

# 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
FY03/2019CoE		290,000	7,700	8,000	7,300	266.0	75.0	-
FY03/2018	YoY	3.8%	18.0%	19.0%	(7.0%)	-	-	-
FY03/2019CoE	YoY	22.9%	(5.2%)	(8.5%)	12.5%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2018		116,582	4,394	4,703	3,516	-	-	-
Q3 to Q4 FY03/2018		119,339	3,725	4,037	2,974	-	-	-
Q1 to Q2 FY03/2019		115,383	3,772	4,049	2,750	-	-	-
Q3 to Q4 FY03/2019CoE		174,617	3,928	3,951	4,550	-	-	-
Q1 to Q2 FY03/2018	YoY	6.3%	36.8%	54.4%	13.0%	-	-	-
Q3 to Q4 FY03/2018	YoY	1.5%	1.6%	(6.1%)	(23.0%)	-	-	-
Q1 to Q2 FY03/2019	YoY	(1.0%)	(14.2%)	(13.9%)	(21.8%)	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	46.3%	5.4%	(2.1%)	53.0%	-	-	-

Source: Company Data, WRJ Calculation

## 1.0 NEWS RELEASE (6 November 2018)

### Next Midterm Management Plan

On 6 November 2018, KAGA ELECTRONICS, electronics trading company heavily involved with EMS business, released the outline of “Midterm Management Plan 2021 (2019-2021)”. While FY03/2019 Company forecasts released at the same time are going for prospective sales of ¥290,000m (up 22.9% YoY), operating profit of ¥7,700m (down 5.2%) and ROE of 9.9%, this next midterm management plan sales of ¥500,000m, operating profit of ¥13,000m and ROE of 8.0% or more in the last year, i.e., FY03/2022, as the business performance target. When based on FY03/2019 Company forecasts, this implies CAGR of 19.9% for sales and 19.1% for earnings over three-year period through FY03/2020 to FY03/2022. The Company is to hold results meeting on 29 November and to discuss the issues more in depth.


FY03/2019 Company forecasts assume add-on sales of almost ¥60,000m in Q4 (3 months), stemming from consolidation of Fujitsu Electronics (announced on 10 September 2018), while next midterm management plan is going for sales during 12 months in FY03/2020, which is expected to be followed by increasing sales over the previous year in FY03/2021 and FY03/2022. As a result, sales stemming from this consolidation are expected to account for 48% of prospective sales of ¥500,000m in FY03/2022. The remaining 52% of sales are of existing business operations after some organic growth. Going forward, the Company remains being keen on further merger and acquisition while consistently beefing up EMS business, calling for sales of ¥1 trillion longer-term, aiming to become a “World Class Company” that will survive competition on a global basis.

[KAGA ELECTRONICS IR information \(updated on 6 November 2018\)](#)

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## 2.0 Company Profile

### Electronics Trading Company Heavily Involved with EMS Business

<b>Company Name</b>	KAGA ELECTRONICS CO., LTD. <a href="#">Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	12 September 1968
<b>Listing</b>	4 December 1985: Tokyo Stock Exchange 1st Section (ticker: 8154)
<b>Capital</b>	¥12,133m (as of the end of September 2018)
<b>No. of Shares</b>	28,702,118 shares, including 1,269,617 treasury shares (as of the end of Sep. 2018)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Heavily involved with EMS business (consigned manufacture of electronic boards, etc.) creating high added value</li> <li>● Beefing up EMS business by entering operations in Vietnam, Mexico and Turkey</li> <li>● Consolidated Fujitsu Electronics as subsidiary</li> </ul>
<b>Business Segments</b>	<ul style="list-style-type: none"> <li>. Electronic Components Business</li> <li>. Information Equipment Business</li> <li>. Software Business</li> <li>. Other</li> </ul>
<b>Top Management</b>	Founder & CEO Isao Tsukamoto, President & COO: Ryoichi Kado
<b>Shareholders</b>	SANKYO CO., Ltd. 13.94%, OKOZE CO., LTD 6.71%, Japan Trustee Services Bank, Ltd. (trust account) 5.74%, MUFG Bank, Ltd. 4.42%, KAGA ELECTRONICS Employee Shareowners Association 4.10% (as of the end of March 2018)
<b>Headquarters</b>	Chiyoda-ku, Tokyo, JAPAN
<b>No. of Employees</b>	Consolidated: 5,427, Parent: 588 (as of the end of March 2018)

