

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)
FY03/2021		422,365	11,467	11,241	11,399	415.07	80.00	3,311.24
FY03/2022		495,827	20,915	21,456	15,401	576.46	120.00	4,026.22
FY03/2023CoE		570,000	28,000	29,000	20,000	761.70	200.00	-
FY03/2022	YoY	17.4%	82.4%	90.9%	35.1%	-	-	-
FY03/2023CoE	YoY	15.0%	33.9%	35.2%	29.9%	-	-	-
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 FY03/2022		223,009	8,300	8,452	5,624	-	-	-
Q3 to Q4 FY03/2022		272,818	12,615	13,004	9,777	-	-	-
Q1 to Q2 FY03/2023		298,760	18,361	18,932	13,412	-	-	-
Q3 to Q4 FY03/2023CoE		271,240	9,639	10,068	6,588	-	-	-
Q1 to Q2 FY03/2023	YoY	34.0%	121.2%	124.0%	138.5%	-	-	-
Q3 to Q4 FY03/2023CoE	YoY	(0.6%)	(23.6%)	(22.6%)	(32.6%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (18 November 2022)

Overshoot

On 8 November 2022, KAGA ELECTRONICS, a major trading company of electronic components, released its Q1 to Q2 FY03/2023 results. It has been revealed that the Company saw an ongoing overshoot for the actual results of Q2, proceeded by the Q1 results better than expected. For Q1 to Q2, the in-house target, i.e., an undisclosed assumptions of Company forecasts, after the Q1 results, were exceeded by no less than ¥4,861m (36.0%) for operating profit, which came in at ¥18,361m (up 121.2% YoY). It appears that a factor accounts for some 90% of the overshoot that sales volume is increasing faster than expected on the mainstay Electronic Components (components sales business and EMS business) driven by strengths in some domains represented by automobiles and industrial equipment combined with the impacts larger than expected for improvement of sales mix. On top of this, spot sales are also performing better than expected, while the Company is seeing SG&A expenses running ahead, rather offsetting the impact of trends firmer than expected with spot sales. Thus, the remaining 10% of the overshoot, just roughly speaking, is accounted for by the net impact stemming from all those two issues. According to the Company, SG&A expenses are running ahead due mainly to the implementation of its policy to share earnings better than expected with own personnel by means of increasing a bonus payout. By the way, does it intend to do so by means of increasing a dividend payout for shareholders.


For reference: [Consolidated Financial Results for Q1 to Q2 FY03/2023 \(8 November 2022\)](#)

IR Representative: IRs & PRs Office, General Manager: Ichiro Shirai / Manager: Yasuhiro Inagaki

