

February 6, 2025

Summary of Consolidated Financial Results for the Third Quarter Ended December 31, 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
 Representative Title: Representative Director, President & COO Name: Ryoichi Kado
 Contact Person Title: Senior Executive Officer Head of Administration Headquarters Name: Yasuhiro Ishihara
 Phone: +81-(0)3-5657-0111
 Date of commencement of dividend payment (tentative): -
 Earnings supplementary explanatory documents: Yes
 Earnings presentation: None

(Yen in millions, rounded down)

1. Financial results for the third quarter of the fiscal year ending March 2025 (April 1, 2024 – December 31, 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	%
Third quarter ended December 2024	396,243	(2.5)	18,056	(11.9)	18,379	(9.5)	12,714	(20.5)
Third quarter ended December 2023	406,458	(10.1)	20,491	(21.2)	20,311	(23.7)	15,992	(16.1)

Note: Comprehensive income: 3Q of FY3/2025: 17,790 million yen [(14.0%)] 3Q of FY3/2024: 20,685 million yen [(13.5%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Third quarter ended December 2024	241.97	—
Third quarter ended December 2023	304.44	—

Notes: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.
 Earnings per share is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2024.
 Note that diluted earnings per share is indicated as “—” because there are no diluted shares.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of December 31, 2024	307,898	163,428	53.0
As of March 31, 2024	286,792	151,231	52.6

Reference: Shareholders' equity As of December 31, 2024: 163,191 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 ended March 2025	—	110.00	—		
Fiscal year ending March 2025 (Forecast)				55.00	—

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

2. The Company conducted 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) would 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)	342.53

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

2. With respect to 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 "1. Financial results for the third quarter of the fiscal year ending March 2025 (April 1, 2024 – December 31, 2024)."

* 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 "Notes to interim consolidated financial statements (Notes regarding changes in Accounting Policies) under 2. Interim 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 December 31, 2024: 57,404,236 As of March 31, 2024: 57,404,236

(b) Treasury shares

As of December 31, 2024: 4,847,812 As of March 31, 2024: 4,869,088

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

Period ended December 31 2024: 52,547,921 Period ended December 31, 2023: 52,530,414

Notes: The Company conducted a two-for-one stock split of its common stock effective October 1, 2024.

Number of shares outstanding (common stock) is calculated on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 2024.

* 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 performance forecast" on page 4.

(How to obtain supplementary materials on quarterly financial results)

Supplementary materials on financial results are will be posted on TDnet and our website today (February 6, 2025).

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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 electronic components business experienced a decline in sales due to such factors as the impact of inventory adjustments and the conclusion of transactions with a certain major customer of an overseas subsidiary, while the software business and others business remained robust. As a result, net sales decreased by 2.5% year on year to 396,243 million yen.

Gross profit was on a par with the previous fiscal year, decreased by 0.1% year on year to 52,190 million yen, due to an improved sales mix resulting from the conclusion of large-scale transactions that had been low-profit, in addition to growth in sales of relatively high-margin products in the face of declining sales.

Operating income decreased by 11.9% year on year to 18,056 million yen, attributable to an increase in selling, general and administrative expenses due to such factors as an increase in personnel expenses resulting from wage increases implemented during the period under review and rising logistics costs. Ordinary income decreased by 9.5% to 18,379 million yen, due partly to an increase in interest income, reflecting the rise in foreign currency deposit balances.

Profit attributable to owners of parent decreased by 20.5% year on year to 12,714 million yen, partly reflecting the absence of 1,355 million yen in gain on sale of investment securities and 481 million yen in gain on bargain purchase both recorded in the same period of the previous fiscal year.

Looking at the current third quarter results from October through December 2024, inventory adjustments in the electronic components business, which began in full scale from the second half of the fiscal year ended March 31, 2024, are being resolved at some of our major customers, indicating a continued path to recovery.

Financial results: 9 months

	FY 2024/3 3Q (April 1, 2023 – December 31, 2023)	FY 2025/3 3Q (April 1, 2024 – December 31, 2024)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	406,458	396,243	(10,214)	(2.5%)
Gross profit (Margin)	52,252 12.9%	52,190 13.2%	(62) 0.3pt	(0.1%) –
SG&A	31,760	34,134	2,373	7.5%
Operating income	20,491	18,056	(2,435)	(11.9%)
Ordinary income	20,311	18,379	(1,931)	(9.5%)
Profit before income taxes	22,385	18,462	(3,923)	(17.5%)
Profit attributable to owners of parent	15,992	12,714	(3,277)	(20.5%)
Exchange Rate USD (Average rate during the year)	143.29Yen	152.57Yen	9.28Yen	–

<Reference> Financial results: 3 months

	FY 2024/3 3Q (October 1, 2023 – December 31, 2023)	FY 2025/3 3Q (October 1, 2024 – December 31, 2024)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	131,413	137,178	5,764	4.4%
Gross profit (Margin)	17,091 13.0%	18,056 13.2%	965 0.2pt	5.7% –
SG&A	10,475	11,502	1,026	9.8%
Operating income	6,615	6,554	(60)	(0.9%)
Ordinary income	6,365	7,101	736	11.6%
Profit attributable to owners of parent	4,587	4,773	185	4.0%

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 was sluggish due largely to the impact of inventory adjustments at key customers, including a slowdown in sales of SoC*² products by Kaga FEI Co., Ltd. that had remained robust, and the conclusion of transactions with a certain major customer of an overseas subsidiary of Excel Co., Ltd. The EMS business remained solid due to strong sales in the automotive sector and a recovery in the industrial equipment sector.

