

November 8, 2023

## Summary of Consolidated Financial Results for the First Half Ended September 30, 2023 [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): November 13, 2023  
 Date of commencement of dividend payment (tentative): December 1, 2023  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: Yes (For institutional investors and analysts)

(Yen in millions, rounded down)

### 1. Financial results for the first half of the fiscal year ending March 2024 (April 1, 2023 – September 30, 2023)

(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 half ended September 2023	275,044	(7.9)	13,876	(24.4)	13,945	(26.3)	11,404	(15.0)
First half ended September 2022	298,760	34.0	18,361	121.2	18,932	124.0	13,412	138.5

Note: Comprehensive income: First half of FY3/2024: 16,983 million yen [(19.3%)] First half of FY3/2023: 21,035 million yen [218.9%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2023	434.23	—
First half ended September 2022	510.88	—

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2023	290,328	143,607	49.4
As of March 31, 2023	286,217	129,737	45.3

Reference: Shareholders' equity : As of September 30, 2023: 143,465 million yen As of March 31, 2023: 129,608 million yen

### 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2023	—	100.00	—	120.00	220.00
Fiscal year ending March 2024	—	110.00			
Fiscal year ending March 2024 (Forecast)			—	110.00	220.00

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

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: Ordinary dividend: 70.00 yen; 55<sup>th</sup> Anniversary commemorative dividend: 10.00 yen; Extraordinary dividend: 40.00 yen

### 3. Forecast for the fiscal year ending March 2024 (Consolidated, April 1, 2023 – March 31, 2024)

(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	550,000	(9.5)	25,000	(22.5)	25,000	(23.6)	18,000	(22.0)	685.42

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

#### \* 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 : 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 September 30, 2023: 28,702,118 As of March 31, 2023: 28,702,118

(b) Treasury shares

As of September 30, 2023: 2,434,067 As of March 31, 2023: 2,440,983

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

Period ended September 30, 2023: 26,264,058 Period ended September 30, 2022: 26,253,692

\* 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.

(Supplementary materials for financial results and how to obtain details of the financial results meeting)

We plan to hold an earnings briefing for institutional investors and analysts on Friday, November 24, 2023. Supplementary materials for the earnings briefing will be posted on TDnet and our website today (Wednesday, November 8th). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on November 24th.

(A video of the earnings briefing in English will be posted at a later date.)

(Japanese) [https://www.taxan.co.jp/jp/ir/event/event\\_01.html](https://www.taxan.co.jp/jp/ir/event/event_01.html)

(English) [https://www.taxan.co.jp/en/ir/event/event\\_01.html](https://www.taxan.co.jp/en/ir/event/event_01.html)

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## 1. Results of Operations

### (1) Overview of consolidated business performance

Looking at the global economy during the first half of the consolidated fiscal period under review, a gradual recovery was observed in the U.S. with growth in personal consumption and capital investment, but economic stagnation continued in Europe, while in China, the economy faced downward pressure from a sluggish real estate market. Uncertainties thus remain in the global economic outlook. In Japan, with normalization of economic activities progressing, modest recovery continued, led by personal consumption against the backdrop of increased employment and rising wages.

In the electronics industry to which the Group belongs, polarization of the supply-demand balance continues. On the one hand, automotive applications, where production is recovering with alleviation of global semiconductor shortages, continue to enjoy robust demand on the back of vehicle electrification. By contrast, demand for PCs and smartphones remains sluggish, and demand for industrial equipment applications remains in an adjustment phase.

Under such a management environment, during the first half of the consolidated fiscal year under review, sales increased in the information equipment business and the others business, but the electronic components business, which is the Group's core business, was affected notably by disappearance of spot demand and emergence of some impact of inventory adjustments by customers in general, given easing of supply shortages of semiconductors and electronic components. As a result, net sales were 275,044 million yen, down 7.9% year on year. Operating income decreased by 24.4% year on year to 13,876 million yen. Aside from a decline in gross profit due to lower sales, the income decrease reflected factors such as provision of allowance for doubtful accounts of 400 million yen recorded in the first quarter in connection with a petition for commencement of civil rehabilitation proceedings filed by a business partner of the Group. Ordinary income decreased by 26.3% year on year to 13,945 million yen. Profit attributable to owners of parent decreased by 15.0% to 11,404 million yen, reflecting in part posting of extraordinary income that included 1,074 million yen in gain on sales of investment securities and 481 million yen in gain on bargain purchase associated with a corporate acquisition.

