

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)
FY03/2022	495,827	20,915	21,456	15,401	576.46	120.00	4,026.22
FY03/2023	608,064	32,249	32,739	23,070	878.65	220.00	4,935.36
FY03/2024CoE	550,000	25,000	25,000	18,000	685.42	220.00	-
FY03/2023	YoY	22.6%	54.2%	52.6%	49.8%	-	-
FY03/2024CoE	YoY	(9.5%)	(22.5%)	(23.6%)	(22.0%)	-	-

Source: Company Data, WRJ Calculation

1.0 News Release (29 May 2023)

Adjustment and Recovery

On 25 May 2023, KAGA ELECTRONICS, a major electronic components trading company, held its financial results briefing for FY03/2023. It has been revealed that FY03/2024 Company forecasts, which are based on conservative assumptions, are going for “declining sales and earnings”, but the Company has indicated a recovery of performance for FY03/2025.

For FY03/2023, the Company's operating profit and recurring profit reached new highs for the fourth consecutive year, backed by a significant increase in sales volume on the mainstay Electronic Components side, having led to an increase by ¥100 from the previous year to ¥220 for annual dividend per share, which is another high in the history. Meanwhile, FY03/2024 Company forecasts, cautiously assume uncertainties in the business environment, such as concerns about economic recession and inventory adjustment at customers. Still, the Company, which is committed to proactive shareholder returns, is to maintain the level of its annual dividend compared to FY03/2023.

On 11 May 2023, in light of recent trends, the Company raised its earnings target for the final year of its Midterm Management Plan 2024 (FY03/2023 to FY03/2025). Although the original sales target of ¥750,000m (¥600,000m from organic growth and ¥150,000m from new M&As) has remained unchanged, the Company is now calling for target operating profit raised up to “¥30,000m or more” from ¥20,000m, while aiming to achieve stable ROE of “10% or more” versus 8.5% or more prior to this.


For reference: [Financial Results Briefing Presentation Material](#)

IR Representatives: IRs & PRs Department, General Manager: Ichiro Shirai / Manager: Yasuhiro Inagaki

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2.0 Company Profile

Everything We Do Is for Our Customers

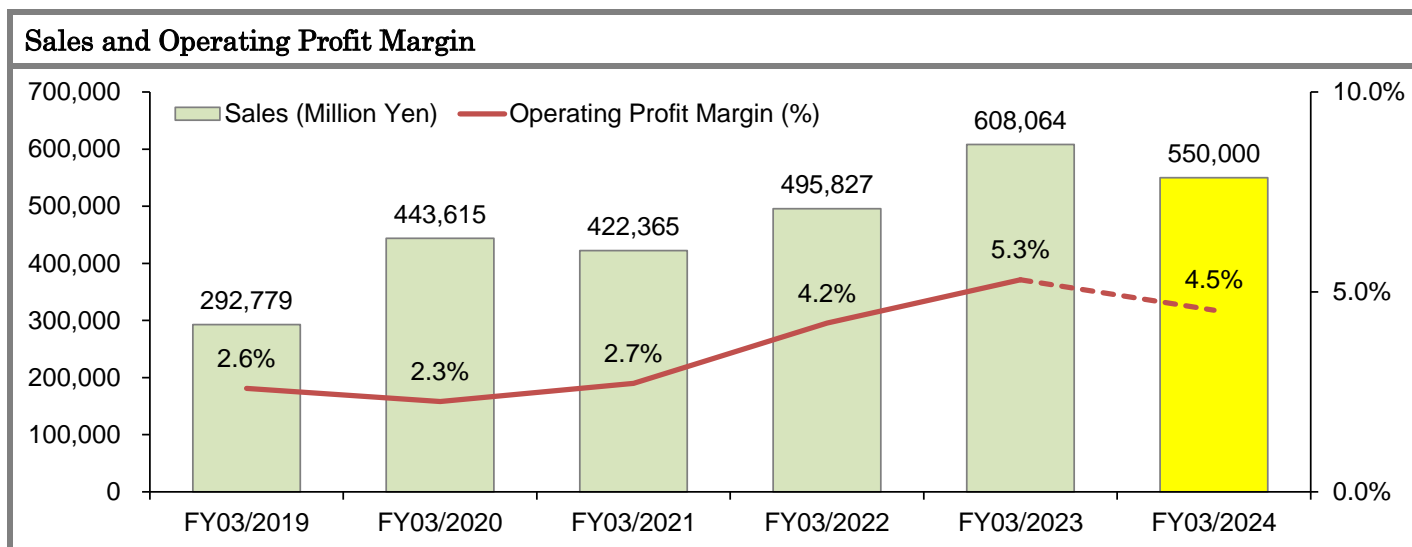
Company Name	KAGA ELECTRONICS CO.,LTD. Company Website IR Information Share price (Japanese) 
Established	12 September 1968
Listing	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 8154) 1 September 1997: Tokyo Stock Exchange 1st section 23 December 1986: Tokyo Stock Exchange 2nd section
Capital	¥12,133m (as of the end of March 2023)
No. of Shares	28,702,118 shares, including 2,440,983 treasury shares (as of the end of March 2023)
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 sale 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, support, etc. for electronic equipment)
Representatives	Representative Director, Founder & CEO : Isao Tsukamoto Representative Director, President & COO: Ryoichi Kado
Shareholders	The Master Trust Bank of Japan, T. 10.73%, OKOZE Co. 7.01%, Custody Bank of Japan, T. 6.91%, ESOP 5.73%, MUFG Bank 4.33% (as of the end of March 2023, but for treasury shares)
Head Office	Chiyoda-ku, Tokyo, JAPAN
No. of Personnel	Consolidated: 8,092, Parent: 546 (as of the end of March 2023)

