

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	15,000	14,500	9,000	336.84	90.00	-
FY03/2021	YoY	(4.8%)	14.5%	10.9%	94.8%	-	-	-
FY03/2022CoE	YoY	11.3%	30.8%	29.0%	(21.1%)	-	-	-
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 FY03/2021		188,859	4,434	4,338	10,772	-	-	-
Q3 to Q4 FY03/2021		233,506	7,033	6,903	627	-	-	-
Q1 to Q2 FY03/2022		223,009	8,300	8,452	5,624	-	-	-
Q3 to Q4 FY03/2022CoE		246,991	6,700	6,048	3,376	-	-	-
Q1 to Q2 FY03/2022	YoY	18.1%	87.2%	94.8%	(47.8%)	-	-	-
Q3 to Q4 FY03/2022CoE	YoY	5.8%	(4.7%)	(12.4%)	438.4%	-	-	-

Source: Company Data, WRJ Calculation

1.0 News Release (26 November 2021)

Further M&A


On 25 November 2021, KAGA ELECTRONICS, independent electronics trading house, has announced Midterm Management Plan 2024 (FY03/2023 to FY03/2025). It has been revealed that the Company has a policy to continue growing into long-term future with a view to further M&A. While the current Midterm Management Plan 2021 has been going for prospective operating profit of ¥13,000m for FY03/2022, the final year of the plan, the latest Company forecasts, after upgrade (announced on 4 November 2021), are now going for ¥15,000m. On top of better-than-expected performance on a parent basis in line with recovery of the market conditions, the Company also benefits a lot from improved earnings in KAGA FEI and EXCEL where it makes a favorable progress in PMI (Post-merger Integration). Meanwhile, Midterm Management Plan 2024 is targeting to achieve prospective sales of ¥750,000m (CAGR of 16.9%) and operating profit of ¥20,000m (10.1%) for FY03/2025, the final year of the plan, with an assumption of seeing sales of ¥600,000m (8.5%) and operating profit of ¥20,000m (10.1%) on an organic basis, implying operating profit margin edging up on this side. For prospective add-ons from new M&A, the plan assumes sales of ¥150,000m, while conservatively assuming operating profit of break-even. Further, on the announcement of new midterm management plan, the Company has also announced its long-term guide line of CHALLENGE 1.60 (Ichirokumaruru) at the same time, calling for prospective sales of ¥1trillion for FY03/2028, when it celebrates its 60th anniversary of founding, as well as Long-term Sustainability Management Plan to actively correspond to SDGs.

For your reference: [Earnings Presentations](#)

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

2.0 Company Profile

“Everything we do is for our customers”