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2.0 Company Profile

Everything we do is for our customers

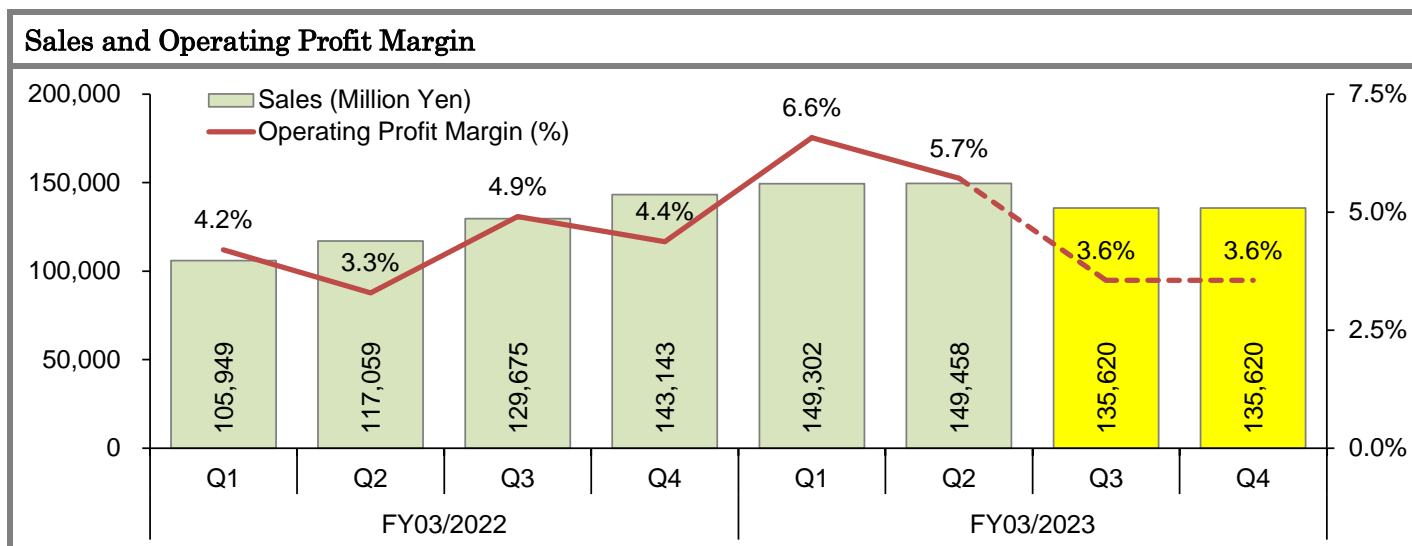
Company Name	KAGA ELECTRONICS CO.,LTD. Company Website IR Information Share price (Japanese) 
Established	12 September 1968
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 8154) 1 September 1997: Tokyo Stock Exchange 1st section 23 December 1986: Tokyo Stock Exchange 2nd section
Capital	¥12,133m (as of the end of September 2022)
No. of Shares	28,702,118 shares, including 2,440,773 treasury shares (as of the end of Sep. 2022)
Main Features	<ul style="list-style-type: none"> ● Enlargement of added value creations with a long-term growth of EMS business ● Focus on industrial equipment, healthcare equipment on top of the mainstay automobiles by domain ● Pursuit of the scale of business and PMI with consistent M&As
Segments	I . Electronic Components (components sales business and EMS business) II . Information Equipment (sale of PCs, PC peripherals, home appliances, lighting fixtures, etc.) III . Software (production of CG video and software) IV . Other (sale of amusement equipment, repair and support for electronic equipment, etc.)
Representatives	Representative Director, Founder & CEO : Isao Tsukamoto Representative Director, President & COO: Ryoichi Kado
Shareholders	The Master Trust Bank of Japan, T. 11.50%, OKOZE Co. 7.01%, Custody Bank of Japan, T. 6.78%, ESOP 5.73%, SANKYO Co. 4.95% (as of the end of September 2022, but for treasury shares)
Head Office	Chiyoda-ku, Tokyo, JAPAN
No. of Personnel	Consolidated: 8,439, Parent: 545 (as of the end of September 2022)

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2023

For Q1 to Q2 FY03/2023, sales came in at ¥298,760m (up 34.0% YoY), operating profit ¥18,361m (up 121.2%), recurring profit ¥18,932m (up 124.0%) and profit attributable to owners of parent ¥13,412m (up 138.5%), while operating profit margin 6.1% (up 2.4% points). As for the Q1 to Q2 results, sales and earnings at all the levels have reached all-time highs.



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2023: H2 Company forecasts, pro rata)

On the Electronic Components (components sales business and EMS business) side, sales came in at ¥268,464m (up 38.1%), segment profit ¥16,617m (up 133.3%) and segment profit margin 6.2% (up 2.5% points), having accounted for 89.9% of sales for the Company as a whole and 90.5% of segment profit. By segment of midterm management plan (management accounting), sales of “Electronic Components (sale of semiconductors, general electronic components and various devices)”, corresponding to the components sales business, came in at ¥202,867m (up 40.1%), segment profit ¥11,689m (up 196.1%) and segment profit margin 5.8% (up 3.1% points), while sales of “EMS (electronic equipment manufacture contracting services)”, corresponding to EMS business, came in at ¥69,486m (up 30.0%), segment profit ¥5,311m (up 59.9%) and segment profit margin 7.6% (up 1.4 % points).

In other words, there is a tendency that earnings basically depend on that of the mainstay components sales business on the Electronic Components side, which is fairly important as the key earnings driver for the Company as a whole. Still, the Company is also seeing fast growth in sales and earnings also for EMS business, while seeing segment profit margin rather high. The Company says that it is increasingly involved with manufacture contracting services for healthcare equipment carrying high profit margin, which is mentioned as the key driver.

FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 8 November 2022) are going for prospective sales of ¥570,000m (up 15.0% YoY), operating profit of ¥28,000m (up 33.9%), recurring profit of ¥29,000m (up 35.2%) and profit attributable to owners of parent of ¥20,000m (up 29.9%), while operating profit margin of 4.9% (up 0.7% points).

