

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%)	-	-	-
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 FY03/2023		298,760	18,361	18,932	13,412	-	-	-
Q3 to Q4 FY03/2023		309,304	13,888	13,807	9,658	-	-	-
Q1 to Q2 FY03/2024		275,044	13,876	13,945	11,404	-	-	-
Q3 to Q4 FY03/2024CoE		274,956	11,124	11,055	6,596	-	-	-
Q1 to Q2 FY03/2024	YoY	(7.9%)	(24.4%)	(26.3%)	(15.0%)	-	-	-
Q3 to Q4 FY03/2024CoE	YoY	(11.1%)	(19.9%)	(19.9%)	(31.7%)	-	-	-

Source: Company Data, WRJ Calculation

1.0 News Release (29 November 2023)

Underlying Earnings

On 24 November 2023, KAGA ELECTRONICS, a major electronic components trading company, held its financial results briefing for Q1 to Q2 FY03/2024. It has been revealed that the Company sees underlying earnings having roughly unchanged from the same period of the previous year, although the results have shown a decrease in sales and earnings for Q1 to Q2. According to the Company, operating profit has achieved a level roughly unchanged from the same period of the previous year, when excluding the impacts of one-off factors, i.e., that of having lost sales of spot projects and that of having posted provision for doubtful accounts. Meanwhile, it appears that the Company's in-house performance target was exceeded by some ¥15.0bn (6%) in sales and some ¥3.8bn (39%) in operating profit, but FY03/2024 initial Company forecasts have remained unchanged. The results were better for Q1, which was also the case for Q2. Still, the Company suggests that it should access near-term demand trends in light of the increasingly uncertain outlook, compared to the beginning of the year. Thus, the Company has decided to hold off on raising its full-year Company forecasts at this time. By the way, President Kado is boldly laying out a policy of focusing on EMS business in the pursuit of a long-term growth. New factory in Mexico is scheduled to be operational by April 2024, while the Company will continue to increase its production capacity overseas and in Japan, calling for prospective sales of ¥300bn in five years for the said business, doubled from the results for FY03/2023.


● Financial Results Briefing Presentation Material: https://www.taxan.co.jp/en/ir/event/event_01.html

IR Representatives: IRs & PRs Department, General Manager: Ichiro Shirai / Manager: Takayuki Mori

