

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		410,000	7,500	7,500	10,000	364.18	60.00	-
FY03/2020	YoY	51.5%	32.3%	29.0%	(27.0%)	-	-	-
FY03/2021CoE	YoY	(7.6%)	(25.1%)	(26.0%)	70.9%	-	-	-
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 FY03/2020		230,630	5,239	5,546	3,502	-	-	-
Q3 to Q4 FY03/2020		212,985	4,775	4,591	2,350	-	-	-
Q1 to Q2 FY03/2021		188,859	4,434	4,338	10,772	-	-	-
Q3 to Q4 FY03/2021CoE		221,141	3,066	3,162	(772)	-	-	-
Q1 to Q2 FY03/2021	YoY	(18.1%)	(15.4%)	(21.8%)	207.5%	-	-	-
Q3 to Q4 FY03/2021CoE	YoY	3.8%	(35.8%)	(31.1%)	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (30 November 2020)

Upside Potential


On 26 November 2020, KAGA ELECTRONICS or independent electronics trading company held financial results briefing (web conference). It has been revealed that assumptions of initial full-year Company forecasts for FY03/2021 were exceeded in Q1 to Q2, although the Company suffered from decreased sales and earnings over the same period of the previous year. Sales declined due mainly to changes in commercial rights and distribution with large counterparty in the acquired Fujitsu Electronics. Meanwhile, the Company suggests that the impacts stemming from COVID-19 were smaller than initially expected in performance as a whole for the Company. On top of sales and earnings better than expected, the Company says that it has made progress in cost cutting amid the COVID-19 chaos in Q1 to Q2. In response to this, the Company reduced "risks due to COVID-19", which have been assumed in initial full-year Company forecasts, by ¥10,000m (minus ¥50,000m to minus ¥40,000m) for sales and by ¥2,500m (minus ¥3,500m to minus ¥1,000m) for operating profit, while having revised up full-year Company forecasts to the same extent. According to the Company, this has reflected sales and earnings better than expected in Q1 to Q2, leaving prospects for H2 unchanged. Meanwhile, sales and earnings increased in Q2 over Q1 and the Company says that the momentum for quarterly performance had hit the bottom in Q1, implying upside potential also for H2. In the explanatory video (in Japanese) disclosed by the Company on the website, President and COO Ryoichi Kado mentions measures against COVID-19 as well as the detailed status of PMI (Post Merger Integration) at acquired companies, while also referring to the Company's proactive efforts for SDGs.

For information: [Earnings Presentations for Q2 FY03/2021](#)

IR Representative: IRs & PRs Office (81-(0)3-5657-0106 / webmaster@taxan.co.jp)