Compared with the latest Company forecasts (announced on 4 August 2022), prospective sales have been revised up by ¥30,000m (5.6%), operating profit by ¥4,000m (16.7%), recurring profit by ¥4,500m (18.4%) and profit attributable to owners of parent by ¥4,000m (25.0%). Meanwhile, planned annual dividend per share has been revised up by ¥50.00 from ¥150.00 (planned most lately) to ¥200.00, implying payout ratio of 26.3%, representing an increase of ¥80.00 and an improvement of payout ratio from the actual results of the previous year, i.e., ¥120.00, implying payout ratio of 20.8%, for FY03/2022.

By the way, the above-mentioned revision only incorporates overshoot in the actual results of Q1 to Q2 into full-year forecasts, i.e., the assumptions for H2 have remained unchanged. We are to attend the Company's results briefing (online) scheduled for Thursday, 24 November for further details and will report on the main points of the content in due course.

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.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Sales	105,949	223,009	352,684	495,827	149,302	298,760	-	-	-	+75,751
Cost of Sales	92,398	195,875	309,923	435,280	129,464	258,759	-	-	-	+62,884
Gross Profit	13,550	27,133	42,761	60,547	19,838	40,001	-	-	-	+12,868
SG&A Expenses	9,098	18,832	28,102	39,632	10,018	21,639	-	-	-	+2,807
Operating Profit	4,452	8,300	14,658	20,915	9,820	18,361	-	-	-	+10,061
Non Operating Balance	114	152	228	541	38	571	-	-	-	+419
Recurring Profit	4,566	8,452	14,886	21,456	9,858	18,932	-	-	-	+10,480
Extraordinary Balance	(437)	(223)	(180)	(108)	124	19	-	-	-	+242
Profit before Income Taxes	4,129	8,229	14,706	21,348	9,982	18,951	-	-	-	+10,722
Total Income Taxes	1,220	2,469	4,039	5,678	2,993	5,529	-	-	-	+3,060
NP Belonging to Non-Controlling SHs	36	135	252	268	4	9	-	-	-	(126)
Profit Attributable to Owners of Parent	2,872	5,624	10,414	15,401	6,984	13,412	-	-	-	+7,788
Sales YoY	+25.9%	+18.1%	+19.9%	+17.4%	+40.9%	+34.0%	-	-	-	-
Operating Profit YoY	+168.8%	+87.2%	+95.0%	+82.4%	+120.6%	+121.2%	-	-	-	-
Recurring Profit YoY	+197.8%	+94.8%	+105.9%	+90.9%	+115.9%	+124.0%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(66.6%)	(47.8%)	(18.2%)	+35.1%	+143.2%	+138.5%	-	-	-	-
Gross Profit Margin	12.8%	12.2%	12.1%	12.2%	13.3%	13.4%	-	-	-	+1.2%
Ratio of Sales to SG&A Expenses	8.6%	8.4%	8.0%	8.0%	6.7%	7.2%	-	-	-	(1.2%)
Operating Profit Margin	4.2%	3.7%	4.2%	4.2%	6.6%	6.1%	-	-	-	+2.4%
Recurring Profit Margin	4.3%	3.8%	4.2%	4.3%	6.6%	6.3%	-	-	-	+2.5%
Profit Attributable to Owners of Parent Margin	2.7%	2.5%	3.0%	3.1%	4.7%	4.5%	-	-	-	+2.0%
Total Income Taxes / Profit before Income Taxes	29.5%	30.0%	27.5%	26.6%	30.0%	29.2%	-	-	-	(0.8%)
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.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Sales	105,949	117,059	129,675	143,143	149,302	149,458	-	-	-	+32,399
Cost of Sales	92,398	103,477	114,048	125,357	129,464	129,295	-	-	-	+25,818
Gross Profit	13,550	13,583	15,628	17,786	19,838	20,163	-	-	-	+6,580
SG&A Expenses	9,098	9,734	9,270	11,530	10,018	11,621	-	-	-	+1,887
Operating Profit	4,452	3,848	6,358	6,257	9,820	8,541	-	-	-	+4,693
Non Operating Balance	114	38	76	313	38	533	-	-	-	+495
Recurring Profit	4,566	3,886	6,434	6,570	9,858	9,074	-	-	-	+5,188
Extraordinary Balance	(437)	214	43	72	124	(105)	-	-	-	(319)
Profit before Income Taxes	4,129	4,100	6,477	6,642	9,982	8,969	-	-	-	+4,869
Total Income Taxes	1,220	1,249	1,570	1,639	2,993	2,536	-	-	-	+1,287
NP Belonging to Non-Controlling SHs	36	99	117	16	4	5	-	-	-	(94)
Profit Attributable to Owners of Parent	2,872	2,752	4,790	4,987	6,984	6,428	-	-	-	+3,676
Sales YoY	+25.9%	+11.8%	+23.0%	+11.7%	+40.9%	+27.7%	-	-	-	-
Operating Profit YoY	+168.8%	+38.5%	+106.2%	+58.4%	+120.6%	+122.0%	-	-	-	-
Recurring Profit YoY	+197.8%	+38.5%	+122.5%	+63.8%	+115.9%	+133.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(66.6%)	+29.3%	+144.9%	-	+143.2%	+133.6%	-	-	-	-
Gross Profit Margin	12.8%	11.6%	12.1%	12.4%	13.3%	13.5%	-	-	-	+1.9%
Ratio of Sales to SG&A Expenses	8.6%	8.3%	7.1%	8.1%	6.7%	7.8%	-	-	-	(0.5%)
Operating Profit Margin	4.2%	3.3%	4.9%	4.4%	6.6%	5.7%	-	-	-	+2.4%
Recurring Profit Margin	4.3%	3.3%	5.0%	4.6%	6.6%	6.1%	-	-	-	+2.8%
Profit Attributable to Owners of Parent Margin	2.7%	2.4%	3.7%	3.5%	4.7%	4.3%	-	-	-	+1.9%
Total Income Taxes / Profit before Income Taxes	29.5%	30.5%	24.2%	24.7%	30.0%	28.3%	-	-	-	(2.2%)