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2.0 Company Profile

Everything We Do Is for Our Customers

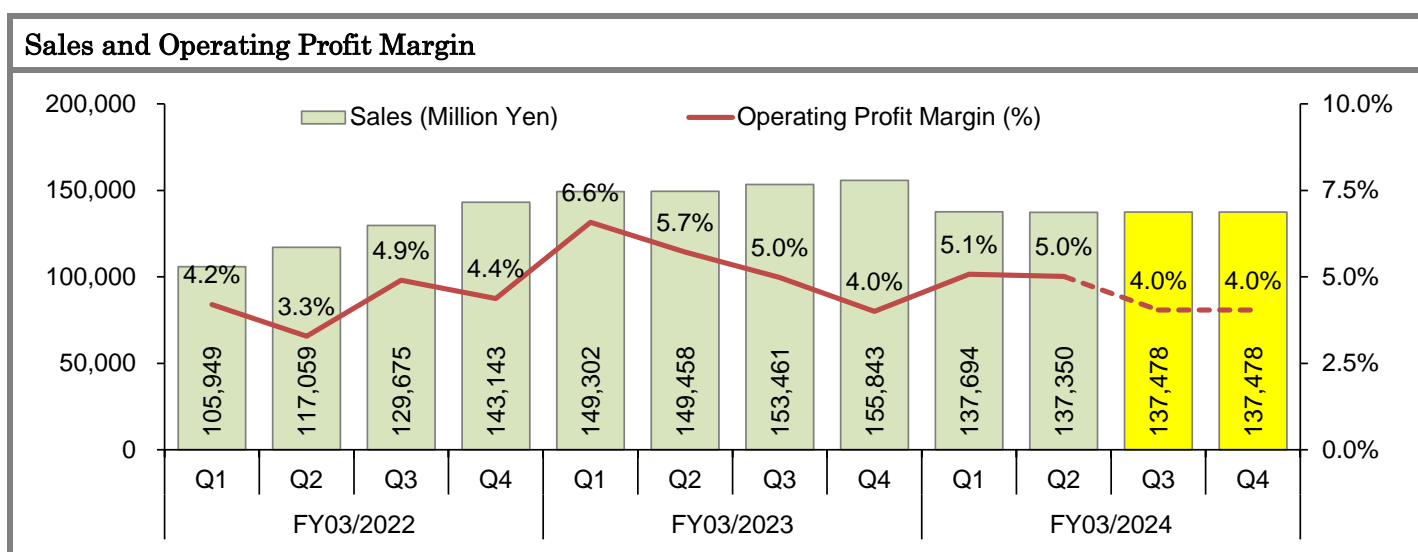
Company Name	<p>KAGA ELECTRONICS CO.,LTD.</p> <p>Company Website</p> <p>IR Information</p> <p>Share price (Japanese)</p>	
Established	12 September 1968	
Listing	<p>4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 8154)</p> <p>1 September 1997: Tokyo Stock Exchange 1st section</p> <p>23 December 1986: Tokyo Stock Exchange 2nd section</p>	
Capital	¥12,133m (as of the end of September 2023)	
No. of Shares	28,702,118 shares, including 2,434,067 treasury shares (as of the end of Sep. 2023)	
Main Features	<ul style="list-style-type: none"> ● Enlargement of added value 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	<p>I . Electronic Components (components sale business and EMS business)</p> <p>II . Information Equipment (sale of PCs, PC peripherals, home appliances, lighting fixtures, etc.)</p> <p>III. Software (production of CG video and software)</p> <p>IV. Other (sale of amusement equipment, repair, support, etc. for electronic equipment)</p>	
Representatives	<p>Representative Director, Founder & CEO : Isao Tsukamoto</p> <p>Representative Director, President & COO: Ryoichi Kado</p>	
Shareholders	The Master Trust Bank of Japan, T. 10.75%, OKOZE Co. 7.00%, Custody Bank of Japan, T. 6.86%, ESOP 6.11%, MUFG Bank 4.33% (as of the end of September 2023, but for treasury shares)	
Head Office	Chiyoda-ku, Tokyo, JAPAN	
No. of Personnel	Consolidated: 7,821, Parent: 553 (as of the end of September 2023)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q2 FY03/2024

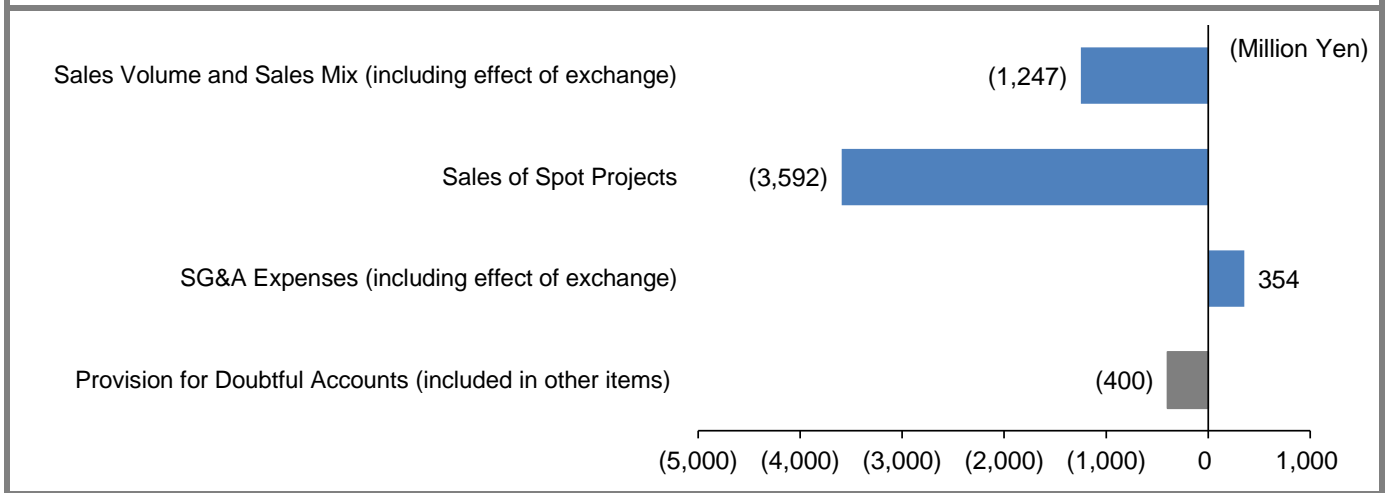
For Q1 to Q2 FY03/2024, sales came in at ¥275,044m (down 7.9% YoY), operating profit ¥13,876m (down 24.4%), recurring profit ¥13,945m (down 26.3%) and profit attributable to owners of parent ¥11,404m (down 15.0%). The decrease in profit attributable to owners of parent was rather limited due to an improvement of ¥1,831m (from ¥19m to ¥1,850m) at the extraordinary level. The Company posted a gain on sale of investment securities and a gain on negative goodwill from mergers, which had a significant impact. Meanwhile, gross profit came in at ¥35,160m (down 12.1%) and SG&A expenses ¥21,284m (down 1.6%), implying gross profit margin of 12.8% (down 0.6% points) and SG&A ratio of 7.7% (up 0.5% points), having resulted in operating profit margin of 5.0% (down 1.1% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY03/2024: H2 Company forecasts, pro rata)

