

February 4, 2021

## Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2020 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	<a href="https://www.taxan.co.jp/">https://www.taxan.co.jp/</a>
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Date of filing of quarterly securities report (tentative):	February 12, 2021
Date of commencement of dividend payment (tentative):	-
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	None

(Yen in millions, rounded down)

### 1. Financial results for the third quarter of the fiscal year ending March 2021 (April 1, 2020 – December 31, 2020)

(1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Third quarter ended December 2020	294,266	(13.1)	7,517	(2.8)	7,230	(9.3)	12,728	158.5
Third quarter ended December 2019	338,801	95.0	7,732	34.5	7,975	32.9	4,924	1.0

Note: Comprehensive income: 3Q of FY3/2021: 12,921 million yen [156.2%] 3Q of FY3/2020: 5,043 million yen [23.6%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2020	463.49	–
Third quarter ended December 2019	179.43	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2020	224,333	93,838	40.0
As of March 31, 2020	207,638	86,250	37.7

Reference: Shareholders' equity As of December 31, 2020: 89,845 million yen As of March 31, 2020: 78,284 million yen

### 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2020	-	30.00	-	40.00	70.00
Fiscal year ending March 2021	-	30.00	-		
Fiscal year ending March 2021 (Forecast)				40.00	70.00

Notes: Change in the dividend forecast from the latest announcement: Yes

Breakdown of year-end dividend for FY3/2020 : Ordinary dividend: 30.00 yen; Extraordinary dividend: 10.00 yen

Breakdown of year-end dividend for FY3/2021 (forecast) : Ordinary dividend: 30.00 yen; Extraordinary dividend: 10.00 yen

With respect to the revision of dividend forecast, please refer to "KAGA ELECTRONICS Revises Earnings Forecast and Dividend Forecast (dividend increase)" announced today (February 4, 2021).

### 3. Forecast for the fiscal year ending March 2021 (Consolidated, April 1, 2020 – March 31, 2021)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	415,000	(6.5)	9,000	(10.1)	8,500	(16.1)	10,500	79.4	382.30

Note: Change in the forecast from the latest announcement: Yes

With respect to the revision of consolidated performance forecast, please refer to "KAGA ELECTRONICS Revises Earnings Forecast and Dividend Forecast (dividend increase)" announced today (February 4, 2021).

#### \* Notes

(1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation): Yes  
New: 2 (Company Name) : EXCEL CO.,LTD. Advanced Display Solutions (HONG KONG) Limited.

Note: For more information, please refer "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes to principal subsidiaries in the current consolidated year to date)" on page 10.

(2) Use of accounting methods specifically for the preparation of the quarterly consolidated financial statements: None

(3) Changes in accounting policies, estimates, and retrospective restatement

- (a) Changes due to revision of accounting standards : None
- (b) Changes other than (a) : None
- (c) Changes in accounting estimates : None
- (d) Retrospective restatement : None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of December 31, 2020: 28,702,118 As of March 31, 2020: 28,702,118

(b) Treasury shares

As of December 31, 2020: 1,229,603 As of March 31, 2020: 1,243,279

(c) Average number of shares (quarterly consolidated during the period)

Period ended December 31 2020: 27,462,845 Period ended December 31, 2019: 27,447,141

\* The quarterly audit procedures by a certified public accountant or auditing firm are not applicable to this Quarterly Financial Results report.

\* Cautionary statement regarding forecasts of operating results and special notes

(Caution regarding forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For conditions as assumption for earnings forecast and cautionary statement regarding use of the forecast, please see "1. Results of Operations, (3) Qualitative information on consolidated earnings forecast" on page 5..

(How to obtain supplementary materials on quarterly financial results)

The Company also plans to post the supplementary materials on quarterly financial results, on its website promptly after announcing financial results.

## Index for Supplementary Information

1. Results of Operations .....	2
(1) Overview of consolidated business performance.....	2
(2) Overview of financial conditions .....	4
(3) Qualitative information on consolidated performance forecast.....	5
2. Quarterly Consolidated Financial Statements and Major Notes.....	6
(1) Quarterly consolidated balance sheet.....	6
(2) Quarterly consolidated statements of income and comprehensive income .....	8
For the third quarter (April 1, 2020 - December 31, 2020).....	8
(3) Notes to quarterly consolidated financial statements .....	10
(Notes to going concern assumptions).....	10
(Significant change in shareholders' equity) .....	10
(Changes to principal subsidiaries in the current consolidated year to date) .....	10
(Additional information) .....	10
(Segment information) .....	11

## 1. Results of Operations

### (1) Overview of consolidated business performance

When the global economy faced severe impacts of the COVID-19 pandemic and intermittent lockdowns in countries throughout the world that led to a fall in demand, suspension of operations at some factories in the manufacturing industry, and other consequences. Within the Group, the Information Equipment business was able to navigate COVID-19 disruption and firmly capture demand for PCs to meet the needs such as in teleworking. In the Electronic Components business, despite the addition of Excel Co., Ltd. (hereinafter, "Excel") as a new consolidated company in April 2020, the decline of sales in KAGA FEI Co., Ltd. <sup>\*1</sup>(hereinafter, "KAGA FEI") that resulted from termination of large sales agency agreements could not be offset.

