

Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2024 [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 commencement of dividend payment (tentative):	-			
Earnings supplementary explanatory documents:	Yes			
Earnings presentation:	No			

(Yen in millions, rounded down)

1. Financial results for the first quarter of the fiscal year ending March 2025 (April 1, 2024 – June 30, 2024)

(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	%
First quarter ended June 2024	128,638	(6.6)	5,550	(20.6)	6,045	(12.5)	4,127	(28.4)
First quarter ended June 2023	137,694	(7.8)	6,994	(28.8)	6,909	(29.9)	5,767	(17.4)

Note: Comprehensive income: 1Q of FY2025/3: 9,635 million yen [(2.5%)] 1Q of FY2024/3: 9,404 million yen [(16.9%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2024	157.12	-
First quarter ended June 2023	219.63	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2024	296,909	158,162	53.1
As of March 31, 2024	286,792	151,231	52.6

Reference: Shareholders' equity : As of June 30, 2024: 157,662 million yen As of March 31, 2024: 150,834 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2024	-	110.00	-	110.00	220.00
Fiscal year ending March 2025	-	-	-	-	-
Fiscal year ending March 2025 (Forecast)	-	110.00	-	55.00	-

Notes: 1. Change in the dividend forecast from the latest announcement: None

2. The Company plans to conduct a two-for-one stock split of its common stock effective October 1, 2024. The amount of the year-end dividend per share presented above for the fiscal year ending March 2025 (forecast) takes into account the effect of the stock split, and the full-year dividend amount is indicated as "-". If the stock split is not taken into account, the year-end dividend per share and the full-year dividend per share for the fiscal year ending March 2025 (forecast) will be 110.00 yen and 220.00 yen, respectively.

3. Forecast for the fiscal year ending March 2025 (Consolidated, April 1, 2024 – March 31, 2025)

(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	555,000	2.3	26,000	0.6	26,000	0.1	18,000	(11.5)	342.63

Note: 1. Change in the forecast from the latest announcement: None

2. With respect to the earnings per share for the fiscal year ending March 2025 (full year), the figure presented above is the amount that takes into account the stock split as described in "2. Dividends." Note that the earnings per share for the fiscal year ending March 2025 (full year) would be 685.26 yen if the stock split is not taken into account.

* Notes

(1) Significant changes in the scope of consolidation during the period: 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 details, please refer to "(3) Notes to quarterly consolidated financial statements (Notes to changes in accounting policies) under 2. Quarterly Consolidated Financial Statements and Major Notes" on page 9 of the attached Supplementary Information.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of June 30, 2024: 28,702,118 As of March 31, 2024 28,702,118

(b) Treasury shares

As of June 30, 2024: 2,434,694 As of March 31, 2024 2,434,544

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

Period ended June 30, 2024: 26,267,519 Period ended June 30, 2023: 26,261,015

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or audit firm : None

* 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 4.

(How to obtain supplementary materials on quarterly financial results)

Supplementary materials on financial results are disclosed through TDnet and posted on the Company's website today (August 8, 2024).

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1. Results of Operations

(1) Overview of consolidated business performance

During the first quarter of the consolidated fiscal period under review, net sales decreased by 6.6% year on year to 128,638 million yen, due to such factors in the electronic components business as the impact of inventory adjustments at key customers which emerged from the second half of the fiscal year ended March 2024, as well as diminution of transactions with a certain major customer of an overseas subsidiary.

Gross profit was generally at the same level year as the same period of the previous fiscal year despite a net sales decrease notably in the electronic components business, down 3.3% year on year to 16,980 million yen, with gross profit margin improving by 0.5 percentage points year on year, reflecting improved sales mix resulting from a reduction in sale of lower-margin products. Operating income decreased by 20.6% year on year to 5,550 million yen. In addition to a gross profit decline, the decrease was also attributable to an increase in selling, general and administrative expenses resulting primarily from wage increases implemented in April 2024 for the Group's employees in Japan. Ordinary income decreased by 12.5% year on year to 6,045 million yen, due partly to the impact of foreign exchange gains and losses.

Profit attributable to owners of parent decreased by 28.4% year on year to 4,127 million yen, partly reflecting the absence of the 1,065 million yen gain on sale of investment securities recorded in the same period of the previous fiscal year.

In the earnings assumption for the fiscal year ending March 2025, the impact of inventory adjustments at key customers is carefully factored into our assumption of a decrease in both net sales and incomes in the first half, and an increase in net sales and incomes in the second half reflecting recovery from such adjustment phase. In line with this scenario, performance got off to a good start in the first quarter under review.

