

August 5, 2021

## Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2021 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.  
 Stock Code: 8154 URL: <https://www.taxan.co.jp/>  
 Stock Exchange Listing: Tokyo Stock Exchange, First Section  
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 Date of filing of quarterly securities report (tentative): August 13, 2021  
 Date of commencement of dividend payment (tentative): -  
 Quarterly earnings supplementary explanatory documents: Yes  
 Quarterly earnings presentation: No

(Yen in millions, rounded down)

### 1. Financial results for the first quarter of the fiscal year ending March 2022 (April 1, 2021 – June 30, 2021)

(1) Result of operations (Consolidated, year-to-date)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
First quarter ended June 2021	105,949	25.9	4,452	168.8	4,566	197.8	2,872	(66.6)
First quarter ended June 2020	84,130	(23.2)	1,656	(10.5)	1,533	(25.0)	8,598	536.8

Note: Comprehensive income: 1Q of FY3/2022: 3,383 million yen [(63.0%)] 1Q of FY3/2021: 9,148 million yen[ -%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2021	104.55	-
First quarter ended June 2020	313.15	-

Note1: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the first quarter of the current fiscal year.

2: Provisional accounting standards related to a business combination were fixed at the end of the fiscal year ended in March 2021. Figures for the first quarter of the fiscal year ended in March 2021 reflect the fixed content of the provisional accounting standards.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2021	228,819	97,081	40.6
As of March 31, 2021	237,004	95,062	38.4

Reference: Shareholders' equity : As of June 30, 2021: 92,942 million yen As of March 31, 2021: 90,967million yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the first quarter of the current fiscal year.

### 2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2021	-	30.00	-	50.00	80.00
Fiscal year ending March 2022	-	-	-	-	-
Fiscal year ending March 2022 (Forecast)	-	40.00	-	40.00	80.00

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

Breakdown of year-end dividend for FY3/21: Ordinary dividend: 30.00 yen; Extraordinary dividend: 20.00 yen

### 3. Forecast for the fiscal year ending March 2022 (Consolidated, April 1, 2021 – March 31, 2022)

(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	470,000	11.3	13,000	13.4	12,000	6.7	8,000	(29.8)	291.20

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: Yes

(b) Changes other than (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 9.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of June 30, 2021: 28,702,118 As of March 31, 2021 28,702,118

(b) Treasury shares

As of June 30, 2021: 1,230,019 As of March 31, 2021 1,229,877

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

Period ended June 30, 2021: 27,472,177 Period ended June 30, 2020: 27,458,812

\* 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 4.

(How to obtain supplementary materials on quarterly financial results)

The Company also plans to post the quarterly earnings supplementary explanatory documents on its website promptly after announcing financial results.

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## 1. Results of Operations

### (1) Overview of consolidated business performance

During the first quarter of the consolidated fiscal period under review, there was a resurgence of COVID-19 around the world, including in Japan, and there is still no indication of when outbreaks will subside. However, economic activity is recovering compared with one year earlier in China, which was quick to begin its vaccine rollout, as well as in Europe, the US and other key countries. There were signs of a recovery in capital investment and manufacturing activity in the manufacturing industry overall.

In the electronics industry to which the Group belongs, there was a shortage in the supply of electronic parts such as semiconductors in some areas due to an overall recovery in demand. Although this affected manufacturing plans in the auto industry, even among electronic equipment manufacturers, overall demand remained robust on the back of the recovery in manufacturing activity.

As a result of these factors, net sales in the first quarter of the consolidated fiscal year rose 25.9% year on year to 105,949 million yen. This growth was driven by the electronic components business, which is the Group's core business.

In terms of income, in addition to an increase in gross profit following higher sales and improvements of the gross profit rate, the Company continued the efforts begun in the previous fiscal year to reduce and scale back expenses, starting with promoting the use of telework and online meetings, among other measures. As a result, operating income rose 168.8% year on year to 4,452 million yen and ordinary income climbed 197.8% to 4,566 million yen, which were record highs for a first quarter. Profit attributable to owners of parent was down 66.6% year on year to 2,872 million yen due to the absence of the 7,963 million yen "gain on bargain purchase" posted in the previous fiscal year as extraordinary income following a corporate acquisition.

