

November 4, 2021

Summary of Consolidated Financial Results for the First Half Ended September 30, 2021 [Japan GAAP]

Name of Company:	KAGA ELECTRONICS CO., LTD.
Stock Code:	8154
Stock Exchange Listing:	Tokyo Stock Exchange, First Section
URL:	https://www.taxan.co.jp/
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Date of filing of quarterly securities report (tentative):	November 12, 2021
Date of commencement of dividend payment (tentative):	December 3, 2021
Quarterly earnings supplementary explanatory documents:	Yes
Quarterly earnings presentation:	Yes (For institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the first half of the fiscal year ending March 2021 (April 1, 2021 – September 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 half ended September 2021	223,009	18.1	8,300	87.2	8,452	94.8	5,624	(47.8)
First half ended September 2020	188,859	(18.1)	4,434	(15.4)	4,338	(21.8)	10,772	207.5

Note: Comprehensive income: First half of FY3/2022:6,595 million yen [(40.1%)] First half of FY3/2021:11,011 million yen [351.9%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2021	207.39	–
First half ended September 2020	392.30	–

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) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2021	233,461	96,618	39.6
As of March 31, 2021	237,004	95,062	38.4

Reference: Shareholders' equity : As of September 30, 2021: 92,379 million yen As of March 31, 2021: 90,967 million 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	–	45.00	–	–	–
Fiscal year ending March 2022 (Forecast)	–	–	–	45.00	90.00

Notes: Change in the dividend forecast from the latest announcement: Yes
 Breakdown of year-end dividend for FY3/2021: Ordinary dividend: 30.00 yen; Extraordinary dividend: 20.00 yen
 Breakdown of interim dividend for FY3/2022: Ordinary dividend 40.00 yen; Extraordinary dividend: 5.00 yen
 Breakdown of year-end dividend for FY3/2022 (forecast) : Ordinary dividend: 40.00 yen; Extraordinary dividend: 5.00 yen
 With respect to the revision of dividend forecast, please refer to "Notice regarding revision to full-year earnings and dividend forecasts, and distribution of dividends from surplus" announced today (November 4, 2021).

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	15,000	30.8	14,500	29.0	9,000	(21.1)	336.84

Note: Change in the forecast from the latest announcement: Yes
 With respect to the revision of consolidated performance forecast, please refer to "Notice regarding revision to full-year earnings and dividend forecasts, and distribution of dividends from surplus" announced today (November 4, 2021).

* 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 (4) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 13.

- (4) Number of shares outstanding (common stock)
 - (a) Shares outstanding (including treasury shares)

As of September 30, 2021:	28,702,118	As of March 31, 2021:	28,702,118
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 - (b) Treasury shares

As of September 30, 2021:	2,461,879	As of March 31, 2021:	1,229,877
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 - (c) Average number of shares (quarterly consolidated during the period)

Period ended September 30, 2021:	27,120,191	Period ended September 30, 2020:	27,458,682
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* 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".

(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, November 25, 2021. Supplementary materials for the earnings briefing will be posted on our website today (Thursday, November 4th). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on November 25th.
 (Japanese) https://www.taxan.co.jp/jp/ir/event/event_01.html
 (English) 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

During the first half of the consolidated fiscal period under review, there remained no indication of when the COVID-19 pandemic would subside. However, economic conditions gradually recovered owing to the progress of vaccinations and the easing of restrictions on movement, and 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, the tight supply of semiconductors and electronic parts broadly impacted the manufacturing plans of companies, from automotive products to air-conditioning equipment, communications, and industrial-use products. However, overall demand remained robust on the back of a recovery from the slump caused by the COVID-19 crisis.

As a result of these factors, net sales in the first half of the consolidated fiscal year rose 18.1% year on year to 223,009 million yen. Throughout the first half, this growth continued to be 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 an improvement in the gross profit rate, the Company promoted the use of telework and online meetings, among other efforts to reduce and scale back expenses. As a result, operating income rose 87.2% year on year to 8,300 million yen and ordinary income climbed 94.8% to 8,452 million yen, which were record highs for a first half. Profit attributable to owners of parent was down 47.8% year on year to 5,624 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 a recovery in demand in the electronic components business, steady progress in PMI at acquired companies such as KAGA FEI Co., Ltd. and EXCEL Co., Ltd. has contributed to profit, and progress toward achieving profit targets has exceeded the plan.

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 half by 2,358million yen. For details, refer to "2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to quarterly consolidated financial statements (Changes to accounting policies)."