	FY 2023/3 2Q	FY 2024/3 2Q	YoY	
	(April 1, 2022 - September 30, 2022)	(April 1, 2023 - September 30, 2023)	(Million yen)	
Net sales	(Million yen) 298,760	(Million yen) 275,044	(23,716)	(7.9%)
Gross profit (Margin)	40,001 13.4%	35,160 12.8%	(4,840) (0.6pt)	(12.1%) -
SG&A	21,639	21,284	(355)	(1.6%)
Operating income	18,361	13,876	(4,485)	(24.4%)
Ordinary income	18,932	13,945	(4,986)	(26.3%)
Profit before income taxes	18,951	15,795	(3,156)	(16.7%)
Profit attributable to owners of parent	13,412	11,404	(2,007)	(15.0%)
Exchange Rate (Average rate during the year) USD	133.97yen	141.00yen	7.03yen	-

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, sales in the component sales business declined sharply, attributable partly to disappearance of spot demand and emergence of some impact of inventory adjustments by customers in general, given easing of supply shortages of semiconductors and electronic components that had continued for two consecutive years until the previous fiscal year. In the EMS business, sales in the automotive sector increased due to improved supply and demand balance of semiconductors and electronic components, whereas sales in applications related to medical and industrial equipment decreased due partly to inventory adjustments at key customers.

As a result, net sales decreased by 9.6% year on year to 242,564 million yen, and segment income decreased by 29.1% year on year to 11,785 million yen.

(Note ) 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, sales of PCs for educational institutions were strong. Sales of security software and PC peripheral products also remained solid. In the LED installation business, sales of large-scale projects that we started pushing forward on a full scale in the previous fiscal year contributed.

As a result, net sales increased by 5.7% year on year to 20,715 million yen, and segment income increased by 32.7% year on year to 1,280 million yen.

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

In this business, orders for games development and computer graphics production remained solid. Net sales were almost at the same level year on year, or down 6.3% year on year to 1,225 million yen, and segment income increased by 18.2% year on year to 112 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 strong, and so did sales of amusement equipment and sporting goods. Net sales increased by 12.2% year on year to 10,539 million yen, and segment income decreased by 5.3% year on year to 623 million yen.

#### Financial Results by Business Segment

		FY 2023/3 2Q	FY 2024/3 2Q	YoY	
		(April 1, 2022 - September 30, 2022)	(April 1, 2023 - September 30, 2023)	(Million yen)	
Electronic components	Net sales	(Million yen) 268,464	(Million yen) 242,564	(25,899)	(9.6%)
	Segment income	16,617	11,785	(4,831)	(29.1%)
Information equipment	Net sales	19,597	20,715	1,118	5.7%
	Segment income	965	1,280	315	32.7%
Software	Net sales	1,307	1,225	(82)	(6.3%)
	Segment income	95	112	17	18.2%
Others	Net sales	9,392	10,539	1,147	12.2%
	Segment income	658	623	(34)	(5.3%)
Total	Net sales	298,760	275,044	(23,716)	(7.9%)
	Segment income	18,361	13,876	(4,485)	(24.4%)

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

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Total assets as of September 30, 2023, increased by 4,110 million yen from March 31, 2023, to 290,328 million yen.

Current assets increased by 6,765 million yen compared with the end of the previous fiscal year, to 252,337 million yen. This was primarily due to a 9,886 million yen increase in cash and deposits and a 7,375 million yen increase in inventories, along with a 11,327 million yen decrease in accounts receivable - trade.

Non-current assets decreased by 2,654 million yen from March 31, 2023, to 37,990 million yen. This was primarily due to a 2,590 million yen decrease in Investment securities.

Liabilities decreased by 9,758 million yen from March 31, 2023, to 146,720 million yen. This was primarily due to a 3,389 million yen decrease in income taxes payable and a 1,879 million yen decrease in notes and accounts payable – trade as a result of payment of income taxes.

Net assets increased by 13,869 million yen from March 31, 2023, to 143,607 million yen. This is primarily due to a 8,295 million yen increase in total shareholders' equity and a 5,772 million yen increase in foreign currency translation adjustment resulting from the recording of profit attributable to owners of parent.

(b) Cash flows

Cash and cash equivalents as of September 30, 2023, increased by 6,898 million yen from March 31, 2023, to 57,205 million yen.

(Operating activities)

Net cash provided by operating activities was 9,551 million yen (10,650 million yen provided by the same period of the previous fiscal year), mainly due to the posting of profit before income taxes.

(Investing activities)

Net cash used in investing activities was 797 million yen (3,492 million yen used in the same period of the previous fiscal year), mainly due to purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 4,194 million yen (3,187 million yen used in the same period of the previous fiscal year), mainly due to the payment of dividends.

(3) Qualitative information on consolidated earnings forecast

Continuing the trend of the first quarter, performance in the first half of the consolidated fiscal year under review made good progress and exceeded the internal plan. However, in light of growing uncertainty about the outlook, including heightening geopolitical risks from Russia's prolonged aggression against Ukraine and increasing tensions in the Middle East, in addition to concerns over rising inflation and prolonged monetary tightening, no revision is made to the full-year earnings forecasts announced on May 11, 2023.

