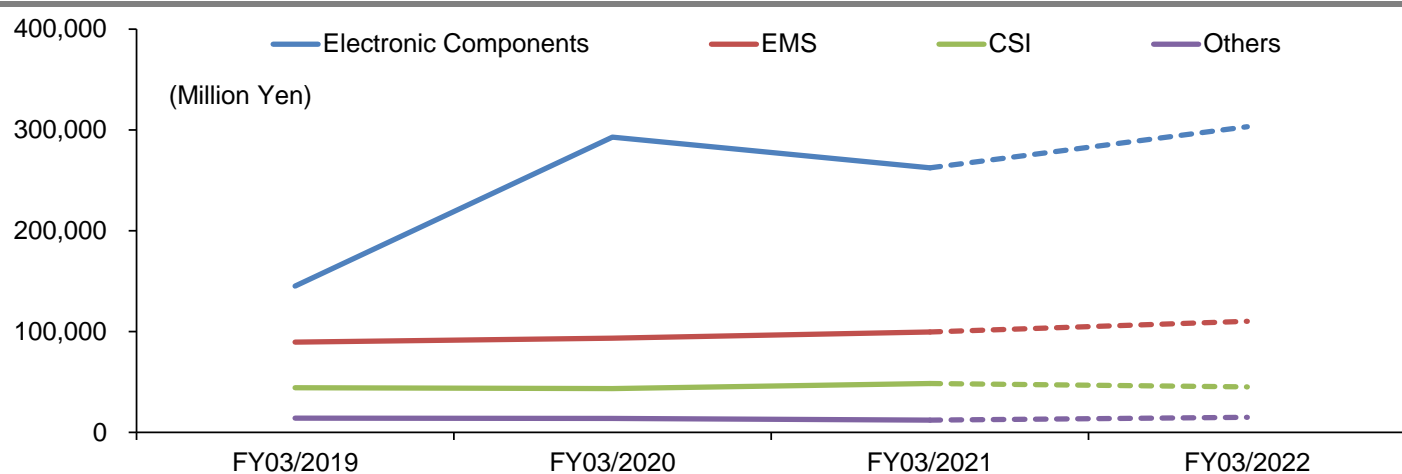
Source: Company Data

3.0 Recent Trading and Prospects

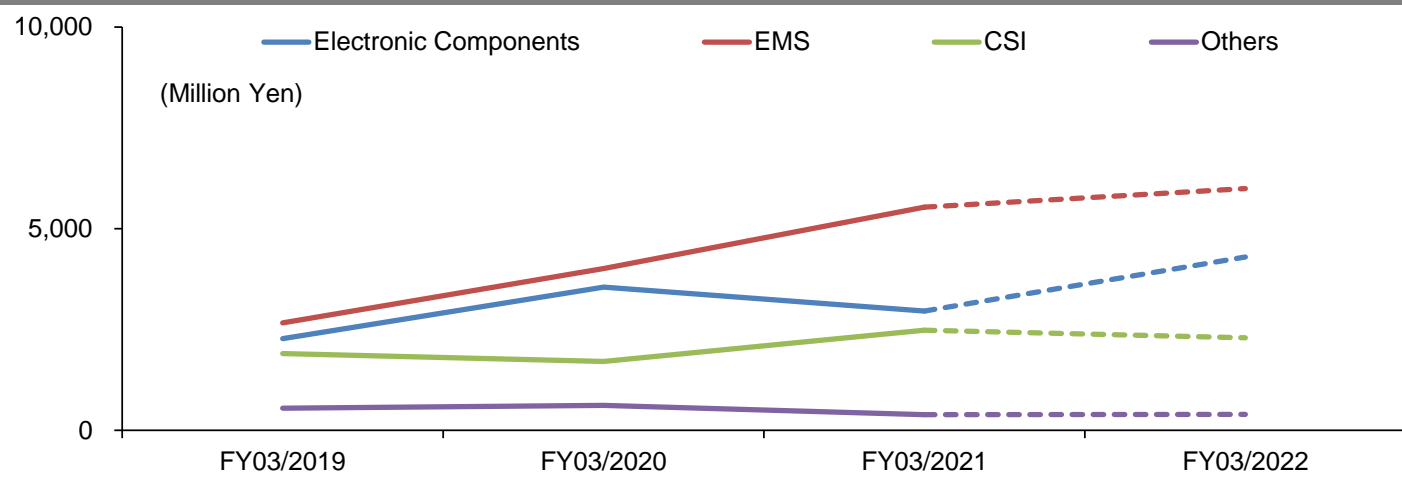
FY03/2021

In FY03/2021, sales came in at ¥422,365m (down 4.8% YoY), operating profit ¥11,467m (up 14.5%), recurring profit ¥11,241m (up 10.9%) and profit attributable to owners of parent ¥11,399m (up 94.8%), while operating profit margin 2.7% (up 0.5% points). At the same time, gross profit came in at ¥47,936m (up 2.0%) and SG&A expenses ¥36,469m (down 1.4%), implying gross profit margin of 11.3% (up 0.7% points) and sales to SG&A expenses ratio of 8.6% (up 0.3% points).