	FY 2021/3 2Q	FY 2022/3 2Q	YoY	
	(April 1, 2020 – September 30, 2020)	(April 1, 2021 – September 30, 2021)	(Million yen)	
Net sales	(Million yen) 188,859	(Million yen) 223,009	34,149	18.1%
Gross profit (Margin)	21,641 11.5%	27,133 12.2%	5,491 0.7pt	25.4% –
SG&A	17,206	18,832	1,625	9.4%
Operating income	4,434	8,300	3,866	87.2%
Ordinary income	4,338	8,452	4,113	94.8%
Profit before income taxes	12,126	8,229	(3,897)	(32.1%)
Profit attributable to owners of parent	10,772	5,624	(5,147)	(47.8%)
Exchange Rate (Average rate during the year) USD	106.92 yen	109.80 yen	2.88 yen	–

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, results were strong and net sales increased in the components sales business, in response to robust demand from a wide range of industries, as the Company leveraged its procurement power as an independent trading company amid the persistently tight supply of semiconductors and electronic parts. Net sales also increased in the EMS business, with continuing strong demand from the automotive, industrial equipment, and medical sectors. Lockdowns to combat the spread of COVID-19 and production line stoppages due to shortages in electronic parts occurred at some plants, but the Company endeavored to mitigate the impact through thorough process control.

As a result, net sales increased by 23.9% year on year to 194,406 million yen, and segment income increased by 131.1% year on year to 7,123 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 corporations were subdued, with the abatement of demand associated with the shift to remote work, and the impact of product supply difficulties due to a shortage of electronic parts. However, sales of PCs to educational institutions and PC peripherals such as security software remained strong. The impact of delays in work, resulting from the late delivery of products and materials due to parts shortages, was also felt in the equipment installation business for LED lighting, network devices, etc.

As a result, net sales decreased by 19.3% year on year to 18,713 million yen, and segment income decreased by 21.6% year on year to 910 million yen.

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

In this business, the Company focused on capturing CG development orders for smartphone games in the context of stay-at-home demand, but development costs and other expenses increased.

As a result, net sales decreased by 2.9% year on year to 1,237 million yen, and segment loss of 109 million yen was recorded (86 million yen of segment income 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 recycling business for PC, PC peripheral, and other equipment was strong, as demand for reused and recycled products increased amid continuing supply difficulties for finished products due to the shortage in electronic parts.

As a result, net sales increased by 15.3% year on year to 8,651 million yen, and segment income increased by 787.3% year on year to 320 million yen.

Financial Results by Business Segment

		FY 2021/3 2Q (April 1, 2020 – September 30, 2020)	FY 2022/3 2Q (April 1, 2021 – September 30, 2021)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic components	Net sales	156,887	194,406	37,519	23.9%
	Segment income	3,083	7,123	4,040	131.1%
Information equipment	Net sales	23,192	18,713	(4,478)	(19.3%)
	Segment income	1,160	910	(250)	(21.6%)
Software	Net sales	1,274	1,237	(37)	(2.9%)
	Segment income	86	(109)	(195)	–
Others	Net sales	7,505	8,651	1,146	15.3%
	Segment income	36	320	284	787.3%
Total	Net sales	188,859	223,009	34,149	18.1%
	Segment income	4,434	8,300	3,866	87.2%

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

(2) Overview of financial condition

(a) Assets, liabilities and net assets

Total assets as of September 30, 2021, decreased by 3,543 million yen from March 31, 2021, to 233,461 million yen.

Current assets decreased by 3,933 million yen compared with the end of the previous fiscal year, to 196,245 million yen. This was primarily due to a 12,637 million yen decrease in notes and accounts receivable – trade and a 5,445 million yen decrease in cash and deposits, despite an increase of 8,448 million yen in merchandise and finished goods.

Non-current assets increased by 390 million yen from March 31, 2021, to 37,215 million yen. This is primarily due to a 506 million yen increase in software due to the development of new ERP systems.

Liabilities decreased by 5,099 million yen from March 31, 2021, to 136,843 million yen. This is primarily due to a decrease of 9,367 million yen in notes and accounts payable – trade.

Net assets increased by 1,555 million yen from March 31, 2021, to 96,618 million yen. This is primarily due to an increase of 583 million yen in total shareholders' equity and 715 million yen in the foreign currency translation adjustment resulting from the recording of profit attributable to owners of parent, the payment of dividends, and share repurchases.