In line with the growth strategy formulated in the Medium-Term Management Plan 2024, the Group will seek to achieve further growth and reinforce profit structure, and work on improving its corporate value.

Reference: Earning Forecasts for FY2024/3 and Management Targets of Medium-Term Management Plan 2024

	FY2023/3 2Q Results	FY2024/3 Forecasts (Announced on May 11, 2023)	Progress rate	Management Targets of Medium-Term Management Plan 2024 (FY2025/3)
Net Sales	(Million yen) 275,044	(Million yen) 550,000	50.0%	750 billion yen
Operating Income	13,876	25,000	55.5%	30 billion yen or higher
Ordinary Income	13,945	25,000	55.8%	–
Profit attributable to owners of parent	11,404	18,000	63.4%	–
R O E	–	13.3%	–	Stable 10% or higher

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 2023 (As of March 31, 2023)	First half ended September 2023 (As of September 30, 2023)
<b>ASSETS</b>		
Current assets		
Cash and deposits	52,600	62,487
Notes receivable – trade	1,534	1,751
Electronically recorded monetary claims – operating	9,683	9,446
Accounts receivable – trade	117,881	106,554
Securities	195	214
Merchandise and finished goods	41,375	45,974
Work in process	2,277	2,553
Raw materials and supplies	12,552	15,053
Other	7,624	8,481
Allowance for doubtful accounts	(153)	(179)
Total current assets	245,572	252,337
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,613
Machinery, equipment and vehicles, net	6,466	7,043
Tools, furniture and fixtures, net	1,103	1,179
Land	5,859	6,050
Construction in progress	39	1,065
Total property, plant and equipment	20,158	21,951
Intangible assets		
Goodwill	48	32
Software	2,617	2,244
Other	36	45
Total intangible assets	2,702	2,321
Investments and other assets		
Investment securities	12,144	9,554
Deferred tax assets	2,162	1,120
Guarantee deposits	1,280	1,056
Insurance funds	920	871
Distressed receivables	4,842	5,030
Other	1,298	1,172
Allowance for doubtful accounts	(4,864)	(5,090)
Total investments and other assets	17,784	13,717
Total non-current assets	40,645	37,990
Total assets	286,217	290,328

(Million yen)

	Fiscal year ended March 2023 (As of March 31, 2023)	First half ended September 2023 (As of September 30, 2023)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	79,232	77,353
Short-term loans payable	19,585	19,939
Accrued expenses	8,400	7,943
Income taxes payable	6,011	2,621
Provision for directors' bonuses	465	16
Other	13,852	9,162
Total current liabilities	127,547	117,037
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	10,600	10,600
Deferred tax liabilities	2,634	3,181
Provision for directors' retirement benefits	143	141
Net defined benefit liability	2,148	2,270
Asset retirement obligations	627	644
Other	2,778	2,845
Total non-current liabilities	28,932	29,682
Total liabilities	156,479	146,720
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,820	14,849
Retained earnings	95,945	104,198
Treasury shares	(5,614)	(5,600)
Total shareholders' equity	117,285	125,581
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,534	2,277
Deferred gains or losses on hedges	(18)	30
Foreign currency translation adjustment	9,568	15,340
Remeasurements of defined benefit plans	239	235
Total accumulated other comprehensive income	12,322	17,884
Non-controlling interests	129	142
Total net assets	129,737	143,607
Total liabilities and net assets	286,217	290,328

(2) Quarterly consolidated statements of income and comprehensive income  
For the First half (April 1, 2023 – September 30, 2023)

(Million yen)

	First half ended September 2022 (April 1, 2022 – September 30, 2022)	First half ended September 2023 (April 1, 2023 – September 30, 2023)
Net sales	298,760	275,044
Cost of sales	258,759	239,883
Gross profit	40,001	35,160
Selling, general and administrative expenses	21,639	21,284
Operating income	18,361	13,876
Non-operating income		
Interest income	76	291
Dividends income	177	179
Commission fee	109	88
Share of profit of entities accounted for using equity method	21	20
Foreign exchange gains	359	–
Other	215	406
Total non-operating income	959	987
Non-operating expenses		
Interest expenses	294	441
Foreign exchange losses	–	291
Other	95	184
Total non-operating expenses	389	917
Ordinary income	18,932	13,945
Extraordinary income		
Gain on sales of non-current assets	11	6
Gain on sales of investment securities	39	1,074
Gain on revision of retirement benefit plan	126	–
Gain on bargain purchase	–	481
Gain on liquidation of subsidiaries and associates	–	480
Other	1	2
Total extraordinary income	177	2,043
Extraordinary loss		
Impairment loss	28	7
Loss on retirement of non-current assets	1	1
Loss on valuation of investment securities	126	184
Other	1	1
Total extraordinary loss	158	193
Profit before income taxes	18,951	15,795
Income taxes - current	4,773	2,501
Income taxes - deferred	756	1,878
Total income taxes	5,529	4,379
Profit	13,422	11,416
Profit attributable to owners of parent	13,412	11,404
Profit attributable to non-controlling interests	9	11

