

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)
FY03/2017	227,209	6,879	7,343	6,975	249.4	60.0	2,401.0
FY03/2018	235,921	8,119	8,740	6,490	236.6	70.0	2,571.8
FY03/2019 Midterm Plan	290,000	-	10,000	-	-	-	-
FY03/2017	YoY (7.4%)	(11.7%)	(7.1%)	28.3%	-	-	-
FY03/2018	YoY 3.8%	18.0%	19.0%	(7.0%)	-	-	-
FY03/2019 Midterm Plan	YoY 22.9%	-	14.4%	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (29 May 2018)

Record High Earnings

On 24 May 2018, KAGA ELECTRONICS, running operations as electronics trading company heavily involved with EMS business, held meeting for institutional investors and analysts on FY03/2018 results released on 9 May. The results show that initial Company forecasts were exceeded and the Company has renewed its record high earnings with recurring profit of ¥8,740m (up 19.0% YoY). Meanwhile, it was also emphasized that the Company increased dividend for five years in a row. Over the past five years, initial Company forecast have been always exceeded as far as earnings are concerned.

Thus, the Company has never failed to meet initial Company forecasts for earnings since the appointment of Ryoichi Kado as President & COO in April 2014, but it was announced that FY03/2019 Company forecasts would not be disclosed by the release of Q2 results. The Company goes rather discrete, because of uncertainty associated with shortage of parts and components to be adopted in own operations of EMS business. Still, given that FY03/2019 is the last year of current midterm management plan, Ryoichi Kado revealed his strong willingness to achieve the business performance target, i.e., sales of ¥290,000m and recurring profit of ¥10,000m in FY03/2019, suggesting increases by 22.9% and 14.4%, respectively, over the previous year.

Meanwhile, the Company newly set up “Investor & Public Relations Office” in April 2018, together with experienced IR representative to have been newly hired in order to promote own IR activities. It appears that contents of presentation document for this meeting as well as of homepage have been nicely innovated, while it appears that “integrated report” is currently being prepared. On top of this, the Company is now keen on appealing to overseas investors through roadshow overseas as well as on coping with engagement.

For your information:

[FY03/2018 Presentation Document \(24 May 2018\)](#)

[FY03/2018 Financial Results \(9 May 2018\)](#)

IR Representative: Investor & Public Relations Office (+81 3 5657 0106 webmaster@taxan.co.jp)

FY03/2018 Company Forecast and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2018CoE	10-May-17	Q4 Results	230,000	7,000	7,500	5,500
FY03/2018CoE	8-Aug-17	Q1 Results	230,000	7,000	7,500	5,500
FY03/2018CoE	25-Oct-17	Revision	232,000	7,500	8,200	6,300
		Amount of Gap	2,000	500	700	800
		Rate of Gap	0.9%	7.1%	9.3%	14.5%
FY03/2018CoE	8-Nov-17	Q2 Results	232,000	7,500	8,200	6,300
FY03/2018CoE	6-Feb-18	Q3 Results	232,000	8,000	8,700	6,450
		Amount of Gap	0	500	500	150
		Rate of Gap	0.0%	6.7%	6.1%	2.4%
FY03/2018Act	9-May-18	Q4 Results	235,921	8,119	8,740	6,490
		Amount of Gap	3,921	119	40	40
		Rate of Gap	1.7%	1.5%	0.5%	0.6%
FY03/2018CoE	10-May-17	Q4 Results	230,000	7,000	7,500	5,500
FY03/2018Act	9-May-18	Q4 Results	235,921	8,119	8,740	6,490
		Amount of Gap	5,921	1,119	1,240	990
		Rate of Gap	2.6%	16.0%	16.5%	18.0%

