

## Summary of Consolidated Financial Results for the Year Ended March 2020 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.	
Stock Code:	8154	URL: <a href="https://www.taxan.co.jp/">https://www.taxan.co.jp/</a>
Stock Exchange Listing:	Tokyo Stock Exchange, First Section	
Representative:	Title: President & COO	Name: Ryoichi Kado
Contact Person:	Title: Managing Director, Administration Headquarters	Name: Eiji Kawamura
Phone:	+81-(0)3-5657-0111	
Date of regular general meeting of shareholders:	June 26, 2020 (tentative)	
Date of commencement of dividend payment:	June 29, 2020 (tentative)	
Date of filing of securities report:	June 26, 2020 (tentative)	
Supplementary explanatory documents:	Yes	
Earnings presentation:	Yes (For institutional investors and analysts)	

(Yen in millions, rounded down)

### 1. Financial results for the current fiscal year (April 1, 2019 - March 31, 2020)

#### (1) Result of operations (Consolidated)

(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	%
Fiscal year ended March 2020	443,615	51.5	10,014	32.3	10,137	29.0	5,852	(27.0)
Fiscal year ended March 2019	292,779	24.1	7,570	(6.8)	7,859	(10.1)	8,014	23.5

Note: Comprehensive income: FY ended March 31, 2020: 4,005 million yen [(49.0)%] FY ended March 31, 2019: 7,848 million yen [19.9%]

	Earnings per share	Earnings per share (diluted)	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2020	213.21	—	7.6	4.8	2.3
Fiscal year ended March 2019	292.07	—	10.9	4.6	2.6

Ref.: Share of profit/loss of entities accounted for using equity method: FY ended March 2020: (905) million yen FY ended March 2019: (194) million yen

#### (2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2020	207,638	86,250	37.7	2,850.99
As of March 31, 2019	213,761	84,259	35.8	2,790.97

Ref.: Shareholders' equity FY ended March 2020: 78,284 million yen FY ended March 2019: 76,604 million yen

#### (3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2020	22,406	(3,651)	(7,544)	42,693
Fiscal year ended March 2019	(1,547)	(6,860)	11,684	32,231

### 2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	1Q	2Q	3Q	Year-end	Full year			
Fiscal year ended March 2019	Yen —	Yen 35.00	Yen —	Yen 45.00	Yen 80.00	Million yen 2,195	% 27.4	% 3.0
Fiscal year ended March 2020	—	30.00	—	40.00	70.00	1,921	32.8	2.5
Fiscal year ending March 2021 (Forecast)	—	30.00	—	—	—		—	

Notes: Breakdown of interim dividend for FY3/19: Ordinary dividend 30.00 yen; 50th anniversary commemorative dividend 5.00 yen

Breakdown of year-end dividend for FY3/19: Ordinary dividend: 40.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/20: Ordinary dividend: 30.00 yen; Extraordinary dividend: 10.00 yen

Dividend forecasts for the fiscal year ending in March 2021 have not yet been decided. For details, please refer to page 4 of the appended materials, "1. Results of Operations (5) Basic policy for earnings allocations and dividends in the current and next fiscal years."

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

Consolidated earnings forecasts for the fiscal year ending in March 2021 have not yet been decided as it is difficult at this point to rationally estimate the impact of the novel coronavirus. For details, please refer to page 4 of the appended materials, "1. Results of Operations (4) Future outlook."

\* **Notes**

(1) Changes in significant subsidiaries (Changes in specified subsidiaries accompanied by changes in the scope of consolidation): None

(2) 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 “3.Consolidated Financial Statements and Major Notes (5) Notes to consolidated financial statements (Changes in accounting policies)” on page 13.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of March 31, 2020:	28,702,118	As of March 31, 2019:	28,702,118
As of March 31, 2020:	1,243,279	As of March 31, 2019:	1,254,924
As of March 31, 2020:	27,449,833	As of March 31, 2019:	27,439,524

(b) Treasury shares

(c) Average number of shares outstanding during the year

**(Reference) Non-consolidated Financial Results**

**Financial results for the fiscal year ended March 2020 (April 1, 2019 - March 31, 2020)**

(1) Result of operations (Non-consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2020	76,326	3.3	211	—	4,751	(1.4)	1,112	(75.9)
Fiscal year ended March 2019	73,906	1.1	(323)	—	4,820	50.0	4,620	22.1

	Earnings per share		Earnings per share (diluted)	
	Yen		Yen	
Fiscal year ended March 2020	40.51		—	
Fiscal year ended March 2019	168.38		—	

(2) Financial Position (Non-consolidated)

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%	Yen		
As of March 31, 2020	93,971		41,480		44.1	1,510.51		
As of March 31, 2019	96,087		43,348		45.1	1,579.20		

Ref.: Shareholders' equity      Fiscal year ended March 2020: 41,480 million yen      Fiscal year ended March 2019: 43,348 million yen

\*The audit procedures by certified public accountant or auditing firm are not applicable to this 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 information about the forecasts, please see “1. Results of Operations (4) Future outlook” on page 4 of Supplementary Information.

(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 Thursday, May 28, 2020. Supplementary materials for the earnings briefing will be posted on our website today (Thursday, May 21st). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on May 28th.

(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 back at economic conditions in this consolidated fiscal year, we find that the US-China trade dispute intensified, and the outlook for the US economy, which has been supported by solid personal spending until now and has continued to enjoy a moderate expansion, has gradually worsened, particularly in the manufacturing industry. The slowdown in the Chinese economy is also marked. Moreover, in Europe, the manufacturing industry's exports fell and the economy stalled as the UK left the EU and faced trade problems with the US. In the Japanese economy, capital investment and personal spending surpassed expectations, in part due to last-minute demand before the consumption tax hike went into effect in the first half of the fiscal year, but the economy began to fall into a downturn from last autumn, after the consumption tax hike was imposed. In addition, since the fourth quarter the novel coronavirus, COVID-19 has spread from China to the rest of Asia, North America and Europe simultaneously and with a chain reaction. This has had a severe impact on the global economy, with economic activity stalling in countries and regions around the world where the virus has spread.