Source: Company Data

3.0 Recent Trading and Prospects

FY03/2023

For FY03/2023, sales came in at ¥608,064m (up 22.6% YoY), operating profit ¥32,249m (up 54.2%), recurring profit ¥32,739m (up 52.6%) and profit attributable to owners of parent ¥23,070m (up 49.8%), while operating profit margin 5.3% (up 1.1% points). By segment, on the mainstay Electronic Components side (components sale business and EMS business), sales came in at ¥593,342m (up 24.3%), segment profit ¥28,314m (up 56.4%) and segment profit margin 5.3% (up 1.1% points), having accounted for 88.7% of the Company's sales and 88.1% for segment profit.



Source: Company Data, WRJ Calculation

Factors behind Changes in Operating Profit, disclosed by the Company, indicates that "sales volume and sales mix" has a significant impact on changes of the Company's operating profit. While the Company saw net increase by ¥11,334m in operating profit as a whole for FY03/2023, it is indicated that "sales volume and sales mix" brought forth net increase by no less than ¥13,928m in operating profit but for "effect of exchange rates". Meanwhile, FY03/2024 Company forecasts assume net decrease by ¥7,249m in operating profit as a whole, while "sales volume and sales mix" is to bring forth net decrease by ¥4,883m in operating profit. On top of this, the contribution from so-called spot sales is assumed to completely disappear, bringing forward net decrease by ¥4,631m in operating profit.

FY03/2024 Company Forecasts

FY03/2024 Company forecasts (announced on 11 May 2023) are going for prospective sales of ¥550,000m (down 9.5% YoY), operating profit of ¥25,000m (down 22.5%), recurring profit of ¥25,000m (down 23.6%) and profit attributable to owners of parent of ¥18,000m (down 22.0%), while operating profit margin of 4.5% (down 0.8% points). According to the Company, sales and earnings for Q1 to Q2 are to decline significantly over the same period of the previous year, but the trend is to see a turnaround to increase for H2 with respect to sales and earnings in term of changes over the same period of the previous year.

Meanwhile, the Company plans to pay annual dividend of ¥220 per share, implying payout ratio of 25.0%, for FY03/2023, while it also plans to pay annual dividend of ¥220 per share, implying payout ratio of 32.1%, for FY03/2024. Although the Company is going for full-year earnings to decline, it is keen on actively returning earnings to shareholders by means of maintaining annual dividend per share, with its eyes set on long-term shareholders. For FY03/2023, the Company is to pay collective dividend of ¥220 per share, comprising ordinary dividend of ¥140, special dividend of ¥70 and commemorative dividend of ¥10 for the 55th anniversary of its founding versus ordinary dividend of ¥220 per share for FY03/2024, implying increase by no less than ¥80 with respect to ordinary dividend.

Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	Net Chg.	
Sales	105,949	223,009	352,684	495,827	149,302	298,760	452,221	608,064	+112,237	
Cost of Sales	92,398	195,875	309,923	435,280	129,464	258,759	392,337	529,550	+94,270	
Gross Profit	13,550	27,133	42,761	60,547	19,838	40,001	59,884	78,514	+17,967	
SG&A Expenses	9,098	18,832	28,102	39,632	10,018	21,639	33,877	46,265	+6,633	
Operating Profit	4,452	8,300	14,658	20,915	9,820	18,361	26,007	32,249	+11,334	
Non Operating Balance	114	152	228	541	38	571	611	490	(51)	
Recurring Profit	4,566	8,452	14,886	21,456	9,858	18,932	26,618	32,739	+11,283	
Extraordinary Balance	(437)	(223)	(180)	(108)	124	19	516	(279)	(171)	
Profit before Income Taxes	4,129	8,229	14,706	21,348	9,982	18,951	27,134	32,460	+11,112	
Total Income Taxes	1,220	2,469	4,039	5,678	2,993	5,529	8,066	9,365	+3,687	
NP Belonging to Non-Controlling SHs	36	135	252	268	4	9	14	23	(245)	
Profit Attributable to Owners of Parent	2,872	5,624	10,414	15,401	6,984	13,412	19,053	23,070	+7,669	
Sales YoY	+25.9%	+18.1%	+19.9%	+17.4%	+40.9%	+34.0%	+28.2%	+22.6%	-	
Operating Profit YoY	+168.8%	+87.2%	+95.0%	+82.4%	+120.6%	+121.2%	+77.4%	+54.2%	-	
Recurring Profit YoY	+197.8%	+94.8%	+105.9%	+90.9%	+115.9%	+124.0%	+78.8%	+52.6%	-	
Profit Attributable to Owners of Parent YoY	(66.6%)	(47.8%)	(18.2%)	+35.1%	+143.2%	+138.5%	+82.9%	+49.8%	-	
Gross Profit Margin	12.8%	12.2%	12.1%	12.2%	13.3%	13.4%	13.2%	12.9%	+0.7%	
Ratio of Sales to SG&A Expenses	8.6%	8.4%	8.0%	8.0%	6.7%	7.2%	7.5%	7.6%	(0.4%)	
Operating Profit Margin	4.2%	3.7%	4.2%	4.2%	6.6%	6.1%	5.8%	5.3%	+1.1%	
Recurring Profit Margin	4.3%	3.8%	4.2%	4.3%	6.6%	6.3%	5.9%	5.4%	+1.1%	
Profit Attributable to Owners of Parent Margin	2.7%	2.5%	3.0%	3.1%	4.7%	4.5%	4.2%	3.8%	+0.7%	
Total Income Taxes / Profit before Income Taxes	29.5%	30.0%	27.5%	26.6%	30.0%	29.2%	29.7%	28.9%	+2.3%	
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	03/2022	03/2022	03/2022	03/2022	03/2023	03/2023	03/2023	03/2023	Net Chg.	
Sales	105,949	117,059	129,675	143,143	149,302	149,458	153,461	155,843	+12,700	
Cost of Sales	92,398	103,477	114,048	125,357	129,464	129,295	133,578	137,213	+11,856	
Gross Profit	13,550	13,583	15,628	17,786	19,838	20,163	19,883	18,630	+844	
SG&A Expenses	9,098	9,734	9,270	11,530	10,018	11,621	12,238	12,388	+858	
Operating Profit	4,452	3,848	6,358	6,257	9,820	8,541	7,646	6,242	(15)	
Non Operating Balance	114	38	76	313	38	533	40	(121)	(434)	
Recurring Profit	4,566	3,886	6,434	6,570	9,858	9,074	7,686	6,121	(449)	
Extraordinary Balance	(437)	214	43	72	124	(105)	497	(795)	(867)	
Profit before Income Taxes	4,129	4,100	6,477	6,642	9,982	8,969	8,183	5,326	(1,316)	
Total Income Taxes	1,220	1,249	1,570	1,639	2,993	2,536	2,537	1,299	(340)	
NP Belonging to Non-Controlling SHs	36	99	117	16	4	5	5	9	(7)	
Profit Attributable to Owners of Parent	2,872	2,752	4,790	4,987	6,984	6,428	5,641	4,017	(970)	
Sales YoY	+25.9%	+11.8%	+23.0%	+11.7%	+40.9%	+27.7%	+18.3%	+8.9%	-	
Operating Profit YoY	+168.8%	+38.5%	+106.2%	+58.4%	+120.6%	+122.0%	+20.3%	(0.2%)	-	
Recurring Profit YoY	+197.8%	+38.5%	+122.5%	+63.8%	+115.9%	+133.5%	+19.5%	(6.8%)	-	
Profit Attributable to Owners of Parent YoY	(66.6%)	+29.3%	+144.9%	-	+143.2%	+133.6%	+17.8%	(19.5%)	-	
Gross Profit Margin	12.8%	11.6%	12.1%	12.4%	13.3%	13.5%	13.0%	12.0%	(0.5%)	
Ratio of Sales to SG&A Expenses	8.6%	8.3%	7.1%	8.1%	6.7%	7.8%	8.0%	7.9%	(0.1%)	
Operating Profit Margin	4.2%	3.3%	4.9%	4.4%	6.6%	5.7%	5.0%	4.0%	(0.4%)	
Recurring Profit Margin	4.3%	3.3%	5.0%	4.6%	6.6%	6.1%	5.0%	3.9%	(0.7%)	
Profit Attributable to Owners of Parent Margin	2.7%	2.4%	3.7%	3.5%	4.7%	4.3%	3.7%	2.6%	(0.9%)	
Total Income Taxes / Profit before Income Taxes	29.5%	30.5%	24.2%	24.7%	30.0%	28.3%	31.0%	24.4%	(0.3%)	