	FY 2024/3 1Q (April 1, 2023 – June 30, 2023)	FY 2025/3 1Q (April 1, 2024 – June 30, 2024)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	137,694	128,638	(9,056)	(6.6%)
Gross profit	17,553	16,980	(572)	(3.3%)
(Margin)	12.7%	13.2%	0.5pt	–
SG&A	10,559	11,430	871	8.3%
Operating income	6,994	5,550	(1,443)	(20.6%)
Ordinary income	6,909	6,045	(864)	(12.5%)
Profit before income taxes	7,912	6,045	(1,867)	(23.6%)
Profit attributable to owners of parent	5,767	4,127	(1,640)	(28.4%)
Exchange Rate (Average rate during the year period) USD	137.37yen	155.88yen	18.51yen	–

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*1), and other activities)

In this business, the components sales business enjoyed robust sales of SoC*2 products by Kaga FEI Co., Ltd., but overall, business was slow due largely to the impact of inventory adjustments at key customers which emerged from the second half of the fiscal year ended March 2024, and diminution of transactions with a certain major customer of an overseas subsidiary of Excel Co., Ltd.

In the EMS business, although sales in applications related to air-conditioning equipment were affected by inventory adjustments at key customers, net sales turned upward on the back of solid sales in the automotive sector as well as sales recovery in applications related to industrial equipment.

As a result, net sales decreased by 7.2% year on year to 111,320 million yen, and segment income decreased by 26.9% year on year to 4,331 million yen.

Note: 1. Electronics Manufacturing Service: Provision of product development and manufacturing services on an outsourcing basis.

2. Abbreviation for System on a Chip. A design technique of integrating all the functions necessary for operation of a device or system on a single semiconductor chip.

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

In this business, the PC sales business saw continued strong sales of PCs for educational institutions amid the season of high demand for newly enrolled students, in contrast to sluggish sales of PCs for mass retailers due to a reduction in product lines by a major PC supplier. Additionally, the LED installation business faced a decrease in net sales given completion of the large-scale project that the Group had been pushing forward on a full sale since the fiscal year ended March 2023.

As a result, net sales decreased by 12.0% year on year to 10,606 million yen, and segment income decreased by 14.4% year on year to 639 million yen.

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

In this business, orders for computer graphics production remained generally steady. Net sales increased by 9.4% year on year to 631 million yen, and segment income of 35 million yen was recorded (4 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, PC product and peripheral recycling business remained strong, as did sales of amusement equipment in both domestic and overseas markets. Net sales increased by 20.4% year on year to 6,079 million yen, and segment income increased by 58.3% year on year to 461 million yen.

Financial Results by Business Segment

		FY 2024/3 1Q (April 1, 2023 – June 30, 2023)	FY 2025/3 1Q (April 1, 2024 – June 30, 2024)	YoY	
		(Million yen)	(Million yen)	(Million yen)	(%)
Electronic components	Net sales	120,015	111,320	(8,694)	(7.2%)
	Segment income	5,922	4,331	(1,591)	(26.9%)
Information equipment	Net sales	12,050	10,606	(1,443)	(12.0%)
	Segment income	746	639	(107)	(14.4%)
Software	Net sales	577	631	54	9.4%
	Segment income	(4)	35	39	–
Others	Net sales	5,050	6,079	1,028	20.4%
	Segment income	291	461	169	58.3%
Total	Net sales	137,694	128,638	(9,056)	(6.6%)
	Segment income	6,994	5,550	(1,443)	(20.6%)

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

(2) Overview of financial condition

Assets, liabilities and net assets

Total assets as of June 30, 2024 increased by 10,117 million yen from March 31, 2024, to 296,909 million yen.

Current assets increased by 7,078 million yen from March 31, 2024, to 251,707 million yen. This was primarily due to a 6,565 million yen increase in inventory and a 5,375 million yen increase in cash and deposits, along with a 6,338 million yen decrease in accounts receivable – trade.

Non-current assets increased by 3,039 million yen from March 31, 2024, to 45,202 million yen. This is primarily due to a 1,011 million yen increase in Machinery, equipment and vehicles, net and a 1,497 million yen increase in Investment securities.

Liabilities increased by 3,187 million yen from March 31, 2024, to 138,747 million yen. This is primarily due to a 4,838 million yen increase in Notes and accounts payable – trade, along with a 1,434 million yen decrease in Accrued expenses.