The fiscal year ending in March 2022 will be the last year of the Group's three-year management plan, Medium-Term Management Plan 2021 (2019–2021), which began in April 2019. In addition to an overall recovery in demand, a recovery in revenue in the electronic components business, including steady progress in PMI at Kaga FEI Co., Ltd., and EXCEL Co., Ltd., drove the Group's business performance. This made for a good start toward achieving the plan's targets.

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the first quarter of the current fiscal year. This lowered net sales in the first quarter by 1,577million yen. For details, refer to "2. Quarterly Consolidated Financial Statements and Major Notes (3) Notes to quarterly consolidated financial statements (Changes to accounting policies)."

	FY 2021/3 1Q (April 1, 2020 – June 30, 2020)	FY 2022/3 1Q (April 1, 2021 – June 30, 2021)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	84,130	105,949	21,819	25.9%
Gross profit	9,997	13,550	3,553	35.5%
(Margin)	11.9%	12.8%	0.9pt	–
SG&A	8,341	9,098	757	9.1%
Operating income	1,656	4,452	2,796	168.8%
Ordinary income	1,533	4,566	3,033	197.8%
Profit before income taxes	9,066	4,129	(4,937)	(54.5%)
Profit attributable to owners of parent	8,598	2,872	(5,726)	(66.6%)
Exchange Rate (Average rate during the year period) USD	107.62yen	109.49yen	1.87yen	–

Business segment performance was as follows.

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

In this business, the components sales business experienced a shortfall in the supply of electronic parts such as semiconductors in some areas, but results were solid due to robust demand from a wide range of industries. In the EMS business, demand from the automotive, industrial equipment, and medical sector remained solid.

As a result, net sales increased by 32.9% year on year to 90,624 million yen, and segment income increased by 212.0% year on year to 3,699 million yen.

Since the fiscal year of the overseas subsidiaries of EXCEL, which became consolidated in April 2020, ends in December, earnings for January–March 2020, prior to consolidation, were not posted as quarterly data for the previous fiscal year, but the January–March 2021 results were posted for this consolidated fiscal year

(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 to educational institutions and PC peripherals such as security software remained strong, but sales declined due to a reactionary decline in the sale of PCs for remote work and delays to work in the LED installation business necessitated by the customer's circumstances, among other factors.

As a result, net sales decreased by 15.2% year on year to 10,636 million yen, and segment income decreased by 2.6% year on year to 568 million yen.

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

In this business, the development of games for smartphones was solid due to stay-at-home demand, but development costs and other expenses increased.

As a result, net sales increased by 15.5% year on year to 568 million yen, and segment loss of 67 million yen was recorded (44 million yen of segment loss in the same period of the previous fiscal year).

- (d) Others (Repair and support for electronics equipment, and sales of amusement equipment and sports goods, and others)

In this business, the PC and PC peripheral recycling business was strong. In addition, voluntary restrictions on operating hours at large commercial facilities and others as part of COVID-19 measures were relaxed, and the sale of game equipment for the amusement industry as well as golf products increased.

As a result, net sales increased by 41.9% year on year to 4,120 million yen, and segment income of 217 million yen was recorded (101 million yen of segment loss in the same period of the previous fiscal year).

#### Financial Results by Business Segment

		FY 2020/3 1Q	FY 2022/3 1Q	YoY	
		(April 1, 2020 – June 30, 2020)	(April 1, 2021 – June 30, 2021)	(Million yen)	
		(Million yen)	(Million yen)	(Million yen)	
Electronic components	Net sales	68,196	90,624	22,427	32.9%
	Segment income	1,185	3,699	2,514	212.0%
Information equipment	Net sales	12,537	10,636	(1,901)	(15.2%)
	Segment income	583	568	(14)	(2.6%)
Software	Net sales	491	568	76	15.5%
	Segment income	(44)	(67)	(22)	–
Others	Net sales	2,904	4,120	1,216	41.9%
	Segment income	(101)	217	319	–
Total	Net sales	84,130	105,949	21,819	25.9%
	Segment income	1,656	4,452	2,796	168.8%

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

(2) Overview of financial condition

Assets, liabilities and net assets

Total assets as of June 30, 2021 decreased by 8,185 million yen from March 31, 2020, to 228,819 million yen.

Current assets decreased by 8,344 million yen compared with the end of the previous fiscal year, to 191,834 million yen. This was primarily due to a 16,804 million yen decrease in notes and accounts receivable – trade and a 9,595 million yen increase in merchandise and finished goods.

Non-current assets increased by 159 million yen from March 31, 2021, to 36,984 million yen.