(b) Cash flows

Cash and cash equivalents as of September 30, 2021, decreased by 4,989 million yen from March 31, 2021, to 39,343 million yen.

(Operating activities)

Net cash used in operating activities was 2,013 million yen (7,017 million yen used in the same period of the previous fiscal year), mainly due to income taxes paid.

(Investing activities)

Net cash used in investing activities was 3,699 million yen (2,996 million yen used in the same period of the previous fiscal year), mainly due to the purchase of property, plant, and equipment and the purchase of intangible assets.

(Financing activities)

Net cash provided by financing activities was 529 million yen (855 million yen used in the same period of the previous fiscal year), mainly due to an increase in short-term loans payable, despite share repurchases and the payment of dividends.

(3) Qualitative information on consolidated earnings forecast

In light of progress with earnings in the first half of the current fiscal year and the outlook for the future, we have revised our consolidated earnings forecasts for the fiscal year ending on March 31, 2022 and dividend forecast as reported in the “Notice regarding revision to full-year earnings and dividend forecasts, and distribution of dividends from surplus” released today. The details are provided below.

1.Consolidated earnings forecasts for the fiscal year ended March 31,2022

(from April 1,2021 to March 31,2022)

	Net sales	Operating income	Ordinary Income	Profit Attributable to owners of Parent	Net income Per share
	Million yen	Million yen	Million yen	Million yen	(yen)
Previous forecast (A)	470,000	13,000	12,000	8,000	291.20
Revised forecast (B)	470,000	15,000	14,500	9,000	336.84
Difference(B)– (A)	–	2,000	2,500	1,000	–
Percent change (%)	–	15.4	20.8	12.5	–
(Reference) Results for the fiscal year Ended March 31,2021	422,365	11,467	11,241	11,399	415.07

<Reasons for consolidated earnings forecasts>

In the first half of the fiscal year ending March 31, 2022, sales recovered notably in the Electronic Components business, led by automotive equipment, medical products, and industrial equipment. Meanwhile, income exceeded the initial plan as a result of an increase in gross profit that reflected higher sales and improved gross profit margin, combined with efforts to curb and reduce expenses through facilitation of remote working, online conferencing, and other tools.

Regarding the full-year earnings forecast, the previous forecast for net sales is maintained, in light of the tight supply/demand balance of semiconductors and electronic components. On the other hand, the operating income forecast has been revised upward to 15 billion yen, up 2 billion yen from the previous forecast, which factors in the upside given the steady earnings progress in the first half and taking into account a certain degree of downside risk. In line with this revision, forecasts for ordinary income and profit attributable to owners of the parent have also been revised upward, to 14.5 billion yen and 9 billion yen, respectively.

2.Revision of dividend forecast

	Annual dividends		
	End of 1st half	Year-end	Total
Previous forecast (Announced on May 13, 2021)	40.00	40.00	80.00
Revised forecast		45.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 5 yen)	90.00 yen (Ordinary dividend 80 yen) (Extraordinary dividend 10 yen)
Dividends for the current fiscal year	45.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 5 yen)		
Dividends for the previous fiscal year (Fiscal year ended March 31, 2021)	30.00 yen (Ordinary dividend 30 yen)	50.00 yen (Ordinary dividend 30 yen) (Extraordinary dividend 20 yen)	80.00 yen (Ordinary dividend 60 yen) (Extraordinary dividend 20 yen)

<Reasons for revision of dividend forecast>

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 a basic policy of maintaining stable and ongoing dividends to all shareholders commensurate with the consolidated results.

As described above, in the income projection for consolidated full-year earnings in the fiscal year ending March 31, 2022, income is anticipated to exceed the previous forecast. Accordingly, the Company has revised upward its interim dividend, from the previous forecast of 40 yen to 45 yen per share by paying an extraordinary dividend of 5 yen. Likewise, the forecast for year-end dividend has been revised upward to 45 yen per share, which includes an extraordinary dividend of 5 yen.

As a result, the annual dividend will be 90 yen per share, an increase of 10 yen from the dividend paid in the previous year.

