

November 8, 2022

Summary of Consolidated Financial Results for the First Half Ended September 30, 2022 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.
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 Date of filing of quarterly securities report (tentative): November 14, 2022
 Date of commencement of dividend payment (tentative): December 2, 2022
 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 2023 (April 1, 2022 – September 30, 2022)

(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 2022	298,760	34.0	18,361	121.2	18,932	124.0	13,412	138.5
First half ended September 2021	223,009	18.1	8,300	87.2	8,452	94.8	5,624	(47.8)

Note: Comprehensive income: First half of FY3/2023:21,035 million yen [218.9%] First half of FY3/2022:6,595 million yen [(40.1%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First half ended September 2022	510.88	—
First half ended September 2021	207.39	—

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of September 30, 2022	290,923	124,928	42.9
As of March 31, 2022	272,139	105,800	38.8

Reference: Shareholders' equity : As of September 30, 2022: 124,808 million yen As of March 31, 2022: 105,680 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2022	—	45.00	—	75.00	120.00
Fiscal year ending March 2023	—	100.00			
Fiscal year ending March 2023 (Forecast)			—	100.00	200.00

Notes: Change in the dividend forecast from the latest announcement: Yes

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: Ordinary dividend: 40.00 yen; Extraordinary dividend: 35.00 yen

Breakdown of interim dividend for FY3/2023: Ordinary dividend: 70.00 yen; Extraordinary dividend: 30.00 yen

Breakdown of year-end dividend for FY3/2023 (Forecast): Ordinary dividend: 70.00 yen; 55th Anniversary commemorative dividend: 10.00 yen; Extraordinary dividend: 20.00 yen

With respect to the revision of dividend forecast, please refer to "Notice regarding upward revision to forecasts for full-year earnings, dividends of surplus, and dividends (dividend increase)" announced today (November 8, 2022).

3. Forecast for the fiscal year ending March 2023 (Consolidated, April 1, 2022 – March 31, 2023)

(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	570,000	15.0	28,000	33.9	29,000	35.2	20,000	29.9	761.70

Note: Change in the forecast from the latest announcement: Yes

With respect to the revision of dividend forecast, please refer to "Notice regarding upward revision to forecasts for full-year earnings, dividends of surplus, and dividends (dividend increase)" announced today (November 8, 2022).

* 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 12.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of September 30, 2022: 28,702,118 As of March 31, 2022: 28,702,118

(b) Treasury shares

As of September 30, 2022: 2,440,773 As of March 31, 2022: 2,454,162

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

Period ended September 30, 2022: 26,253,692 Period ended September 30, 2021: 27,120,191

* The quarterly audit procedures by a certified public accountant or auditing firm are not applicable to this Quarterly Financial Results report.

* Cautionary statement regarding forecasts of operating results and special notes

(Caution regarding forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For conditions as assumption for earnings forecast and cautionary statement regarding use of the forecast, please see "1. Results of Operations, (3) Qualitative information on consolidated earnings forecast" on page 5.

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

We plan to hold an earnings briefing for institutional investors and analysts on Thursday, November 24, 2022. Supplementary materials for the earnings briefing will be posted on TDnet and our website today (Tuesday, November 8th). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on November 24th.

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

(Japanese) https://www.taxan.co.jp/jp/ir/event/event_01.html

(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 were signs of a slowdown in the US economy due to the impact of inflation and monetary tightening, while the economy slowed in Europe due to a spike in energy prices resulting from the prolonged conflict in Ukraine, as well as the impact of rate hikes. In China, the recovery in personal spending slowed due to strict restrictions on activity in line with the country's zero-COVID policy. As such, conditions remained uncertain globally. Meanwhile, in Japan, as upward pressures on prices picked up due to the weak yen, restrictions on economic activity were eased with the end of measures aimed at preventing the spread of COVID-19 and there were signs of a gradual recovery in the economy, primarily in personal spending.

In the electronics industry to which the Group belongs, global supply shortages and extended lead times have affected some semiconductors and electronic components since last year, but there are signs of improved supply/demand conditions, with the exception of some products, such as automotive- and industrial equipment-related applications, and demand remains robust in a wide range of industries.

In this kind of management environment, net sales in the first half of the consolidated fiscal year rose 34.0% year on year to 298,760 million yen. This growth was driven by the electronic components business, which is the Group's core business.