Net assets increased by 6,930 million yen from March 31, 2024, to 158,162 million yen. This is primarily due to a 1,237 million yen increase in retained earnings and a 5,128 million yen increase in foreign currency translation adjustment due to 4,127 million yen in profit attributable to owners of parent.

(3) Qualitative information on consolidated earnings forecast

The full-year earnings forecasts for the fiscal year ending March 2025, announced on May 9, 2024, remain unchanged. Should any revision to the forecasts become necessary in the future, an announcement will be made promptly.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly consolidated balance sheet

(Million yen)

	Fiscal year ended March 2024 (As of March 31, 2024)	First quarter ended June 2024 (As of June 30, 2024)
ASSETS		
Current assets		
Cash and deposits	66,596	71,972
Notes receivable – trade	900	2,055
Electronically recorded monetary claims - operating	10,146	9,889
Accounts receivable – trade	101,528	94,291
Securities	171	161
Merchandise and finished goods	37,999	43,509
Work in process	1,878	2,287
Raw materials and supplies	14,861	15,507
Other	10,770	12,256
Allowance for doubtful accounts	(223)	(224)
Total current assets	244,629	251,707
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,266	7,601
Machinery, equipment and vehicles, net	7,647	8,658
Tools, furniture and fixtures, net	1,362	1,464
Land	6,036	6,125
Construction in progress	2,824	3,387
Total property, plant and equipment	25,135	27,238
Intangible assets		
Goodwill	16	8
Software	2,021	1,934
Other	54	51
Total intangible assets	2,092	1,993
Investments and other assets		
Investment securities	10,472	11,970
Deferred tax assets	1,179	858
Distressed receivables	5,015	5,019
Other	3,340	3,198
Allowance for doubtful accounts	(5,073)	(5,077)
Total investments and other assets	14,934	15,969
Total non-current assets	42,162	45,202
Total assets	286,792	296,909

(Million yen)

Fiscal year ended March 2024 First quarter ended June 2024
(As of March 31, 2024) (As of June 30, 2024)

LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	71,392	76,231
Short-term loans payable	10,604	11,245
Current portion of bonds payable	-	5,000
Accrued expenses	8,419	6,985
Income taxes payable	2,238	1,324
Provision for directors' bonuses	437	12
Other	11,709	10,929
Total current liabilities	104,803	111,728
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	10,500	10,500
Deferred tax liabilities	3,241	4,344
Provision for directors' retirement benefits	94	83
Net defined benefit liability	2,342	2,429
Asset retirement obligations	660	677
Other	3,918	3,984
Total non-current liabilities	30,757	27,019
Total liabilities	135,560	138,747
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,849	14,849
Retained earnings	110,250	111,488
Treasury shares	(5,603)	(5,604)
Total shareholders' equity	131,629	132,866
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,075	3,547
Deferred gains or losses on hedges	21	20
Foreign currency translation adjustment	15,803	20,931
Remeasurements of defined benefit plans	303	296
Total accumulated other comprehensive income	19,204	24,795
Non-controlling interests	396	499
Total net assets	151,231	158,162
Total liabilities and net assets	286,792	296,909

(2) Quarterly consolidated statements of income and comprehensive income
For the First quarter (April 1, 2024 – June 30, 2024)

(Million yen)

	First quarter ended June 2023 (April 1, 2023– June 30,2023)	First quarter ended June 2024 (April 1, 2024 – June 30, 2024)
Net sales	137,694	128,638
Cost of sales	120,140	111,657
Gross profit	17,553	16,980
Selling, general, and administrative expenses	10,559	11,430
Operating income	6,994	5,550
Non-operating income		
Interest income	116	322
Dividends income	76	127
Commission fee	51	35
Commission fee Share of profit of entities accounted for using equity method	31	22
Foreign exchange gain	–	35
Other	182	274
Total non-operating income	458	818
Non-operating expenses		
Interest expenses	226	199
Foreign exchange losses	238	–
loss on net monetary position	38	86
Other	38	37
Total non-operating expenses	542	323
Ordinary income	6,909	6,045
Extraordinary income		
Gain on sales of non-current assets	1	0
Gain on sales of investment securities	1,065	0
Total extraordinary income	1,067	1
Extraordinary loss		
Impairment loss	5	–
Loss on retirement of non-current assets	0	1
Loss on valuation of investment securities	58	–
Other	0	1
Total extraordinary loss	65	2
Profit before income taxes	7,912	6,045
Income taxes - current	606	720
Income taxes - deferred	1,533	1,285
Total income taxes	2,139	2,006
Profit	5,772	4,039
Profit attributable to owners of parent	5,767	4,127
Profit (loss) attributable to non-controlling interests	5	(87)