Note: The above 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	First half ended
	March 2021	September 2021
	(As of March 31, 2021)	(As of September 30, 2021)
ASSETS		
Current assets		
Cash and deposits	45,636	40,191
Notes and accounts receivable – trade	103,773	91,135
Electronically recorded monetary claims – operating	4,621	5,516
Securities	302	323
Merchandise and finished goods	29,727	38,175
Work in process	1,280	1,619
Raw materials and supplies	6,940	11,374
Other	9,921	8,166
Allowance for doubtful accounts	(2,024)	(258)
Total current assets	200,179	196,245
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	7,021	6,608
Machinery, equipment and vehicles, net	4,642	5,062
Tools, furniture and fixtures, net	1,378	1,059
Land	5,074	5,074
Construction in progress	107	121
Total property, plant and equipment	18,225	17,927
Intangible assets		
Goodwill	209	152
Software	2,338	2,844
Other	62	51
Total intangible assets	2,609	3,048
Investments and other assets		
Investment securities	10,771	11,151
Deferred tax assets	2,252	2,032
Guarantee deposits	931	887
Insurance funds	910	912
Other	1,629	3,468
Allowance for doubtful accounts	(504)	(2,213)
Total investments and other assets	15,990	16,239
Total non-current assets	36,825	37,215
Total assets	237,004	233,461

(Million yen)

	Fiscal year ended March 2021 (As of March 31, 2021)	First half ended September 2021 (As of September 30, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	79,854	70,486
Short-term loans payable	10,800	17,001
Accrued expenses	5,957	6,567
Income taxes payable	2,136	1,762
Provision for directors' bonuses	126	80
Other	9,642	7,742
Total current liabilities	108,517	103,640
Non-current liabilities		
Long-term loans payable	25,166	25,150
Deferred tax liabilities	1,685	1,739
Provision for directors' retirement benefits	106	115
Net defined benefit liability	2,272	2,254
Asset retirement obligations	343	344
Other	3,850	3,598
Total non-current liabilities	33,424	33,202
Total liabilities	141,942	136,843
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,327	14,327
Retained earnings	64,568	68,827
Treasury shares	(1,984)	(5,659)
Total shareholders' equity	89,045	89,629
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,378	1,519
Deferred gains or losses on hedges	50	13
Foreign currency translation adjustment	470	1,186
Remeasurements of defined benefit plans	21	30
Total accumulated other comprehensive income	1,921	2,750
Non-controlling interests	4,095	4,238
Total net assets	95,062	96,618
Total liabilities and net assets	237,004	233,461

(2) Quarterly consolidated statements of income and comprehensive income

For the First half (April 1, 2021 – September 30, 2021)

(Million yen)

	First half ended September 2020 (April 1, 2020 – September 30, 2020)	First half ended September 2021 (April 1, 2021 – September 30, 2021)
Net sales	188,859	223,009
Cost of sales	167,218	195,875
Gross profit	21,641	27,133
Selling, general and administrative expenses	17,206	18,832
Operating income	4,434	8,300
Non-operating income		
Interest income	62	68
Dividends income	132	111
Commission fee	86	99
Foreign exchange gains	–	114
Other	352	343
Total non-operating income	634	738
Non-operating expenses		
Interest expenses	156	148
Share of loss of entities accounted for using equity method	284	403
Foreign exchange losses	256	–
Other	32	33
Total non-operating expenses	730	586
Ordinary income	4,338	8,452
Extraordinary income		
Gain on sales of non-current assets	1	2
Gain on sales of investment securities	39	11
Gain on bargain purchase	7,963	–
Gain on sale of businesses	7	7
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	–	172
Other	11	15
Total extraordinary income	8,023	209
Extraordinary loss		
Impairment loss	–	36
Loss on retirement of non-current assets	15	9
Loss on valuation of investment securities	163	56
Loss on liquidation of subsidiaries and associates	–	174
Provision of allowance for doubtful accounts	–	131
Other	56	24
Total extraordinary loss	235	432
Profit before income taxes	12,126	8,229
Income taxes - current	1,107	2,130
Income taxes - deferred	317	339
Total income taxes	1,424	2,469
Profit	10,701	5,759

(Million yen)

	First half ended September 2020 (April 1, 2020 – September 30,2020)	First half ended September 2021 (April 1, 2021 – September 30, 2021)
Profit attributable to owners of parent	10,772	5,624
Profit attributable to non-controlling interests	(70)	135
Other comprehensive income		
Valuation difference on available-for-sale securities	994	135
Deferred gains or losses on hedges	(28)	(36)
Foreign currency translation adjustment	(727)	621
Remeasurements of defined benefit plans, net of tax	13	8
Share of other comprehensive income of associates accounted for using equity method	57	106
Total other comprehensive income	309	835
Comprehensive income	11,011	6,595
Comprehensive income attributable to owners of parent	11,085	6,453
Comprehensive income attributable to non-controlling interests	(73)	142

