

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	510,000	21,200	21,200	14,500	552.42	150.00	-
FY03/2022	YoY	17.4%	82.4%	90.9%	35.1%	-	-
FY03/2023CoE	YoY	2.9%	1.4%	(1.2%)	(5.9%)	-	-

Source: Company Data, WRJ Calculation

1.0 News Release (2 June 2022)


Earnings Highest Ever

On 26 May 2022, KAGA ELECTRONICS, a major trading company of electronic components, held its on-line results briefing for FY03/2022. It has been revealed that record-high earnings continue to be renewed. While record-high sales were renewed due mainly to firm sales in the mainstay segment of Electronic Components, record highs were renewed in operating profit and recurring profit for the third consecutive year and profit attributable to owners of parent for the second consecutive year. On top of having steadily captured a recovery in demand accompanying a recovery in manufacturing activities in Japan and overseas, the Company says that it saw a contribution as much as ¥4,100m at the operating level stemming from “spot sales”. Nevertheless, FY03/2023 Company forecasts assume that this will be no more than ¥1,000m. Meanwhile, the Company suggests that it will revise performance target of Midterm Management Plan 2024 in light of the actual performance for Q1 to Q2 FY03/2023. It appears that FY03/2023 Company forecasts are based on a conservative assumption, given uncertainty associated with prospective contribution from “spot sales” at the moment, while the Company suggests that it will be able to confirm a certain direction at this stage, seemingly planning to consider the extent of upgrade in performance target for FY03/2025, the final year of the plan, whose results are supposed to be timely disclosed. Meanwhile, the latest IR materials have been uploaded at the section of [Earnings Presentations](#) with the Company website.

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	<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 March 2022)
No. of Shares	28,702,118 shares, including 2,454,162 treasury shares (as of the end of March 2022)
Main Features	<ul style="list-style-type: none"> ● Enlargement of added value creations with a long-term growth of EMS ● Focus on industrial machinery, healthcare, etc. on top of the mainstay automobiles by sector ● Pursuit of the scale of business and PMI with consistent M&As
Segments	<p>(Segments of Midterm Management Plan)</p> <p>I . Electronic Components (sale of general electronic components and semiconductors)</p> <p>II . EMS (providing finished products and semi-finished products with extensive solutions for design, development and manufacture)</p> <p>III . CSI (sale of PCs, PC peripherals, consumer electronics, etc.)</p> <p>IV . Other</p>
Representatives	<p>Founder & CEO: Isao Tsukamoto</p> <p>President & COO: Ryoichi Kado</p>
Shareholders	<p>The Master Trust Bank of Japan, T. 11.98%, SANKYO Co. 9.22%, OKOZE Co. 7.01%, Custody Bank of Japan, T. 5.76%, ESOP 4.65% (as of the end of March 2022, but for treasury shares)</p>
Head Office	Chiyoda-ku, Tokyo, JAPAN
No. of Personnel	Consolidated: 7,959, Parent: 555 (as of the end of March 2022)