In the electronics industry to which the Group belongs, in the information and communications field, the smartphone market experienced negative growth over the previous year, but the personal computer market was strong due to replacement demand. In the auto-related field, the number of cars sold grew at negative levels globally, but electronic technologies, such as electric cars and autonomous driving support technologies, were increasingly introduced, and the automotive market performed well. In the industrial equipment field, the slump caused by curbs on capital investment in the Chinese market continued, and conditions remained harsh overall.

In this business environment, in line with our corporate philosophy of "everything we do is for our customers," the Group moved aggressively to reinforce its production capacity in Japan and overseas in response to customer requests. We set this, together with "strengthening manufacturing skills" and "improving engineering skills," as Group's three priority issues in order to strengthen the competitiveness of the EMS<sup>(Note)</sup> business.

Specifically, in October 2019, a manufacturing subsidiary of Pioneer Corporation became a subsidiary of the Group and Kaga EMS Towada Co., Ltd. was established. In the same month, the new factory was completed in Sukagawa City in Fukushima Prefecture, and in December operations began at a second factory in Amata Nakorn, Thailand. A marketing division dedicated to EMS was set up from April in Fujitsu Electronics Inc. (hereafter, "Fujitsu Electronics"), which became a Group company in January 2019, and the entire Group worked together to expand the EMS business.

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

	FY 2019/3	FY 2020/3	YoY	
	(April 1, 2018 – March 31, 2019)	(April 1, 2019 – March 31, 2020)		
	(Million yen)	(Million yen)	(Million yen)	
Net sales	292,779	443,615	150,835	51.5%
Gross profit	35,546	47,016	11,470	32.3%
(Margin)	12.1%	10.6%	(1.5pt)	
SG&A	27,976	37,001	9,025	32.3%
Operating income	7,570	10,014	2,444	32.3%
Ordinary income	7,859	10,137	2,277	29.0%
Profit before income taxes	9,649	9,286	(362)	(3.8%)
Profit attributable to owners of parent	8,014	5,852	(2,161)	(27.0%)
EPS	292.07Yen	213.21Yen	(78.86 Yen)	—
ROE	10.9%	7.6%	(3.3pt)	—
Exchange Rate (Average rate during the year) USD	110.91 Yen	108.74 Yen	(2.17Yen)	—

Net sales in the consolidated fiscal year ended March 31, 2020 increased by 51.5% year on year to 443,615 million yen. This was due to revenue contribution from Fujitsu Electronics, whose results are reflected in the full year beginning in the first quarter, as well as the solid performance of the electronic component business, the Group's core business, and particularly for medical equipment and automotive applications. Operations were temporarily suspended at some EMS production sites overseas due to restrictions imposed by governments as COVID-19 spread, but the impact was minimal.

In terms of income, operating income increased by 32.3% year on year to 10,014 million yen and ordinary income increased by 29.0% year on year to 10,137 million yen. This can be attributed to the steady performance of the electronic component business, in addition to the aforementioned effect of corporate acquisitions. Operating income reached its highest level in 15 fiscal years, exceeding the previous high of 8,474 million yen in the fiscal year ended March 31, 2005, while ordinary income recorded a new high for the first time in two fiscal years, surpassing the previous high of 8,740 million yen recorded in the fiscal year ended March 31, 2019.

Profit attributable to owners of parent decreased by 27.0%, to 5,852 million yen, over the previous fiscal year. This decrease was primarily due to a "gain on bargain purchase" of 2,164 million yen posted in the previous consolidated fiscal year as extraordinary income in connection with the acquisition of Fujitsu Electronics, and loss on valuation of investment securities of 880 million yen were posted this fiscal year as an extraordinary loss.

Business segment performance was as follows.

		FY 2019/3	FY 2020/3	YoY	
		(April 1, 2018 –March 31, 2019)	(April 1, 2019 –March 31, 2020)	(Million yen)	
Electronic components	Net sales	225,598	377,587	151,989	67.4%
	Segment income	4,761	7,503	2,741	57.6%
Information equipment	Net sales	44,344	43,466	(878)	(2.0%)
	Segment income	1,906	1,707	(198)	(10.4%)
Software	Net sales	2,876	2,778	(97)	(3.4%)
	Segment income	247	236	(10)	(4.3%)
Others	Net sales	19,959	19,781	(177)	(0.9%)
	Segment income	490	452	(38)	(7.8%)
Total	Net sales	292,779	443,615	150,835	51.5%
	Segment income	7,570	10,014	2,444	32.3%

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

- (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 EMS business maintained solid performance throughout the year, led by medical equipment and automotive. Operations were suspended in China and Malaysia from February through March 2020 due to those governments' measures to halt the spread of COVID-19, but the impact was limited. At the same time, the components sales business benefited from solid sales of LED products for automotive devices and consumer electronics, as well as the addition of a new revenue base, primarily from mobile phones and automotive devices, resulting from the acquisition of Fujitsu Electronics. In addition, the termination of its sales contract with the US-based Cypress Semiconductor Corporation (announced on October 10, 2019), a major supplier for Fujitsu Electronics, resulted in one-off revenue. As a result, net sales increased by 67.4% year on year to 377,587 million yen, and segment income increased by 57.6% year on year to 7,503 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, the PC and PC peripheral business benefited from replacement demand before the consumption tax hike went into effect and demand to upgrade to Windows 10, and sales to electronics retail stores and schools and educational institutions were strong. However, the housing-related home electric appliances business remained weak due to such factors as delivery date adjustments by customers. The commercial facilities-related LED installment business was affected by a pause in replacement demand from major customers. As a result, net sales decreased by 2.0% year on year to 43,466 million yen, and segment income decreased by 10.4% year on year to 1,707 million yen.