Liabilities decreased by 10,204 million yen from March 31, 2021, to 131,738 million yen. This is primarily due to a decrease of 8,979 million yen in notes and accounts payable – trade, a decrease of 1,314 million yen in income taxes payable.

Net assets increased by 2,018 million yen from March 31, 2021, to 97,081 million yen. This is primarily the result of recording 2,872 million yen of profit attributable to owners of the parent.

(3) Qualitative information on consolidated earnings forecast

There are no changes in the consolidated earnings forecasts for the current consolidated fiscal year from the forecasts announced on May 13, 2021.

(Reference) Forecast for the fiscal year ending March 2022 and Medium-term Management Plan 2021 Management Targets

	Results FY2021/3	Forecasts FY2022/3	YoY	Management Targets FY2021
	(Million yen)	(Million yen)		(Million yen)
Net Sales	422,365	470,000	11.3%	500,000
Operating Income	11,467	13,000	13.4%	13,000
Ordinary Income	11,241	12,000	6.7%	–
Profit attributable to owners of parent	11,399	8,000	(29.8%)	–
R O E	13.5%	8.5%	(5.0pt)	8% 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 2021 (As of March 31, 2021)	First quarter ended June 2021 (As of June 30, 2021)
<b>ASSETS</b>		
Current assets		
Cash and deposits	45,636	40,239
Notes and accounts receivable - trade	103,773	86,969
Electronically recorded monetary claims - operating	4,621	5,043
Securities	302	290
Merchandise and finished goods	29,727	39,323
Work in process	1,280	1,643
Raw materials and supplies	6,940	9,019
Other	9,921	10,525
Allowance for doubtful accounts	(2,024)	(1,220)
Total current assets	200,179	191,834
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,021	6,750
Machinery, equipment and vehicles, net	4,642	5,006
Tools, furniture and fixtures, net	1,378	1,321
Land	5,074	5,074
Construction in progress	107	75
Total property, plant and equipment	18,225	18,229
Intangible assets		
Goodwill	209	180
Software	2,338	2,816
Other	62	56
Total intangible assets	2,609	3,053
Investments and other assets		
Investment securities	10,771	11,007
Deferred tax assets	2,252	1,758
Guarantee deposits	931	897
Insurance funds	910	911
Other	1,629	2,417
Allowance for doubtful accounts	(504)	(1,290)
Total investments and other assets	15,990	15,701
Total non-current assets	36,825	36,984
Total assets	237,004	228,819

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	First quarter ended June 2021 (As of June 30, 2021)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	79,854	70,874
Short-term loans payable	10,800	12,760
Accrued expenses	5,957	5,229
Income taxes payable	2,136	822
Provision for directors' bonuses	126	13
Other	9,642	8,639
Total current liabilities	108,517	98,339
Non-current liabilities		
Long-term loans payable	25,166	25,158
Deferred tax liabilities	1,685	1,866
Provision for directors' retirement benefits	106	111
Net defined benefit liability	2,272	2,274
Asset retirement obligations	343	344
Other	3,850	3,644
Total non-current liabilities	33,424	33,398
Total liabilities	141,942	131,738
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,327	14,327
Retained earnings	64,568	66,074
Treasury shares	(1,984)	(1,984)
Total shareholders' equity	89,045	90,551
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,378	1,275
Deferred gains or losses on hedges	50	14
Foreign currency translation adjustment	470	1,074
Remeasurements of defined benefit plans	21	25
Total accumulated other comprehensive income	1,921	2,391
Non-controlling interests	4,095	4,138
Total net assets	95,062	97,081
Total liabilities and net assets	237,004	228,819

(2) Quarterly consolidated statements of income and comprehensive income  
For the First quarter (April 1, 2021 – June 30, 2021)

(Million yen)