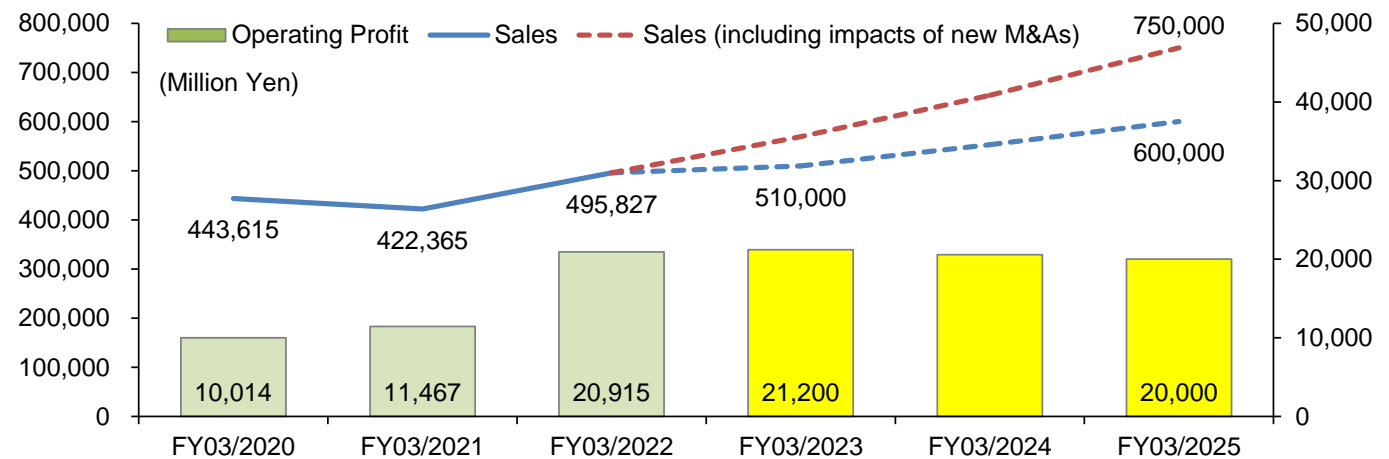
Source: Company Data

3.0 Recent Trading and Prospects

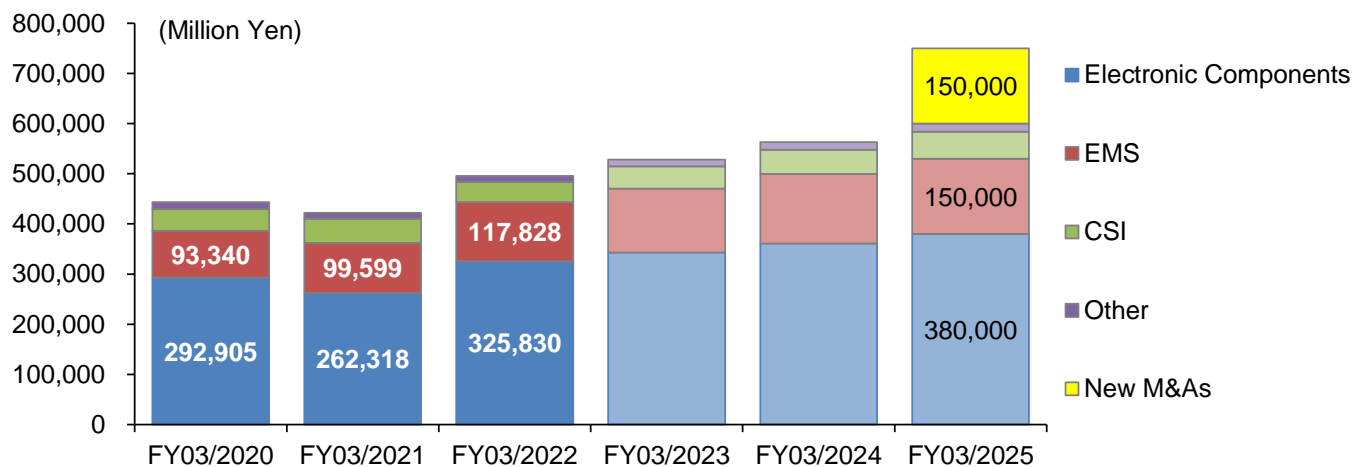
FY03/2022

In FY03/2022, sales came in at ¥495,827m (up 17.4% YoY), operating profit ¥20,915m (up 82.4%), recurring profit ¥21,456m (up 90.9%) and profit attributable to owners of parent ¥15,401m (up 35.1%), while operating profit margin 4.2% (up 1.5% points). The latest Company forecasts (announced on 3 February 2022) were exceeded by ¥3,415m (19.5%) for operating profit.

Midterm Management Plan 2024 Performance Target (announced on 25 November 2021)



Sales by Segment (Midterm Management Plan)



Source: Company Data, WRJ Calculation

Although the Company did not see a reappearance for gain of ¥7,963m on negative goodwill recorded for FY03/2021 at the extraordinary level, profit attributable to owners of parent increased nicely as recurring profit surged. The parent KAGA ELECTRONICS saw solid performance, while subsidiaries acquired through M&As, i.e., KAGA FEI and EXEL, saw outstanding improvement in operating profit margin. According to the Company, this is due mainly to favorably progressing post-merger integration (PMI) in both of them or ongoing integration of management, operations and consciousness after the mergers.