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

In this sector, orders for production of computer graphics animation and development of game software continued to face harsh conditions, partly due to customers in the amusement equipment industry extending their development schedules and a contraction in the size of businesses. As a result, net sales decreased by 3.4% year on year to 2,778 million yen, and segment income decreased by 4.3% year on year to 236 million yen.

(d) Others (Repair and supports for electronics equipment, manufacture and sales of amusement equipment, and sales of sports goods, and other activities)

In this business, sales of arcade amusement machines continued to be strong. The PC peripherals and mobile phones recycling business showed robust performance, however golf products suffered sluggish sales. As a result, net sales decreased by 0.9% year on year to 19,781 million yen, and segment income decreased by 7.8% year on year to 452 million yen.

## (2) Overview of financial condition

### Assets, liabilities and net assets

Total assets as of March 31, 2020 decreased by 6,122 million yen from the previous fiscal year-end to 207,638 million yen.

Current assets decreased by 8,064 million yen to 174,331 million yen. This is primarily due to a decrease of 10,649 million yen in notes and accounts receivable – trade, and a decrease of 8,457 million yen in merchandise and finished goods, although cash and deposits increased by 8,381 million yen.

Non-current assets increased by 1,942 million yen to 33,306 million yen. This was primarily because the adoption of IFRS 16 and the construction of a new factory in Fukushima and a second factory in Thailand, among other factors, increased property, plant and equipment by 2,963 million yen and investment securities decreased by 1,583 million yen.

Liabilities decreased by 8,113 million yen from March 31, 2019, to 121,388 million yen. This is primarily attributed to a 5,165 million yen reduction in borrowings as a result of factors including the repayment of borrowings.

Net assets increased by 1,990 million yen from March 31, 2019, to 86,250 million yen. This was primarily due to a 3,793 million yen increase in retained earnings due to 5,852 million yen in profit attributable to owners of parent, as well as a 1,234 million yen decrease in the currency translation adjustment account resulting from currency fluctuations.

## (3) Cash flows

Cash and cash equivalents as of March 31, 2020 increased 10,461 million yen from March 31, 2019 to 42,693 million yen. (Operating activities)

Net cash provided by operating activities was 22,406 million yen (1,547 million yen used in the previous fiscal year) mainly due to the posting of profit before income taxes and a decrease in notes and accounts receivable–trade.

(Investing activities)

Net cash used in investing activities was 3,651 million yen (6,860 million yen used in the previous fiscal year) mainly due to purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 7,544 million yen (11,684 million yen provided by the previous fiscal year) mainly due to the repayment of loans and the payment of dividends.

## (4) Future outlook

In the electronics market to which the Group belongs, we continue to predict that demand for electronic components will increase in the medium to long term due to increasingly high performance of smartphones with the full introduction of 5G (fifth-generation mobile communications system), the expansion of the data center market, and the expansion of new businesses melding IoT (Internet of Things) with AI (artificial intelligence) in the information and communications field, as well as progress with electronic components and cyber technology in cars, as with CASE (Connected, Autonomous, Shared & Services, Electric) in the automotive field.

That said, at present, the decline in demand and restrictions on economic activity due to the global spread of COVID-19 are having an impact, and we still cannot predict when the virus will stop spreading, restrictions will be lifted, and demand will recover after the pandemic subsides.

At this point, it is difficult to logically estimate the effects of COVID-19, and thus we have not formulated our forecasts for consolidated earnings in the fiscal year ending in March 2021. We will promptly release these forecasts when logical forecasts are possible.

The Company formulated “Medium Term Management Plan 2021” (announced on November 6, 2018), a three-year plan which sets forth its growth strategy, running from the fiscal year ending March 31, 2020 to the fiscal year ending March 31, 2022, and will strive to form “Japan’s No. 1 corporate group in the industry” and, furthermore, to become a **competitive** “World Class Company”. Group-wide efforts will be made in implementing the various initiatives of the basic policy, which comprises “enhancement of revenue base” focusing on markets that are expected to see high growth and profitability in the future, “stabilization of management base” through improvement of efficiency and financial

soundness after conversion of Fujitsu Electronics to a subsidiary, and “creation of new business” in order to strengthen resistance to changes in the external environment.

(Reference) Medium-term Management Plan 2021 Numerical Targets

Relevant Fiscal Year	Net Sales	Operating Income	ROE
Fiscal year ending March 2022	500.0 billion yen	13.0 billion yen	8.0% or higher

(5) Basic policy for earnings allocations and dividends in the current and next fiscal years

The Company positions the return of profits to shareholders as one of the most important management policies, and in addition to endeavoring to strengthen its financial position and management foundation with a long-term perspective, has the basic policy of maintaining stable and ongoing dividends to all shareholders with due consideration to consolidated performance.

Based on this policy, the Medium Term Management Plan 2021 sets out the target of making “stable dividend payments while securing a consolidated dividend ratio of 25% to 35%.”

With respect to the year-end dividend for the fiscal year ended March 31, 2020, the Group plans to pay an extraordinary dividend of 10 yen per share in addition to the 30 yen per share dividend forecast at the start of the fiscal year, for a total of 40 yen per share. As a result, the annual dividend, including an interim dividend of 30 yen per share, will be 70 yen per share.

Although the dividend for the next fiscal year is scheduled to be paid in accordance with the basic policy, due to the difficulty in forecasting earnings, it has not been determined yet and will be disclosed as soon as it becomes possible to do so.

## 2. Basic Approach to the Selection of Accounting Standards

The KAGA ELECTRONICS Group prepares consolidated financial statements based on Japanese accounting standards. Going forward, we will consider adopting IFRS standards with due consideration to financial market trends, share of foreign investors, and the organizational costs resulting from the adoption of IFRS standards.

