

February 7, 2023

## Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 2022 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.  
 Stock Code: 8154 URL: <https://www.taxan.co.jp/>  
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market  
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 Date of filing of quarterly securities report (tentative): February 14, 2023  
 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 2023 (April 1, 2022 – December 31, 2022)

(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 2022	452,221	28.2	26,006	77.4	26,618	78.8	19,053	82.9
Third quarter ended December 2021	352,684	19.9	14,658	95.0	14,886	105.9	10,414	(18.2)

Note: Comprehensive income: 3Q of FY3/2023: 23,925 million yen [86.0%] 3Q of FY3/2022: 12,866 million yen [(0.4)%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2022	725.67	–
Third quarter ended December 2021	387.76	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2022	299,806	125,192	41.7
As of March 31, 2022	272,139	105,800	38.8

Reference: Shareholders' equity As of December 31, 2022: 125,070 million yen As of March 31, 2022: 105,680 million yen

### 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2022	-	45.00	-	75.00	120.00
Fiscal year ending March 2023	-	100.00	-	-	-
Fiscal year ending March 2023 (Forecast)	-	-	-	120.00	220.00

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

Breakdown of interim dividend for FY3/2022: Ordinary dividend: 40.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/2022: Ordinary dividend: 40.00 yen; Extraordinary dividend: 35.00 yen

Breakdown of interim dividend for FY3/2023: Ordinary dividend: 70.00 yen; Extraordinary dividend: 30.00 yen

Breakdown of year-end dividend for FY3/2023 (Forecast): Ordinary dividend: 70.00 yen; 55<sup>th</sup> Anniversary commemorative dividend: 10.00 yen; Extraordinary dividend: 40.00 yen

With respect to the revision of dividend forecast, please refer to "Notice regarding upward revision to forecasts for full-year earnings and dividends (dividend increase)" announced today (February 7, 2023).

### 3. Forecast for the fiscal year ending March 2023 (Consolidated, April 1, 2022 – March 31, 2023)

(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	585,000	18.0	29,500	41.0	30,000	39.8	21,000	36.3	799.78

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

With respect to the revision of consolidated performance forecast, please refer to "Notice regarding upward revision to forecasts for full-year earnings and dividends (dividend increase)" announced today (February 7, 2023).

#### \* Notes

- (1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation): None
- (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 : Yes
  - (b) Changes other than (a) : None
  - (c) Changes in accounting estimates : None
  - (d) Retrospective restatement : None

Note: For more information, please refer "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 10.

- (4) Number of shares outstanding (common stock)
  - (a) Shares outstanding (including treasury shares)
 

As of December 31, 2022:	28,702,118	As of March 31, 2022:	28,702,118
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  - (b) Treasury shares
 

As of December 31, 2022:	2,440,811	As of March 31, 2022:	2,454,162
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  - (c) Average number of shares (quarterly consolidated during the period)
 

Period ended December 31 2022:	26,255,971	Period ended December 31, 2021:	26,858,954
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\* 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 performance forecast" on page 4.

(How to obtain supplementary materials on quarterly financial results)

Supplementary materials on quarterly financial results are will be posted on TDnet and our website today (February 7, 2023).

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## 1. Results of Operations

### (1) Overview of consolidated business performance

During the third quarter of the consolidated fiscal period under review, the US economy continued to recover on the back of solid personal spending and an increase in exports, despite the impact of inflation and monetary tightening. In Europe, the economy slowed due to a spike in energy prices resulting from the prolonged conflict in Ukraine, as well as rising inflation. Conditions remain uncertain in China due to factors such as another increase in COVID-19 cases following changes to the zero-COVID policy. Meanwhile, the Japanese economy steadily recovered, although COVID-19 continues to have an impact. The relaxation of restrictions on economic activity normalized economic activity, personal spending and the employment environment gradually improved, and capital investment in the corporate sector was also solid.

In the electronics industry to which the Group belongs, global supply shortages and extended lead times continued to affect some semiconductors and electric components, but supply/demand conditions improved, with the exception of some products, such as automotive-related applications, and demand remains robust in a wide range of industries.

In this kind of management environment, net sales in the third quarter of the consolidated fiscal year rose 28.2% year on year to 452,221 million yen driven by the electronic components business, which is the Group's mainstay business.

Operating income increased by 77.4% year on year to 26,006 million yen due to a significant increase in gross profit resulting from higher net sales and improved gross profit margin. Ordinary income increased by 78.8% year on year to 26,618 million yen and profit attributable to owners of parent increased by 82.9% to 19,053 million yen. All metrics from net sales to ordinary income for the quarter achieved record highs for the third quarter of a consolidated fiscal year.