2.0 Company Profile

Independent Electronics Trading Company

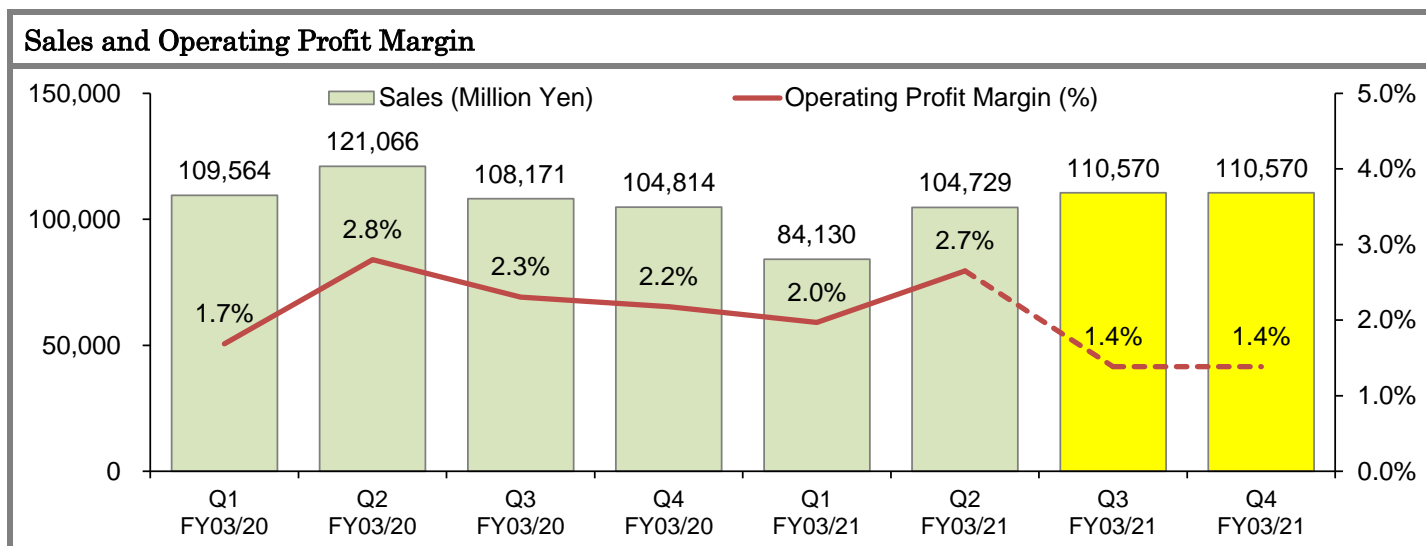
Company Name	KAGA ELECTRONICS CO.,LTD. Website IR Information Share Price (Japanese)	
Established	12 September 1968	
Listing	4 December 1985: Tokyo Stock Exchange 1st section (ticker: 8154)	
Capital	¥12,133m (as of the end of September 2020)	
No. of Shares	28,702,118 shares, including 1,243,638 treasury shares (as of the end of Sep.2020)	
Main Features	<ul style="list-style-type: none">● Heavily involved with EMS operations (consigned substrate mounting) with high growth potential● Targeting long-term stable growth for EMS operations● Beefing up scale of business by consistent acquisitions	
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. 13.93%, OKOZE Co. 6.70%, Custody Bank of Japan, T. 5.27%, The Master Trust Bank of Japan, T. 4.97%, MUFG Bank 4.42% (as of the end of September 2020, but for treasury shares)	
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

Q1 to Q2 FY03/2021

In Q1 to Q2 FY03/2021, sales came in at ¥188,859m (down 18.1% YoY), operating profit ¥4,434m (down 15.4%), recurring profit ¥4,338m (down 21.8%) and profit attributable to owners of parent ¥10,772m (up 207.5%), while operating profit margin 2.3% (up 0.1% point). The extraordinary gain on negative goodwill of ¥7,963m was booked in line with the acquisition of EXCEL CO., LTD.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2021: assumptions of revised Company forecasts for H2, pro rata)

Gross profit came in at ¥21,641m (down 9.0%) and SG&A expenses ¥17,206m (down 7.2%), implying gross profit margin of 11.5% (up 1.2% points) and sales to SG&A expenses ratio of 9.1% (up 1.1% points). In addition to steady improvement in gross profit margin at the mainstay Kaga Electronics parent company, Fujitsu Electronics also saw improvement in gross profit margin due to improved sales mix despite substantially decreased sales, which appears to have more than compensated for low gross profit margin of EXCEL CO., LTD. newly consolidated.

FY03/2021 Company Forecasts

FY03/2021 Company forecasts, announced on 5 November 2020, are going for prospective sales of ¥410,000m (down 7.6% YoY), operating profit of ¥7,500m (down 25.1%), recurring profit of ¥7,500m (down 26.0%) and profit attributable to owners of parent of ¥10,000m (up 70.9%), while operating profit margin of 1.8% (down 0.4% points).

In other words, initial Company forecasts, announced in line with the Q1 results on 6 August 2020, have been revised up by ¥10,000m (2.5%) for sales, by ¥2,500m (50.0%) for operating profit and by ¥3,000m (66.7%) for recurring profit. With respect to profit attributable to owners of parent, Company forecasts have remained unchanged, as risks have been additionally assumed for overseas production facilities in Vietnam, Mexico, etc. to inevitably suffer from impairment due to the impacts stemming from COVID-19. Thus, Company forecasts have remained unchanged also for annual dividend, going for ¥60.00 per share (¥30.00 as of the end of Q2 and ¥30.00 as of the end of fiscal year), implying payout ratio 16.5%.