Meanwhile, amid extending tightening of supply-demand balance for semiconductors and electronic components, the Company is leveraging its strengths as an independent trading company to promote procurement from a wider range of suppliers than in the past, including so-called distribution inventory merchandises, for the sake of responding to the needs of existing and new customers, which generates “spot sales” or those of unusual commercial distribution. It appears that this has expanded faster than expected toward the yearend, having resulted in the aforementioned overshoot at the operating level. Nevertheless, FY03/2023 Company forecasts assume that the contribution of “spot sales” will shrink in line with easing of the said supply-demand balance.

FY03/2023 Company Forecasts

FY03/2023 Company forecasts (announced on 12 May 2022) are going for prospective sales of ¥510,000m (up 2.9% YoY), operating profit of ¥21,200m (up 1.4%), recurring profit of ¥21,200m (down 1.2%) and profit attributable to owners of parent of ¥14,500m (down 5.9%), while operating profit margin of 4.2% (unchanged from the previous year) and ROE of 13.0% (down 2.7% points). At the same time, Company forecasts are going for prospective annual dividend of ¥150.00 per share (ordinary dividend of ¥140.00 and commemorative dividend of ¥10.00 for the 55th anniversary of the Company's foundation), implying payout ratio of 27.2%. Compared with ¥120.00, implying payout ratio of 20.8%, for FY03/2022, the Company is planning to raise the payout ratio and dividend by ¥30.00 per share.

Long-Term Sustainability Target

On 25 November 2021, the Company announced Long-Term Sustainability Target, while it has reiterated this in the results briefing this time too. Under the corporate philosophy of “Everything We Do Is for Our Customers,” the Company aims to support “realization of sustainable society” and “sustainable group growth” at the same time. For ESG, i.e., environment, society and governance, the Company is going for “100% exposure to green power“, “diversity and management for human resources” and “revamping of CG code & rebuilding of governance framework to respond to TSE realignment”, respectively, as the initiatives. At the same time, the Company plans to improve its corporate value by means of making progress with all those initiatives.