### 3. Consolidated Financial Statements and Major Notes

#### (1) Consolidated balance sheet

(Million yen)

	FY 2019/3 (As of March 31, 2019)	FY 2020/3 (As of March 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and deposits	35,003	43,384
Notes and accounts receivable - trade	96,145	85,495
Electronically recorded monetary claims - operating	5,361	5,876
Securities	261	254
Merchandise and finished goods	33,734	25,276
Work in process	489	567
Raw materials and supplies	5,802	6,063
Other	5,894	7,601
Allowance for doubtful accounts	(296)	(188)
Total current assets	182,396	174,331
Non-current assets		
Property, plant and equipment		
Buildings and structures	9,436	13,899
Accumulated depreciation	(4,526)	(6,533)
Buildings and structures, net	4,910	7,365
Machinery, equipment and vehicles	8,266	10,163
Accumulated depreciation	(4,760)	(5,685)
Machinery, equipment and vehicles, net	3,506	4,477
Tools, furniture and fixtures	5,119	5,092
Accumulated depreciation	(4,015)	(4,032)
Tools, furniture and fixtures, net	1,104	1,060
Land	4,861	4,924
Construction in progress	628	145
Total property, plant and equipment	15,011	17,974
Intangible assets		
Goodwill	259	322
Software	1,819	1,743
Other	126	190
Total intangible assets	2,206	2,256
Investments and other assets		
Investment securities	10,085	8,502
Deferred tax assets	1,292	1,584
Guarantee deposits	870	857
Insurance funds	951	894
Other	1,462	1,791
Allowance for doubtful accounts	(515)	(552)
Total investments and other assets	14,147	13,075
Total non-current assets	31,364	33,306
Total assets	213,761	207,638



(Million yen)

	FY 2019/3 (As of March 31, 2019)	FY 2020/3 (As of March 31, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	77,884	70,188
Short-term loans payable	30,656	6,540
Accrued expenses	5,307	5,739
Income taxes payable	1,147	1,884
Provision for directors' bonuses	105	101
Other	6,239	9,201
Total current liabilities	121,340	93,655
Non-current liabilities		
Long-term loans payable	1,882	20,833
Deferred tax liabilities	1,300	1,378
Provision for directors' retirement benefits	94	95
Net defined benefit liability	1,997	1,969
Asset retirement obligations	280	329
Other	2,606	3,127
Total non-current liabilities	8,161	27,732
Total liabilities	129,501	121,388
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	13,865	13,878
Retained earnings	51,297	55,091
Treasury shares	(2,024)	(2,005)
Total shareholders' equity	75,272	79,097
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,018	0
Deferred gains or losses on hedges	2	28
Foreign currency translation adjustment	527	(707)
Remeasurements of defined benefit plans	(215)	(133)
Total accumulated other comprehensive income	1,332	(812)
Non-controlling interests	7,654	7,965
Total net assets	84,259	86,250
Total liabilities and net assets	213,761	207,638

## (2) Consolidated statements of income and comprehensive income

(Million yen)

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Net sales	292,779	443,615
Cost of sales	257,233	396,598
Gross profit	35,546	47,016
Selling, general, and administrative expenses	27,976	37,001
Operating income	7,570	10,014
Non-operating income		
Interest income	174	269
Dividends income	175	199
Commission fee	209	228
Foreign exchange gain	—	275
House rent income	106	126
Other	349	385
Total non-operating income	1,015	1,485
Non-operating expenses		
Interest expenses	200	308
Loss from equity method investments	194	905
Foreign exchange losses	177	—
Other	153	149
Total non-operating expenses	726	1,362
Ordinary income	7,859	10,137
Extraordinary income		
Gain on sales of non-current assets	17	61
Gain on sales of investment securities	215	135
Gain on bargain purchase	2,164	—
Gain on transfer of business	7	12
Settlement received	—	498
Other	—	1
Total extraordinary income	2,403	709
Extraordinary loss		
Loss on retirement of non-current assets	16	12
Loss on sales of investment securities	2	57
Loss on valuation of investment securities	550	880
Loss on valuation of golf club membership	6	—
Extra retirement payments	—	199
Impairment loss	31	380
Other	8	30
Total extraordinary loss	614	1,560
Profit before income taxes	9,649	9,286
Income taxes - current	1,477	3,054
Income taxes - deferred	120	(61)
Total income taxes	1,597	2,992
Profit	8,051	6,293
Profit attributable to owners of parent	8,014	5,852
Profit attributable to non-controlling interests	37	441

(Million yen)

	FY 2019/3 (April 1, 2018 –March 31, 2019)	FY 2020/3 (April 1, 2019 –March 31, 2020)
Other comprehensive income		
Valuation difference on available-for-sale securities	(489)	(1,018)
Deferred gains or losses on hedges	18	26
Foreign currency translation adjustment	307	(1,260)
Remeasurements of defined benefit plans, net of tax	9	68
Share of other comprehensive income of entities accounted for using equity method	(49)	(104)
Total other comprehensive income	(203)	(2,288)
Comprehensive income	7,848	4,005
Comprehensive income attributable to owners of parent	7,801	3,708
Comprehensive income attributable to non-controlling interests	47	297

## (3) Consolidated statement of changes in equity

For the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	13,853	45,183	(2,042)	69,127
Changes of items during period					
Dividends of surplus			(2,057)		(2,057)
Profit attributable to owners of parent			8,014		8,014
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		12		24	36
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change of scope of equity method			156	(4)	152
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	6,113	18	6,144
Balance at the end of current period	12,133	13,865	51,297	(2,024)	75,272

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,504	(16)	148	(208)	1,428	75	70,631
Changes of items during period							
Dividends of surplus							(2,057)
Profit attributable to owners of parent							8,014
Purchase of treasury shares							(1)
Disposal of treasury shares							36
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Change of scope of equity method							152
Net changes of items other than shareholders' equity	(486)	18	378	(6)	(96)	7,579	7,482
Total changes of items during period	(486)	18	378	(6)	(96)	7,579	13,627
Balance at the end of current period	1,018	2	527	(215)	1,332	7,654	84,259