In November 2021, the Group announced its three-year management plan, the Medium-Term Management Plan 2024 (2022–2024), which runs from the fiscal year ending March 31, 2023, to the fiscal year ending March 31, 2025. The new Medium-Term Management Plan sets “organic growth + further M&A challenges” as growth engines, seeks to reinforce and expand overseas and EMS (note) businesses, and aims to realize the goal of becoming “Japan's top-class corporate group in the industry with net sales of 750 billion yen” by the Plan's final fiscal year ending on March 31, 2025. The Company made steady progress in the fiscal year ending March 31, 2023, the first fiscal year of the new Medium-Term Management Plan.

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

	FY 2022/3 3Q (April 1, 2021 – December 31, 2021)	FY 2023/3 3Q (April 1, 2022 – December 31, 2022)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	352,684	452,221	99,537	28.2%
Gross profit	42,761	59,884	17,122	40.0%
(Margin)	12.1%	13.2%	1.1pt	–
SG&A	28,102	33,877	5,774	20.5%
Operating income	14,658	26,006	11,348	77.4%
Ordinary income	14,886	26,618	11,731	78.8%
Profit before income taxes	14,706	27,134	12,428	84.5%
Profit attributable to owners of parent	10,414	19,053	8,638	82.9%
Exchange Rate (Average rate during the year) USD	111.10Yen	136.51Yen	25.41Yen	–

Business segment performance was as follows.

- (a) Electronic components (Development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities)

In this business, the component sales business continued to attract a high level of sales in a broad range of industries, in part due to the gradual easing of supply/demand conditions for semiconductors and electronic components, which had remained tight. Some products for automotive-related applications continue to face supply shortages, but the Company mobilized its abilities and secured sales volume by using its strength in procurement capabilities as an independent trading company as well as proposing alternative products.

In the EMS business, sales to key customers primarily in automotive and medical equipment applications grew significantly. The yen has been weak since the start of the fiscal year, and this pushed up revenue on a yen basis.

As a result, net sales increased by 30.2% year on year to 40,568 million yen, and segment income increased by 79.5% year on year to 23,341 million yen.

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

In this business, sales of PCs for corporations and educational institutions were firm, particularly for high-priced products. Sales of PC peripherals such as security software also remained solid. In the LED installation business, large-scale work that had been delayed due to a shortage of materials made steady progress and improved revenue significantly.

As a result, net sales increased by 10.8% year on year to 29,139 million yen, and segment income increased by 23.3% year on year to 1,499 million yen.

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

In this business, sales were firm due to a recovery in orders for large-scale and new projects in smartphone games development and computer graphics production.

As a result, net sales increased by 12.8% year on year to 2,076 million yen, and segment income of 135 million yen was recorded (109 million yen of segment loss in the same period of the previous fiscal year).

- (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 was strong. In addition, sales of game equipment for the amusement industry in Japan and overseas as well as golf products were robust, in part due to the relaxation of restrictions on movement during the pandemic.

As a result, net sales increased by 17.3% year on year to 15,397 million yen, and segment income increased by 105.3% year on year to 971 million yen.

< Financial Results by Business Segment >

		FY 2022/3 3Q	FY 2022/3 3Q	YoY	
		(April 1, 2021 – December 31, 2021)	(April 1, 2022 – December 31, 2022)	(Million yen)	
Electronic Components	Net sales	311,412	405,608	94,196	30.2%
	Segment income	13,002	23,341	10,339	79.5%
Information Equipment	Net sales	26,301	29,139	2,838	10.8%
	Segment income	1,216	1,499	283	23.3%
Software	Net sales	1,841	2,076	234	12.8%
	Segment income	(109)	135	245	-
Others	Net sales	13,129	15,397	2,267	17.3%
	Segment income	473	971	498	105.3%
Total	Net sales	352,684	452,221	99,537	28.2%
	Segment income	14,658	26,006	11,348	77.4%

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, 2022, increased by 27,666 million yen from March 31, 2022, to 299,806 million yen.

Current assets increased by 26,293 million yen from March 31, 2022, to 260,278 million yen. This is primarily due to increases of 14,304 million yen in Merchandise and finished goods and a 9,942 million yen increase in Cash and deposits.

Non-current assets increased by 1,372 million yen from March 31, 2022, to 39,527 million yen.

Liabilities increased by 8,274 million yen from March 31, 2022, to 174,613 million yen. This is primarily due to increases of 7,096 million yen in short-term loans payable.