As a result, net sales decreased by 3.2% year on year to 346,212 million yen, and segment income decreased by 20.9% year on year to 13,568 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, 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 scale since the fiscal year ended March 2023. Income margin, however, improved due partly to robust sales of security software with its comparatively high profit margin.

As a result, net sales decreased by 10.9% year on year to 26,953 million yen, and segment income increased by 1.6% year on year to 1,953 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 14.0% year on year to 2,070 million yen, and segment income increased by 17.5% year on year to 308 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 26.7% year on year to 21,006 million yen, and segment income increased by 97.9% year on year to 2,097 million yen.

< Financial Results by Business Segment >

		FY 2024/3 3Q (April 1, 2023 – December 31, 2023)	FY 2025/3 3Q (April 1, 2024 – December 31, 2024)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic Components	Net sales	357,794	346,212	(11,581)	(3.2%)
	Segment income	17,148	13,568	(3,580)	(20.9%)
Information Equipment	Net sales	30,266	26,953	(3,313)	(10.9%)
	Segment income	1,921	1,953	31	1.6%
Software	Net sales	1,816	2,070	254	14.0%
	Segment income	262	308	45	17.5%
Others	Net sales	16,581	21,006	4,425	26.7%
	Segment income	1,059	2,097	1,037	97.9%
Total	Net sales	406,458	396,243	(10,214)	(2.5%)
	Segment income	20,491	18,056	(2,435)	(11.9%)

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, 2024, increased by 21,106 million yen from March 31, 2024, to 307,898 million yen.

Current assets increased by 16,172 million yen from March 31, 2024, to 260,801 million yen. This was primarily due to a 5,896 million yen increase in cash and deposits and a 10,609 million yen increase in inventories.

Non-current assets increased by 4,933 million yen from March 31, 2024, to 47,096 million yen. This was primarily due to a 2,341 million yen increase in Property, plant and equipment and a 2,511 million yen increase in Investment securities.

Liabilities increased by 8,908 million yen from March 31, 2024, to 144,469 million yen. This is primarily due to a 9,489 million yen increase in notes and accounts payable - trade.

Net assets increased by 12,197 million yen from March 31, 2024, to 163,428 million yen. This is primarily due to an increase of 12,714 million yen in profit attributable to owners of parent.

(3) Qualitative information on consolidated performance 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	Third quarter ended
	March 2024	December 2024
	(As of March 31, 2024)	(As of December 31, 2024)
ASSETS		
Current assets		
Cash and deposits	66,596	72,493
Notes receivable – trade	900	1,952
Electronically recorded monetary claims – operating	10,146	8,671
Accounts receivable – trade	101,528	101,111
Securities	171	163
Merchandise and finished goods	37,999	46,688
Work in process	1,878	3,201
Raw materials and supplies	14,861	15,457
Other	10,770	11,261
Allowance for doubtful accounts	(223)	(199)
Total current assets	244,629	260,801
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,266	9,323
Machinery, equipment and vehicles, net	7,647	10,089
Tools, furniture and fixtures, net	1,362	1,250
Land	6,036	5,879
Construction in progress	2,824	932
Total property, plant and equipment	25,135	27,476
Intangible assets		
Goodwill	16	–
Software	2,021	1,745
Other	54	46
Total intangible assets	2,092	1,791
Investments and other assets		
Investment securities	10,472	12,984
Deferred tax assets	1,179	768
Distressed receivables	5,015	4,812
Other	3,340	4,134
Allowance for doubtful accounts	(5,073)	(4,871)
Total investments and other assets	14,934	17,828
Total non-current assets	42,162	47,096
Total assets	286,792	307,898

(Million yen)

