

Summary of Consolidated Financial Results for the First Quarter Ended June 30, 2023 [Japan GAAP]

Name of Company: KAGA ELECTRONICS CO., LTD.
 Stock Code: 8154 URL: <https://www.taxan.co.jp/>
 Stock Exchange Listing: Tokyo Stock Exchange, Prime Market
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 Date of filing of quarterly securities report (tentative): August 10, 2023
 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 2024 (April 1, 2023 – June 30, 2023)

(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 2023	137,694	(7.8)	6,994	(28.8)	6,909	(29.9)	5,767	(17.4)
First quarter ended June 2022	149,302	40.9	9,820	120.6	9,858	115.9	6,984	143.2

Note: Comprehensive income: 1Q of FY2024/3: 9,404 million yen [(16.9%)] 1Q of FY2023/3: 11,314 million yen[234.4%]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2023	219.63	–
First quarter ended June 2022	266.10	–

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2023	292,822	135,983	46.4
As of March 31, 2023	286,217	129,737	45.3

Reference: Shareholders' equity : As of June 30, 2023: 135,850 million yen As of March 31, 2023: 129,608 million yen

2. Dividends

	Dividend per share				
	1Q	2Q	3Q	Year-end	Full year
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended March 2023	–	100.00	–	120.00	220.00
Fiscal year ending March 2024	–				
Fiscal year ending March 2024 (Forecast)		110.00	–	110.00	220.00

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

Breakdown of interim dividend for FY2023/3: Ordinary dividend: 70.00 yen; Extraordinary dividend: 30.00 yen

Breakdown of year-end dividend for FY2023/3: Ordinary dividend: 70.00 yen; 55th anniversary commemorative dividend: 10.00 yen; Extraordinary dividend: 40.00 yen

3. Forecast for the fiscal year ending March 2024 (Consolidated, April 1, 2023 – March 31, 2024)

(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	550,000	(9.5)	25,000	(22.5)	25,000	(23.6)	18,000	(22.0)	685.42

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 : None

(b) Changes other than (a) : None

(c) Changes in accounting estimates : None

(d) Retrospective restatement : None

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

As of June 30, 2023: 28,702,118 As of March 31, 2023 28,702,118

(b) Treasury shares

As of June 30, 2023: 2,441,233 As of March 31, 2023 2,440,983

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

Period ended June 30, 2023: 26,261,015 Period ended June 30, 2022: 26,247,868

* 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)

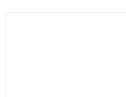
Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For conditions as assumption 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)

Supplementary materials on quarterly financial results are disclosed through TDnet and posted on the Company's website today (August 3, 2023).

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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, while sales increased in the information equipment business, the software business, and the others business, decreased in the electronic components business, which is the Group's core business, due to the disappearance of spot demand and emergence of some impact of inventory adjustments by customers in general, given easing of supply shortages of semiconductors and electronic components. As a result, net sales were 137,694 million yen, down 7.8% year on year. Operating income decreased by 28.8% year on year to 6,994 million yen. Aside from a decline in gross profit due to lower sales, the income decrease resulted from having incorporated loss on valuation of inventories and provision of allowance for doubtful accounts on trade receivables associated with a business partner of the Group that filed a petition for commencement of civil rehabilitation proceedings. Ordinary income decreased by 29.9% year on year to 6,909 million yen. Profit attributable to owners of parent decreased by 17.4% year on year to 5,767 million yen, with gain on sales of securities recorded as extraordinary income in connection with the sale of shares that were held for investment purposes.

In November 2021, the Group formulated its three-year management plan, Medium-Term Management Plan 2024, which runs from the fiscal year ended March 31, 2023, up to the fiscal year ending March 31, 2025. Having achieved, two years ahead of the plan, the targets for the two income items of operating income and ROE in the previous fiscal year, which was the first year of the plan, the Group announced the latest outlook in May 2023, with net sales of 750 billion yen, operating income of 30 billion yen or higher, and ROE of 10% or higher.

In the earnings forecasts the Group announced for the fiscal year ending in March 2024, the second year of the plan, decreases are projected in both net sales and incomes on the assumption that the impact of inventory adjustments would become tangible in the supply chain in which the Group is involved with respect to the electronic components business. Nonetheless, performance exceeded the internal plan in the first quarter under review, which therefore got off to a good start.

	FY 2023/3 1Q (April 1, 2022 – June 30, 2022)	FY 2024/3 1Q (April 1, 2023 – June 30, 2023)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	149,302	137,694	(11,608)	(7.8%)
Gross profit	19,838	17,553	(2,284)	(11.5%)
(Margin)	13.3%	12.7%	(0.6pt)	–
SG&A	10,018	10,559	541	5.4%
Operating income	9,820	6,994	(2,826)	(28.8%)
Ordinary income	9,858	6,909	(2,948)	(29.9%)
Profit before income taxes	9,982	7,912	(2,069)	(20.7%)
Profit attributable to owners of parent	6,984	5,767	(1,216)	(17.4%)
Exchange Rate (Average rate during the year period) USD	129.57yen	137.37yen	7.80yen	–

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, sales in the component sales business declined sharply, attributable partly to the disappearance of spot demand for some products and emergence of some impact of inventory adjustments by customers in general, given easing of supply shortages of semiconductors and electronic components that had continued for two consecutive years until the previous fiscal year. In the EMS business, sales in the automotive sector increased due to improved supply and demand balance of semiconductors and electronic components, whereas sales in applications related to medical and industrial equipment decreased due partly to inventory adjustments at key customers.