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	352,684	495,827		+73,462
Cost of Sales	74,132	167,218	260,619	374,428	92,398	195,875	309,923	435,280		+60,852
Gross Profit	9,997	21,641	33,646	47,936	13,550	27,133	42,761	60,547		+12,611
SG&A Expenses	8,341	17,206	26,129	36,469	9,098	18,832	28,102	39,632		+3,163
Operating Profit	1,656	4,434	7,517	11,467	4,452	8,300	14,658	20,915		+9,448
Non Operating Balance	(123)	(96)	(287)	(226)	114	152	228	541		+767
Recurring Profit	1,533	4,338	7,230	11,241	4,566	8,452	14,886	21,456		+10,215
Extraordinary Balance	7,577	7,788	7,612	3,231	(437)	(223)	(180)	(108)		(3,339)
Profit before Income Taxes	9,110	12,126	14,842	14,472	4,129	8,229	14,706	21,348		+6,876
Total Income Taxes	470	1,424	2,191	3,156	1,220	2,469	4,039	5,678		+2,522
NP Belonging to Non-Controlling SHs	(2)	(70)	(77)	(84)	36	135	252	268		+352
Profit Attributable to Owners of Parent	8,643	10,772	12,728	11,399	2,872	5,624	10,414	15,401		+4,002
Sales YoY	(23.2%)	(18.1%)	(13.1%)	(4.8%)	+25.9%	+18.1%	+19.9%	+17.4%		-
Operating Profit YoY	(10.5%)	(15.4%)	(2.8%)	+14.5%	+168.8%	+87.2%	+95.0%	+82.4%		-
Recurring Profit YoY	(25.0%)	(21.8%)	(9.3%)	+10.9%	+197.8%	+94.8%	+105.9%	+90.9%		-
Profit Attributable to Owners of Parent YoY	+540.0%	+207.5%	+158.5%	+94.8%	(66.6%)	(47.8%)	(18.2%)	+35.1%		-
Gross Profit Margin	11.9%	11.5%	11.4%	11.3%	12.8%	12.2%	12.1%	12.2%		+0.9%
Sales to SG&A Expenses Ratio	9.9%	9.1%	8.9%	8.6%	8.6%	8.4%	8.0%	8.0%		(0.6%)
Operating Profit Margin	2.0%	2.3%	2.6%	2.7%	4.2%	3.7%	4.2%	4.2%		+1.5%
Recurring Profit Margin	1.8%	2.3%	2.5%	2.7%	4.3%	3.8%	4.2%	4.3%		+1.7%
Profit Attributable to Owners of Parent Margin	10.3%	5.7%	4.3%	2.7%	2.7%	2.5%	3.0%	3.1%		+0.4%
Total Income Taxes / Profit before Income Taxes	5.2%	11.7%	14.8%	21.8%	29.5%	30.0%	27.5%	26.6%		+4.8%
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.
	03/2021	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	129,675	143,143		+15,044
Cost of Sales	74,132	93,086	93,401	113,809	92,398	103,477	114,048	125,357		+11,548
Gross Profit	9,997	11,644	12,005	14,290	13,550	13,583	15,628	17,786		+3,496
SG&A Expenses	8,341	8,865	8,923	10,340	9,098	9,734	9,270	11,530		+1,190
Operating Profit	1,656	2,778	3,083	3,950	4,452	3,848	6,358	6,257		+2,307
Non Operating Balance	(123)	27	(191)	61	114	38	76	313		+252
Recurring Profit	1,533	2,805	2,892	4,011	4,566	3,886	6,434	6,570		+2,559
Extraordinary Balance	7,577	211	(176)	(4,381)	(437)	214	43	72		+4,453
Profit before Income Taxes	9,110	3,016	2,716	(370)	4,129	4,100	6,477	6,642		+7,012
Total Income Taxes	470	954	767	965	1,220	1,249	1,570	1,639		+674
NP Belonging to Non-Controlling SHs	(2)	(68)	(7)	(7)	36	99	117	16		+23
Profit Attributable to Owners of Parent	8,643	2,129	1,956	(1,329)	2,872	2,752	4,790	4,987		+6,316
Sales YoY	(23.2%)	(13.5%)	(2.6%)	+22.2%	+25.9%	+11.8%	+23.0%	+11.7%		-
Operating Profit YoY	(10.5%)	(18.0%)	+23.7%	+73.1%	+168.8%	+38.5%	+106.2%	+58.4%		-
Recurring Profit YoY	(25.0%)	(19.9%)	+19.1%	+85.5%	+197.8%	+38.5%	+122.5%	+63.8%		-
Profit Attributable to Owners of Parent YoY	+540.0%	(1.1%)	+37.6%	-	(66.6%)	+29.3%	+144.9%	-		-
Gross Profit Margin	11.9%	11.1%	11.4%	11.2%	12.8%	11.6%	12.1%	12.4%		+1.3%
Sales to SG&A Expenses Ratio	9.9%	8.5%	8.5%	8.1%	8.6%	8.3%	7.1%	8.1%		(0.0%)
Operating Profit Margin	2.0%	2.7%	2.9%	3.1%	4.2%	3.3%	4.9%	4.4%		+1.3%
Recurring Profit Margin	1.8%	2.7%	2.7%	3.1%	4.3%	3.3%	5.0%	4.6%		+1.5%
Profit Attributable to Owners of Parent Margin	10.3%	2.0%	1.9%	(1.0%)	2.7%	2.4%	3.7%	3.5%		+4.5%
Total Income Taxes / Profit before Income Taxes	5.2%	31.6%	28.2%	-	29.5%	30.5%	24.2%	24.7%		-

Source: Company Data, WRJ Calculation

Segments of Midterm Management Plan (Cumulative / Quarterly)