As a result, the Group's net sales in the third quarter fell 13.1% year on year to 294,266 million yen.

On the income front, the Group endeavored to make up for the decrease in gross profit resulting from lower sales by implementing measures to curtail selling, general and administrative expenses, including active use of teleworking, online meetings and other initiatives to improve operational efficiency as well as general prohibition of business trips and business dining. As a result, the year-ago levels were approximately recovered for both operating and ordinary incomes, the former decreasing by 2.8% year on year to 7,517 million yen and the latter decreasing by 9.3% year on year to 7,230 million yen. Profit attributable to owners of the parent increased by 158.5% year on year to 12,728 million yen, far exceeding the amount in the same period of the previous fiscal year, reflecting in part 7,963 million yen of "gain on bargain purchase" associated with the acquisition of Excel, which was recognized as extraordinary income.

It is to be noted that, with demand picking up after bottoming out in the first quarter of the fiscal year, net sales in the third quarter of the fiscal year (September 1 to December 31, 2020) recovered to near year-earlier levels, while in terms of income, gross profit and all other income items below it are trending up, recording year-on-year gains.

	FY 2020/3 3Q (April 1, 2019 – December 31, 2019)	FY 2021/3 3Q (April 1, 2020 – December 31, 2020)	YoY	
Net sales	(Million yen) 338,801	(Million yen) 294,266	(Million yen) (44,535)	(13.1%)
Gross profit (Margin)	32,245 10.4%	33,646 11.4%	(1,598) 1.0pt	(4.5%) –
SG&A	27,513	26,129	(1,383)	(5.0%)
Operating income	7,732	7,517	(214)	(2.8%)
Ordinary income	7,975	7,230	(744)	(9.3%)
Profit before income taxes	7,587	14,842	7,255	95.6%
Profit attributable to owners of parent	4,924	12,728	7,803	158.5%
Exchange Rate (Average rate during the year) USD	108.67Yen	106.11Yen	(2.56Yen)	–

(\*1) "Fujitsu Electronics Inc.", a Group company since January 2019, changed its name to " KAGA FEI Co., Ltd." effective December 29, 2020.

Business segment performance was as follows.

(a) Electronic Components (sale of semiconductors and general electronic components, development, manufacture and sale through the EMS<sup>\*2</sup> business, and other activities)

In this business, the components sales business saw the effect of higher sales generated by Excel's consolidation from April 2020. Sales, however, fell sharply as a result notably of KAGA FEI losing major rights of distributorship. The EMS business was affected by partial suspension of operations and production adjustments at overseas plants of both the Company and its customers as countries

imposed lockdowns in the face of the COVID-19 pandemic. Nonetheless, against the backdrop of resumption in economic activities, the EMS business picked up notably in automotive and industrial equipment areas. In the third quarter of the fiscal year, net sales by and large recovered the level of a year ago, and segment income returned to a growth track.

As a result, net sales decreased by 16.0% year on year to 246,704 million yen, and segment income decreased by 15.6% year on year to 5,418 million yen.

(\*2) Electronics Manufacturing Service: Provision of product development and manufacturing services on an outsourcing basis.

b) Information Equipment (Sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products)

In this business, sale of PCs, PC peripherals and security software increased amid the COVID-19 pandemic as the declaration of a state of emergency prompted companies and schools to expand teleworking and on-line learning, respectively. Additionally, the commercial facilities-related LED installation business showed steady performance.

As a result, net sales increased by 13.9% year on year to 33,937 million yen and segment income increased by 105.2% year on year to 1,753 million yen.

(c) Software (Production of computer graphics, planning and development of amusement products, and other activities)

In this segment, sales increased due to a boost in orders as well as front-loaded orders in computer graphics animation and the development of game software as a result of growing demand sparked by a rise in at-home activities.

As a result, net sales increased by 12.1% year on year to 2,004 million yen, and segment income increased by 999.3% year on year to of 106 million yen.