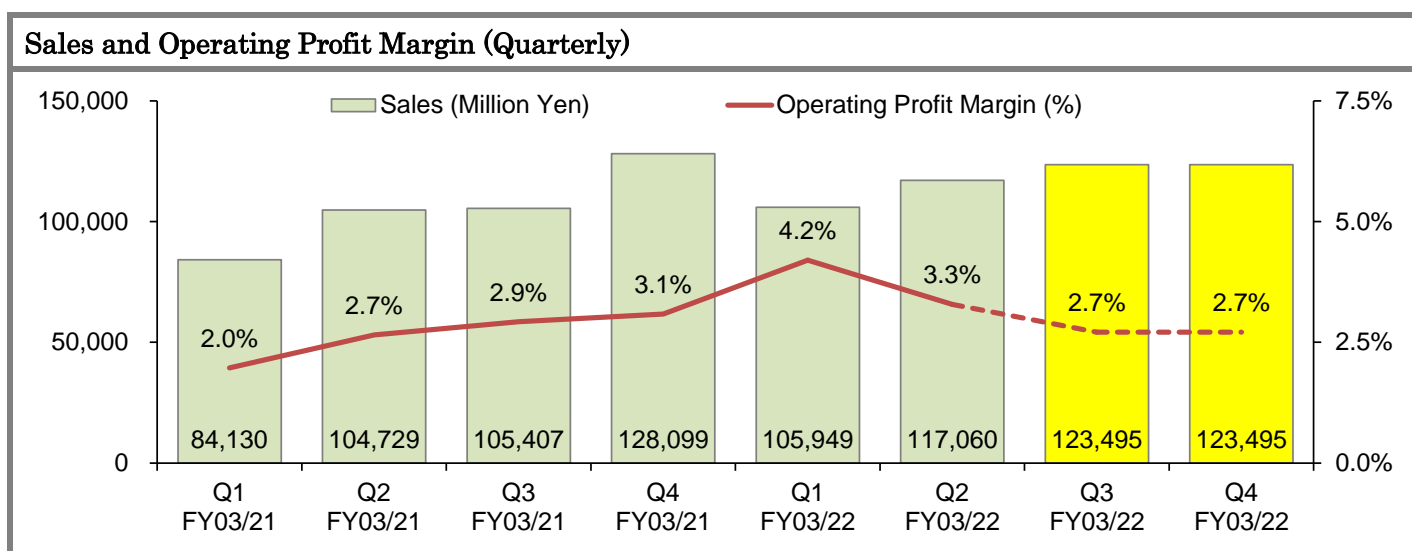
Company Name	KAGA ELECTRONICS CO.,LTD. Company Website IR Information Share price (Japanese)	 KAGA ELECTRONICS CO.,LTD.
Established	12 September 1968	
Listing	4 December 1985: Tokyo Stock Exchange 1st section (ticker: 8154)	
Capital	¥12,133m (as of the end of September 2021)	
No. of Shares	28,702,118 shares, including 2,461,879 treasury shares (as of the end of Sep. 2021)	
Main Features	<ul style="list-style-type: none">● Heavily involved with EMS, carrying high profit margin● Trying to get at long-term growth for EMS with a stability● Beefing up scale of business by consistent M&A	
Segments	I . Electronic Components Business II . Information Equipment Business III . Software Business IV . Other Business	
Representatives	Founder & CEO: Isao Tsukamoto / President & COO: Ryoichi Kado	
Shareholders	SANKYO Co. 9.88%, The Master Trust Bank of Japan, T. 9.51%, OKOZE Co. 7.01%, Custody Bank of Japan, T. 5.98%, MUFG Bank 4.62% (as of the end of September 2021, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 7,612, Parent: 565 (as of the end of September 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2022

In Q1 to Q2 FY03/2022, sales came in at ¥223,009m (up 18.1% YoY), operating profit ¥8,300m (up 87.2%), recurring profit ¥8,452m (up 94.8%) and profit attributable to owners of parent ¥5,624m (down 47.8%), while operating profit margin 3.7% (up 1.4% points). Profit attributable to owners of parent declined sharply as gain of negative goodwill as much as ¥7,963m, recorded as extraordinary profit during the same period of the previous year, did not reappear.