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		Net Chg.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Sales	109,564	230,630	338,801	443,615	84,130	188,859	-	-	-	(41,771)
Cost of Sales	98,501	206,859	303,555	396,598	74,132	167,218	-	-	-	(39,641)
Gross Profit	11,062	23,771	35,245	47,016	9,997	21,641	-	-	-	(2,130)
SG&A Expenses	9,212	18,531	27,513	37,001	8,341	17,206	-	-	-	(1,325)
Operating Profit	1,850	5,239	7,732	10,014	1,656	4,434	-	-	-	(805)
Non Operating Balance	195	307	243	123	(123)	(96)	-	-	-	(403)
Recurring Profit	2,045	5,546	7,975	10,137	1,533	4,338	-	-	-	(1,208)
Extraordinary Balance	(246)	(244)	(388)	(851)	7,577	7,788	-	-	-	+8,032
Profit before Income Taxes	1,799	5,302	7,587	9,286	9,110	12,126	-	-	-	+6,824
Total Income Taxes	368	1,453	2,255	2,992	470	1,424	-	-	-	(29)
NP Belonging to Non-Controlling SHs	80	346	407	441	(2)	(70)	-	-	-	(416)
Profit Attributable to Owners of Parent	1,350	3,502	4,924	5,852	8,643	10,772	-	-	-	+7,270
Sales YoY	+97.4%	+99.9%	+95.0%	+51.5%	(23.2%)	(18.1%)	-	-	-	-
Operating Profit YoY	+24.2%	+38.9%	+34.5%	+32.3%	(10.5%)	(15.4%)	-	-	-	-
Recurring Profit YoY	+21.8%	+37.0%	+32.9%	+29.0%	(25.0%)	(21.8%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+17.6%	+27.4%	+1.0%	(27.0%)	+540.0%	+207.5%	-	-	-	-
Gross Profit Margin	10.1%	10.3%	10.4%	10.6%	11.9%	11.5%	-	-	-	+1.2%
Sales to SG&A Expenses Ratio	8.4%	8.0%	8.1%	8.3%	9.9%	9.1%	-	-	-	+1.1%
Operating Profit Margin	1.7%	2.3%	2.3%	2.3%	2.0%	2.3%	-	-	-	+0.1%
Recurring Profit Margin	1.9%	2.4%	2.4%	2.3%	1.8%	2.3%	-	-	-	(0.1%)
Profit Attributable to Owners of Parent Margin	1.2%	1.5%	1.5%	1.3%	10.3%	5.7%	-	-	-	+4.2%
Total Income Taxes/Profit before Income Taxes	20.5%	27.4%	29.7%	32.2%	5.2%	11.7%	-	-	-	(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		Net Chg.
	03/2020	03/2020	03/2020	03/2020	03/2021	03/2021	03/2021	03/2021		
Sales	109,564	121,066	108,171	104,814	84,130	104,729	-	-	-	(16,337)
Cost of Sales	98,501	108,358	96,696	93,043	74,132	93,086	-	-	-	(15,272)
Gross Profit	11,062	12,709	11,474	11,771	9,997	11,644	-	-	-	(1,065)
SG&A Expenses	9,212	9,319	8,982	9,488	8,341	8,865	-	-	-	(454)
Operating Profit	1,850	3,389	2,493	2,282	1,656	2,778	-	-	-	(611)
Non Operating Balance	195	112	(64)	(120)	(123)	27	-	-	-	(85)
Recurring Profit	2,045	3,501	2,429	2,162	1,533	2,805	-	-	-	(696)
Extraordinary Balance	(246)	2	(144)	(463)	7,577	211	-	-	-	+209
Profit before Income Taxes	1,799	3,503	2,285	1,699	9,110	3,016	-	-	-	(487)
Total Income Taxes	368	1,085	802	737	470	954	-	-	-	(131)
NP Belonging to Non-Controlling SHs	80	266	61	34	(2)	(68)	-	-	-	(334)
Profit Attributable to Owners of Parent	1,350	2,152	1,422	928	8,643	2,129	-	-	-	(23)
Sales YoY	+97.4%	+102.1%	+85.2%	(11.9%)	(23.2%)	(13.5%)	-	-	-	-
Operating Profit YoY	+24.2%	+48.4%	+26.2%	+25.2%	(10.5%)	(18.0%)	-	-	-	-
Recurring Profit YoY	+21.8%	+47.7%	+24.5%	+16.3%	(25.0%)	(19.9%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+17.6%	+34.3%	(33.1%)	(70.4%)	+540.0%	(1.1%)	-	-	-	-
Gross Profit Margin	10.1%	10.5%	10.6%	11.2%	11.9%	11.1%	-	-	-	+0.6%
Sales to SG&A Expenses Ratio	8.4%	7.7%	8.3%	9.1%	9.9%	8.5%	-	-	-	+0.8%
Operating Profit Margin	1.7%	2.8%	2.3%	2.2%	2.0%	2.7%	-	-	-	(0.1%)
Recurring Profit Margin	1.9%	2.9%	2.2%	2.1%	1.8%	2.7%	-	-	-	(0.2%)
Profit Attributable to Owners of Parent Margin	1.2%	1.8%	1.3%	0.9%	10.3%	2.0%	-	-	-	+0.3%
Total Income Taxes/Profit before Income Taxes	20.5%	31.0%	35.1%	43.4%	5.2%	31.6%	-	-	-	+0.7%