Source: Company Data, WRJ Calculation


Initial Company Forecasts and Results in Past Five Years

(Million Yen)		FY03/2014	FY03/2015	FY03/2016	FY03/2017	FY03/2018
Sales	Results	257,852	255,143	245,387	227,209	235,921
Operating Profit	Results	5,106	6,362	7,788	6,879	8,119
Recurring Profit	Results	5,847	7,664	7,908	7,343	8,740
Net Profit	Results	3,877	4,416	5,437	6,975	6,490
Sales	Initial CoE	230,000	260,000	260,000	230,000	230,000
Operating Profit	Initial CoE	1,800	5,300	6,500	5,700	7,000
Recurring Profit	Initial CoE	2,300	6,000	7,000	6,400	7,500
Net Profit	Initial CoE	1,200	4,000	4,600	4,700	5,500
Sales	Results / Initial CoE	1.12	0.98	0.94	0.99	1.03
Operating Profit	Results / Initial CoE	2.84	1.20	1.20	1.21	1.16
Recurring Profit	Results / Initial CoE	2.54	1.28	1.13	1.15	1.17
Net Profit	Results / Initial CoE	3.23	1.10	1.18	1.48	1.18

Source: Company Data, WRJ Calculation

2.0 Company Profile

Electronics Trading Company Heavily Involved with EMS Business

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 2018)
No. of Shares	28,702,118 shares, including 1,267,393 treasury shares (as of the end of March 2018)
Main Features	<ul style="list-style-type: none"> ● Heavily involved with EMS business (consigned manufacture of final products), carrying high gross profit margin ● Beefing up EMS business by entering operations in Vietnam, Mexico and Turkey ● Hard to come up with reasonable Company forecasts now due to shortage of parts and components
Business Segments	<ul style="list-style-type: none"> . Electronic Components Business . Information Equipment Business . Software Business . Other
Top Management	Founder & CEO Isao Tsukamoto, President & COO: Ryoichi Kado
Shareholders	SANKYO CO., Ltd. 13.94%, OKOZE CO., LTD 6.71%, Japan Trustee Services Bank, Ltd. 5.74%, MUFG Bank, Ltd. 4.42%, KAGA ELECTRONICS Employee Shareowners Association 4.10% (as of the end of March 2018)
Headquarters	Chiyoda-ku, Tokyo, JAPAN
No. of Employees	Consolidated: 5,417, Parent: 588 (as of the end of March 2018)

Source: Company Data

3.0 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
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Sales	257,852	255,143	245,387	227,209	235,921	-	-
CoGS	225,330	222,405	211,739	195,983	203,423	-	-
Gross Profit	32,522	32,738	33,648	31,225	32,498	-	-
SG&A	27,416	26,376	25,859	24,346	24,379	-	-
Operating Profit	5,106	6,362	7,788	6,879	8,119	-	-
Non Operating Balance	741	1,302	120	464	621	-	-
Recurring Profit	5,847	7,664	7,908	7,343	8,740	-	-
Extraordinary Balance	(188)	(383)	(330)	489	560	-	-
Profit before Income Taxes	5,659	7,281	7,578	7,832	9,300	-	-
Total Income Taxes	1,772	2,855	2,145	842	2,792	-	-
NP Belonging to Non-Controlling SHs	9	10	(3)	14	16	-	-
Profit Attributable to Owners of Parent	3,877	4,416	5,437	6,975	6,490	-	-
Sales YoY	+19.2%	(1.1%)	(3.8%)	(7.4%)	+3.8%	-	-
Operating Profit YoY	+305.2%	+24.6%	+22.4%	(11.7%)	+18.0%	-	-
Recurring Profit YoY	+202.8%	+31.1%	+3.2%	(7.1%)	+19.0%	-	-
Profit Attributable to Owners of Parent YoY	+771.8%	+13.9%	+23.1%	+28.3%	(7.0%)	-	-
Gross Profit Margin	12.6%	12.8%	13.7%	13.7%	13.8%	-	-
(SG&A / Sales)	10.6%	10.3%	10.5%	10.7%	10.3%	-	-
Operating Profit Margin	2.0%	2.5%	3.2%	3.0%	3.4%	-	-
Recurring Profit Margin	2.3%	3.0%	3.2%	3.2%	3.7%	-	-
Profit Attributable to Owners of Parent Margin	1.5%	1.7%	2.2%	3.1%	2.8%	-	-
Total Income Taxes / Profit before Income Taxes	31.3%	39.2%	28.3%	10.8%	30.0%	-	-