Net assets increased by 19,391 million yen from March 31, 2022, to 125,192 million yen. This is primarily due to an increase of 19,053 million yen in profit attributable to owners of parent.

(3) Qualitative information on consolidated performance forecast

In the first nine months of the fiscal year ending March 31, 2023, sales in a broad range of industries, such as the automotive and medical equipment industries, were high, and as a result, the Company achieved record highs for net sales and all income metrics for this period.

Since supply/demand trends for semiconductors and electronic components, exchange rate fluctuations, and other factors make it difficult to predict the outlook, the Company only took earnings trends during the first three quarters of this fiscal year into account in revising the full-year earnings forecasts announced on November 8, 2022, as shown below. The year-end dividend forecasts have also been raised in accordance with the revisions to earnings forecasts.

For details, please refer to "Notice regarding upward revision to forecasts for full-year earnings and dividends (dividend increase)" announced today (February 7, 2023).

1. Revisions to consolidated earnings forecasts for the fiscal year ended March 31, 2023

(from April 1, 2022 to March 31, 2023)

	Results	Previous	Current	Difference from	
	FY2022/3	Forecasts	Forecasts	Previous Forecasts	
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	
Net Sales	495,827	570,000	585,000	15,000	2.6%
Operating Income	20,915	28,000	29,500	1,500	5.4%
Ordinary Income	21,456	29,000	30,000	1,000	3.4%
Profit attributable to owners of parent	15,401	20,000	21,000	1,000	5.0%
R O E	15.7%	17.0%	18.0%	1.0pt	—

2. Revision of dividend forecast

	Annual dividends		
	End of 1st half	Year-end	Total
Previous forecast (Announced on November 8, 2022)		100.00 yen (Ordinary dividend 70 yen) (commemorative dividend 10 yen) (Extraordinary dividend 20 yen)	200.00 yen (Ordinary dividend 140 yen) (commemorative dividend 10 yen) (Extraordinary dividend 50 yen)
Revised forecast		120.00 yen (Ordinary dividend 70 yen) (commemorative dividend 10 yen) (Extraordinary dividend 40 yen)	220.00 yen (Ordinary dividend 140 yen) (commemorative dividend 10 yen) (Extraordinary dividend 70 yen)
Dividends for the current fiscal year	100.00 yen (Ordinary dividend 70 yen) (Extraordinary dividend 30 yen)		
Dividends for the previous fiscal year (Fiscal year ended March 31, 2022)	45.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 5 yen)	75.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 35 yen)	120.00 yen (Ordinary dividend 80 yen) (Extraordinary dividend 40 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 2022 (As of March 31, 2022)	Third quarter ended December 2022 (As of December 31, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	41,051	50,994
Notes receivable – trade	1,449	2,301
Electronically recorded monetary claims – operating	9,258	9,494
Accounts receivable – trade	110,240	111,285
Securities	264	212
Merchandise and finished goods	46,230	60,535
Work in process	2,363	3,259
Raw materials and supplies	14,013	15,055
Other	9,388	7,309
Allowance for doubtful accounts	(275)	(168)
Total current assets	233,984	260,278
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,925	6,794
Machinery, equipment and vehicles, net	6,048	6,799
Tools, furniture and fixtures, net	1,030	1,055
Land	5,074	5,074
Construction in progress	313	554
Total property, plant and equipment	19,393	20,279
Intangible assets		
Goodwill	98	56
Software	3,021	2,655
Other	42	34
Total intangible assets	3,163	2,747
Investments and other assets		
Investment securities	10,313	11,117
Deferred tax assets	2,189	2,170
Guarantee deposits	1,068	1,285
Insurance funds	915	919
Other	3,466	5,917
Allowance for doubtful accounts	(2,355)	(4,909)
Total investments and other assets	15,598	16,500
Total non-current assets	38,155	39,527
Total assets	272,139	299,806



(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	Third quarter ended December 2022 (As of December 31, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	86,493	90,273
Short-term loans payable	23,858	30,955
Accrued expenses	7,138	8,749
Income taxes payable	2,834	5,013
Provision for directors' bonuses	301	138
Other	12,291	10,656
Total current liabilities	132,918	145,787
Non-current liabilities		
Bonds payable	-	10,000
Long-term loans payable	25,136	10,109
Deferred tax liabilities	2,046	2,807
Provision for directors' retirement benefits	123	135
Net defined benefit liability	2,095	2,172
Asset retirement obligations	572	617
Other	3,446	2,984
Total non-current liabilities	33,421	28,826
Total liabilities	166,339	174,613
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,818	14,820
Retained earnings	77,423	91,928
Treasury shares	(5,643)	(5,613)
Total shareholders' equity	98,732	113,268
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,299	1,688
Deferred gains or losses on hedges	(2)	(118)
Foreign currency translation adjustment	5,439	10,158
Remeasurements of defined benefit plans	210	73
Total accumulated other comprehensive income	6,948	11,801
Non-controlling interests	120	121
Total net assets	105,800	125,192
Total liabilities and net assets	272,139	299,806