(Million yen)

	First half ended September 2022 (April 1, 2022 – September 30, 2022)	First half ended September 2023 (April 1, 2023 – September 30, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	168	(258)
Deferred gains or losses on hedges	92	49
Foreign currency translation adjustment	7,326	5,711
Remeasurements of defined benefit plans, net of tax	(129)	(3)
Share of other comprehensive income of associates accounted for using equity method	156	69
Total other comprehensive income	7,613	5,567
Comprehensive income	21,035	16,983
Comprehensive income attributable to owners of parent	21,019	16,965
Comprehensive income attributable to non-controlling interests	16	18

## (3) Consolidated statement of cash flows

	(Million yen)	
	First half ended September 2022 (April 1, 2022 – September 30, 2022)	First half ended September 2023 (April 1, 2023 – September 30, 2023)
Cash flows from operating activities		
Profit before income taxes	18,951	15,795
Depreciation	2,009	2,026
Impairment loss	28	7
Amortization of goodwill	34	16
Increase (decrease) in allowance for doubtful accounts	(114)	228
Interest and dividend income	(253)	(471)
Interest expenses	281	441
Share of (profit) loss of entities accounted for using equity method	(21)	(20)
Loss (gain) on sales of investment securities	(39)	(1,073)
Loss (gain) on valuation of investment securities	126	184
Gain on bargain purchase	–	(481)
Loss (gain) on liquidation of subsidiaries and associates	–	(480)
Decrease (increase) in notes and accounts receivable - trade	3,614	15,540
Decrease (increase) in inventories	(3,984)	(4,491)
Decrease (increase) in accounts receivable - other	1,828	519
Decrease (increase) in advance payments	79	222
Increase (decrease) in notes and accounts payable - trade	(8,020)	(5,723)
Increase (decrease) in accrued expenses	908	(918)
Decrease (increase) in consumption taxes refund receivable	1,021	(1,287)
Decrease (increase) in other current assets	(13)	589
Increase (decrease) in other current liabilities	(4,195)	(4,515)
Other, net	1,355	640
Subtotal	13,598	16,750
Interest and dividend income received	254	474
Interest expenses paid	(266)	(440)
Income taxes paid	(2,936)	(7,232)
Net cash provided by (used in) operating activities	10,650	9,551
Cash flows from investing activities		
Payments into time deposits	(934)	(2,803)
Purchase of property, plant and equipment	(1,786)	(1,987)
Proceeds from sales of property, plant and equipment	19	10
Purchase of intangible assets	(258)	(118)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	491
Purchase of investment securities	(392)	(25)

	(Million yen)	
	First half ended September 2022 (April 1, 2022 – September 30, 2022)	First half ended September 2023 (April 1, 2023 – September 30, 2023)
Proceeds from sales of investment securities	261	3,204
Short-term loan advances	(361)	(30)
Other payments	(66)	(103)
Other proceeds	25	563
Net cash provided by (used in) investing activities	(3,492)	(797)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(709)	(746)
Repayments of long-term loans payable	(10,018)	(20)
Proceeds from issuance of bonds	9,945	–
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(21)	–
Purchase of treasury shares	(1)	(3)
Cash dividends paid	(1,966)	(3,146)
Other, net	(415)	(277)
Net cash provided by (used in) financing activities	(3,187)	(4,194)
Effect of exchange rate change on cash and cash equivalents	2,425	2,338
Net increase (decrease) in cash and cash equivalents	6,396	6,898
Cash and cash equivalents at beginning of period	39,240	50,307
Cash and cash equivalents at end of period	45,636	57,205

(4) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Segment information)

I. For the first half ended September 2022 (April 1, 2022 – September 30, 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	268,464	19,597	1,307	9,392	298,760	–	298,760
Inter-segment sales or transfers	1,772	3,393	517	4,039	9,723	(9,723)	–
Total	270,236	22,990	1,824	13,431	308,484	(9,723)	298,760
Segment income	16,617	965	95	658	18,335	25	18,361

- Notes: 1. Adjustment in segment income of 25 million yen includes 25 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 first half ended September 2023 (April 1, 2023 – September 30, 2023)

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	242,564	20,715	1,225	10,539	275,044	–	275,044
Inter-segment sales or transfers	1,604	4,383	582	2,638	9,208	(9,208)	–
Total	244,169	25,098	1,807	13,178	284,252	(9,208)	275,044
Segment income	11,785	1,280	112	623	13,801	74	13,876

- Notes: 1. Adjustment in segment income of 74 million yen includes 74 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.