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 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
Electronic Components Business	94,587	199,818	293,527	377,587	68,196	156,887	-	-	-	(42,931)
Information Equipment Business	10,126	19,968	29,789	43,466	12,537	23,192	-	-	-	+3,224
Software Business	437	1,332	1,788	2,778	491	1,274	-	-	-	(58)
Other Business	4,412	9,510	13,696	19,781	2,904	7,505	-	-	-	(2,005)
Sales	109,564	230,630	338,801	443,615	84,128	188,859	-	-	-	(41,771)
Electronic Components Business	1,621	4,238	6,418	7,503	1,185	3,083	-	-	-	(1,155)
Information Equipment Business	188	618	854	1,707	583	1,160	-	-	-	+542
Software Business	(61)	46	9	236	(44)	86	-	-	-	+40
Other Business	72	259	364	452	(101)	36	-	-	-	(223)
Segment Profit	1,820	5,163	7,647	9,900	1,623	4,366	-	-	-	(797)
Elimination	30	76	84	114	33	68	-	-	-	(8)
Operating Profit	1,850	5,239	7,732	10,014	1,656	4,434	-	-	-	(805)
Electronic Components Business	1.7%	2.1%	2.2%	2.0%	1.7%	2.0%	-	-	-	(0.2%)
Information Equipment Business	1.9%	3.1%	2.9%	3.9%	4.7%	5.0%	-	-	-	+1.9%
Software Business	(14.0%)	3.5%	0.5%	8.5%	(9.0%)	6.8%	-	-	-	+3.3%
Other Business	1.6%	2.7%	2.7%	2.3%	(3.5%)	0.5%	-	-	-	(2.2%)
Segment Profit Margin	1.7%	2.2%	2.3%	2.2%	1.9%	2.3%	-	-	-	+0.1%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	+0.0%
Operating Profit Margin	1.7%	2.3%	2.3%	2.3%	2.0%	2.3%	-	-	-	+0.1%

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 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
Electronic Components Business	94,587	105,231	93,709	84,060	68,196	88,691	-	-	-	(16,540)
Information Equipment Business	10,126	9,842	9,821	13,677	12,537	10,655	-	-	-	+813
Software Business	437	895	456	990	491	783	-	-	-	(112)
Other Business	4,412	5,098	4,186	6,085	2,904	4,601	-	-	-	(497)
Sales	109,564	121,066	108,171	104,814	84,128	104,731	-	-	-	(16,335)
Electronic Components Business	1,621	2,617	2,180	1,085	1,185	1,898	-	-	-	(719)
Information Equipment Business	188	430	236	853	583	577	-	-	-	+147
Software Business	(61)	107	(37)	227	(44)	130	-	-	-	+23
Other Business	72	187	105	88	(101)	137	-	-	-	(50)
Segment Profit	1,820	3,343	2,484	2,253	1,623	2,743	-	-	-	(600)
Elimination	30	46	8	30	33	35	-	-	-	(11)
Operating Profit	1,850	3,389	2,493	2,282	1,656	2,778	-	-	-	(611)
Electronic Components Business	1.7%	2.5%	2.3%	1.3%	1.7%	2.1%	-	-	-	(0.3%)
Information Equipment Business	1.9%	4.4%	2.4%	6.2%	4.7%	5.4%	-	-	-	+1.0%
Software Business	(14.0%)	12.0%	(8.1%)	22.9%	(9.0%)	16.6%	-	-	-	+4.6%
Other Business	1.6%	3.7%	2.5%	1.4%	(3.5%)	3.0%	-	-	-	(0.7%)
Segment Profit Margin	1.7%	2.8%	2.3%	2.1%	1.9%	2.6%	-	-	-	(0.1%)
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	(0.0%)
Operating Profit Margin	1.7%	2.8%	2.3%	2.2%	2.0%	2.7%	-	-	-	(0.1%)