Operating income increased 121.2% year on year to 18,361 million yen due to a significant increase in gross profit resulting from higher net sales and improved gross profit margin. Ordinary income increased by 124.0% year on year to 18,932 million yen and profit attributable to owners of parent increased by 138.5% to 13,412 million yen. All metrics from net sales to ordinary income for the quarter achieved record highs for the first half of a consolidated fiscal year.

In November 2021, the Group announced its three-year management plan, the Medium-Term Management Plan 2024 (2022–2024), which runs from the fiscal year ending March 31, 2023, to the fiscal year ending March 31, 2025. The new Medium-Term Management Plan sets “organic growth + further M&A challenges” as growth engines, seeks to reinforce and expand overseas and EMS(note) businesses, and aims to realize the goal of becoming “Japan's top-class corporate group in the industry with net sales of 750 billion yen” by the Plan's final fiscal year ending on March 31, 2025. The Company made a smooth start to the first fiscal year of the new Medium-Term Management Plan.

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

	FY 2022/3 2Q	FY 2023/3 2Q	YoY	
	(April 1, 2021 – September 30, 2021)	(April 1, 2022 – September 30, 2022)	(Million yen)	
Net sales	(Million yen) 223,009	(Million yen) 298,760	75,751	34.0%
Gross profit (Margin)	27,133 12.2%	40,001 13.4%	12,868 1.2pt	47.4% –
SG&A	18,832	21,639	2,807	14.9%
Operating income	8,300	18,361	10,060	121.2%
Ordinary income	8,452	18,932	10,479	124.0%
Profit before income taxes	8,229	18,951	10,722	130.3%
Profit attributable to owners of parent	5,624	13,412	7,787	138.5%
Exchange Rate (Average rate during the year) USD	109.80 yen	133.97yen	24.17yen	–

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 component sales business achieved a significant increase in sales through early efforts to capture the requests of customers from a broad range of industries. The supply constraints experienced with semiconductors and electronic components since the previous fiscal year have eased for some components, but the Company addressed the ongoing supply shortages faced by automotive and industrial equipment-related customers by securing sales volume using its strength in procurement capabilities as an independent trading company as well as proposing alternative products. In addition, steady progress in PMI (Post Merger Integration)^(Note) at acquired companies such as KAGA FEI Co., Ltd. and EXCEL Co., Ltd. contributed to profit growth in this business. In the EMS business, sales to key customers primarily in automotive and medical equipment applications grew significantly. The impact of the weak yen also contributed to sales.

As a result, net sales increased by 38.1% year on year to 268,464 million yen, and segment income increased by 133.3% year on year to 16,617 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, sales of PCs for corporations and educational institutions were firm, particularly for high-priced products, and sales of PC peripherals such as security software also remained strong. In the LED installation business, large-scale work that had been delayed due to a shortage of materials resumed and contributed to profit in this business.

As a result, net sales increased by 4.7% year on year to 19,597 million yen, and segment income increased by 6.0% year on year to 965 million yen.

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

In this business, sales recovered due to an increase in orders for new projects in games development and computer graphics production, among other factors.

As a result, net sales increased by 5.6% year on year to 1,307 million yen, and segment income increased by 95 million yen was recorded (109 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, game equipment for the amusement industry in Japan and overseas as well as golf products saw growth in sales following a relaxation of pandemic-induced restrictions on movement.

As a result, net sales increased by 8.6% year on year to 9,392 million yen, and segment income increased by 105.2% year on year to 658 million yen.

Financial Results by Business Segment

		FY 2022/3 2Q	FY 2023/3 2Q	YoY	
		(April 1, 2021 – September 30, 2021)	(April 1, 2022 – September 30, 2022)	(Million yen)	
Electronic components	Net sales	(Million yen) 194,406	(Million yen) 268,464	74,057	38.1%
	Segment income	7,123	16,617	9,493	133.3%
Information equipment	Net sales	18,713	19,597	883	4.7%
	Segment income	910	965	54	6.0%
Software	Net sales	1,237	1,307	69	5.6%
	Segment income	(109)	95	204	–
Others	Net sales	8,651	9,392	740	8.6%
	Segment income	320	658	337	105.2%
Total	Net sales	223,009	298,760	75,751	34.0%
	Segment income	8,300	18,361	10,060	121.2%

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, 2022, increased by 18,783 million yen from March 31, 2022, to 290,923 million yen.