For the fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	13,865	51,297	(2,024)	75,272
Changes of items during period					
Dividends of surplus			(2,058)		(2,058)
Profit attributable to owners of parent			5,852		5,852
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		12		19	31
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Net changes of items other than shareholders' equity					
Total changes of items during period	—	12	3,793	18	3,825
Balance at the end of current period	12,133	13,878	55,091	(2,005)	79,097

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,018	2	527	(215)	1,332	7,654	84,259
Changes of items during period							
Dividends of surplus							(2,058)
Profit attributable to owners of parent							5,852
Purchase of treasury shares							(0)
Disposal of treasury shares							31
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Net changes of items other than shareholders' equity	(1,017)	26	(1,234)	81	(2,144)	310	(1,834)
Total changes of items during period	(1,017)	26	(1,234)	81	(2,144)	310	1,990
Balance at the end of current period	0	28	(707)	(133)	(812)	7,965	86,250

## (4) Consolidated statement of cash flows

(Million yen)

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	9,649	9,286
Depreciation	1,740	2,754
Impairment loss	31	380
Amortization of goodwill	85	98
Increase (decrease) in net defined benefit liability	(58)	8
Increase (decrease) in provision for directors' retirement benefits	(4)	(1)
Increase (decrease) in provision for directors' bonuses	(160)	30
Increase (decrease) in allowance for doubtful accounts	53	0
Interest and dividend income	(351)	(469)
Interest expenses	200	308
Share of (profit) loss of entities accounted for using equity method	194	905
Loss (gain) on sales of property, plant and equipment	(10)	(43)
Loss on retirement of non-current assets	16	12
Loss (gain) on sales of investment securities	(212)	(78)
Loss (gain) on valuation of investment securities	550	880
Gain on bargain purchase	(2,164)	—
Settlement received	—	(498)
Decrease (increase) in notes and accounts receivable - trade	(1,152)	9,086
Decrease (increase) in inventories	(2,145)	7,658
Increase (decrease) in notes and accounts payable - trade	(6,746)	(6,667)
Decrease (increase) in accounts receivable - other	(207)	(1,149)
Increase (decrease) in accrued expenses	552	384
Decrease (increase) in advance payments	292	(1,431)
Decrease (increase) in consumption taxes refund receivable	(2)	266
Decrease (increase) in other current assets	(191)	93
Increase (decrease) in other current liabilities	276	2,106
Other, net	135	(350)
Subtotal	371	23,571
Interest and dividend income received	349	481
Interest expenses paid	(189)	(316)
Income taxes paid	(2,078)	(1,829)
Settlement package received	—	498
Other, net	0	0
Net cash provided by (used in) operating activities	(1,547)	22,406

(Million yen)

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Cash flows from investing activities		
Payments into time deposits	(2,661)	(893)
Proceeds from withdrawal of time deposits	1,944	2,924
Purchase of property, plant and equipment	(3,027)	(3,276)
Proceeds from sales of property, plant and equipment	111	271
Purchase of intangible assets	(420)	(355)
Purchase of investment securities	(2,977)	(2,180)
Proceeds from sales of investment securities	575	651
Purchase from purchase of shares of subsidiaries resulting in change in scope of consolidation	(286)	(321)
Payments of short-term loans receivable	(2)	(551)
Collection of short-term loans receivable	3	1
Purchase of insurance funds	(13)	(2)
Proceeds from cancellation of insurance funds	10	59
Payments for guarantee deposits	(29)	(34)
Proceeds from collection of guarantee deposits	25	41
Other payments	(125)	(96)
Other proceeds	12	108
Net cash provided by (used in) investing activities	(6,860)	(3,651)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	15,137	(24,038)
Proceeds from long-term borrowings	—	20,266
Repayments of long-term loans payable	(1,269)	(1,312)
Purchase of treasury shares	(1)	(0)
Cash dividends paid	(2,054)	(2,056)
Other, net	(127)	(402)
Net cash provided by (used in) financing activities	11,684	(7,544)
Effect of exchange rate change on cash and cash equivalents	75	(748)
Net increase (decrease) in cash and cash equivalents	3,352	10,461
Cash and cash equivalents at beginning of period	28,879	32,231
Cash and cash equivalents at end of period	32,231	42,693

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Changes in accounting policies)

(IFRS 16 “Leases”)

Subsidiaries that adopt International Financial Reporting Standards are applying International Financial Reporting Standard No. 16 “Leases” (hereafter, “IFRS 16”) from the beginning of the fiscal year ended March 31, 2020. In accordance with the standards, right-of-use assets and lease liabilities are recognized in principle for all of the lessee’s lease transactions, and depreciation of right-of-use assets and interest on lease liabilities are recorded.

In applying IFRS 16, the transition provisions are followed, opting therefore to measure lease liability at the present value, discounted using lessee’s incremental borrowing rate at the date of initial application, and record this same amount for right-of-use asset.

As a result of the application of IFRS 16, the following items increased as of March 31, 2020: in non-current assets, “buildings and structures (net)” by 1,039 million yen, “machinery, equipment and vehicles (net)” by 2 million yen, and “tools, furniture and fixtures (net)” by 1 million yen; “other” in current liabilities by 260 million yen, and “other” in non-current liabilities by 740 million yen.

The effect of this change on profit and loss for this consolidated fiscal year ended March 31 2020 is immaterial.

(Segment information, etc.)

**a. Segment information**

1. Description of reportable segments

The Group’s reportable segments are those for which separate financial information is available and regular evaluation by the Company’s management is being performed in order to decide how resources are allocated among the Group. The Company classifies subsidiaries and associates according to their products and services, and implements comprehensive strategies in Japan and overseas. Consequently, the Group has four reportable segments that are made of different categories of products and services: electronic components, information equipment, software and others. The electronic components segment includes the development, manufacture and sale of semiconductors, general electronic components and other products, the electronics manufacturing service (EMS), and other activities. The information equipment segment includes sales of PCs, PC peripherals, home electric appliances, photograph and imaging products, original brand products, and other products. The software segment includes the production of computer graphics, planning and development of amusement products, and other activities. The others segment includes the repair and supports for electronics equipment, and sales of amusement equipment and sports goods, and others.