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	405,608	539,342		+105,490
Information Equipment	10,636	18,713	26,301	39,616	11,147	19,597	29,139	43,680		+4,064
Software	568	1,237	1,841	2,767	498	1,307	2,076	2,998		+231
Other	4,120	8,651	13,129	19,590	4,178	9,392	15,397	22,044		+2,454
Sales	105,949	223,009	352,684	495,827	149,302	298,760	452,220	608,064		+112,237
Electronic Components	3,699	7,123	13,002	18,107	9,018	16,617	23,341	28,314		+10,207
Information Equipment	568	910	1,216	2,085	564	965	1,499	2,449		+364
Software	(67)	(109)	(109)	(26)	(33)	95	135	286		+312
Other	217	320	473	626	249	658	971	1,101		+475
Segment Profit	4,418	8,245	14,581	20,792	9,798	18,335	25,948	32,152		+11,360
Elimination	33	55	76	122	21	25	57	97		(25)
Operating Profit	4,452	8,300	14,658	20,915	9,820	18,361	26,006	32,249		+11,334
Electronic Components	4.1%	3.7%	4.2%	4.2%	6.8%	6.2%	5.8%	5.2%		+1.1%
Information Equipment	5.3%	4.9%	4.6%	5.3%	5.1%	4.9%	5.1%	5.6%		+0.3%
Software	(11.8%)	(8.8%)	(5.9%)	(0.9%)	(6.6%)	7.3%	6.5%	9.5%		+10.5%
Other	5.3%	3.7%	3.6%	3.2%	6.0%	7.0%	6.3%	5.0%		+1.8%
Segment Profit Margin	4.2%	3.7%	4.1%	4.2%	6.6%	6.1%	5.7%	5.3%		+1.1%
Elimination	0.0%	0.0%	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%	5.8%	5.3%		+1.1%

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	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	137,144	133,734		+11,294
Information Equipment	10,636	8,077	7,588	13,315	11,147	8,450	9,542	14,541		+1,226
Software	568	669	604	926	498	809	769	922		(4)
Other	4,120	4,531	4,478	6,461	4,178	5,214	6,005	6,647		+186
Sales	105,949	117,059	129,675	143,143	149,302	149,458	153,460	155,844		+12,701
Electronic Components	3,699	3,424	5,879	5,105	9,018	7,599	6,724	4,973		(132)
Information Equipment	568	342	306	869	564	401	534	950		+81
Software	(67)	(42)	0	83	(33)	128	40	151		+68
Other	217	103	153	153	249	409	313	130		(23)
Segment Profit	4,418	3,827	6,336	6,211	9,798	8,537	7,613	6,204		(7)
Elimination	33	22	21	46	21	4	32	40		(6)
Operating Profit	4,452	3,848	6,358	6,257	9,820	8,541	7,645	6,243		(14)
Electronic Components	4.1%	3.3%	5.0%	4.2%	6.8%	5.6%	4.9%	3.7%		(0.5%)
Information Equipment	5.3%	4.2%	4.0%	6.5%	5.1%	4.7%	5.6%	6.5%		+0.0%
Software	(11.8%)	(6.3%)	0.0%	9.0%	(6.6%)	15.8%	5.2%	16.4%		+7.4%
Other	5.3%	2.3%	3.4%	2.4%	6.0%	7.8%	5.2%	2.0%		(0.4%)
Segment Profit Margin	4.2%	3.3%	4.9%	4.3%	6.6%	5.7%	5.0%	4.0%		(0.4%)
Elimination	0.0%	0.0%	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%	5.0%	4.0%		(0.4%)