(3) Consolidated statement of cash flows

	(Million yen)	
	First half ended September 2020 (April 1, 2020 – September 30, 2020)	First half ended September 2021 (April 1, 2021 – September 30, 2021)
Cash flows from operating activities		
Profit before income taxes	12,126	8,229
Depreciation	1,505	1,869
Impairment loss	–	36
Amortization of goodwill	56	56
Increase (decrease) in provision for directors' retirement benefits	4	8
Increase (decrease) in allowance for doubtful accounts	15	(61)
Interest and dividend income	(363)	(180)
Interest expenses	156	148
Share of (profit) loss of entities accounted for using equity method	284	403
Loss (gain) on sales of investment securities	(39)	(10)
Loss (gain) on valuation of investment securities	163	56
Gain on sale of businesses	(7,963)	–
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	–	(172)
Decrease (increase) in notes and accounts receivable - trade	10,547	12,706
Decrease (increase) in inventories	1,835	(12,908)
Decrease (increase) in accounts receivable - other	1,607	1,749
Decrease (increase) in advance payments	(393)	(320)
Increase (decrease) in notes and accounts payable - trade	(21,540)	(10,121)
Increase (decrease) in accrued expenses	(993)	550
Decrease (increase) in consumption taxes refund receivable	285	(244)
Decrease (increase) in other current assets	24	(181)
Increase (decrease) in other current liabilities	(2,298)	(1,731)
Other, net	(265)	174
Subtotal	(5,242)	58
Interest and dividend income received	203	189
Interest expenses paid	(163)	(146)
Income taxes paid	(1,814)	(2,286)
Other, net	–	171
Net cash provided by (used in) operating activities	(7,017)	(2,013)
Cash flows from investing activities		
Payments into time deposits	(3,289)	(1)
Proceeds from withdrawal of time deposits	390	466
Purchase of property, plant and equipment	(1,290)	(1,586)
Proceeds from sales of property, plant and equipment	15	14
Purchase of intangible assets	(691)	(723)
Purchase of investment securities	(851)	(883)

	(Million yen)	
	First half ended September 2018 (April 1, 2019 – September 30, 2019)	First half ended September 2019 (April 1, 2020 – September 30, 2020)
Proceeds from sales of investment securities	204	215
Short-term loan advances	(140)	–
Long-term loan advances	–	(1,179)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2,707	–
Other payments	(73)	(137)
Other proceeds	22	116
Net cash provided by (used in) investing activities	(2,996)	(3,699)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	1,166	6,607
Repayments of long-term loans payable	(639)	(652)
Purchase of treasury shares	(0)	(3,675)
Cash dividends paid	(1,088)	(1,372)
Other, net	(292)	(378)
Net cash provided by (used in) financing activities	(855)	529
Effect of exchange rate change on cash and cash equivalents	(236)	194
Net increase (decrease) in cash and cash equivalents	(11,105)	(4,989)
Cash and cash equivalents at beginning of period	42,693	44,333
Cash and cash equivalents at end of period	31,588	39,343

(4) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

The Company has acquired 1,231,700 treasury shares based on a resolution passed at the Board of Directors' meeting held on August 5, 2021. As a result, treasury stock increased by 3,674 million yen in the second quarter of the consolidated fiscal period under review, and the amount of treasury stock as of September 30, 2021, was 5,659 million yen.

(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 half, was added to or subtracted from the beginning balance of retained earnings of the first half, 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 half were subject to the previous treatment.

As a result, compared to the previous method, in this first quarter, net sales decreased by 2,358 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 September 30, 2021 and do not include significant changes from the financial statement for the previous consolidated fiscal year.

(Segment information)

I. For the first half ended September 2020 (April 1, 2020 – September 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	156,887	23,192	1,274	7,505	188,859	–	188,859
Inter-segment sales or transfers	1,280	2,569	513	2,030	6,394	(6,394)	–
Total	158,167	25,761	1,788	9,536	195,254	(6,394)	188,859
Segment income	3,083	1,160	86	36	4,366	68	4,434

- Notes: 1. Adjustment in segment income of 68 million yen includes 68 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.

II. For the first half ended September 2021 (April 1, 2021 – September 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	194,406	18,713	1,237	8,651	223,009	–	223,009
Inter-segment sales or transfers	1,484	2,310	349	3,306	7,451	(7,451)	–
Total	195,891	21,023	1,587	11,957	230,460	(7,451)	223,009
Segment income	7,123	910	(109)	320	8,245	55	8,300

- Notes: 1. Adjustment in segment income of 55 million yen includes 55 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.