According to the Company's analysis of changes in operating profit, the loss of sales associated with spot projects on the mainstay Electronic Components side (88.2% of sales and 85.4% of operating profit) caused operating profit to decline by no less than ¥3,592m, equating 80.1% out of the decline of ¥4,485m for the Company as a whole. Secondly, changes in sales volume and sales mix (including effect of exchange) caused a decline of ¥1,247m. Compared with assumptions of the Company's in-house performance target, the loss of sales associated with spot projects caused a decline in line, while the decline caused by changes in sales volume and sales mix (including effect of exchange) was rather smaller, having realized earnings better than assumed for the Company. Meanwhile, a decline of ¥400m was caused by posting of provision for doubtful accounts, for Q1, in connection with a specific customer's filing for bankruptcy protection from its creditors under the Civil Rehabilitation Law. Thus, excluding the impacts of one-off factors associated with the spot projects and the provision, i.e., collectively ¥3,992m (comprising ¥3,592m and ¥400m), the Company saw operating profit of ¥17,868m, having declined by no more than ¥493m (down 2.7%) from the same period of the previous year.

Analysis of Changes in Operating Profit (Q1 to Q2 FY03/2024)



Source: Company Data, WRJ Calculation (exchange: US\$1 = ¥141.00 versus ¥133.97 for Q1 to Q2 FY03/2023)

FY03/2024 Company Forecasts

FY03/2024 initial Company forecasts, announced on 11 May 2023, have remained unchanged, 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). Company forecasts have remained unchanged also for planned annual dividend, going for ¥220 per share, implying payout ratio of 32.1%. With respect to the rate of progress for the actual results of Q1 to Q2 against full-year Company forecasts, the Company saw 50.0% for sales, 55.5% for operating profit, 55.8% for recurring profit and 63.4% for profit attributable to owners of parent, implying a favorable performance, generally speaking, according to the Company.