Source: Company Data

## 3.0 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.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
<b>Sales</b>	<b>56,174</b>	<b>116,582</b>	<b>174,047</b>	<b>235,921</b>	<b>55,493</b>	<b>115,383</b>	-	-	-	<b>(1,199)</b>
CoGS	48,292	100,363	149,805	203,423	47,851	99,360	-	-	-	(1,003)
Gross Profit	7,882	16,218	24,242	32,498	7,641	16,023	-	-	-	(195)
SG&A	5,793	11,824	17,628	24,379	6,152	12,251	-	-	-	+427
<b>Operating Profit</b>	<b>2,088</b>	<b>4,394</b>	<b>6,613</b>	<b>8,119</b>	<b>1,489</b>	<b>3,772</b>	-	-	-	<b>(622)</b>
Non Operating Balance	117	309	480	621	190	277	-	-	-	(32)
<b>Recurring Profit</b>	<b>2,205</b>	<b>4,703</b>	<b>7,093</b>	<b>8,740</b>	<b>1,679</b>	<b>4,049</b>	-	-	-	<b>(654)</b>
Extraordinary Balance	29	210	702	560	83	93	-	-	-	(117)
Profit before Income Taxes	2,234	4,913	7,795	9,300	1,762	4,142	-	-	-	(771)
Total Income Taxes	476	1,385	2,269	2,792	609	1,384	-	-	-	(1)
NP Belonging to Non-Controlling SHs	7	11	14	16	3	7	-	-	-	(4)
<b>Profit Attributable to Owners of Parent</b>	<b>1,750</b>	<b>3,516</b>	<b>5,510</b>	<b>6,490</b>	<b>1,148</b>	<b>2,750</b>	-	-	-	<b>(766)</b>
Sales YoY	+7.6%	+6.3%	+3.9%	+3.8%	(1.2%)	(1.0%)	-	-	-	-
Operating Profit YoY	+173.0%	+36.8%	+27.7%	+18.0%	(28.7%)	(14.2%)	-	-	-	-
Recurring Profit YoY	+262.1%	+54.4%	+29.0%	+19.0%	(23.8%)	(13.9%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+25.3%	+13.0%	+13.3%	(7.0%)	(34.4%)	(21.8%)	-	-	-	-
Gross Profit Margin	14.0%	13.9%	13.9%	13.8%	13.8%	13.9%	-	-	-	(0.0%)
(SG&A / Sales)	10.3%	10.1%	10.1%	10.3%	11.1%	10.6%	-	-	-	+0.5%
Operating Profit Margin	3.7%	3.8%	3.8%	3.4%	2.7%	3.3%	-	-	-	(0.5%)
Recurring Profit Margin	3.9%	4.0%	4.1%	3.7%	3.0%	3.5%	-	-	-	(0.5%)
Profit Attributable to Owners of Parent Margin	3.1%	3.0%	3.2%	2.8%	2.1%	2.4%	-	-	-	(0.6%)
Total Income Taxes / Profit before Income Taxes	21.3%	28.2%	29.1%	30.0%	34.6%	33.4%	-	-	-	+5.2%
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.
	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	03/2019	
<b>Sales</b>	<b>56,174</b>	<b>60,408</b>	<b>57,465</b>	<b>61,874</b>	<b>55,493</b>	<b>59,890</b>	-	-	-	<b>(518)</b>
CoGS	48,292	52,071	49,442	53,618	47,851	51,509	-	-	-	(562)
Gross Profit	7,882	8,336	8,024	8,256	7,641	8,382	-	-	-	+46
SG&A	5,793	6,031	5,804	6,751	6,152	6,099	-	-	-	+68
<b>Operating Profit</b>	<b>2,088</b>	<b>2,306</b>	<b>2,219</b>	<b>1,506</b>	<b>1,489</b>	<b>2,283</b>	-	-	-	<b>(23)</b>
Non Operating Balance	117	192	171	141	190	87	-	-	-	(105)
<b>Recurring Profit</b>	<b>2,205</b>	<b>2,498</b>	<b>2,390</b>	<b>1,647</b>	<b>1,679</b>	<b>2,370</b>	-	-	-	<b>(128)</b>
Extraordinary Balance	29	181	492	(142)	83	10	-	-	-	(171)
Profit before Income Taxes	2,234	2,679	2,882	1,505	1,762	2,380	-	-	-	(299)
Total Income Taxes	476	909	884	523	609	775	-	-	-	(134)
NP Belonging to Non-Controlling SHs	7	4	3	2	3	4	-	-	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>1,750</b>	<b>1,766</b>	<b>1,994</b>	<b>980</b>	<b>1,148</b>	<b>1,602</b>	-	-	-	<b>(164)</b>
Sales YoY	+7.6%	+5.2%	(0.6%)	+3.6%	(1.2%)	(0.9%)	-	-	-	-
Operating Profit YoY	+173.0%	(5.8%)	+12.9%	(11.5%)	(28.7%)	(1.0%)	-	-	-	-
Recurring Profit YoY	+262.1%	+2.5%	(2.6%)	(10.6%)	(23.8%)	(5.1%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+25.3%	+3.0%	+13.8%	(53.6%)	(34.4%)	(9.3%)	-	-	-	-
Gross Profit Margin	14.0%	13.8%	14.0%	13.3%	13.8%	14.0%	-	-	-	+0.2%
(SG&A / Sales)	10.3%	10.0%	10.1%	10.9%	11.1%	10.2%	-	-	-	+0.2%
Operating Profit Margin	3.7%	3.8%	3.9%	2.4%	2.7%	3.8%	-	-	-	(0.0%)
Recurring Profit Margin	3.9%	4.1%	4.2%	2.7%	3.0%	4.0%	-	-	-	(0.2%)
Profit Attributable to Owners of Parent Margin	3.1%	2.9%	3.5%	1.6%	2.1%	2.7%	-	-	-	(0.2%)
Total Income Taxes / Profit before Income Taxes	21.3%	33.9%	30.7%	34.8%	34.6%	32.6%	-	-	-	(1.4%)