Segments of Midterm Management Plan (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		
Electronic Components	49,740	117,287	181,913	262,318	66,124	144,790	232,869	325,830	+63,512	
EMS	19,820	42,940	70,216	99,599	26,334	53,453	84,595	117,828	+18,229	
CSI	12,537	23,192	33,937	48,389	10,636	18,713	26,301	39,616	(8,773)	
Other	2,031	5,438	8,199	12,057	2,854	6,052	8,918	12,552	+495	
Sales	84,130	188,859	294,266	422,365	105,949	223,009	352,684	495,827	+73,462	
Electronic Components	44	851	1,657	2,961	1,775	3,948	7,772	11,094	+8,133	
EMS	1,083	2,265	3,890	5,539	2,060	3,322	5,463	7,356	+1,817	
CSI	583	1,160	1,753	2,482	568	910	1,216	2,085	(397)	
Other	(89)	88	126	387	14	64	129	255	(132)	
Segment Profit	1,621	4,364	7,426	11,369	4,417	8,244	14,580	20,790	+9,421	
Elimination	35	70	91	98	35	56	78	125	+27	
Operating Profit	1,656	4,434	7,517	11,467	4,452	8,300	14,658	20,915	+9,448	
Electronic Components	0.1%	0.7%	0.9%	1.1%	2.7%	2.7%	3.3%	3.4%	+2.3%	
EMS	5.5%	5.3%	5.5%	5.6%	7.8%	6.2%	6.5%	6.2%	+0.7%	
CSI	4.7%	5.0%	5.2%	5.1%	5.3%	4.9%	4.6%	5.3%	+0.1%	
Other	(4.4%)	1.6%	1.5%	3.2%	0.5%	1.1%	1.4%	2.0%	(1.2%)	
Segment Profit	1.9%	2.3%	2.5%	2.7%	4.2%	3.7%	4.1%	4.2%	+1.5%	
Elimination	0.0%	0.0%	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%	4.2%	4.2%	+1.5%	

Segments of Midterm Management Plan (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		
Electronic Components	49,740	67,547	64,625	80,405	66,124	78,665	88,079	92,961	+12,556	
EMS	19,820	23,120	27,275	29,383	26,334	27,118	31,142	33,233	+3,850	
CSI	12,537	10,654	10,745	14,452	10,636	8,077	7,587	13,315	(1,137)	
Other	2,031	3,406	2,760	3,858	2,854	3,198	2,865	3,634	(224)	
Sales	84,130	104,729	105,407	128,099	105,949	117,059	129,675	143,143	+15,044	
Electronic Components	44	807	805	1,304	1,775	2,172	3,824	3,322	+2,018	
EMS	1,083	1,181	1,625	1,649	2,060	1,262	2,140	1,893	+244	
CSI	583	577	592	729	568	342	305	869	+140	
Other	(89)	177	38	261	14	49	64	126	(135)	
Segment Profit	1,621	2,743	3,062	3,943	4,417	3,827	6,336	6,210	+2,267	
Elimination	35	35	21	7	35	21	22	47	+40	
Operating Profit	1,656	2,778	3,082	3,950	4,452	3,848	6,358	6,257	+2,307	
Electronic Components	0.1%	1.2%	1.2%	1.6%	2.7%	2.8%	4.3%	3.6%	+2.0%	
EMS	5.5%	5.1%	6.0%	5.6%	7.8%	4.7%	6.9%	5.7%	+0.1%	
CSI	4.7%	5.4%	5.5%	5.0%	5.3%	4.2%	4.0%	6.5%	+1.5%	
Other	(4.4%)	5.2%	1.4%	6.8%	0.5%	1.5%	2.2%	3.5%	(3.3%)	
Elimination	0.0%	0.0%	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%	4.9%	4.4%	+1.3%	

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)	-	(1,554)	(11,553)	
Investing Cash Flow	-	(2,996)	-	(2,453)	-	(3,699)	-	(6,772)	(4,319)	
Operating CF and Investing CF	-	(10,013)	-	7,546	-	(5,712)	-	(8,326)	(15,872)	
Financing Cash Flow	-	(855)	-	(6,851)	-	529	-	1,155	+8,006	