(d) Others (Repair and support for electronics equipment, and sales of amusement equipment and sports goods, and others)

In this business, the PC and PC peripheral recycling business remained solid, but sales of game equipment for the amusement industry and golf products were slow, due to the impact of prolonged store closures in response to the intermittent “self-restraint requests” from administrative authorities to prevent the spread of COVID-19 infection.

As a result, net sales decreased by 15.2% year on year to 11,619 million yen, and segment income decreased by 59.1% year on year to 149 million yen.

		FY 2020/3 3Q	FY 2021/3 3Q	YoY	
		(April 1, 2019 – December 31, 2019)	(April 1, 2020 – December 31, 2020)	(Million yen)	
Electronic Components	Net sales	(Million yen) 293,527	(Million yen) 246,704	(46,823)	(16.0%)
	Segment income	6,418	5,418	(1,000)	(15.6%)
Information Equipment	Net sales	29,789	33,937	4,148	13.9%
	Segment income	854	1,753	898	105.2%
Software	Net sales	1,788	2,004	216	12.1%
	Segment income	9	106	97	999.3%
Others	Net sales	13,696	11,619	(2,076)	(15.2%)
	Segment income	364	149	(215)	(59.1%)
Total	Net sales	338,801	294,266	(44,535)	(13.1%)
	Segment income	7,732	7,517	(214)	(2.8%)

Note: “Segment income” shows unadjusted figures for each business segment and adjusted figures for the total.

<Reference>Financial results

① Financial highlights(3months)

	FY 2020/3 3Q (3months) (October 1, 2019 - December 31, 2019)	FY 2021/3 3Q (3months) (October 1, 2020 - December 31, 2020)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	108,170	105,406	(2,764)	(2.6%)
Gross profit (Margin)	11,474 10.6%	12,005 11.4%	530 0.8pt	4.6% -
SG&A	8,982	8,923	(59)	(0.7%)
Operating income	2,492	3,082	590	23.7%
Ordinary income	2,428	2,892	463	19.1%
Profit before income taxes	2,284	2,715	431	18.9%
Profit attributable to owners of parent	1,422	1,956	534	37.6%

② By segment

		FY 2020/3 3Q (3months) (October 1, 2019 - December 31, 2019)	FY 2021/3 3Q (3months) (October 1, 2020 - December 31, 2020)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic Components	Net sales	93,708	89,816	(3,891)	(4.2%)
	Segment income	2,180	2,335	154	7.1%
Information Equipment	Net sales	9,820	10,745	924	9.4%
	Segment income	236	592	356	150.9%
Software	Net sales	455	730	274	60.2%
	Segment income	(37)	20	57	-
Others	Net sales	4,185	4,114	(71)	(1.7%)
	Segment income	105	112	7	7.4%
Total	Net sales	108,170	105,406	(2,764)	(2.6%)
	Segment income	2,492	3,082	590	23.7%

Note: "Segment income" shows unadjusted figures for each business segment and adjusted figures for the total.

(2) Overview of financial conditions

Assets, liabilities and net assets

Total assets as of December 31, 2020 increased by 16,695 million yen from March 31, 2020 to 224,333 million yen.

Current assets increased by 12,958 million yen from March 31, 2020 to 187,290 million yen. This is primarily attributable to increases of 2,949 million yen in cash and deposits, 2,738 million yen in notes and accounts receivable – trade, and 5,510 million yen in merchandise and finished goods.

Non-current assets increased by 3,736 million yen from March 31, 2020 to 37,043 million yen. This is largely a result of a 1,780 million yen increase in investment securities.

Liabilities increased by 9,106 million yen from March 31, 2020, to 130,494 million yen. This is primarily due to an increase of 16,672 million yen in short-term loans payable, offsetting a 5,588 million yen decrease in notes and accounts payable – trade.

Net assets increased by 7,588 million yen to 93,838 million yen. This is primarily due to recording 12,728 million yen of profit attributable to owners of parent.

### (3) Qualitative information on consolidated performance forecast

In light of earnings results for the nine months of the current consolidated fiscal year and other factors, the Company has revised its forecasts announced on November 5, 2020 with respect to consolidated earnings and dividend for the fiscal year ending March 31, 2021, as follows.

For details, please refer to “KAGA ELECTRONICS Revises Earnings Forecast and Dividend Forecast (dividend increase)” announced today (February 4, 2021).