2. Methods of measurement for the amounts of net sales, income (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with the accounting standards adopted to prepare consolidated financial statements.



3. Information about net sales, profit (loss), assets, and other items is as follows:

For the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Million yen)

	Reporting segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	225,598	44,344	2,876	19,959	292,779	—	292,779
Inter-segment sales or transfers	2,855	1,004	697	4,450	9,007	(9,007)	—
Total	228,454	45,349	3,574	24,409	301,787	(9,007)	292,779
Segment income (loss)	4,761	1,906	247	490	7,406	163	7,570
Segment assets	197,476	14,951	1,859	11,482	225,769	(12,008)	213,761
Others							
Depreciation	1,182	58	69	103	1,413	(7)	1,406
Increase in property, plant and equipment and intangible assets	2,338	40	66	1,087	3,533	(84)	3,448

For the fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(Million yen)

	Reporting segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	377,587	43,466	2,778	19,781	443,615	—	443,615
Inter-segment sales or transfers	2,337	1,745	765	3,514	8,362	(8,362)	—
Total	379,925	45,211	3,544	23,295	451,977	(8,362)	443,615
Segment income (loss)	7,503	1,707	236	452	9,900	114	10,014
Segment assets	187,750	16,575	1,799	12,016	218,141	(10,503)	207,638
Others							
Depreciation	1,883	54	48	145	2,132	(6)	2,125
Increase in property, plant and equipment and intangible assets	2,774	144	21	813	3,754	(123)	3,631

Note: 1. The adjustment is as follows:

(1) Segment income

(Million yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020
Elimination of inter-segment trade	163	114
Amortization of goodwill	—	—
Total	163	114

(2) Segment assets

(Million yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020
Elimination of inter-segment trade	(14,111)	(12,507)
Corporate *	2,102	2,004
Total	(12,008)	(10,503)

\* Total corporate assets principally consist of surplus funds of the Company under management (cash and securities, etc.).

## (3) Depreciation

(Million yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020
Elimination of inter-segment trade	(7)	(6)
Total	(7)	(6)

## (4) Increase in property, plant and equipment and intangible assets

(Million yen)

	Fiscal year ended March 2019	Fiscal year ended March 2020
Elimination of inter-segment trade	(84)	(123)
Total	(84)	(123)

2. Segment income is adjusted with operating income on the consolidated statements of income and comprehensive income.

**b. Associated information**

For the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	Asia	Total
180,306	13,078	9,903	89,492	292,779

Notes: 1. Net sales are classified according to the customers' geographic locations.

2. Countries and regions are classified according to geographical proximity.

3. Countries and regions outside Japan are broken down into the following geographical areas:

(1) North America: United States, and Mexico

(2) Europe: United Kingdom, Germany, Czech Republic, Russia, and Turkey

(3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia, and Vietnam

For the fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	Asia	Total
270,585	26,894	20,019	126,115	443,615

Notes: 1. Net sales are classified according to the customers' geographic locations.

2. Countries and regions are classified according to geographical proximity.

3. Countries and regions outside Japan are broken down into the following geographical areas:

(1) North America: United States, and Mexico

(2) Europe: United Kingdom, Germany, Czech Republic, Russia, and Turkey

(3) Asia: Hong Kong, Singapore, Taiwan, Korea, China, Malaysia, Thailand, India, Indonesia, and Vietnam

(Per-share information)

(Yen)

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Net assets per share	2,790.97	2,850.99
Earnings per share	292.07	213.21

Notes: 1. Earnings per share (diluted) have not been disclosed because there were no potentially dilutive shares.

2. The basis of calculation of earnings per share is as follows.

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Earnings per share		
Profit attributable to owners of parent (million yen)	8,014	5,852
Profit not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent allocated to common stock (million yen)	8,014	5,852
Average number of common stock outstanding during the fiscal year	27,439,524	27,449,833

(Subsequent events)

(Share transfer agreement with CITY INDEX ELEVENTH CO., Ltd. for acquisition of shares in EXCEL CO., LTD.)

At the board of directors meeting held on December 9, 2019, Kaga Electronics Co., Ltd (“the Company”) resolved to conclude a share transfer agreement with CITY INDEX ELEVENTH CO.,Ltd (“CI11”) with respect to the outstanding shares issued by EXCEL CO., LTD. (“EXCEL”), and concluded the said agreement on the same date. The acquisition of EXCEL shares under the said agreement (“the Share Acquisition”) is scheduled to be executed on April 1, 2020, upon which EXCEL became the Company’s wholly-owned subsidiary effective the same date.

Pursuant to the integrated contract entered into between the Company, EXCEL, Office Support K.K., the parent company of CI11, and CI11 on December 9, 2019, the Share Acquisition executed upon (1) CI11 making EXCEL a wholly-owned subsidiary through share exchange for cash consideration, and subsequently (2) payment of dividend in kind being made to CI11 using a portion of assets owned by EXCEL as dividend property.

#### 1. Reasons for the management integration and acquisition of the shares

Since its foundation, the Company has been expanding its business domain by responding to the various needs of customers in accordance with its philosophy of “everything we do is for our customers”. As an independent general trading company that specializes in electronics, the Company is engaged in a wide variety of business activities and offers a variety of services to customers both in Japan and abroad, ranging from distribution of Electronic Parts and Semiconductors that leverages its expertise in the segment, the EMS business where it has a competitive advantage in high-mix low-volume production, to support for customers in planning, development and design of their products, creation of software/video images, and provision of network solutions and other system support services.

Meanwhile, changes are taking place with increasing speed in the business environment surrounding the electronics trading industry, where there still are many players competing with each other. We have seen reorganization and consolidation of semiconductor/device manufacturers, our suppliers, which have led to review of their policies on distribution agents, moves by end-products manufacturers, our customers, to relocate their production facilities to overseas sites for assembly of finished products, changes in demand and supply and price fluctuations in both domestic and overseas markets reflecting US-China tariff policies and uncertainty in the future of the global economy. There has also been shortening of product life cycles as a result of ongoing technological innovations. Against this backdrop, we believe that the competition for survival among electronic trading companies will become more and more intense in the coming years.