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)	03/2023	03/2023	03/2023	03/2023	03/2024	03/2024	03/2024	03/2024		Net Chg.
Sales	149,302	298,760	452,221	608,064	137,694	275,044	-	-	-	(23,716)
Cost of Sales	129,464	258,759	392,337	529,550	120,140	239,883	-	-	-	(18,876)
Gross Profit	19,838	40,001	59,884	78,514	17,553	35,160	-	-	-	(4,841)
SG&A Expenses	10,018	21,639	33,877	46,265	10,559	21,284	-	-	-	(355)
Operating Profit	9,820	18,361	26,007	32,249	6,994	13,876	-	-	-	(4,485)
Non Operating Balance	38	571	611	490	(85)	69	-	-	-	(502)
Recurring Profit	9,858	18,932	26,618	32,739	6,909	13,945	-	-	-	(4,987)
Extraordinary Balance	124	19	516	(279)	1,003	1,850	-	-	-	+1,831
Profit before Income Taxes	9,982	18,951	27,134	32,460	7,912	15,795	-	-	-	(3,156)
Total Income Taxes	2,993	5,529	8,066	9,365	2,139	4,379	-	-	-	(1,150)
NP Belonging to Non-Controlling SHs	4	9	14	23	5	11	-	-	-	+2
Profit Attributable to Owners of Parent	6,984	13,412	19,053	23,070	5,767	11,404	-	-	-	(2,008)
Sales YoY	+40.9%	+34.0%	+28.2%	+22.6%	(7.8%)	(7.9%)	-	-	-	-
Operating Profit YoY	+120.6%	+121.2%	+77.4%	+54.2%	(28.8%)	(24.4%)	-	-	-	-
Recurring Profit YoY	+115.9%	+124.0%	+78.8%	+52.6%	(29.9%)	(26.3%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+143.2%	+138.5%	+82.9%	+49.8%	(17.4%)	(15.0%)	-	-	-	-
Gross Profit Margin	13.3%	13.4%	13.2%	12.9%	12.7%	12.8%	-	-	-	(0.6%)
SG&A Ratio	6.7%	7.2%	7.5%	7.6%	7.7%	7.7%	-	-	-	+0.5%
Operating Profit Margin	6.6%	6.1%	5.8%	5.3%	5.1%	5.0%	-	-	-	(1.1%)
Recurring Profit Margin	6.6%	6.3%	5.9%	5.4%	5.0%	5.1%	-	-	-	(1.3%)
Profit Attributable to Owners of Parent Margin	4.7%	4.5%	4.2%	3.8%	4.2%	4.1%	-	-	-	(0.3%)
Total Income Taxes / Profit before Income Taxes	30.0%	29.2%	29.7%	28.9%	27.0%	27.7%	-	-	-	(1.5%)
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)	03/2023	03/2023	03/2023	03/2023	03/2024	03/2024	03/2024	03/2024		Net Chg.
Sales	149,302	149,458	153,461	155,843	137,694	137,350	-	-	-	(12,108)
Cost of Sales	129,464	129,295	133,578	137,213	120,140	119,743	-	-	-	(9,552)
Gross Profit	19,838	20,163	19,883	18,630	17,553	17,607	-	-	-	(2,556)
SG&A Expenses	10,018	11,621	12,238	12,388	10,559	10,725	-	-	-	(896)
Operating Profit	9,820	8,541	7,646	6,242	6,994	6,882	-	-	-	(1,659)
Non Operating Balance	38	533	40	(121)	(85)	154	-	-	-	(379)
Recurring Profit	9,858	9,074	7,686	6,121	6,909	7,036	-	-	-	(2,038)
Extraordinary Balance	124	(105)	497	(795)	1,003	847	-	-	-	+952
Profit before Income Taxes	9,982	8,969	8,183	5,326	7,912	7,883	-	-	-	(1,086)
Total Income Taxes	2,993	2,536	2,537	1,299	2,139	2,240	-	-	-	(296)
NP Belonging to Non-Controlling SHs	4	5	5	9	5	6	-	-	-	+1
Profit Attributable to Owners of Parent	6,984	6,428	5,641	4,017	5,767	5,637	-	-	-	(791)
Sales YoY	+40.9%	+27.7%	+18.3%	+8.9%	(7.8%)	(8.1%)	-	-	-	-
Operating Profit YoY	+120.6%	+122.0%	+20.3%	(0.2%)	(28.8%)	(19.4%)	-	-	-	-
Recurring Profit YoY	+115.9%	+133.5%	+19.5%	(6.8%)	(29.9%)	(22.5%)	-	-	-	-
Profit Attributable to Owners of Parent YoY	+143.2%	+133.6%	+17.8%	(19.5%)	(17.4%)	(12.3%)	-	-	-	-
Gross Profit Margin	13.3%	13.5%	13.0%	12.0%	12.7%	12.8%	-	-	-	(0.7%)
SG&A Ratio	6.7%	7.8%	8.0%	7.9%	7.7%	7.8%	-	-	-	+0.0%
Operating Profit Margin	6.6%	5.7%	5.0%	4.0%	5.1%	5.0%	-	-	-	(0.7%)
Recurring Profit Margin	6.6%	6.1%	5.0%	3.9%	5.0%	5.1%	-	-	-	(0.9%)
Profit Attributable to Owners of Parent Margin	4.7%	4.3%	3.7%	2.6%	4.2%	4.1%	-	-	-	(0.2%)
Total Income Taxes / Profit before Income Taxes	30.0%	28.3%	31.0%	24.4%	27.0%	28.4%	-	-	-	+0.1%