Midterm Management Plan (Segment Sales)



Midterm Management Plan (Segment Profit)



Source: Company Data, WRJ Calculation

Having seen extraordinary gain of ¥8,122m and extraordinary loss of ¥4,892m, the Company saw add-on of ¥3,230m at the pretax level for profit attributable to owners of parent. As a result, the Company will inevitably suffer from a factor to cut back on earnings to a corresponding extent for FY03/2022. Extraordinary gain was of negative goodwill generated by the acquisition of EXCEL CO., LTD., while extraordinary loss was mainly of credit loss & provision for doubtful accounts, etc. (¥2,230m) and impairment (¥1,893m).

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 13 May 2021) are going for prospective sales of ¥470,000m (up 11.3% YoY), operating profit of ¥13,000m (up 13.4%), recurring profit of ¥12,000m (up 6.7%) and profit attributable to owners of parent of ¥8,000m (down 29.8%), while operating profit margin of 2.8% (up 0.1% point). At the same time, Company forecasts are also going for prospective annual dividend of ¥80.00 per share, implying payout ratio of 27.5%.

In the current midterm management plan, the management target is to achieve sales of ¥500,000m and operating profit of ¥13,000m for FY03/2022, the final year of the plan. Based on Company forecasts above-mentioned, the Company is to achieve operating profit in line, but sales slightly lower. More importantly, however, the Company has not abandoned the management target to date.

4.0 Financial Statements

Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Sales	227,209	235,921	292,779	443,615	422,365	470,000	+47,635
Cost of Sales	195,983	203,423	257,233	396,598	374,428	-	-
Gross Profit	31,225	32,498	35,546	47,016	47,936	-	-
SG&A Expenses	24,346	24,379	27,976	37,001	36,469	-	-
Operating Profit	6,879	8,119	7,570	10,014	11,467	13,000	+1,533
Non Operating Balance	464	621	289	123	(226)	(1,000)	(774)
Recurring Profit	7,343	8,740	7,859	10,137	11,241	12,000	+759
Extraordinary Balance	489	560	1,790	(851)	3,231	-	-
Profit before Income Taxes	7,832	9,300	9,649	9,286	14,472	-	-
Total Income Taxes	842	2,792	1,597	2,992	3,156	-	-
NP Belonging to Non-Controlling SHs	14	16	37	441	(84)	-	-
Profit Attributable to Owners of Parent	6,975	6,490	8,014	5,852	11,399	8,000	(3,399)
Sales YoY	(7.4%)	+3.8%	+24.1%	+51.5%	(4.8%)	+11.3%	-
Operating Profit YoY	(11.7%)	+18.0%	(6.8%)	+32.3%	+14.5%	+13.4%	-
Recurring Profit YoY	(7.1%)	+19.0%	(10.1%)	+29.0%	+10.9%	+6.7%	-
Profit Attributable to Owners of Parent YoY	+28.3%	(7.0%)	+23.5%	(27.0%)	+94.8%	(29.8%)	-
Gross Profit Margin	13.7%	13.8%	12.1%	10.6%	11.3%	-	-
Sales to SG&A Expenses Ratio	10.7%	10.3%	9.6%	8.3%	8.6%	-	-
Operating Profit Margin	3.0%	3.4%	2.6%	2.3%	2.7%	2.8%	+0.1%
Recurring Profit Margin	3.2%	3.7%	2.7%	2.3%	2.7%	2.6%	(0.1%)
Profit Attributable to Owners of Parent Margin	3.1%	2.8%	2.7%	1.3%	2.7%	1.7%	(1.0%)
Total Income Taxes / Profit before Income Taxes	10.8%	30.0%	16.6%	32.2%	21.8%	-	-