Under these circumstances, the Company has formulated the three-year “Medium Term Management Plan 2021” that runs from the fiscal year ending March 31, 2020 to March 31, 2022 (announced on November 6, 2018, “the Medium Term Plan”), in line with which it is working on enhancement of revenue base, stabilization of management base and creation of new businesses, being guided by its medium to long-term vision of becoming “Japan’s No. 1 corporate group in the industry” by establishing “profit-focused management” and putting it firmly in place, with the aim of developing into a competitive “world-class company”. In January last year, Fujitsu Electronics Inc., a core trading company of the Fujitsu Group, was converted to a subsidiary of the Group, to achieve expansion the Group’s trading company business. In October, the Company acquired from Pioneer Corporation shares of Towada Pioneer Corporation (currently Kaga EMS Towada Co., Ltd.), a manufacturing subsidiary of Pioneer, to strengthen manufacturing capabilities. The decision to make EXCEL a subsidiary based on the share transfer agreement concluded with CI11 also forms a part of the Company’s efforts to achieve its growth strategy. In the course of the decision, the Company recognized that EXCEL’s strengths in its key domestic and overseas products in the area of liquid crystal devices as well as its customer base in China were particularly attractive for the Company as it seeks to achieve its growth strategy.

EXCEL operates a business focusing on electronic devices led by liquid crystal, semiconductors and integrated circuits, and its integration into the Group is expected to generate the following synergies.

(1)Market share expansion for the Electronic Parts and Semiconductor business

We will seek to strengthen ability to respond to customer needs and expand share in the electronic parts and semiconductor markets by complementing the respective companies' offerings and sales channels. In particular, realization of synergies can be expected with EXCEL's strengths in its key domestic and overseas products in the LCD domain to expand sales to the Company's customers, as well as EXCEL's customer base in China to strengthen distribution of the Company's products.

(2)Expansion in the scale of the EMS business

We will strive to further strengthen the profitability of the Company's EMS business by sharing the Company's global network of EMS manufacturing bases with EXCEL, and reaching out to the EXCEL customer base with the Company's EMS business.

(3)Acquisition of new businesses

We will bring in EXCEL's promising new businesses such as EV-related business and mobilize the collective strength of the Group to achieve early commercialization.

(4)Further improvement in management efficiency through business collaboration between the two companies

We will seek to improve the profitability of both the Company and EXCEL by optimizing and sharing to the greatest extent possible the two firms' sales related organizations and other functions.

Through the Share Acquisition, we will seek to solidify our footing as "Japan's No. 1 corporate group in the industry" as set out in the Medium Term Plan, and will continue efforts to expand and improve the scale and the quality of Group management, with the aim of achieving sustainable growth as a competitive "world-class company" which can stand up to overseas competition with their sales crossing the trillion yen mark.

2. Name, business details, and size of company whose shares are to be acquired

- (1) Name EXCEL CO., LTD.
- (2) Business Sale, import and export of LCD devices, integrated circuits, semiconductor devices and other electronic components and equipment
- (3) Size of company (consolidated figures for the fiscal year ended March 2019)
- |  |                    |
|--|--------------------|
| Consolidated net assets                          | 24,611 million yen |
| Consolidated total assets                        | 43,739 million yen |
| Consolidated net sales                           | 67,499 million yen |
| Consolidated operating income                    | 369 million yen    |
| Consolidated ordinary income                     | 252 million yen    |
| Ordinary income attributable to owners of parent | 569 million yen    |

3. Name of the selling shareholder

CITY INDEX ELEVENTH CO.,Ltd

4. Date of share acquisition

April 1, 2020

5. Number of shares to be acquired, acquisition price, and ownership ratio following acquisition

- (1) Shares to be acquired 8,665,854 shares
- (2) Acquisition price
- |  |                          |
|--|--------------------------|
| Shares of common stock in EXCEL CO., LTD. (estimate) | 100 million yen (Note 2) |
| Advisory and other fees (estimate)                   | 176 million yen          |
| Total (estimate)                                     | 276 million yen          |
- (3) Ownership ratio following acquisition 100.0%

Notes 1: It is anticipated that the Company will recognize approximately 8.2 billion yen of gain on bargain purchase from the Share Acquisition.

2: In addition to payment of the acquisition price, we had planned to provide about 8 billion yen to EXCEL CO., LTD. as working capital on the execution date of the share acquisition, but we instead guaranteed the bank transactions for EXCEL and its subsidiary. Regarding the payment for the acquisition of ordinary shares in EXCEL, we may make additional adjustments to the amount after referring to EXCEL's consolidated balance sheets on March 31, 2020.

#### 4. Non-consolidated Financial Statements

##### (1) Balance sheet

(Million yen)

	FY 2019/3 (As of March 31, 2019)	FY 2020/3 (As of March 31, 2020)
<b>ASSETS</b>		
Current assets		
Cash and deposits	7,047	12,804
Notes receivable - trade	572	408
Electronically recorded monetary claims - operating	2,739	3,052
Accounts receivable - trade	16,664	21,003
Securities	261	254
Merchandise	4,199	4,001
Work in process	25	23
Supplies	4	2
Advance payments - trade	292	1,659
Prepaid expenses	199	212
Short-term loans receivable from subsidiaries and associates	17,822	5,486
Accounts receivable - other	4,425	2,843
Other	415	423
Allowance for doubtful accounts	(893)	(1,861)
Total current assets	53,777	50,315
Non-current assets		
Property, plant and equipment		
Buildings	2,347	2,186
Structures	13	17
Machinery and equipment	—	69
Vehicles	0	0
Tools, furniture and fixtures	145	155
Land	3,388	3,292
Lease assets	102	70
Total property, plant and equipment	5,998	5,791
Intangible assets		
Trademark right	4	3
Software	586	673
Other	5	5
Total intangible assets	597	682
Investments and other assets		
Investment securities	8,353	7,077
Shares of subsidiaries and associates	25,825	27,092
Investments in capital	25	24
Investments in capital of subsidiaries and associates	14	14
Long-term loans receivable from subsidiaries and associates	225	1,392
Claims provable in bankruptcy, claims provable in rehabilitation and other	312	428
Long-term prepaid expenses	322	334
Deferred tax assets	163	739
Other	1,495	1,460
Allowance for doubtful accounts	(355)	(288)
Allowance for investment loss	(666)	(1,094)
Total investments and other assets	35,715	37,181
Total non-current assets	42,310	43,655
Total assets	96,087	93,971