### Revisions to consolidated earnings forecasts for the fiscal year ended March 31, 2021 (from April 1, 2020 to March 31, 2021)

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	(yen)
Previous forecast (A) (Announced on December 5, 2020)	410,000	7,500	7,500	10,000	364.18
Revised forecast (B)	415,000	9,000	8,500	10,500	382.30
Difference (B-A)	5,000	1,500	1,000	500	-
Percent change (%)	1.2	20.0	13.3	5.0	-
(Reference) Results for the fiscal year ended March 31, 2020	443,615	10,014	10,137	5,852	213.21

### Revision of dividend forecast

	Annual dividends		
	Second quarter end	Year-end	Total
Previous forecast (Announced on December 5, 2020)		30 yen	60 yen
Revised forecast		40 yen (Ordinary dividend 30 yen) (Special dividend 10 yen)	70 yen (Ordinary dividend 60 yen) (Special dividend 10 yen)
Dividends for the current fiscal year	30 yen		
Dividends for the previous fiscal year (Fiscal year ended March 31, 2020)	30 yen	40 yen (Ordinary dividend 30 yen) (Special dividend 10 yen)	70 yen (Ordinary dividend 60 yen) (Special dividend 10 yen)

Note: The above earnings forecasts are based on the information currently available to the Company on the date of release and certain assumptions deemed reasonable. Actual results may vary from the forecast for a variety of reasons.

## 2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

	(Million yen)	
	Fiscal year ended March 2020 (As of March 31, 2020)	Third quarter ended December 2020 (As of December 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and deposits	43,384	46,334
Notes and accounts receivable - trade	85,495	88,234
Electronically recorded monetary claims - operating	5,876	5,038
Securities	254	286
Merchandise and finished goods	25,276	30,787
Work in process	567	1,463
Raw materials and supplies	6,063	6,632
Other	7,601	8,776
Allowance for doubtful accounts	(188)	(262)
Total current assets	174,331	187,290
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,365	7,556
Machinery, equipment and vehicles, net	4,477	5,100
Tools, furniture and fixtures, net	1,060	1,369
Land	4,924	5,074
Construction in progress	145	162
Total property, plant and equipment	17,974	19,263
Intangible assets		
Goodwill	322	237
Software	1,743	2,356
Other	190	80
Total intangible assets	2,256	2,674
Investments and other assets		
Investment securities	8,502	10,282
Deferred tax assets	1,584	1,786
Guarantee deposits	857	926
Insurance funds	894	909
Other	1,791	1,769
Allowance for doubtful accounts	(552)	(568)
Total investments and other assets	13,075	15,105
Total non-current assets	33,306	37,043
Total assets	207,638	224,333



(Million yen)

	Fiscal year ended March 2020 (As of March 31, 2020)	Third quarter ended December 2020 (As of December 31, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	70,188	64,599
Short-term loans payable	6,540	23,212
Accrued expenses	5,739	4,541
Income taxes payable	1,884	920
Provision for directors' bonuses	101	13
Other	9,201	8,761
Total current liabilities	93,655	102,049
Non-current liabilities		
Long-term loans payable	20,833	20,169
Deferred tax liabilities	1,378	1,670
Provision for directors' retirement benefits	95	103
Net defined benefit liability	1,969	2,483
Asset retirement obligations	329	347
Other	3,127	3,671
Total non-current liabilities	27,732	28,445
Total liabilities	121,388	130,494
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	13,878	14,344
Retained earnings	55,091	65,897
Treasury shares	(2,005)	(1,983)
Total shareholders' equity	79,097	90,391
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	0	948
Deferred gains or losses on hedges	28	(15)
Foreign currency translation adjustment	(707)	(1,367)
Remeasurements of defined benefit plans	(133)	(111)
Total accumulated other comprehensive income	(812)	(546)
Non-controlling interests	7,965	3,993
Total net assets	86,250	93,838
Total liabilities and net assets	207,638	224,333

## (2) Quarterly consolidated statements of income and comprehensive income

For the third quarter (April 1, 2020 – December 31, 2020)

(Million yen)

	Third quarter ended December 2019 (April 1, 2019 – December 31, 2019)	Third quarter ended December 2020 (April 1, 2020 – December 31, 2020)
Net sales	338,801	294,266
Cost of sales	303,555	260,619
Gross profit	35,245	33,646
Selling, general and administrative expenses	27,513	26,129
Operating income	7,732	7,517
Non-operating income		
Interest income	190	97
Dividends income	163	169
Commission fee	182	126
Foreign exchange gains	98	–
Other	336	444
Total non-operating income	972	838
Non-operating expenses		
Interest expenses	235	227
Share of loss of entities accounted for using equity method	357	424
Foreign exchange losses	–	405
Other	136	66
Total non-operating expenses	728	1,124
Ordinary income	7,975	7,230
Extraordinary income		
Gain on sales of non-current assets	19	1
Gain on sales of investment securities	73	39
Gain on bargain purchase	–	7,963
Gain on transfer of business	12	7
Settlement received	498	–
Other	1	20
Total extraordinary income	605	8,031
Extraordinary loss		
Loss on retirement of non-current assets	8	24
Loss on sales of investment securities	54	–
Loss on valuation of investment securities	553	311
Extra retirement payments	127	23
Impairment loss	245	–
Other	4	60
Total extraordinary loss	993	420
Profit before income taxes	7,587	14,842
Income taxes - current	1,642	1,653
Income taxes - deferred	612	537
Total income taxes	2,255	2,191
Profit	5,332	12,650
Profit attributable to owners of parent	4,924	12,728
Profit (loss) attributable to non-controlling interests	407	(77)