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	-	30,569		+32,123
Investing Cash Flow	-	(3,699)	-	(6,772)	-	(3,492)	-	(4,805)		+1,967
Operating CF and Investing CF	-	(5,712)	-	(8,326)	-	7,158	-	25,764		+34,090
Financing Cash Flow	-	529	-	1,155	-	(3,187)	-	(15,549)		(16,704)

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	50,994	52,600		+11,549
Accounts Receivables	92,012	96,651	108,531	120,947	125,693	124,539	123,080	129,098		+8,151
Inventory	49,985	51,168	61,395	62,606	71,037	71,285	78,849	56,204		(6,402)
Other	9,598	8,235	12,735	9,380	9,680	7,457	7,355	7,670		(1,710)
Current Assets	191,834	196,245	223,575	233,984	248,727	251,765	260,278	245,572		+11,588
Tangible Assets	18,229	17,927	18,199	19,393	20,148	20,532	20,279	20,158		+765
Intangible Assets	3,053	3,048	2,949	3,163	3,075	2,930	2,747	2,702		(461)
Investments & Other Assets	15,701	16,239	16,477	15,598	14,804	15,694	16,500	17,784		+2,186
Fixed Assets	36,984	37,215	37,626	38,155	38,028	39,158	39,526	40,645		+2,490
Total Assets	228,819	233,461	261,202	272,139	286,756	290,923	299,806	286,217		+14,078
Accounts Payables	70,874	70,486	83,311	86,493	90,487	84,968	90,273	79,232		(7,261)
Short Term Debt	12,760	17,001	25,143	23,858	27,885	25,313	30,955	19,585		(4,273)
Other	14,705	16,153	17,628	22,567	19,311	21,900	24,559	28,730		+6,163
Current Liabilities	98,339	103,640	126,082	132,918	137,683	132,181	145,787	127,547		(5,371)
Corporate Bond	-	-	-	-	10,000	10,000	10,000	10,000		+10,000
Long Term Debt	25,158	25,150	25,143	25,136	15,130	15,121	10,109	10,600		(14,536)
Other	8,240	8,052	8,258	8,285	8,824	8,692	8,717	8,332		+47
Fixed Liabilities	33,398	33,202	33,401	33,421	33,954	33,813	28,826	28,932		(4,489)
Total Liabilities	131,738	136,843	159,483	166,339	171,637	165,995	174,613	156,479		(9,860)
Shareholders' Equity	90,551	89,629	93,249	98,732	103,738	110,254	113,268	117,285		+18,553
Other	6,530	6,989	8,470	7,068	11,381	14,674	11,924	12,452		+5,384
Net Assets	97,081	96,618	101,719	105,800	115,119	124,928	125,192	129,737		+23,937
Total Liabilities & Net Assets	228,819	233,461	261,202	272,139	286,756	290,923	299,806	286,217		+14,078
Equity Capital	92,942	92,379	97,323	105,680	115,008	124,808	125,070	129,608		+23,928
Interest Bearing Debt	37,918	42,151	50,286	48,994	53,015	50,434	51,064	40,185		(8,809)
Net Debt	(2,321)	1,960	9,372	7,943	10,698	1,950	70	(12,415)		(20,358)
Equity Ratio	40.6%	39.6%	37.3%	38.8%	40.1%	42.9%	41.7%	45.3%		-
Net Debt Equity Ratio	(2.5%)	2.1%	9.6%	7.5%	9.3%	1.6%	0.1%	(9.6%)		-
ROE (12 months)	6.3%	6.9%	9.7%	15.7%	18.8%	21.4%	21.6%	19.6%		-
ROA (12 months)	6.4%	6.9%	7.8%	8.4%	10.4%	12.2%	11.8%	11.7%		-
Days for Inventory Turnover	49	45	49	46	50	50	54	37		-
Quick Ratio	134%	132%	119%	122%	122%	131%	119%	142%		-
Current Ratio	195%	189%	177%	176%	181%	190%	179%	193%		-

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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