Current assets increased by 17,780 million yen compared with the end of the previous fiscal year, to 251,765 million yen. This was primarily due to a 7,432 million yen increase in cash and deposits and a 6,583 million yen increase in Merchandise and finished goods.

Non-current assets increased by 103 million yen from March 31, 2022, to 39,158 million yen.

Liabilities decreased by 344 million yen from March 31, 2022, to 165,995 million yen.

Net assets increased by 19,128 million yen from March 31, 2022, to 124,928 million yen. This is primarily due to a 11,522 million yen increase in total shareholders' equity and a 7,478 million yen increase in foreign currency translation adjustment resulting from the recording of profit attributable to owners of parent.

(b) Cash flows

Cash and cash equivalents as of September 30, 2022, increased by 6,396 million yen from March 31, 2022, to 45,636 million yen.

(Operating activities)

Net cash provided by operating activities was 10,650 million yen (2,013 million yen used in the same period of the previous fiscal year), mainly due to the posting of profit before income taxes.

(Investing activities)

Net cash used in investing activities was 3,492 million yen (3,699 million yen used in the same period of the previous fiscal year), mainly due to payments into time deposits and purchase of property, plant and equipment.

(Financing activities)

Net cash used in financing activities was 3,187 million yen (529 million yen provided in the same period of the previous fiscal year), mainly due to the payment of dividends.

(3) Qualitative information on consolidated earnings forecast

The consolidated full-year earnings forecasts for the fiscal year ending March 31, 2023, announced on August 4, 2022, have been revised as shown below, and forecasts for the distribution of surplus funds, with a record date of September 30, 2022, and year-end dividends have been increased. These revisions only take earnings trends in the first half of the fiscal year into account, given the uncertainties in the outlook for supply/demand trends for semiconductors and other electronic components, the COVID-19 situation, the conflict in Ukraine, exchange rate fluctuations, and other factors. There is no change in the forecasts for the third quarter and onward.

For details, please refer to “Notice regarding upward revision to forecasts for full-year earnings, dividends of surplus, and dividends (dividend increase)” announced today (November 8, 2022).

1. Consolidated earnings forecasts for the fiscal year ended March 31, 2023

(from April 1, 2022 to March 31, 2023)

	Results	Previous	Current	Difference from	
	FY2022/3	Forecasts	Forecasts	Previous Forecasts	
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	
Net Sales	495,827	540,000	570,000	30,000	5.6%
Operating Income	20,915	24,000	28,000	4,000	16.7%
Ordinary Income	21,456	24,500	29,000	4,500	18.4%
Profit attributable to owners of parent	15,401	16,000	20,000	4,000	25.0%
R O E	15.7%	14.0%	17.0%	3.0pt	–

2. Revision of dividend forecast

	Annual dividends		
	End of 1st half	Year-end	Total
Previous forecast (Announced on May 12, 2022)	70.00 yen	80.00 yen (Ordinary dividend 70 yen) (commemorative dividend 10 yen)	150.00 yen (Ordinary dividend 140 yen) (commemorative dividend 10 yen)
Revised forecast		100.00 yen (Ordinary dividend 70 yen) (commemorative dividend 10 yen) (Extraordinary dividend 20 yen)	200.00 yen (Ordinary dividend 140 yen) (commemorative dividend 10 yen) (Extraordinary dividend 50 yen)
Dividends for the current fiscal year	100.00 yen (Ordinary dividend 70 yen) (Extraordinary dividend 30 yen)		
Dividends for the previous fiscal year (Fiscal year ended March 31, 2022)	45.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 5 yen)	75.00 yen (Ordinary dividend 40 yen) (Extraordinary dividend 35 yen)	120.00 yen (Ordinary dividend 80 yen) (Extraordinary dividend 40 yen)

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 March 2022 (As of March 31, 2022)	First half ended September 2022 (As of September 30, 2022)
ASSETS		
Current assets		
Cash and deposits	41,051	48,484
Notes receivable – trade	1,449	2,482
Electronically recorded monetary claims – operating	9,258	8,468
Accounts receivable – trade	110,240	113,589
Securities	264	256
Merchandise and finished goods	46,230	52,814
Work in process	2,363	2,887
Raw materials and supplies	14,013	15,584
Other	9,388	7,374
Allowance for doubtful accounts	(275)	(176)
Total current assets	233,984	251,765
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,925	6,727
Machinery, equipment and vehicles, net	6,048	6,910
Tools, furniture and fixtures, net	1,030	1,104
Land	5,074	5,074
Construction in progress	313	714
Total property, plant and equipment	19,393	20,532
Intangible assets		
Goodwill	98	64
Software	3,021	2,831
Other	42	35
Total intangible assets	3,163	2,930
Investments and other assets		
Investment securities	10,313	10,761
Deferred tax assets	2,189	1,876
Guarantee deposits	1,068	1,076
Insurance funds	915	917
Other	3,466	3,443
Allowance for doubtful accounts	(2,355)	(2,381)
Total investments and other assets	15,598	15,694
Total non-current assets	38,155	39,158
Total assets	272,139	290,923