	(Million yen)	
	Third quarter ended December 2019 (April 1, 2019 – December 31, 2019)	Third quarter ended December 2020 (April 1, 2020 – December 31, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	142	945
Deferred gains or losses on hedges	12	(43)
Foreign currency translation adjustment	(418)	(730)
Remeasurements of defined benefit plans, net of tax	30	21
Share of other comprehensive income of associates accounted for using equity method	(55)	78
Total other comprehensive income	(288)	270
Comprehensive income	5,043	12,921
Comprehensive income attributable to owners of parent	4,704	12,994
Comprehensive income attributable to non-controlling interests	339	(72)

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes to principal subsidiaries in the current consolidated year to date)

Effective April 1, 2020, as part of the Group's growth strategy, the Company acquired all of the shares of EXCEL and made it a wholly owned subsidiary. As a result, EXCEL ASIAN TAIWAN CO.,LTD, EXCEL ELECTRONICS (HONG KONG) LTD., EXCEL INTERNATIONAL TRADING (SHANGHAI) CO.,LTD., EXCEL SINGAPORE PTE LTD., EXCEL ELECTRONICS TRADING (SHENZHEN) LTD., Advanced Display Solutions Limited., Advanced Display Solutions (HONG KONG) Limited., EXCEL ELECTRONICS TRADING(THAILAND)CO.,LTD. and ALFA BUS JAPAN CO.,LTD. became indirectly owned subsidiaries of the Company.

Note that EXCEL CO.,LTD. and Advanced Display Solutions (HONG KONG) Limited. constitutes a specified subsidiary of the Company as the amount of its capital is greater than 10% of the amount of the Company's capital.

Effective October 1, 2020, Advanced Display Solutions Ltd. merged with Excel Co., Ltd., with Excel Co., Ltd. as the surviving company.

Alfabus Japan Co., Ltd. was made a non-consolidated subsidiary when control over said company since it became an indirectly owned subsidiary was recognized to be temporary. However, as the company accepted capital injection from a third party effective October 30, 2020, it is no longer treated as a subsidiary.

Effective November 1, 2020, Excel Co., Ltd is no longer treated as a specified subsidiary as it conducted a capital reduction.

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

Accounting estimates such as of impairment of non-current assets and collectability of deferred tax assets are made based on information that is available as of December 31, 2020 and do not include significant changes from the financial statement for the previous consolidated fiscal year. Such accounting estimates assume that the impact of the COVID-19 pandemic will continue until March 31, 2021 and that there will be a gradual recovery from the fiscal year ending March 31, 2022. That being said, since the unprecedented impact of the COVID-19 pandemic contains elements of uncertainty, differences may arise between the estimates and subsequent results.

(Segment information)

I. For the third quarter ended December 2019 (April 1, 2019 – December 31, 2019)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic Components	Information Equipment	Software	Others	Total		
Net sales:							
Sales to external customers	293,527	29,789	1,788	13,696	338,801	–	338,801
Inter-segment sales or transfers	1,867	782	381	2,595	5,627	(5,627)	–
Total	295,394	30,572	2,170	16,291	344,428	(5,627)	338,801
Segment income	6,418	854	9	364	7,647	84	7,732

- Notes: 1. Adjustment in segment income of 84 million yen includes 84 million yen for elimination of inter-segment trade.  
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

II. For the third quarter ended December 2020 (April 1, 2020 – December 31, 2020)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic Components	Information Equipment	Software	Others	Total		
Net sales:							
Sales to external customers	246,704	33,937	2,004	11,619	294,266	–	294,266
Inter-segment sales or transfers	1,826	3,532	601	3,272	9,232	(9,232)	–
Total	248,530	37,469	2,606	14,892	303,498	(9,232)	294,266
Segment income	5,418	1,753	106	149	7,427	89	7,517

- Notes: 1. Adjustment in segment income of 89 million yen includes 89 million yen for elimination of inter-segment trade.  
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.