As a result, net sales decreased by 10.1% year on year to 120,015 million yen, and segment income decreased by 34.3% year on year to 5,922 million yen.

(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, amid the season of high demand for newly enrolled students, sales of PCs to educational institutions were strong. Sales of security software and PC peripheral products also remained solid. The LED installation business made steady progress with contribution from sales of large-scale projects that the Group has been pushing forward on a full scale since the previous fiscal year.

As a result, net sales increased by 8.1% year on year to 12,050 million yen, and segment income increased by 32.2% year on year to 746 million yen.

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

In this business, overall loss decreased reflecting increased sales with contribution from orders for large-scale and new projects in smartphone games development and computer graphics production.

As a result, net sales increased by 15.8% year on year to 577 million yen, and segment loss of 4 million yen was recorded (33 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. Sales of game equipment for the amusement industry also increased both in domestic and overseas markets.

As a result, net sales increased by 20.9% year on year to 5,050 million yen, and segment income increased by 17.0% year on year to 291 million yen.

Financial Results by Business Segment

		FY 2023/3 1Q (April 1, 2022 – June 30, 2022)	FY 2024/3 1Q (April 1, 2023 – June 30, 2023)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic components	Net sales	133,477	120,015	(13,461)	(10.1%)
	Segment income	9,018	5,922	(3,095)	(34.3%)
Information equipment	Net sales	11,147	12,050	902	8.1%
	Segment income	564	746	181	32.2%
Software	Net sales	498	577	78	15.8%
	Segment income	(33)	(4)	28	–
Others	Net sales	4,178	5,050	872	20.9%
	Segment income	249	291	42	17.0%
Total	Net sales	149,302	137,694	(11,608)	(7.8%)
	Segment income	9,820	6,994	(2,826)	(28.8%)

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, 2023 increased by 6,605 million yen from March 31, 2023, to 292,822 million yen.

Current assets increased by 9,302 million yen from the end of the previous fiscal year, to 254,874 million yen. This was primarily due to a 14,352 million yen increase in inventory and a 6,757 million yen increase in cash and deposits, along with a 14,006 million yen decrease in accounts receivable – trade

Non-current assets decreased by 2,696 million yen from March 31, 2023, to 37,948 million yen. This is primarily due to decreases of 2,410 million yen in investment securities.

Liabilities increased by 359 million yen from March 31, 2023, to 156,839 million yen.

Net assets increased by 6,246 million yen from March 31, 2023, to 135,983 million yen. This is primarily the result of recording 5,767 million yen of profit attributable to owners of the parent.

(3) Qualitative information on consolidated earnings forecast

No revision is made to the full-year earnings forecasts announced on May 11, 2023.

Although the Group has made a good start against the internal plan in the first quarter under review, the management environment is expected to remain uncertain in the second quarter and beyond, with concerns about rising inflation, heightening of geopolitical risks and other factors.

In line with the growth strategy formulated in the Medium-Term Management Plan 2024, the Group will seek to achieve further growth and reinforce profit structure, and work on improving its corporate value.

Reference: Earning Forecasts for FY2024/3 and Management Targets of Medium-Term Management Plan 2024

	FY2023/3 Results	FY2024/3 Forecasts (Announced on May 11, 2023)	Change	Management Targets of Medium-Term Management Plan 2024 (FY2025/3)
Net Sales	(Million yen) 608,064	(Million yen) 550,000	(9.5%)	750 billion yen
Operating Income	32,249	25,000	(22.5%)	30 billion yen or higher
Ordinary Income	32,739	25,000	(23.6%)	–
Profit attributable to owners of parent	23,070	18,000	(22.0%)	–
R O E	19.6%	13.3%	(6.3pt)	Stable 10% 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 2023 (As of March 31, 2023)	First quarter ended June 2023 (As of June 30, 2023)
ASSETS		
Current assets		
Cash and deposits	52,600	59,358
Notes receivable – trade	1,534	1,920
Electronically recorded monetary claims - operating	9,683	10,095
Accounts receivable – trade	117,881	103,874
Securities	195	180
Merchandise and finished goods	41,375	53,030
Work in process	2,277	2,539
Raw materials and supplies	12,552	14,987
Other	7,624	9,058
Allowance for doubtful accounts	(153)	(171)
Total current assets	245,572	254,874
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,690	6,619
Machinery, equipment and vehicles, net	6,466	6,793
Tools, furniture and fixtures, net	1,103	1,099
Land	5,859	5,924
Construction in progress	39	794
Total property, plant and equipment	20,158	21,231
Intangible assets		
Goodwill	48	40
Software	2,617	2,463
Other	36	37
Total intangible assets	2,702	2,541
Investments and other assets		
Investment securities	12,144	9,734
Deferred tax assets	2,162	1,069
Guarantee deposits	1,280	1,238
Insurance funds	920	921
Distressed receivables	4,842	5,022
Other	1,298	1,271
Allowance for doubtful accounts	(4,864)	(5,082)
Total investments and other assets	17,784	14,176
Total non-current assets	40,645	37,948
Total assets	286,217	292,822