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

For the third quarter (April 1, 2022 – December 31, 2022)

	(Million yen)	
	Third quarter ended December 2021 (April 1, 2021 – December 31, 2021)	Third quarter ended December 2022 (April 1, 2022 – December 31, 2022)
Net sales	352,684	452,221
Cost of sales	309,923	392,337
Gross profit	42,761	59,884
Selling, general and administrative expenses	28,102	33,877
Operating income	14,658	26,006
Non-operating income		
Interest income	102	143
Dividends income	146	214
Commission fee	135	166
Share of profit of entities accounted for using equity method	–	58
Foreign exchange gains	143	375
Other	506	312
Total non-operating income	1,034	1,270
Non-operating expenses		
Interest expenses	222	494
Share of loss of entities accounted for using equity method	499	–
Other	84	164
Total non-operating expenses	806	659
Ordinary income	14,886	26,618
Extraordinary income		
Gain on sales of non-current assets	7	14
Gain on sales of investment securities	118	626
Gain on transfer of business	7	–
Gain on revision of retirement benefit plan	–	126
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	174	–
Other	17	1
Total extraordinary income	324	768
Extraordinary loss		
Impairment loss	51	30
Loss on retirement of non-current assets	11	31
Loss on valuation of investment securities	60	187
Loss on liquidation of subsidiaries and associates	174	–
Provision of allowance for doubtful accounts	175	–
Other	32	1
Total extraordinary loss	504	251
Profit before income taxes	14,706	27,134
Income taxes - current	3,626	7,264
Income taxes - deferred	412	802
Total income taxes	4,039	8,066
Profit	10,667	19,067
Profit attributable to owners of parent	10,414	19,053
Profit attributable to non-controlling interests	252	14

	(Million yen)	
	Third quarter ended December 2021 (April 1, 2021 – December 31, 2021)	Third quarter ended December 2022 (April 1, 2022 – December 31, 2022)
Other comprehensive income		
Valuation difference on available-for-sale securities	359	390
Deferred gains or losses on hedges	(34)	(116)
Foreign currency translation adjustment	1,765	4,516
Remeasurements of defined benefit plans, net of tax	13	(137)
Share of other comprehensive income of associates accounted for using equity method	94	205
Total other comprehensive income	2,199	4,857
Comprehensive income	12,866	23,925
Comprehensive income attributable to owners of parent	12,567	23,907
Comprehensive income attributable to non-controlling interests	299	18

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Implementation Guidance No. 31, June 17, 2021, hereinafter referred to as ASBJ Guidance No. 31) is applied from the start of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 27-2 of the ASBJ Guidance No. 31, the Company will continue to apply the new accounting policies prescribed by ASBJ Guidance No. 31 into the future. The effect of this application on the quarterly consolidated financial statements is immaterial.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system with effect from the first quarter of the consolidated fiscal year under review. Accordingly, accounting treatment and disclosure of corporation tax, local corporation tax and tax effect accounting are conducted pursuant to "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021; hereinafter referred to as "Practical Solution No. 42"). Based on the provisions of Paragraph 32 (1) of Practical Solution No. 42, we see no impact from the change in accounting policy associated with application of Practical Solution No. 42.

(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, 2022 and do not include significant changes from the financial statement for the previous consolidated fiscal year.

(Segment information)

I. For the third quarter ended December 2021 (April 1, 2021 – December 31, 2021)

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	311,412	26,301	1,841	13,129	352,684	–	352,684
Inter-segment sales or transfers	2,189	3,890	528	4,873	11,482	(11,482)	–
Total	313,601	30,191	2,370	18,003	364,166	(11,482)	352,684
Segment income	13,002	1,216	(109)	473	14,581	76	14,658

Notes: 1. Adjustment in segment income of 76 million yen includes 76 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 2022 (April 1, 2022 – December 31, 2022)

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	405,608	29,139	2,076	15,397	452,221	–	452,221
Inter-segment sales or transfers	2,684	5,323	697	5,877	14,582	(14,582)	–
Total	408,293	34,462	2,773	21,274	466,803	(14,582)	452,221
Segment income	23,341	1,499	135	971	25,948	57	26,006

Notes: 1. Adjustment in segment income of 57 million yen includes 57 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.