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 03/2023	Q1 to Q2 03/2023	Q1 to Q3 03/2023	Q1 to Q4 03/2023	Q1 03/2024	Q1 to Q2 03/2024	Q1 to Q3 03/2024	Q1 to Q4 03/2024		
Electronic Components	133,477	268,464	405,608	539,342	120,015	242,564	-	-	-	(25,900)
Information Equipment	11,147	19,597	29,139	43,680	12,050	20,715	-	-	-	+1,118
Software	498	1,307	2,076	2,998	577	1,225	-	-	-	(82)
Other	4,178	9,392	15,397	22,044	5,050	10,539	-	-	-	+1,147
Sales	149,302	298,760	452,220	608,064	137,694	275,044	-	-	-	(23,716)
Electronic Components	9,018	16,617	23,341	28,314	5,922	11,785	-	-	-	(4,832)
Information Equipment	564	965	1,499	2,449	746	1,280	-	-	-	+315
Software	(33)	95	135	286	(4)	112	-	-	-	+17
Other	249	658	971	1,101	291	623	-	-	-	(35)
Segment Profit	9,798	18,335	25,948	32,152	6,956	13,801	-	-	-	(4,534)
Elimination	21	25	57	97	37	74	-	-	-	+49
Operating Profit	9,820	18,361	26,006	32,249	6,994	13,876	-	-	-	(4,485)
Electronic Components	6.8%	6.2%	5.8%	5.2%	4.9%	4.9%	-	-	-	(1.3%)
Information Equipment	5.1%	4.9%	5.1%	5.6%	6.2%	6.2%	-	-	-	+1.3%
Software	(6.6%)	7.3%	6.5%	9.5%	(0.8%)	9.2%	-	-	-	+1.9%
Other	6.0%	7.0%	6.3%	5.0%	5.8%	5.9%	-	-	-	(1.1%)
Segment Profit Margin	6.6%	6.1%	5.7%	5.3%	5.1%	5.0%	-	-	-	(1.1%)
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	+0.0%
Operating Profit Margin	6.6%	6.1%	5.8%	5.3%	5.1%	5.0%	-	-	-	(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 03/2023	Q2 03/2023	Q3 03/2023	Q4 03/2023	Q1 03/2024	Q2 03/2024	Q3 03/2024	Q4 03/2024		
Electronic Components	133,477	134,987	137,144	133,734	120,015	122,549	-	-	-	(12,438)
Information Equipment	11,147	8,450	9,542	14,541	12,050	8,665	-	-	-	+215
Software	498	809	769	922	577	648	-	-	-	(161)
Other	4,178	5,214	6,005	6,647	5,050	5,489	-	-	-	+275
Sales	149,302	149,458	153,460	155,844	137,694	137,350	-	-	-	(12,108)
Electronic Components	9,018	7,599	6,724	4,973	5,922	5,863	-	-	-	(1,736)
Information Equipment	564	401	534	950	746	534	-	-	-	+133
Software	(33)	128	40	151	(4)	116	-	-	-	(12)
Other	249	409	313	130	291	332	-	-	-	(77)
Segment Profit	9,798	8,537	7,613	6,204	6,956	6,845	-	-	-	(1,692)
Elimination	21	4	32	40	37	37	-	-	-	+33
Operating Profit	9,820	8,541	7,645	6,243	6,994	6,882	-	-	-	(1,659)
Electronic Components	6.8%	5.6%	4.9%	3.7%	4.9%	4.8%	-	-	-	(0.8%)
Information Equipment	5.1%	4.7%	5.6%	6.5%	6.2%	6.2%	-	-	-	+1.4%
Software	(6.6%)	15.8%	5.2%	16.4%	(0.8%)	17.9%	-	-	-	+2.1%
Other	6.0%	7.8%	5.2%	2.0%	5.8%	6.0%	-	-	-	(1.8%)
Segment Profit Margin	6.6%	5.7%	5.0%	4.0%	5.1%	5.0%	-	-	-	(0.7%)
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	-	+0.0%
Operating Profit Margin	6.6%	5.7%	5.0%	4.0%	5.1%	5.0%	-	-	-	(0.7%)