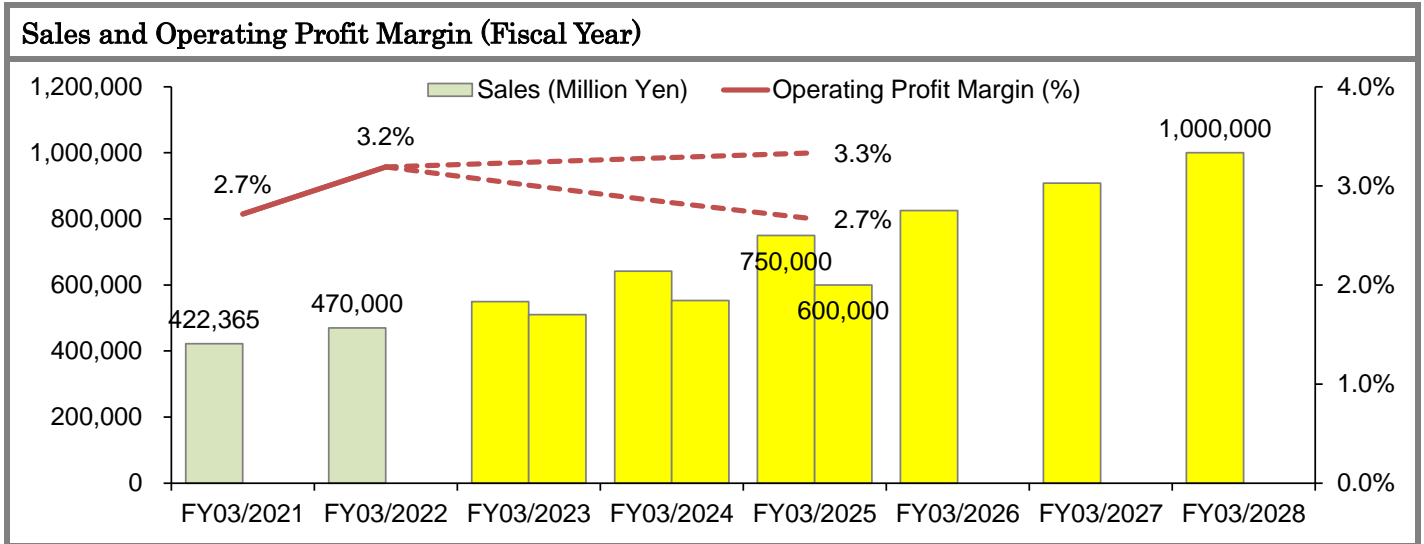


Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2022: H2 Company forecasts, pro rata)

Compared with assumptions (not disclosed) of initial Company forecasts (announced on 13 May 2021), it is suggested that operating profit was better than expected by no less than ¥3,000m (56.6%). However, full-year prospective operating profit has been revised up only by ¥2,000m (15.4%) in the latest Company forecasts (announced on 4 November 2021). According to the Company, upside risks (robust demand environment / favorable earnings momentum) have not been assumed for prospective operating profit for H2, while only downside risks (opportunity loss due to tight components supply / surge in crude oil prices, rise in transportation costs) have been newly assumed by ¥1,000m.

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 4 November 2021) are going for prospective sales of ¥470,000m (up 11.3% YoY), operating profit of ¥15,000m (up 30.8%), recurring profit of ¥14,500m (up 29.0%) and profit attributable to owners of parent of ¥9,000m (down 21.1%), while operating profit margin of 3.2% (up 0.5% points). At the same time, Company forecasts are going for prospective full-year dividend of ¥90.00 per share, implying payout ratio of 26.7% and/or total return ratio of 67.1%, when purchase of treasury shares as much as ¥3,674m being included.