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First half ended September 2022 (As of September 30, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	86,493	84,968
Short-term loans payable	23,858	25,313
Accrued expenses	7,138	8,471
Income taxes payable	2,834	4,815
Provision for directors' bonuses	301	140
Other	12,291	8,470
Total current liabilities	132,918	132,181
Non-current liabilities		
Bonds payable	–	10,000
Long-term loans payable	25,136	15,121
Deferred tax liabilities	2,046	2,575
Provision for directors' retirement benefits	123	131
Net defined benefit liability	2,095	2,145
Asset retirement obligations	572	597
Other	3,446	3,243
Total non-current liabilities	33,421	33,813
Total liabilities	166,339	165,995
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,818	14,820
Retained earnings	77,423	88,913
Treasury shares	(5,643)	(5,612)
Total shareholders' equity	98,732	110,254
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,299	1,465
Deferred gains or losses on hedges	(2)	89
Foreign currency translation adjustment	5,439	12,918
Remeasurements of defined benefit plans	210	81
Total accumulated other comprehensive income	6,948	14,554
Non-controlling interests	120	119
Total net assets	105,800	124,928
Total liabilities and net assets	272,139	290,923

(2) Quarterly consolidated statements of income and comprehensive income

For the First half (April 1, 2022 – September 30, 2022)

(Million yen)

	First half ended September 2021 (April 1, 2021 – September 30, 2021)	First half ended September 2022 (April 1, 2022 – September 30, 2022)
Net sales	223,009	298,760
Cost of sales	195,875	258,759
Gross profit	27,133	40,001
Selling, general and administrative expenses	18,832	21,639
Operating income	8,300	18,361
Non-operating income		
Interest income	68	76
Dividends income	111	177
Commission fee	99	109
Share of profit of entities accounted for using equity method	–	21
Foreign exchange gains	114	359
Other	343	215
Total non-operating income	738	959
Non-operating expenses		
Interest expenses	148	294
Share of loss of entities accounted for using equity method	403	–
Other	33	95
Total non-operating expenses	586	389
Ordinary income	8,452	18,932
Extraordinary income		
Gain on sales of non-current assets	2	11
Gain on sales of investment securities	11	39
Gain on sale of businesses	7	–
Gain on revision of retirement benefit plan	–	126
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	172	–
Other	15	1
Total extraordinary income	209	177
Extraordinary loss		
Impairment loss	36	28
Loss on retirement of non-current assets	9	1
Loss on valuation of investment securities	56	126
Loss on liquidation of subsidiaries and associates	174	–
Provision of allowance for doubtful accounts	131	–
Other	24	1
Total extraordinary loss	432	158
Profit before income taxes	8,229	18,951
Income taxes - current	2,130	4,773
Income taxes - deferred	339	756
Total income taxes	2,469	5,529
Profit	5,759	13,422
Profit attributable to owners of parent	5,624	13,412
Profit attributable to non-controlling interests	135	9

(Million yen)

	First half ended September 2021 (April 1, 2021 – September 30, 2021)	First half ended September 2022 (April 1, 2022 – September 30, 2022)
Other comprehensive income		
Valuation difference on available-for-sale securities	135	168
Deferred gains or losses on hedges	(36)	92
Foreign currency translation adjustment	621	7,326
Remeasurements of defined benefit plans, net of tax	8	(129)
Share of other comprehensive income of associates accounted for using equity method	106	156
Total other comprehensive income	835	7,613
Comprehensive income	6,595	21,035
Comprehensive income attributable to owners of parent	6,453	21,019
Comprehensive income attributable to non-controlling interests	142	16

(3) Consolidated statement of cash flows

(Million yen)