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 03/2018	Q1 to Q2 03/2018	Q1 to Q3 03/2018	Q1 to Q4 03/2018	Q1 03/2019	Q1 to Q2 03/2019	Q1 to Q3 03/2019	Q1 to Q4 03/2019		
Electronic Components Business	41,721	85,918	129,058	172,248	40,507	83,455	-	-	(2,463)	
Information Equipment Business	11,132	23,446	34,745	47,582	10,417	21,143	-	-	(2,303)	
Software Business	448	1,142	1,541	2,568	465	1,404	-	-	+262	
Other	2,872	6,075	8,702	13,522	4,103	9,379	-	-	+3,304	
<b>Sales</b>	<b>56,174</b>	<b>116,582</b>	<b>174,047</b>	<b>235,921</b>	<b>55,493</b>	<b>115,383</b>	-	-	<b>(1,199)</b>	
Electronic Components Business	1,539	2,893	4,509	5,312	1,071	2,474	-	-	(419)	
Information Equipment Business	358	1,116	1,659	2,202	317	864	-	-	(252)	
Software Business	0	111	91	172	(19)	143	-	-	+32	
Other	152	198	236	308	80	216	-	-	+18	
<b>Segment Profit</b>	<b>2,050</b>	<b>4,319</b>	<b>6,497</b>	<b>7,996</b>	<b>1,450</b>	<b>3,698</b>	-	-	<b>(621)</b>	
Elimination	38	74	115	123	38	73	-	-	(1)	
<b>Operating Profit</b>	<b>2,088</b>	<b>4,394</b>	<b>6,613</b>	<b>8,119</b>	<b>1,489</b>	<b>3,772</b>	-	-	<b>(622)</b>	
Electronic Components Business	3.7%	3.4%	3.5%	3.1%	2.6%	3.0%	-	-	(0.4%)	
Information Equipment Business	3.2%	4.8%	4.8%	4.6%	3.0%	4.1%	-	-	(0.7%)	
Software Business	0.0%	9.7%	5.9%	6.7%	(4.1%)	10.2%	-	-	+0.5%	
Other	5.3%	3.3%	2.7%	2.3%	1.9%	2.3%	-	-	(1.0%)	
<b>Segment Profit</b>	<b>3.6%</b>	<b>3.7%</b>	<b>3.7%</b>	<b>3.4%</b>	<b>2.6%</b>	<b>3.2%</b>	-	-	<b>(1.0%)</b>	
Elimination	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	-	-	(0.0%)	
<b>Operating Profit Margin</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>3.3%</b>	-	-	<b>(0.5%)</b>	