Source: Company Data, WRJ Calculation

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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
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Electronic Components Business	194,782	197,188	189,486	171,227	172,248	-	-
Information Equipment Business	46,505	42,024	40,880	42,547	47,582	-	-
Software Business	3,306	2,889	2,897	3,159	2,568	-	-
Other	13,258	13,040	12,123	10,274	13,522	-	-
Sales	257,852	255,143	245,387	227,209	235,921	-	-
Electronic Components Business	3,805	4,852	6,515	4,917	5,312	-	-
Information Equipment Business	866	707	811	1,491	2,202	-	-
Software Business	79	442	695	528	172	-	-
Other	410	169	(343)	(212)	308	-	-
Segment Profit	5,161	6,171	7,679	6,724	7,996	-	-
Elimination	(54)	190	109	154	123	-	-
Operating Profit	5,106	6,362	7,788	6,879	8,119	-	-
Electronic Components Business	2.0%	2.5%	3.4%	2.9%	3.1%	-	-
Information Equipment Business	1.9%	1.7%	2.0%	3.5%	4.6%	-	-
Software Business	2.4%	15.3%	24.0%	16.7%	6.7%	-	-
Other	3.1%	1.3%	(2.8%)	(2.1%)	2.3%	-	-
Segment Profit	2.0%	2.4%	3.1%	3.0%	3.4%	-	-
Elimination	(0.0%)	0.1%	0.0%	0.1%	0.1%	-	-
Operating Profit Margin	2.0%	2.5%	3.2%	3.0%	3.4%	-	-

Source: Company Data, WRJ Calculation

Sales by Merchandise

Sales by Merchandise (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Information Equipment	52,874	46,607	48,940	48,947	53,711	-	-
EMS	90,123	95,102	87,923	81,867	83,848	-	-
Semiconductor	60,654	52,965	53,685	41,453	43,309	-	-
General Electronic Components	26,825	30,899	29,102	26,917	31,938	-	-
Other	27,375	29,568	25,735	28,024	23,114	-	-
Sales	257,852	255,143	245,387	227,209	235,921	-	-
Information Equipment	+19.8%	(11.9%)	+5.0%	+0.0%	+9.7%	-	-
EMS	+27.8%	+5.5%	(7.5%)	(6.9%)	+2.4%	-	-
Semiconductor	+19.0%	(12.7%)	+1.4%	(22.8%)	+4.5%	-	-
General Electronic Components	+4.6%	+15.2%	(5.8%)	(7.5%)	+18.7%	-	-
Other	+9.0%	+8.0%	(13.0%)	+8.9%	(17.5%)	-	-
Sales (YoY)	+19.2%	(1.1%)	(3.8%)	(7.4%)	+3.8%	-	-
Information Equipment	20.5%	18.3%	19.9%	21.5%	22.8%	-	-
EMS	35.0%	37.3%	35.8%	36.0%	35.5%	-	-
Semiconductor	23.5%	20.8%	21.9%	18.2%	18.4%	-	-
General Electronic Components	10.4%	12.1%	11.9%	11.8%	13.5%	-	-
Other	10.6%	11.6%	10.5%	12.3%	9.8%	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-