(Million yen)

	Fiscal year ended March 2023 (As of March 31, 2023)	First quarter ended June 2023 (As of June 30, 2023)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	79,232	88,374
Short-term loans payable	19,585	20,258
Accrued expenses	8,400	6,820
Income taxes payable	6,011	1,643
Provision for directors' bonuses	465	11
Other	13,852	10,424
Total current liabilities	127,547	127,531
Non-current liabilities		
Bonds payable	10,000	10,000
Long-term loans payable	10,600	10,600
Deferred tax liabilities	2,634	2,992
Provision for directors' retirement benefits	143	136
Net defined benefit liability	2,148	2,204
Asset retirement obligations	627	636
Other	2,778	2,737
Total non-current liabilities	28,932	29,307
Total liabilities	156,479	156,839
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,820	14,820
Retained earnings	95,945	98,562
Treasury shares	(5,614)	(5,615)
Total shareholders' equity	117,285	119,900
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,534	2,336
Deferred gains or losses on hedges	(18)	8
Foreign currency translation adjustment	9,568	13,370
Remeasurements of defined benefit plans	239	233
Total accumulated other comprehensive income	12,322	15,949
Non-controlling interests	129	133
Total net assets	129,737	135,983
Total liabilities and net assets	286,217	292,822

(2) Quarterly consolidated statements of income and comprehensive income
For the First quarter (April 1, 2023 – June 30, 2023)

(Million yen)

	First quarter ended June 2022 (April 1, 2022– June 30,2022)	First quarter ended June 2023 (April 1, 2023 – June 30, 2023)
Net sales	149,302	137,694
Cost of sales	129,464	120,140
Gross profit	19,838	17,553
Selling, general and administrative expenses	10,018	10,559
Operating income	9,820	6,994
Non-operating income		
Interest income	26	116
Dividends income	71	76
Commission fee	60	51
Share of profit of entities accounted for using equity method	–	31
Other	97	182
Total non-operating income	256	458
Non-operating expenses		
Interest expenses	105	226
Loss from equity method investments	17	–
Foreign exchange losses	23	238
Other	70	77
Total non-operating expenses	217	542
Ordinary income	9,858	6,909
Extraordinary income		
Gain on sales of non-current assets	10	1
Gain on sales of investment securities	7	1,065
Gain on revision of retirement benefit plan	126	–
Other	1	–
Total extraordinary income	144	1,067
Extraordinary loss		
Impairment loss	19	5
Loss on retirement of non-current assets	0	0
Loss on valuation of investment securities	0	58
Other	0	0
Total extraordinary loss	21	65
Profit before income taxes	9,982	7,912
Income taxes - current	1,633	606
Income taxes - deferred	1,360	1,533
Total income taxes	2,993	2,139
Profit	6,989	5,772
Profit attributable to owners of parent	6,984	5,767
Profit attributable to non-controlling interests	4	5

(Million yen)

	First quarter ended June 2022 (April 1, 2022– June 30,2022)	First quarter ended June 2023 (April 1, 2023 – June 30, 2023)
Other comprehensive income		
Valuation difference on available-for-sale securities	(146)	(200)
Deferred gains or losses on hedges	(44)	28
Foreign currency translation adjustment	4,566	3,782
Remeasurements of defined benefit plans, net of tax	(131)	(5)
Share of other comprehensive income of entities accounted for using equity method	81	26
Total other comprehensive income	4,325	3,631
Comprehensive income	11,314	9,404
Comprehensive income attributable to owners of parent	11,305	9,394
Comprehensive income attributable to non-controlling interests	8	9

(3) Notes to quarterly consolidated financial statements

(Notes to going concern assumptions)

Not applicable

(Significant change in shareholders' equity)

Not applicable

(Changes in Accounting Policies)

Not applicable

(Segment information)

For the first quarter ended June 2022 (April 1, 2022 – June 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	133,477	11,147	498	4,178	149,302	–	149,302
Inter-segment sales or transfers	900	1,690	180	1,935	4,707	(4,707)	–
Total	134,378	12,838	678	6,114	154,009	(4,707)	149,302
Segment income (loss)	9,018	564	(33)	249	9,798	21	9,820

Notes: 1. Adjustment in segment income of 21 million yen includes 21 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.

For the first quarter ended June 2023 (April 1, 2023 – June 30, 2023)

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

(Million yen)

	Reportable segments					Adjustment (Note 1)	Consolidated (Note 2)
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	120,015	12,050	577	5,050	137,694	–	137,694
Inter-segment sales or transfers	840	2,426	178	1,247	4,692	(4,692)	–
Total	120,855	14,477	755	6,298	142,386	(4,692)	137,694
Segment income (loss)	5,922	746	(4)	291	6,956	37	6,994

Notes: 1. Adjustment in segment income of 37 million yen includes 37 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.