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 03/2018	Q2 03/2018	Q3 03/2018	Q4 03/2018	Q1 03/2019	Q2 03/2019	Q3 03/2019	Q4 03/2019		
Electronic Components Business	41,721	44,197	43,140	43,190	40,507	42,948	-	-	(1,249)	
Information Equipment Business	11,132	12,314	11,299	12,837	10,417	10,726	-	-	(1,588)	
Software Business	448	694	399	1,027	465	939	-	-	+245	
Other	2,872	3,203	2,627	4,820	4,103	5,276	-	-	+2,073	
<b>Sales</b>	<b>56,174</b>	<b>60,408</b>	<b>57,465</b>	<b>61,874</b>	<b>55,493</b>	<b>59,890</b>	-	-	<b>(518)</b>	
Electronic Components Business	1,539	1,354	1,616	803	1,071	1,403	-	-	+49	
Information Equipment Business	358	758	543	543	317	547	-	-	(211)	
Software Business	0	111	(20)	81	(19)	162	-	-	+51	
Other	152	46	38	72	80	136	-	-	+90	
<b>Segment Profit</b>	<b>2,050</b>	<b>2,269</b>	<b>2,178</b>	<b>1,499</b>	<b>1,450</b>	<b>2,248</b>	-	-	<b>(21)</b>	
Elimination	38	36	41	8	38	35	-	-	(1)	
<b>Operating Profit</b>	<b>2,088</b>	<b>2,306</b>	<b>2,219</b>	<b>1,506</b>	<b>1,489</b>	<b>2,283</b>	-	-	<b>(23)</b>	
Electronic Components Business	3.7%	3.1%	3.7%	1.9%	2.6%	3.3%	-	-	+0.2%	
Information Equipment Business	3.2%	6.2%	4.8%	4.2%	3.0%	5.1%	-	-	(1.1%)	
Software Business	0.0%	16.0%	(5.0%)	7.9%	(4.1%)	17.3%	-	-	+1.3%	
Other	5.3%	1.4%	1.4%	1.5%	1.9%	2.6%	-	-	+1.1%	
Elimination	0.1%	0.1%	0.1%	0.0%	0.1%	0.1%	-	-	(0.0%)	
<b>Operating Profit Margin</b>	<b>3.7%</b>	<b>3.8%</b>	<b>3.9%</b>	<b>2.4%</b>	<b>2.7%</b>	<b>3.8%</b>	-	-	<b>(0.0%)</b>	