Source: Company Data, WRJ Calculation

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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Sales	84,130	188,859	294,266	422,365	105,949	223,009	-	-	-	+34,150
Cost of Sales	74,132	167,218	260,619	374,428	92,398	195,875	-	-	-	+28,657
Gross Profit	9,997	21,641	33,646	47,936	13,550	27,133	-	-	-	+5,492
SG&A Expenses	8,341	17,206	26,129	36,469	9,098	18,832	-	-	-	+1,626
Operating Profit	1,656	4,434	7,517	11,467	4,452	8,300	-	-	-	+3,866
Non Operating Balance	(123)	(96)	(287)	(226)	114	152	-	-	-	+248
Recurring Profit	1,533	4,338	7,230	11,241	4,566	8,452	-	-	-	+4,114
Extraordinary Balance	7,577	7,788	7,612	3,231	(437)	(223)	-	-	-	(8,011)
Profit before Income Taxes	9,110	12,126	14,842	14,472	4,129	8,229	-	-	-	(3,897)
Total Income Taxes	470	1,424	2,191	3,156	1,220	2,469	-	-	-	+1,045
NP Belonging to Non-Controlling SHs	(2)	(70)	(77)	(84)	36	135	-	-	-	+205
Profit Attributable to Owners of Parent	8,643	10,772	12,728	11,399	2,872	5,624	-	-	-	(5,148)
Sales YoY	(23.2%)	(18.1%)	(13.1%)	(4.8%)	+25.9%	+18.1%	-	-	-	-
Operating Profit YoY	(10.5%)	(15.4%)	(2.8%)	+14.5%	+168.8%	+87.2%	-	-	-	-
Recurring Profit YoY	(25.0%)	(21.8%)	(9.3%)	+10.9%	+197.8%	+94.8%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+540.0%	+207.5%	+158.5%	+94.8%	(66.6%)	(47.8%)	-	-	-	-
Gross Profit Margin	11.9%	11.5%	11.4%	11.3%	12.8%	12.2%	-	-	-	+0.7%
Sales to SG&A Expenses Ratio	9.9%	9.1%	8.9%	8.6%	8.6%	8.4%	-	-	-	(0.7%)
Operating Profit Margin	2.0%	2.3%	2.6%	2.7%	4.2%	3.7%	-	-	-	+1.4%
Recurring Profit Margin	1.8%	2.3%	2.5%	2.7%	4.3%	3.8%	-	-	-	+1.5%
Profit Attributable to Owners of Parent Margin	10.3%	5.7%	4.3%	2.7%	2.7%	2.5%	-	-	-	(3.2%)
Total Income Taxes / Profit before Income Taxes	5.2%	11.7%	14.8%	21.8%	29.5%	30.0%	-	-	-	+18.3%
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.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Sales	84,130	104,729	105,407	128,099	105,949	117,060	-	-	-	+12,331
Cost of Sales	74,132	93,086	93,401	113,809	92,398	103,477	-	-	-	+10,391
Gross Profit	9,997	11,644	12,005	14,290	13,550	13,583	-	-	-	+1,939
SG&A Expenses	8,341	8,865	8,923	10,340	9,098	9,734	-	-	-	+869
Operating Profit	1,656	2,778	3,083	3,950	4,452	3,848	-	-	-	+1,070
Non Operating Balance	(123)	27	(191)	61	114	38	-	-	-	+11
Recurring Profit	1,533	2,805	2,892	4,011	4,566	3,886	-	-	-	+1,081
Extraordinary Balance	7,577	211	(176)	(4,381)	(437)	214	-	-	-	+3
Profit before Income Taxes	9,110	3,016	2,716	(370)	4,129	4,100	-	-	-	+1,084
Total Income Taxes	470	954	767	965	1,220	1,249	-	-	-	+295
NP Belonging to Non-Controlling SHs	(2)	(68)	(7)	(7)	36	99	-	-	-	+167
Profit Attributable to Owners of Parent	8,643	2,129	1,956	(1,329)	2,872	2,752	-	-	-	+623
Sales YoY	(23.2%)	(13.5%)	(2.6%)	+22.2%	+25.9%	+11.8%	-	-	-	-
Operating Profit YoY	(10.5%)	(18.0%)	+23.7%	+73.1%	+168.8%	+38.5%	-	-	-	-
Recurring Profit YoY	(25.0%)	(19.9%)	+19.1%	+85.5%	+197.8%	+38.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	+540.0%	(1.1%)	+37.6%	-	(66.6%)	+29.3%	-	-	-	-
Gross Profit Margin	11.9%	11.1%	11.4%	11.2%	12.8%	11.6%	-	-	-	+0.5%
Sales to SG&A Expenses Ratio	9.9%	8.5%	8.5%	8.1%	8.6%	8.3%	-	-	-	(0.1%)
Operating Profit Margin	2.0%	2.7%	2.9%	3.1%	4.2%	3.3%	-	-	-	+0.6%
Recurring Profit Margin	1.8%	2.7%	2.7%	3.1%	4.3%	3.3%	-	-	-	+0.6%
Profit Attributable to Owners of Parent Margin	10.3%	2.0%	1.9%	(1.0%)	2.7%	2.4%	-	-	-	+0.3%
Total Income Taxes / Profit before Income Taxes	5.2%	31.6%	28.2%	-	29.5%	30.5%	-	-	-	(1.2%)