Source: Company Data, WRJ Calculation

Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Electronic Components Business	171,227	172,248	225,598	377,587	353,454	404,000	+50,546
Information Equipment Business	42,547	47,582	44,344	43,466	48,389	45,000	(3,389)
Software Business	3,159	2,568	2,876	2,778	2,932	3,000	+68
Other Business	10,274	13,522	19,959	19,781	17,589	18,000	+411
Sales	227,209	235,921	292,779	443,615	422,365	470,000	+47,635
Electronic Components Business	4,917	5,312	4,761	7,503	8,151	9,900	+1,749
Information Equipment Business	1,491	2,202	1,906	1,707	2,482	2,300	(182)
Software Business	528	172	247	236	263	300	+37
Other Business	(212)	308	490	452	474	500	+26
Segment Profit	6,724	7,996	7,406	9,900	11,371	13,000	+1,629
Elimination	154	123	163	114	95	-	(95)
Operating Profit	6,879	8,119	7,570	10,014	11,467	13,000	+1,533
Electronic Components Business	2.9%	3.1%	2.1%	2.0%	2.3%	2.5%	+0.1%
Information Equipment Business	3.5%	4.6%	4.3%	3.9%	5.1%	5.1%	(0.0%)
Software Business	16.7%	6.7%	8.6%	8.5%	9.0%	10.0%	+1.0%
Other Business	(2.1%)	2.3%	2.5%	2.3%	2.7%	2.8%	+0.1%
Segment Profit Margin	3.0%	3.4%	2.5%	2.2%	2.7%	2.8%	+0.1%
Elimination	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	(0.0%)
Operating Profit Margin	3.0%	3.4%	2.6%	2.3%	2.7%	2.8%	+0.1%

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Cash & Deposit	26,423	30,803	35,003	43,384	45,636	-	-
Accounts Receivables	52,008	49,841	101,506	91,371	108,394	-	-
Inventory	19,324	19,453	40,025	31,906	37,947	-	-
Other	5,929	3,972	5,862	7,670	8,202	-	-
Current Assets	103,684	104,069	182,396	174,331	200,179	-	-
Tangible Assets	11,745	12,210	15,011	17,974	18,225	-	-
Intangible Assets	841	878	2,206	2,256	2,609	-	-
Investments & Other Assets	9,479	11,595	14,147	13,075	15,990	-	-
Fixed Assets	22,067	24,685	31,364	33,306	36,825	-	-
Total Assets	125,751	128,755	213,761	207,638	237,004	-	-
Accounts Payables	37,553	36,392	77,884	70,188	79,854	-	-
Short Term Debt	4,883	5,385	30,656	6,540	10,800	-	-
Other	7,806	7,930	12,800	16,927	17,863	-	-
Current Liabilities	50,242	49,707	121,340	93,655	108,517	-	-
Long Term Debt	4,603	3,161	1,882	20,833	25,166	-	-
Other	4,973	5,255	6,279	6,899	8,258	-	-
Fixed Liabilities	9,576	8,416	8,161	27,732	33,424	-	-
Total Liabilities	59,819	58,123	129,501	121,388	141,942	-	-
Shareholders' Equity	64,481	69,127	75,272	79,097	89,045	-	-
Other	1,451	1,504	8,987	7,153	6,017	-	-
Net Assets	65,932	70,631	84,259	86,250	95,062	-	-
Total Liabilities & Net Assets	125,751	128,755	213,761	207,638	237,004	-	-
Equity Capital	65,872	70,556	76,604	78,284	90,967	-	-
Interest Bearing Debt	9,486	8,546	32,538	27,373	35,966	-	-
Net Debt	(16,937)	(22,257)	(2,465)	(16,011)	(9,670)	-	-
Equity Ratio	52.4%	54.8%	35.8%	37.7%	38.4%	-	-
Net Debt Equity Ratio	(25.7%)	(31.5%)	(3.2%)	(20.5%)	(10.6%)	-	-
ROE (12 months)	10.9%	9.5%	10.9%	7.6%	13.5%	-	-
ROA (12 months)	5.9%	6.9%	4.6%	4.8%	5.1%	-	-
Days for Inventory Turnover	36	35	57	29	37	-	-
Quick Ratio	156%	162%	113%	144%	142%	-	-
Current Ratio	206%	209%	150%	186%	184%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
(Million Yen)	03/2017	03/2018	03/2019	03/2020	03/2021	03/2022	Net Chg.
Operating Cash Flow	10,746	10,077	(1,547)	22,406	9,999	-	-
Investing Cash Flow	(258)	(4,173)	(6,860)	(3,651)	(2,453)	-	-
Operating CF and Investing CF	10,488	5,904	(8,407)	18,755	7,546	-	-
Financing Cash Flow	(6,188)	(2,811)	11,684	(7,544)	(6,851)	-	-

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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