(Million yen)

	FY 2019/3 (As of March 31, 2019)	FY 2020/3 (As of March 31, 2020)
<b>LIABILITIES</b>		
Current liabilities		
Notes payable - trade	956	878
Accounts payable - trade	10,221	11,475
Short-term loans payable	28,118	3,624
Short-term loans payable to subsidiaries and associates	5,773	7,023
Current portion of long-term loans payable	1,247	1,279
Lease obligations	37	30
Accounts payable - other	621	847
Accrued expenses	1,340	1,724
Income taxes payable	72	901
Advances received	21	1,446
Deposits received	63	68
Provision for directors' bonuses	60	80
Other	71	5
Total current liabilities	48,605	29,386
Non-current liabilities		
Long-term loans payable	1,882	20,833
Lease obligations	68	42
Provision for retirement benefits	256	230
Asset retirement obligations	102	103
Other	1,824	1,894
Total non-current liabilities	4,134	23,104
Total liabilities	52,739	52,491
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus		
Legal capital surplus	13,912	13,912
Other capital surplus	12	24
Total capital surplus	13,924	13,937
Retained earnings		
Legal retained earnings	618	618
Other retained earnings		
General reserve	7,000	7,000
Retained earnings brought forward	10,777	9,830
Total retained earnings	18,396	17,449
Treasury shares	(2,019)	(2,000)
Total shareholders' equity	42,434	41,519
Valuation and translation adjustments		
Valuation differences on available-for-sale securities	912	(63)
Deferred gains or losses on hedges	0	24
Total valuation and translation adjustments	913	(39)
Total net assets	43,348	41,480
Total liabilities and net assets	96,087	93,971

## (2) Statement of income

(Million yen)

	FY 2019/3 (April 1, 2018 – March 31, 2019)	FY 2020/3 (April 1, 2019 – March 31, 2020)
Net sales	73,906	76,326
Cost of sales	65,266	67,029
Gross profit	8,639	9,297
Selling, general and administrative expenses	8,963	9,085
Operating income (loss)	(323)	211
Non-operating income		
Interest income	111	91
Dividend income	4,987	4,372
Foreign exchange gains	—	10
Other	379	413
Total non-operating income	5,478	4,888
Non-operating expenses		
Interest expenses	191	215
Loss on investments in partnership	35	1
Depreciation of assets for rent	12	11
Foreign exchange losses	73	—
Commission for syndicated loans	—	55
Other	20	64
Total non-operating expenses	333	348
Ordinary income	4,820	4,751
Extraordinary income		
Gain on sales of investment securities	73	135
Settlement received	—	498
Other	0	13
Total extraordinary income	73	647
Extraordinary losses		
Loss on sales of investment securities	2	54
Loss on valuation of investment securities	550	880
Impairment loss	20	245
Loss on valuation of shares of subsidiaries and associates	—	1,380
Provision of allowance for doubtful accounts	53	972
Provision of allowance for investment loss	590	428
Other	0	15
Total extraordinary losses	1,218	3,978
Profit before income taxes	3,675	1,420
Income taxes - current	(753)	638
Income taxes - deferred	(191)	(329)
Total income taxes	(945)	308
Profit	4,620	1,112



## (3) Statement of changes in equity

For the fiscal year ended March 2019 (April 1, 2018 – March 31, 2019)

(Million yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Retained earnings		Other retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve		
Balance at the beginning of current period	12,133	13,912	0	13,912	618	7,000	8,214	15,833
Changes of items during period								
Dividends of surplus							(2,057)	(2,057)
Profit							4,620	4,620
Purchase of treasury shares								
Disposal of treasury shares			12	12				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	12	12	—	—	2,563	2,563
Balance at the end of current period	12,133	13,912	12	13,924	618	7,000	10,777	18,396

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,042)	39,836	1,290	(2)	1,288	41,124
Changes of items during period						
Dividends of surplus		(2,057)				(2,057)
Profit		4,620				4,620
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	24	36				36
Net changes of items other than shareholders' equity			(378)	3	(374)	(374)
Total changes of items during period	23	2,598	(378)	3	(374)	2,223
Balance at the end of current period	(2,019)	42,434	912	0	913	43,348

For the fiscal year ended March 2020 (April 1, 2019 – March 31, 2020)

(Million yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
						General reserve	Retained earnings brought forward	
Balance at the beginning of current period	12,133	13,912	12	13,924	618	7,000	10,777	18,396
Changes of items during period								
Dividends of surplus							(2,058)	(2,058)
Profit							1,112	1,112
Purchase of treasury shares								
Disposal of treasury shares			12	12				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	12	12	—	—	(946)	(946)
Balance at the end of current period	12,133	13,912	24	13,937	618	7,000	9,830	17,449

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,019)	42,434	912	0	913	43,348
Changes of items during period						
Dividends of surplus		(2,058)				(2,058)
Profit		1,112				1,112
Purchase of treasury shares	(0)	(0)				(0)
Disposal of treasury shares	19	31				31
Net changes of items other than shareholders' equity			(976)	23	(952)	(952)
Total changes of items during period	18	(915)	(976)	23	(952)	(1,868)
Balance at the end of current period	(2,000)	41,519	(63)	24	(39)	41,480