	First half ended September 2021 (April 1, 2021 – September 30, 2021)	First half ended September 2022 (April 1, 2022 – September 30, 2022)
Cash flows from operating activities		
Profit before income taxes	8,229	18,951
Depreciation	1,869	2,009
Impairment loss	36	28
Amortization of goodwill	56	34
Increase (decrease) in provision for directors' retirement benefits	8	7
Increase (decrease) in allowance for doubtful accounts	(61)	(114)
Interest and dividend income	(180)	(253)
Interest expenses	148	281
Share of (profit) loss of entities accounted for using equity method	403	(21)
Loss (gain) on sales of investment securities	(10)	(39)
Loss (gain) on valuation of investment securities	56	126
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	(172)	–
Decrease (increase) in notes and accounts receivable - trade	12,706	3,614
Decrease (increase) in inventories	(12,908)	(3,984)
Decrease (increase) in accounts receivable - other	1,749	1,828
Decrease (increase) in advance payments	(320)	79
Increase (decrease) in notes and accounts payable - trade	(10,121)	(8,020)
Increase (decrease) in accrued expenses	550	908
Decrease (increase) in consumption taxes refund receivable	(244)	1,021
Decrease (increase) in other current assets	(181)	(13)
Increase (decrease) in other current liabilities	(1,731)	(4,195)
Other, net	174	1,347
Subtotal	58	13,598
Interest and dividend income received	189	254
Interest expenses paid	(146)	(266)
Income taxes paid	(2,286)	(2,936)
Other, net	171	–
Net cash provided by (used in) operating activities	(2,013)	10,650
Cash flows from investing activities		
Payments into time deposits	(1)	(934)
Proceeds from withdrawal of time deposits	466	–
Purchase of property, plant and equipment	(1,586)	(1,786)
Proceeds from sales of property, plant and equipment	14	19
Purchase of intangible assets	(723)	(258)
Purchase of investment securities	(883)	(392)

	(Million yen)	
	First half ended September 2021 (April 1, 2021 – September 30, 2021)	First half ended September 2022 (April 1, 2022 – September 30, 2022)
Proceeds from sales of investment securities	215	261
Short-term loan advances	–	(361)
Long-term loan advances	(1,179)	(6)
Other payments	(137)	(60)
Other proceeds	116	25
Net cash provided by (used in) investing activities	(3,699)	(3,492)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	6,607	(709)
Repayments of long-term loans payable	(652)	(10,018)
Proceeds from issuance of bonds	–	9,945
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	–	(21)
Purchase of treasury shares	(3,675)	(1)
Cash dividends paid	(1,372)	(1,966)
Other, net	(378)	(415)
Net cash provided by (used in) financing activities	529	(3,187)
Effect of exchange rate change on cash and cash equivalents	194	2,425
Net increase (decrease) in cash and cash equivalents	(4,989)	6,396
Cash and cash equivalents at beginning of period	44,333	39,240
Cash and cash equivalents at end of period	39,343	45,636

(4) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes in Accounting Policies)

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Implementation Guidance No. 31, June 17, 2021, hereinafter referred to as ASBJ Guidance No. 31) is applied from the start of the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment set forth in Article 27-2 of the ASBJ Guidance No. 31, the Company will continue to apply the new accounting policies prescribed by ASBJ Guidance No. 31 into the future. The effect of this application on the quarterly consolidated financial statements is immaterial.

(Additional information)

(Application of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System)

The Company and some of its domestic consolidated subsidiaries have transitioned from the consolidated taxation system to the group tax sharing system with effect from the first quarter of the consolidated fiscal year under review. Accordingly, accounting treatment and disclosure of corporation tax, local corporation tax and tax effect accounting are conducted pursuant to "the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (Practical Solution No. 42, August 12, 2021; hereinafter referred to as "Practical Solution No. 42"). Based on the provisions of Paragraph 32 (1) of Practical Solution No. 42, we see no impact from the change in accounting policy associated with application of Practical Solution No. 42.

(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, 2022 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 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.

II. For the first half ended September 2022 (April 1, 2022 – September 30, 2022)

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

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	268,464	19,597	1,307	9,392	298,760	–	298,760
Inter-segment sales or transfers	1,772	3,393	517	4,039	9,723	(9,723)	–
Total	270,236	22,990	1,824	13,431	308,484	(9,723)	298,760
Segment income	16,617	965	95	658	18,335	25	18,361

Notes: 1. Adjustment in segment income of 25 million yen includes 25 million yen for elimination of inter-segment trade.
2. Segment income is adjusted for operating income on the quarterly consolidated statements of income and comprehensive income.