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 03/2023	Q1 to Q2 03/2023	Q1 to Q3 03/2023	Q1 to Q4 03/2023	Q1 03/2024	Q1 to Q2 03/2024	Q1 to Q3 03/2024	Q1 to Q4 03/2024		
Operating Cash Flow	-	10,650	-	30,569	-	9,551	-	-	-	(1,099)
Investing Cash Flow	-	(3,492)	-	(4,805)	-	(797)	-	-	-	+2,695
Operating CF and Investing CF	-	7,158	-	25,764	-	8,754	-	-	-	+1,596
Financing Cash Flow	-	(3,187)	-	(15,549)	-	(4,194)	-	-	-	(1,007)

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.
	03/2023	03/2023	03/2023	03/2023	03/2024	03/2024	03/2024	03/2024		
Cash & Deposit	42,317	48,484	50,994	52,600	59,358	62,487	-	-		+14,003
Accounts Receivables	125,693	124,539	123,080	129,098	115,889	117,751	-	-		(6,788)
Inventory	71,037	71,285	78,849	56,204	70,556	63,580	-	-		(7,705)
Other	9,680	7,457	7,355	7,670	9,071	8,519	-	-		+1,062
Current Assets	248,727	251,765	260,278	245,572	254,874	252,337	-	-		+572
Tangible Assets	20,148	20,532	20,279	20,158	21,231	21,951	-	-		+1,419
Intangible Assets	3,075	2,930	2,747	2,702	2,541	2,321	-	-		(609)
Investments & Other Assets	14,804	15,694	16,500	17,784	14,176	13,717	-	-		(1,977)
Fixed Assets	38,028	39,158	39,526	40,645	37,948	37,990	-	-		(1,168)
Total Assets	286,756	290,923	299,806	286,217	292,822	290,328	-	-		(595)
Accounts Payables	90,487	84,968	90,273	79,232	88,374	77,353	-	-		(7,615)
Short Term Debt	27,885	25,313	30,955	19,585	20,258	19,939	-	-		(5,374)
Other	19,311	21,900	24,559	28,730	18,899	19,745	-	-		(2,155)
Current Liabilities	137,683	132,181	145,787	127,547	127,531	117,037	-	-		(15,144)
Corporate Bond	10,000	10,000	10,000	10,000	10,000	10,000	-	-		-
Long Term Debt	15,130	15,121	10,109	10,600	10,600	10,600	-	-		(4,521)
Other	8,824	8,692	8,717	8,332	8,707	9,082	-	-		+390
Fixed Liabilities	33,954	33,813	28,826	28,932	29,307	29,682	-	-		(4,131)
Total Liabilities	171,637	165,995	174,613	156,479	156,839	146,720	-	-		(19,275)
Shareholders' Equity	103,738	110,254	113,268	117,285	119,900	125,581	-	-		+15,327
Other	11,381	14,674	11,924	12,452	16,083	18,026	-	-		+3,352
Net Assets	115,119	124,928	125,192	129,737	135,983	143,607	-	-		+18,679
Total Liabilities & Net Assets	286,756	290,923	299,806	286,217	292,822	290,328	-	-		(595)
Equity Capital	115,008	124,808	125,070	129,608	135,850	143,465	-	-		+18,657
Interest Bearing Debt	53,015	50,434	51,064	40,185	40,858	40,539	-	-		(9,895)
Net Debt	10,698	1,950	70	(12,415)	(18,500)	(21,948)	-	-		(23,898)
Equity Ratio	40.1%	42.9%	41.7%	45.3%	46.4%	49.4%	-	-		-
Net Debt Equity Ratio	9.3%	1.6%	0.1%	(9.6%)	(13.6%)	(15.3%)	-	-		-
ROE (12 months)	18.8%	21.4%	21.6%	19.6%	17.4%	15.7%	-	-		-
ROA (12 months)	10.4%	12.2%	11.8%	11.7%	10.3%	9.5%	-	-		-
Days for Inventory Turnover	50	50	54	37	54	48	-	-		-
Quick Ratio	122%	131%	119%	142%	137%	154%	-	-		-
Current Ratio	181%	190%	179%	193%	200%	216%	-	-		-

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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