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		
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Electronic Components	90,624	194,406	311,412	433,852	133,477	268,464	-	-	-	+74,058
Information Equipment	10,636	18,713	26,301	39,616	11,147	19,597	-	-	-	+884
Software	568	1,237	1,841	2,767	498	1,307	-	-	-	+70
Othe	4,120	8,651	13,129	19,590	4,178	9,392	-	-	-	+741
Sales	105,949	223,009	352,684	495,827	149,302	298,760	-	-	-	+75,751
Electronic Components	3,699	7,123	13,002	18,107	9,018	16,617	-	-	-	+9,494
Information Equipment	568	910	1,216	2,085	564	965	-	-	-	+55
Software	(67)	(109)	(109)	(26)	(33)	95	-	-	-	+204
Othe	217	320	473	626	249	658	-	-	-	+338
Segment Profit	4,418	8,245	14,581	20,792	9,798	18,335	-	-	-	+10,090
Elimination	33	55	76	122	21	25	-	-	-	(30)
Operating Profit	4,452	8,300	14,658	20,915	9,820	18,361	-	-	-	+10,061
Electronic Components	4.1%	3.7%	4.2%	4.2%	6.8%	6.2%	-	-	-	+2.5%
Information Equipment	5.3%	4.9%	4.6%	5.3%	5.1%	4.9%	-	-	-	+0.1%
Software	(11.8%)	(8.8%)	(5.9%)	(0.9%)	(6.6%)	7.3%	-	-	-	+16.1%
Othe	5.3%	3.7%	3.6%	3.2%	6.0%	7.0%	-	-	-	+3.3%
Segment Profit Margin	4.2%	3.7%	4.1%	4.2%	6.6%	6.1%	-	-	-	+2.4%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	(0.0%)
Operating Profit Margin	4.2%	3.7%	4.2%	4.2%	6.6%	6.1%	-	-	-	+2.4%

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		
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Electronic Components	90,624	103,782	117,006	122,440	133,477	134,987	-	-	-	+31,205
Information Equipment	10,636	8,077	7,588	13,315	11,147	8,450	-	-	-	+373
Software	568	669	604	926	498	809	-	-	-	+140
Othe	4,120	4,531	4,478	6,461	4,178	5,214	-	-	-	+683
Sales	105,949	117,060	129,675	143,143	149,302	149,458	-	-	-	+32,398
Electronic Components	3,699	3,424	5,879	5,105	9,018	7,599	-	-	-	+4,175
Information Equipment	568	342	306	869	564	401	-	-	-	+59
Software	(67)	(42)	0	83	(33)	128	-	-	-	+170
Othe	217	103	153	153	249	409	-	-	-	+306
Segment Profit	4,418	3,827	6,336	6,211	9,798	8,537	-	-	-	+4,710
Elimination	33	22	21	46	21	4	-	-	-	(18)
Operating Profit	4,452	3,848	6,358	6,257	9,820	8,541	-	-	-	+4,693
Electronic Components	4.1%	3.3%	5.0%	4.2%	6.8%	5.6%	-	-	-	+2.3%
Information Equipment	5.3%	4.2%	4.0%	6.5%	5.1%	4.7%	-	-	-	+0.5%
Software	(11.8%)	(6.3%)	0.0%	9.0%	(6.6%)	15.8%	-	-	-	+22.1%
Othe	5.3%	2.3%	3.4%	2.4%	6.0%	7.8%	-	-	-	+5.6%
Segment Profit Margin	4.2%	3.3%	4.9%	4.3%	6.6%	5.7%	-	-	-	+2.4%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	(0.0%)
Operating Profit Margin	4.2%	3.3%	4.9%	4.4%	6.6%	5.7%	-	-	-	+2.4%