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		
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Electronic Components Business	68,196	156,887	246,704	353,454	90,624	194,406	-	-	-	+37,519
Information Equipment Business	12,537	23,192	33,937	48,389	10,636	18,713	-	-	-	(4,479)
Software Business	491	1,274	2,004	2,932	568	1,237	-	-	-	(37)
Other Business	2,904	7,505	11,619	17,589	4,120	8,651	-	-	-	+1,146
Sales	84,130	188,859	294,266	422,365	105,949	223,009	-	-	-	+34,150
Electronic Components Business	1,185	3,083	5,418	8,151	3,699	7,123	-	-	-	+4,040
Information Equipment Business	583	1,160	1,753	2,482	568	910	-	-	-	(250)
Software Business	(44)	86	106	263	(67)	(109)	-	-	-	(195)
Other Business	(101)	36	149	474	217	320	-	-	-	+284
Segment Profit	1,622	4,366	7,427	11,371	4,418	8,245	-	-	-	+3,879
Elimination	33	68	89	95	33	55	-	-	-	(13)
Operating Profit	1,656	4,434	7,517	11,467	4,452	8,300	-	-	-	+3,866
Electronic Components Business	1.7%	2.0%	2.2%	2.3%	4.1%	3.7%	-	-	-	+1.7%
Information Equipment Business	4.7%	5.0%	5.2%	5.1%	5.3%	4.9%	-	-	-	(0.1%)
Software Business	(9.0%)	6.8%	5.3%	9.0%	(11.8%)	(8.8%)	-	-	-	(15.6%)
Other Business	(3.5%)	0.5%	1.3%	2.7%	5.3%	3.7%	-	-	-	+3.2%
Segment Profit Margin	1.9%	2.3%	2.5%	2.7%	4.2%	3.7%	-	-	-	+1.4%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	(0.0%)
Operating Profit Margin	2.0%	2.3%	2.6%	2.7%	4.2%	3.7%	-	-	-	+1.4%