	First quarter ended June 2020 (April 1, 2020– June 30,2020)	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)
Net sales	84,130	105,949
Cost of sales	74,132	92,398
Gross profit	9,997	13,550
Selling, general and administrative expenses	8,341	9,098
Operating income	1,656	4,452
Non-operating income		
Interest income	29	28
Dividends income	74	63
Foreign exchange gains	–	106
Commission income	50	60
Other	142	137
Total non-operating income	296	394
Non-operating expenses		
Interest expenses	68	74
Share of loss of entities accounted for using equity method	150	171
Foreign exchange losses	184	–
Other	15	34
Total non-operating expenses	419	280
Ordinary income	1,533	4,566
Extraordinary income		
Gain on sales of non-current assets	0	0
Gain on sales of investment securities	39	9
Gain on bargain purchase	7,963	–
Gain on sale of businesses	7	7
Other	2	–
Total Extraordinary income	8,012	16
Extraordinary loss		
Impairment loss	–	31
Loss on retirement of non-current assets	12	6
Loss on valuation of investment securities	421	6
Loss on liquidation of subsidiaries and associates	–	109
Provision of allowance for doubtful accounts	–	281
Other	45	18
Total extraordinary loss	480	454
Profit before income taxes	9,066	4,129
Income taxes - current	292	478
Income taxes - deferred	177	741
Total income taxes	470	1,220
Profit	8,596	2,908

(Million yen)

	First quarter ended June 2020 (April 1, 2020– June 30,2020)	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)
Profit attributable to owners of parent	8,598	2,872
Profit (loss) attributable to non-controlling interests	(2)	36
Other comprehensive income		
Valuation difference on available-for-sale securities	534	(104)
Deferred gains or losses on hedges	(14)	(36)
Foreign currency translation adjustment	(42)	567
Remeasurements of defined benefit plans, net of tax	7	4
Share of other comprehensive income of associates accounted for using equity method	67	44
Total other comprehensive income	552	475
Comprehensive income	9,148	3,383
Comprehensive income attributable to owners of parent	9,154	3,341
Comprehensive income attributable to non-controlling interests	(6)	42

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes to Accounting Policies)

(Application of the Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the first quarter of the current fiscal year, and it recognizes revenue as the amount expected to be received in exchange for goods or services when control over the promised goods and services passes over to the customer.

As a result, in the case of a performance obligation in which the promise with the customer involves the supply of goods or services provided by another party, the net amount received as the agent is recognized as revenue.

The application of the Accounting Standard for Revenue Recognition, etc. is subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter, was added to or subtracted from the beginning balance of retained earnings of the first quarter, and thus the new accounting policy was applied from the beginning balance.

However, the method provided for in Paragraph 86 of the Accounting Standard for Revenue Recognition was applied so that the new accounting policy was not retrospectively applied to contracts where recognitions of nearly all the revenue amounts for periods prior to the beginning of the first quarter were subject to the previous treatment.

As a result, compared to the previous method, in this first quarter, net sales decreased by 1,577 million yen, and the impact on operating income, ordinary income, and profit before income taxes was minimal.

(Application of Accounting Standards for Fair Value Measurement)

The "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019) was applied from the start of the first quarter of this consolidated fiscal year, and in accordance with the transitional treatment set forth in Article 19 of "Accounting Standard for Fair Value Measurement" and Article 44-2 of "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019), the Company will continue to apply new accounting policies prescribed by "Accounting Standard for Fair Value Measurement" and other standards into the future. The effects of this adoption on the quarterly consolidated financial statements are immaterial.

(Additional information)

(Accounting estimates associated with the COVID-19 pandemic)

Accounting estimates such as of impairment of non-current assets and collectability of deferred tax assets are made based on information that is available as of June 30, 2021 and do not include significant changes from the financial statement for the previous consolidated fiscal year.

(Segment information)

I . For the first quarter ended June 2020 (April 1, 2020 – June 30, 2020)

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	68,196	12,537	491	2,904	84,130	–	84,130
Inter-segment sales or transfers	615	1,072	125	874	2,687	(2,687)	–
Total	68,811	13,610	617	3,778	86,817	(2,687)	84,130
Segment income (loss)	1,185	583	(44)	(101)	1,622	33	1,656

Notes: 1. Adjustment in segment income of 33 million yen includes 33 million yen for elimination of inter-segment trade.

2. Segment income (loss) is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

II . For the first quarter ended June 2021 (April 1, 2021 – June 30, 2021)

Information about net sales and income (loss) by reportable segments

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	90,624	10,636	568	4,120	105,949	–	105,949
Inter-segment sales or transfers	949	1,171	49	1,547	3,718	(3,718)	–
Total	91,573	11,807	617	5,668	109,667	(3,718)	105,949
Segment income (loss)	3,699	568	(67)	217	4,418	33	4,452

Notes: 1. Adjustment in segment income of 33 million yen includes 33 million yen for elimination of inter-segment trade.

2. Segment income (loss) is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.