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	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Operating Cash Flow	-	(2,013)	-	(1,554)	-	10,650	-	-	-	+12,663
Investing Cash Flow	-	(3,699)	-	(6,772)	-	(3,492)	-	-	-	+207
Operating CF and Investing CF	-	(5,712)	-	(8,326)	-	7,158	-	-	-	+12,870
Financing Cash Flow	-	529	-	1,155	-	(3,187)	-	-	-	(3,716)

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet	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.
	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023		
Cash & Deposit	40,239	40,191	40,914	41,051	42,317	48,484	-	-		+8,293
Accounts Receivables	92,012	96,651	108,531	120,947	125,693	124,539	-	-		+27,888
Inventory	49,985	51,168	61,395	62,606	71,037	71,285	-	-		+20,117
Other	9,598	8,235	12,735	9,380	9,680	7,457	-	-		(778)
Current Assets	191,834	196,245	223,575	233,984	248,727	251,765	-	-		+55,520
Tangible Assets	18,229	17,927	18,199	19,393	20,148	20,532	-	-		+2,605
Intangible Assets	3,053	3,048	2,949	3,163	3,075	2,930	-	-		(118)
Investments & Other Assets	15,701	16,239	16,477	15,598	14,804	15,694	-	-		(545)
Fixed Assets	36,984	37,215	37,626	38,155	38,028	39,158	-	-		+1,943
Total Assets	228,819	233,461	261,202	272,139	286,756	290,923	-	-		+57,462
Accounts Payables	70,874	70,486	83,311	86,493	90,487	84,968	-	-		+14,482
Short Term Debt	12,760	17,001	25,143	23,858	27,885	25,313	-	-		+8,312
Other	14,705	16,153	17,628	22,567	19,311	21,900	-	-		+5,747
Current Liabilities	98,339	103,640	126,082	132,918	137,683	132,181	-	-		+28,541
Corporate Bond	-	-	-	-	10,000	10,000	-	-		+10,000
Long Term Debt	25,158	25,150	25,143	25,136	15,130	15,121	-	-		(10,029)
Other	8,240	8,052	8,258	8,285	8,824	8,692	-	-		+640
Fixed Liabilities	33,398	33,202	33,401	33,421	33,954	33,813	-	-		+611
Total Liabilities	131,738	136,843	159,483	166,339	171,637	165,995	-	-		+29,152
Shareholders' Equity	90,551	89,629	93,249	98,732	103,738	110,254	-	-		+20,625
Other	6,530	6,989	8,470	7,068	11,381	14,674	-	-		+7,685
Net Assets	97,081	96,618	101,719	105,800	115,119	124,928	-	-		+28,310
Total Liabilities & Net Assets	228,819	233,461	261,202	272,139	286,756	290,923	-	-		+57,462
Equity Capital	92,942	92,379	97,323	105,680	115,008	124,808	-	-		+32,429
Interest Bearing Debt	37,918	42,151	50,286	48,994	53,015	50,434	-	-		+8,283
Net Debt	(2,321)	1,960	9,372	7,943	10,698	1,950	-	-		(10)
Equity Ratio	40.6%	39.6%	37.3%	38.8%	40.1%	42.9%	-	-		-
Net Debt Equity Ratio	(2.5%)	2.1%	9.6%	7.5%	9.3%	1.6%	-	-		-
ROE (12 months)	6.3%	6.9%	9.7%	15.7%	18.8%	21.4%	-	-		-
ROA (12 months)	6.4%	6.9%	7.8%	8.4%	10.4%	12.2%	-	-		-
Days for Inventory Turnover	49	45	49	46	50	50	-	-		-
Quick Ratio	134%	132%	119%	122%	122%	131%	-	-		-
Current Ratio	195%	189%	177%	176%	181%	190%	-	-		-

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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