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		
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022		
Electronic Components Business	68,196	88,691	89,817	106,750	90,624	103,782	-	-	-	+15,091
Information Equipment Business	12,537	10,655	10,745	14,452	10,636	8,077	-	-	-	(2,578)
Software Business	491	783	730	928	568	669	-	-	-	(114)
Other Business	2,904	4,601	4,114	5,970	4,120	4,531	-	-	-	(70)
Sales	84,130	104,729	105,407	128,099	105,949	117,060	-	-	-	+12,331
Electronic Components Business	1,185	1,898	2,335	2,733	3,699	3,424	-	-	-	+1,526
Information Equipment Business	583	577	593	729	568	342	-	-	-	(235)
Software Business	(44)	130	20	157	(67)	(42)	-	-	-	(172)
Other Business	(101)	137	113	325	217	103	-	-	-	(34)
Segment Profit	1,622	2,744	3,061	3,944	4,418	3,827	-	-	-	+1,083
Elimination	33	35	21	6	33	22	-	-	-	(13)
Operating Profit	1,656	2,778	3,083	3,950	4,452	3,848	-	-	-	+1,070
Electronic Components Business	1.7%	2.1%	2.6%	2.6%	4.1%	3.3%	-	-	-	+1.2%
Information Equipment Business	4.7%	5.4%	5.5%	5.0%	5.3%	4.2%	-	-	-	(1.2%)
Software Business	(9.0%)	16.6%	2.7%	16.9%	(11.8%)	(6.3%)	-	-	-	(22.9%)
Other Business	(3.5%)	3.0%	2.7%	5.4%	5.3%	2.3%	-	-	-	(0.7%)
Segment Profit Margin	1.9%	2.6%	2.9%	3.1%	4.2%	3.3%	-	-	-	+0.6%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	(0.0%)
Operating Profit Margin	2.0%	2.7%	2.9%	3.1%	4.2%	3.3%	-	-	-	+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 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Cash & Deposit	36,404	35,554	46,334	45,636	40,239	40,191	-	-	-	+4,637
Accounts Receivables	84,590	91,863	93,272	108,394	92,012	96,651	-	-	-	+4,788
Inventory	47,816	37,728	38,882	37,947	49,985	51,168	-	-	-	+13,440
Other	9,355	7,231	8,802	8,202	9,598	8,235	-	-	-	+1,004
Current Assets	178,165	172,376	187,290	200,179	191,834	196,245	-	-	-	+23,869
Tangible Assets	18,494	18,915	19,263	18,225	18,229	17,927	-	-	-	(988)
Intangible Assets	2,326	2,660	2,674	2,609	3,053	3,048	-	-	-	+388
Investments & Other Assets	15,112	15,957	15,105	15,990	15,701	16,239	-	-	-	+282
Fixed Assets	35,932	37,532	37,043	36,825	36,984	37,215	-	-	-	(317)
Total Assets	214,097	209,908	224,333	237,004	228,819	233,461	-	-	-	+23,553
Accounts Payables	61,852	54,605	64,599	79,854	70,874	70,486	-	-	-	+15,881
Short Term Debt	15,081	17,041	23,212	10,800	12,760	17,001	-	-	-	(40)
Other	14,813	13,985	14,238	17,863	14,705	16,153	-	-	-	+2,168
Current Liabilities	91,746	85,631	102,049	108,517	98,339	103,640	-	-	-	+18,009
Long Term Debt	20,512	20,179	20,169	25,166	25,158	25,150	-	-	-	+4,971
Other	7,494	7,935	8,276	8,258	8,240	8,052	-	-	-	+117
Fixed Liabilities	28,006	28,114	28,445	33,424	33,398	33,202	-	-	-	+5,088
Total Liabilities	119,753	113,745	130,494	141,942	131,738	136,843	-	-	-	+23,098
Shareholders' Equity	86,642	88,770	90,391	89,045	90,551	89,629	-	-	-	+859
Other	7,702	7,393	3,447	6,017	6,530	6,989	-	-	-	(404)
Net Assets	94,344	96,163	93,838	95,062	97,081	96,618	-	-	-	+455
Total Liabilities & Net Assets	214,097	209,908	224,333	237,004	228,819	233,461	-	-	-	+23,553
Equity Capital	86,385	88,271	89,845	90,967	92,942	92,379	-	-	-	+4,108
Interest Bearing Debt	35,593	37,220	43,381	35,966	37,918	42,151	-	-	-	+4,931
Net Debt	(811)	1,666	(2,953)	(9,670)	(2,321)	1,960	-	-	-	+294
Equity Ratio	40.3%	42.1%	40.0%	38.4%	40.6%	39.6%	-	-	-	-
Net Debt Equity Ratio	(0.9%)	1.9%	(3.3%)	(10.6%)	(2.5%)	2.1%	-	-	-	-
ROE (12 months)	16.2%	15.8%	16.2%	13.5%	6.3%	6.9%	-	-	-	-
ROA (12 months)	4.5%	4.2%	4.3%	5.1%	6.4%	6.9%	-	-	-	-
Days for Inventory Turnover	59	37	38	30	49	45	-	-	-	-
Quick Ratio	132%	149%	137%	142%	134%	132%	-	-	-	-
Current Ratio	194%	201%	184%	184%	195%	189%	-	-	-	-

Source: Company Data, WRJ Calculation

Cash Flow Statement (Cumulative)

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 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021	Q1 03/2022	Q1 to Q2 03/2022	Q1 to Q3 03/2022	Q1 to Q4 03/2022		
Operating Cash Flow	-	(7,017)	-	9,999	-	(2,013)	-	-	-	+5,004
Investing Cash Flow	-	(2,996)	-	(2,453)	-	(3,699)	-	-	-	(703)
Operating CF and Investing CF	-	(10,013)	-	7,546	-	(5,712)	-	-	-	+4,301
Financing Cash Flow	-	(855)	-	(6,851)	-	529	-	-	-	+1,384

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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