(Million yen)

	First quarter ended June 2023 (April 1, 2023 – June 30,2023)	First quarter ended June 2024 (April 1, 2024 – June 30, 2024)
Other comprehensive income		
Valuation difference on available-for-sale securities	(200)	472
Deferred gains or losses on hedges	28	(0)
Foreign currency translation adjustment	3,782	5,142
Remeasurements of defined benefit plans, net of tax	(5)	(7)
Share of other comprehensive income of entities accounted for using equity method	26	(11)
Total other comprehensive income	3,631	5,595
Comprehensive income	9,404	9,635
Comprehensive income attributable to owners of parent	9,394	9,718
Comprehensive income attributable to non-controlling interests	9	(83)

(3) Notes to the quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Notes to significant change in shareholders' equity)

Not applicable

(Notes to changes in Accounting Policies)

(Application of "Accounting Standard for Current Income Taxes" and related implementation guidance)

The "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022; hereinafter, the "Revised Accounting Standard of 2022") and related implementation guidance are applied since the beginning of the first quarter under review.

With respect to the revision concerning accounting classification of income taxes (taxes on other comprehensive income), the transitional treatment stipulated in the proviso of Paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment stipulated in the proviso of Paragraph 65-2 (2) of the Guidance on Accounting Standard for Tax Effect Accounting (ASBJ Guidance No. 28, October 28 2022; hereinafter, "Revised Guidance of 2022") are followed. The foregoing has no impact on the quarterly consolidated financial statements for the first quarter under review.

With respect to the revision concerning change in the accounting treatment in consolidated financial statements of tax deferral of gains/losses on sale of subsidiaries' shares, etc. between consolidated subsidiaries, the Company has applied the Revised Guidance of 2022 from the beginning of the first quarter under review. As this change in the accounting policies is to be applied retrospectively, the quarterly consolidated financial statements and the full-year consolidated financial statements for the fiscal year ended March 31, 2024, reflect retrospective application of the said change in the accounting policies. The said change has no impact on the quarterly consolidated financial statements for the first quarter ended June 30, 2023, and the consolidated financial statements for the fiscal year ended March 31, 2024.

(Notes to the quarterly consolidated statement of cash flows)

The Company has not prepared a quarterly consolidated statement of cash flows for the first quarter under review. Note that depreciation (inclusive of amortization related to intangible assets excluding goodwill) and amortization of goodwill for the first quarter under review are as shown below.

	(Million yen)	
	First quarter ended June 2023 (April 1, 2023 – June 30, 2023)	First quarter ended June 2024 (April 1, 2024 – June 30, 2024)
Depreciation	935	1,043
Amortization of goodwill	8	8

(Notes to segment information)

For the first quarter ended June 2023 (April 1, 2023 – June 30, 2023)

1. 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	120,015	12,050	577	5,050	137,694	–	137,694
Inter-segment sales or transfers	840	2,426	178	1,247	4,692	(4,692)	–
Total	120,855	14,477	755	6,298	142,386	(4,692)	137,694
Segment income (loss)	5,922	746	(4)	291	6,956	37	6,994

Notes: 1. Adjustment in segment income of 37 million yen includes 37 million yen for elimination of inter-segment trade.
2. Segment income (loss) is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

2. Information regarding impairment loss on non-current assets or on goodwill and other matters by reportable segment

(Material impairment loss pertaining to non-current assets)
Disclosure is omitted due to immateriality of the information.

(Material change in goodwill amount)
Not applicable

(Material gain on bargain purchase)
Not applicable

For the first quarter ended June 2024 (April 1, 2024 – June 30, 2024)

1. 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	111,320	10,606	631	6,079	128,638	–	128,638
Inter-segment sales or transfers	995	2,084	218	1,391	4,689	(4,689)	–
Total	112,316	12,690	849	7,470	133,327	(4,689)	128,638
Segment income	4,331	639	35	461	5,467	83	5,550

Notes: 1. Adjustment in segment income of 83 million yen includes 83 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.

2. Information regarding impairment loss on non-current assets or on goodwill and other matters by reportable segment

(Material impairment loss pertaining to non-current assets)
Not applicable

(Material change in goodwill amount)
Not applicable

(Material gain on bargain purchase)
Not applicable