	Fiscal year ended March 2024 (As of March 31, 2024)	Third quarter ended December 2024 (As of December 31, 2024)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	71,392	80,882
Short-term loans payable	10,604	15,706
Current portion of bonds payable	—	5,000
Accrued expenses	8,419	5,819
Income taxes payable	2,238	2,328
Provision for directors' bonuses	437	13
Other	11,709	11,951
Total current liabilities	104,803	121,703
Non-current liabilities		
Bonds payable	10,000	5,000
Long-term loans payable	10,500	5,500
Deferred tax liabilities	3,241	5,300
Provision for directors' retirement benefits	94	93
Net defined benefit liability	2,342	2,503
Asset retirement obligations	660	684
Other	3,918	3,683
Total non-current liabilities	30,757	22,766
Total liabilities	135,560	144,469
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,849	14,885
Retained earnings	110,250	117,185
Treasury shares	(5,603)	(5,579)
Total shareholders' equity	131,629	138,625
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,075	4,078
Deferred gains or losses on hedges	21	5
Foreign currency translation adjustment	15,803	19,575
Remeasurements of defined benefit plans	303	906
Total accumulated other comprehensive income	19,204	24,566
Non-controlling interests	396	237
Total net assets	151,231	163,428
Total liabilities and net assets	286,792	307,898

(2) Quarterly consolidated statements of income and comprehensive income

For the third quarter (April 1, 2024 – December 31, 2024)

	(Million yen)	
	Third quarter ended December 2023 (April 1, 2023 – December 31, 2023)	Third quarter ended December 2024 (April 1, 2024 – December 31, 2024)
Net sales	406,458	396,243
Cost of sales	354,206	344,053
Gross profit	52,252	52,190
Selling, general and administrative expenses	31,760	34,134
Operating income	20,491	18,056
Non-operating income		
Interest income	606	999
Dividends income	241	219
Commission fee	113	92
Other	552	782
Total non-operating income	1,513	2,093
Non-operating expenses		
Interest expenses	669	602
Share of loss of entities accounted for using equity method	33	34
Foreign exchange losses	686	882
loss on net monetary position	162	139
Other	141	111
Total non-operating expenses	1,693	1,770
Ordinary income	20,311	18,379
Extraordinary income		
Gain on sales of non-current assets	15	37
Gain on sales of investment securities	1,355	276
Gain on bargain purchase	481	–
Gain on liquidation of subsidiaries and associates	480	–
Other	2	3
Total extraordinary income	2,334	317
Extraordinary loss		
Impairment loss	16	–
Loss on retirement of non-current assets	3	7
Loss on valuation of investment securities	233	219
Other	5	8
Total extraordinary loss	259	235
Profit before income taxes	22,385	18,462
Income taxes - current	3,898	4,223
Income taxes - deferred	2,489	1,814
Total income taxes	6,388	6,037
Profit	15,997	12,424
Profit attributable to owners of parent	15,992	12,714
Profit (loss) attributable to non-controlling interests	5	(290)

	(Million yen)	
	Third quarter ended December 2023 (April 1, 2023 – December 31, 2023)	Third quarter ended December 2024 (April 1, 2024 – December 31, 2024)
Other comprehensive income		
Valuation difference on available-for-sale securities	41	1,003
Deferred gains or losses on hedges	(0)	(16)
Foreign currency translation adjustment	4,542	3,752
Remeasurements of defined benefit plans, net of tax	(8)	603
Share of other comprehensive income of associates accounted for using equity method	111	23
Total other comprehensive income	4,687	5,366
Comprehensive income	20,685	17,790
Comprehensive income attributable to owners of parent	20,674	18,077
Comprehensive income attributable to non-controlling interests	10	(286)

(3) Notes to 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 third 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 third quarter ended December 31, 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 third quarter under review. Note that depreciation (inclusive of amortization related to intangible assets excluding goodwill) and amortization of goodwill for the third quarter under review are as shown below.

	(Million yen)	
	Third quarter ended December 2023 (April 1, 2023 – December 31, 2023)	Third quarter ended December 2024 (April 1, 2024 – December 31, 2024)
Depreciation	3,030	3,239
Amortization of goodwill	24	16

(Notes to Segment information)

I. For the third quarter ended December 2023 (April 1, 2023 – December 31, 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	357,794	30,266	1,816	16,581	406,458	–	406,458
Inter-segment sales or transfers	2,755	7,181	1,109	4,245	15,291	(15,291)	–
Total	360,549	37,448	2,926	20,826	421,749	(15,291)	406,458
Segment income	17,148	1,921	262	1,059	20,392	99	20,491

Notes: 1. Adjustment in segment income of 99 million yen includes 99 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)

Disclosure is omitted due to immateriality of the information.

(Material change in goodwill amount)

Not applicable

(Material gain on bargain purchase)

481 million yen is recorded as a gain on bargain purchase in the electronic components business.

This is primarily associated with the acquisition of shares in Candra GmbH by Kaga FEI Co., Ltd.

II. For the third quarter ended December 2024 (April 1, 2024 – December 31, 2024)

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	346,212	26,953	2,070	21,006	396,243	–	396,243
Inter-segment sales or transfers	2,691	7,505	911	4,263	15,373	(15,373)	–
Total	348,904	34,458	2,982	25,270	411,616	(15,373)	396,243
Segment income	13,568	1,953	308	2,097	17,927	128	18,056

Notes: 1. Adjustment in segment income of 128 million yen includes 128 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