Source: Company Data, WRJ Calculation

### Balance Sheet (Quarterly)

Balance Sheet	Cons.Act		Cons.Act		Cons.Act		Cons.Act		YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	Net Chg.
Cash & Deposit	27,803	30,393	30,945	30,803	30,765	30,412	-	-	+19
Accounts Receivables	46,959	50,024	47,856	49,841	46,360	48,353	-	-	(1,671)
Inventory	20,589	19,135	21,338	19,453	22,635	22,074	-	-	+2,939
Other	5,452	4,686	4,432	5,000	5,221	3,425	-	-	(1,261)
<b>Current Assets</b>	<b>100,803</b>	<b>104,238</b>	<b>104,571</b>	<b>105,097</b>	<b>104,981</b>	<b>104,264</b>	-	-	<b>+26</b>
Tangible Assets	11,871	11,999	12,045	12,210	12,250	12,456	-	-	+457
Intangible Assets	790	754	921	878	861	964	-	-	+210
Investments & Other Assets	10,486	10,211	11,399	11,305	12,385	13,126	-	-	+2,915
<b>Fixed Assets</b>	<b>23,148</b>	<b>22,966</b>	<b>24,366</b>	<b>24,395</b>	<b>25,498</b>	<b>26,547</b>	-	-	<b>+3,581</b>
<b>Total Assets</b>	<b>123,952</b>	<b>127,204</b>	<b>128,937</b>	<b>129,493</b>	<b>130,479</b>	<b>130,811</b>	-	-	<b>+3,607</b>
Accounts Payables	34,845	35,512	36,378	36,392	37,448	35,381	-	-	(131)
Short Term Debt	4,992	5,455	5,136	5,385	5,803	6,731	-	-	+1,276
Other	7,344	8,005	7,157	7,931	7,679	7,216	-	-	(789)
<b>Current Liabilities</b>	<b>47,181</b>	<b>48,972</b>	<b>48,671</b>	<b>49,708</b>	<b>50,930</b>	<b>49,328</b>	-	-	<b>+356</b>
Long Term Debt	4,114	3,804	3,482	3,161	2,850	2,540	-	-	(1,264)
Other	5,518	5,420	5,780	5,991	5,697	5,695	-	-	+275
<b>Fixed Liabilities</b>	<b>9,632</b>	<b>9,224</b>	<b>9,262</b>	<b>9,152</b>	<b>8,547</b>	<b>8,235</b>	-	-	<b>(989)</b>
<b>Total Liabilities</b>	<b>56,813</b>	<b>58,196</b>	<b>57,933</b>	<b>58,861</b>	<b>59,477</b>	<b>57,564</b>	-	-	<b>(632)</b>
<b>Shareholders' Equity</b>	<b>65,271</b>	<b>66,977</b>	<b>68,148</b>	<b>69,127</b>	<b>69,308</b>	<b>70,909</b>	-	-	<b>+3,932</b>
Other	1,867	2,029	2,856	1,504	1,693	2,338	-	-	+309
<b>Net Assets</b>	<b>67,138</b>	<b>69,006</b>	<b>71,004</b>	<b>70,631</b>	<b>71,001</b>	<b>73,247</b>	-	-	<b>+4,241</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>123,952</b>	<b>127,204</b>	<b>128,937</b>	<b>129,493</b>	<b>130,479</b>	<b>130,811</b>	-	-	<b>+3,607</b>
Equity Capital	67,071	68,935	70,928	70,556	70,921	73,162	-	-	+4,227
Interest Bearing Debt	9,106	9,259	8,618	8,546	8,653	9,271	-	-	+12
Net Debt	(18,697)	(21,134)	(22,327)	(22,257)	(22,112)	(21,141)	-	-	(7)
Equity Ratio	54.1%	54.2%	55.0%	54.5%	54.4%	55.9%	-	-	+1.7%
Net Debt Equity Ratio	(27.9%)	(30.7%)	(31.5%)	(31.5%)	(31.2%)	(28.9%)	-	-	+1.8%
ROE (12 months)	11.5%	11.3%	11.3%	9.5%	8.5%	8.1%	-	-	(3.3%)
ROA (12 months)	7.5%	7.3%	7.0%	6.8%	6.5%	6.3%	-	-	(1.0%)
Days for Inventory Turnover	39	34	39	33	43	39	-	-	-
Quick Ratio	158%	164%	162%	162%	151%	160%	-	-	-
Current Ratio	214%	213%	215%	211%	206%	211%	-	-	-

Source: Company Data, WRJ Calculation

### Cash Flow Statement (Cumulative)

Cash Flow Statement	Cons.Act		Cons.Act		Cons.Act		Cons.Act		YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	
(Million Yen)	03/2018	03/2018	03/2018	03/2018	03/2019	03/2019	03/2019	03/2019	Net Chg.
Operating Cash Flow	-	5,875	-	10,077	-	1,898	-	-	(3,977)
Investing Cash Flow	-	(1,345)	-	(4,173)	-	(4,938)	-	-	(3,593)
<b>Operating CF &amp; Investing CF</b>	<b>-</b>	<b>4,530</b>	<b>-</b>	<b>5,904</b>	<b>-</b>	<b>(3,040)</b>	<b>-</b>	<b>-</b>	<b>(7,570)</b>
Financing Cash Flow	-	(1,265)	-	(2,811)	-	(685)	-	-	+580

Source: Company Data, WRJ Calculation

**Disclaimer**

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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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