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	40,914	41,051	(4,585)	
Accounts Receivables	84,590	91,863	93,272	108,394	92,012	96,651	108,531	120,947	+12,553	
Inventory	47,816	37,728	38,882	37,947	49,985	51,168	61,395	62,606	+24,659	
Other	9,355	7,231	8,802	8,202	9,598	8,235	12,735	9,380	+1,178	
Current Assets	178,165	172,376	187,290	200,179	191,834	196,245	223,575	233,984	+33,805	
Tangible Assets	18,494	18,915	19,263	18,225	18,229	17,927	18,199	19,393	+1,168	
Intangible Assets	2,326	2,660	2,674	2,609	3,053	3,048	2,949	3,163	+554	
Investments & Other Assets	15,112	15,957	15,105	15,990	15,701	16,239	16,477	15,598	(392)	
Fixed Assets	35,932	37,532	37,043	36,825	36,984	37,215	37,626	38,155	+1,330	
Total Assets	214,097	209,908	224,333	237,004	228,819	233,461	261,202	272,139	+35,135	
Accounts Payables	61,852	54,605	64,599	79,854	70,874	70,486	83,311	86,493	+6,639	
Short Term Debt	15,081	17,041	23,212	10,800	12,760	17,001	25,143	23,858	+13,058	
Other	14,813	13,985	14,238	17,863	14,705	16,153	17,628	22,567	+4,704	
Current Liabilities	91,746	85,631	102,049	108,517	98,339	103,640	126,082	132,918	+24,401	
Long Term Debt	20,512	20,179	20,169	25,166	25,158	25,150	25,143	25,136	(30)	
Other	7,494	7,935	8,276	8,258	8,240	8,052	8,258	8,285	+27	
Fixed Liabilities	28,006	28,114	28,445	33,424	33,398	33,202	33,401	33,421	(3)	
Total Liabilities	119,753	113,745	130,494	141,942	131,738	136,843	159,483	166,339	+24,397	
Shareholders' Equity	86,642	88,770	90,391	89,045	90,551	89,629	93,249	98,732	+9,687	
Other	7,702	7,393	3,447	6,017	6,530	6,989	8,470	7,068	+1,051	
Net Assets	94,344	96,163	93,838	95,062	97,081	96,618	101,719	105,800	+10,738	
Total Liabilities & Net Assets	214,097	209,908	224,333	237,004	228,819	233,461	261,202	272,139	+35,135	
Equity Capital	86,385	88,271	89,845	90,967	92,942	92,379	97,323	105,680	+14,713	
Interest Bearing Debt	35,593	37,220	43,381	35,966	37,918	42,151	50,286	48,994	+13,028	
Net Debt	(811)	1,666	(2,953)	(9,670)	(2,321)	1,960	9,372	7,943	+17,613	
Equity Ratio	40.3%	42.1%	40.0%	38.4%	40.6%	39.6%	37.3%	38.8%	-	
Net Debt Equity Ratio	(0.9%)	1.9%	(3.3%)	(10.6%)	(2.5%)	2.1%	9.6%	7.5%	-	
ROE (12 months)	16.2%	15.8%	16.2%	13.5%	6.3%	6.9%	9.7%	15.7%	-	
ROA (12 months)	4.5%	4.2%	4.3%	5.1%	6.4%	6.9%	7.8%	8.4%	-	
Days for Inventory Turnover	59	37	38	30	49	45	49	46	-	
Quick Ratio	132%	149%	137%	142%	134%	132%	119%	122%	-	
Current Ratio	194%	201%	184%	184%	195%	189%	177%	176%	-	

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.

Company name: Walden Research Japan Incorporated

Head office: Level 4 Ginza Ishii Building, 6-14-8 Ginza Chuo-ku Tokyo 104-0061, JAPAN

URL: <https://walden.co.jp/>

E-mail: info@walden.co.jp

Tel: 81-(0)3-3553-3769