Source: Company Data, WRJ Calculation

Sales by Region

Sales by Region (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	03/2014	03/2015	03/2016	03/2017	03/2018	03/2019	Net Chg.
Japan	180,170	173,048	167,914	151,912	149,024	-	-
North America	3,918	5,363	5,840	5,995	8,628	-	-
Europe	2,430	2,506	2,662	2,518	4,034	-	-
East Asia	71,333	74,225	68,970	66,783	74,234	-	-
Sales	257,852	255,143	245,387	227,209	235,921	-	-
Japan	+18.3%	(4.0%)	(3.0%)	(9.5%)	(1.9%)	-	-
North America	+61.4%	+36.9%	+8.9%	+2.7%	+43.9%	-	-
Europe	(28.4%)	+3.1%	+6.2%	(5.4%)	+60.2%	-	-
East Asia	+22.4%	+4.1%	(7.1%)	(3.2%)	+11.2%	-	-
Sales (YoY)	+19.2%	(1.1%)	(3.8%)	(7.4%)	+3.8%	-	-
Japan	69.9%	67.8%	68.4%	66.9%	63.2%	-	-
North America	1.5%	2.1%	2.4%	2.6%	3.7%	-	-
Europe	0.9%	1.0%	1.1%	1.1%	1.7%	-	-
East Asia	27.7%	29.1%	28.1%	29.4%	31.5%	-	-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	-	-

Source: Company Data, WRJ Calculation

Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Cash & Deposit	14,192	18,130	22,516	26,423	30,803	-	-
Accounts Receivables	60,667	58,167	54,795	52,008	49,841	-	-
Inventory	21,217	22,701	19,174	19,324	19,453	-	-
Other	6,854	5,426	5,476	5,929	5,000	-	-
Current Assets	102,930	104,424	101,961	103,684	105,097	-	-
Tangible Assets	12,625	12,725	12,058	11,745	12,210	-	-
Intangible Assets	1,533	1,131	1,003	841	878	-	-
Investments & Other Assets	8,938	9,667	9,257	9,479	11,305	-	-
Fixed Assets	23,098	23,524	22,319	22,067	24,395	-	-
Total Assets	126,028	127,948	124,281	125,751	129,493	-	-
Accounts Payables	41,695	40,543	36,858	37,553	36,392	-	-
Short Term Debt	12,172	5,925	6,295	4,883	5,385	-	-
Other	9,543	8,144	8,016	7,806	7,931	-	-
Current Liabilities	63,410	54,612	51,169	50,242	49,708	-	-
Long Term Debt	4,681	8,253	6,007	4,603	3,161	-	-
Other	5,111	5,480	5,296	4,973	5,991	-	-
Fixed Liabilities	9,792	13,733	11,303	9,576	9,152	-	-
Total Liabilities	73,202	68,345	62,472	59,819	58,861	-	-
Shareholders' Equity	52,923	56,538	60,702	64,481	69,127	-	-
Other	(98)	3,065	1,106	1,451	1,504	-	-
Net Assets	52,825	59,603	61,808	65,932	70,631	-	-
Total Liabilities & Net Assets	126,028	127,948	124,281	125,751	129,493	-	-
Equity Capital	52,786	59,564	61,764	65,872	70,556	-	-
Interest Bearing Debt	16,853	14,178	12,303	9,486	8,546	-	-
Net Debt	2,661	(3,952)	(10,213)	(16,937)	(22,257)	-	-
Equity Ratio	41.9%	46.6%	49.7%	52.4%	54.5%	-	-
Net Debt Equity Ratio	5.0%	(6.6%)	(16.5%)	(25.7%)	(31.5%)	-	-
ROE (12 months)	7.6%	7.8%	9.0%	10.9%	9.5%	-	-
ROA (12 months)	4.9%	6.0%	6.3%	5.9%	6.9%	-	-
Days for Inventory Turnover	34	37	33	36	35	-	-
Quick Ratio	118%	140%	151%	156%	162%	-	-
Current Ratio	162%	191%	199%	206%	211%	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 03/2014	FY 03/2015	FY 03/2016	FY 03/2017	FY 03/2018	FY 03/2019	YoY Net Chg.
Operating Cash Flow	3,334	9,127	9,546	10,746	10,077	-	-
Investing Cash Flow	(3,339)	(1,465)	(1,263)	(258)	(4,173)	-	-
Operating CF & Investing CF	(5)	7,662	8,283	10,488	5,904	-	-
Financing Cash Flow	1,024	(4,431)	(3,067)	(6,188)	(2,811)	-	-

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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