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 03/2020	Q2 03/2020	Q3 03/2020	Q4 03/2020	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021		
Cash & Deposit	32,668	42,931	42,084	43,384	36,404	35,554	-	-	(7,377)	
Accounts Receivables	93,234	97,509	92,423	91,371	84,590	91,863	-	-	(5,646)	
Inventory	43,923	34,792	33,307	31,906	47,816	37,728	-	-	+2,936	
Other	6,824	6,901	7,042	7,670	9,355	7,231	-	-	+330	
Current Assets	176,649	182,133	174,856	174,331	178,165	172,376	-	-	(9,757)	
Tangible Assets	16,599	17,020	18,496	17,974	18,494	18,915	-	-	+1,895	
Intangible Assets	2,167	1,957	2,072	2,256	2,326	2,660	-	-	+703	
Investments & Other Assets	13,856	13,364	14,578	13,075	15,112	15,957	-	-	+2,593	
Fixed Assets	32,623	32,341	35,147	33,306	35,932	37,532	-	-	+5,191	
Total Assets	209,272	214,475	210,004	207,638	214,097	209,908	-	-	(4,567)	
Accounts Payables	71,685	74,696	72,038	70,188	61,852	54,605	-	-	(20,091)	
Short Term Debt	33,690	31,710	7,691	6,540	15,081	17,041	-	-	(14,669)	
Other	11,792	14,220	14,523	16,927	14,813	13,985	-	-	(235)	
Current Liabilities	117,167	120,626	94,252	93,655	91,746	85,631	-	-	(34,995)	
Long Term Debt	1,692	1,372	21,054	20,833	20,512	20,179	-	-	+18,807	
Other	6,940	7,010	7,436	6,899	7,494	7,935	-	-	+925	
Fixed Liabilities	8,632	8,382	28,490	27,732	28,006	28,114	-	-	+19,732	
Total Liabilities	125,800	129,008	122,742	121,388	119,753	113,745	-	-	(15,263)	
Shareholders' Equity	75,387	77,539	78,138	79,097	86,642	88,770	-	-	+11,231	
Other	8,085	7,927	9,123	7,153	7,702	7,393	-	-	(534)	
Net Assets	83,472	85,466	87,261	86,250	94,344	96,163	-	-	+10,697	
Total Liabilities & Net Assets	209,272	214,475	210,004	207,638	214,097	209,908	-	-	(4,567)	
Equity Capital	75,837	77,617	79,254	78,284	86,385	88,271	-	-	+10,654	
Interest Bearing Debt	35,382	33,082	28,745	27,373	35,593	37,220	-	-	+4,138	
Net Debt	2,714	(9,849)	(13,339)	(16,011)	(811)	1,666	-	-	+11,515	
Equity Ratio	36.2%	36.2%	37.7%	37.7%	40.3%	42.1%	-	-	-	
Net Debt Equity Ratio	3.6%	(12.7%)	(16.8%)	(20.5%)	(0.9%)	1.9%	-	-	-	
ROE (12 months)	11.2%	11.6%	10.6%	7.6%	16.2%	15.8%	-	-	-	
ROA (12 months)	4.8%	5.4%	5.4%	4.8%	4.5%	4.2%	-	-	-	
Days for Inventory Turnover	41	29	31	31	59	37	-	-	-	
Quick Ratio	107%	116%	143%	144%	132%	149%	-	-	-	
Current Ratio	151%	151%	186%	186%	194%	201%	-	-	-	

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 03/2020	Q1 to Q2 03/2020	Q1 to Q3 03/2020	Q1 to Q4 03/2020	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021		
Operating Cash Flow	-	12,242	-	22,406	-	(7,017)	-	-	(19,259)	
Investing Cash Flow	-	(1,899)	-	(3,651)	-	(2,996)	-	-	(1,097)	
Operating CF and Investing CF	-	10,343	-	18,755	-	(10,013)	-	-	(20,356)	
Financing Cash Flow	-	(746)	-	(7,544)	-	(855)	-	-	(109)	

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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