

Summary of Consolidated Financial Results for the Year Ended March 2022 [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 regular general meeting of shareholders: June 29 2022 (tentative)
 Date of commencement of dividend payment: June 30, 2022 (tentative)
 Date of filing of securities report: June 29, 2022 (tentative)
 Supplementary explanatory documents: Yes
 Earnings presentation: Yes (For institutional investors and analysts)

(Yen in millions, rounded down)

1. Financial results for the current fiscal year (April 1, 2021 - March 31, 2022)

(1) Result of operations (Consolidated)

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2022	495,827	17.4	20,915	82.4	21,456	90.9	15,401	35.1
Fiscal year ended March 2021	422,365	(4.8)	11,467	14.5	11,241	10.9	11,399	94.8

Note: Comprehensive income: FY ended March 31, 2022: 20,745 million yen [47.0%] FY ended March 31, 2021: 14,114 million yen [252.4%]

	Earnings per share	Earnings per share (diluted)	Return on equity	Ratio of ordinary income to assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Fiscal year ended March 2022	576.46	—	15.7	8.4	4.2
Fiscal year ended March 2021	415.07	—	13.5	5.1	2.7

Ref.: Share of profit/loss of entities accounted for using equity method: FY ended March 2022: (472) million yen FY ended March 2021: (627) million yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the beginning of the consolidated fiscal year ended March 2022.

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	272,139	105,800	38.8	4,026.22
As of March 31, 2021	237,004	95,062	38.4	3,311.24

Ref.: Shareholders' equity : FY ended March 2022: 105,680 million yen FY ended March 2021: 90,967 million yen

Note: The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the beginning of the consolidated fiscal year ended March 2022.

(3) Cash flow position (Consolidated)

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended March 2022	(1,554)	(6,772)	1,155	39,240
Fiscal year ended March 2021	9,999	(2,453)	(6,851)	44,333

2. Dividends

	Dividend per share					Annual aggregate amount	Payout ratio (Consolidated)	Dividends/net assets (Consolidated)
	1Q	2Q	3Q	Year-end	Full year			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended March 2021	–	30.00	–	50.00	80.00	2,197	19.3	2.6
Fiscal year ended March 2022	–	45.00	–	75.00	120.00	3,149	20.8	3.3
Fiscal year ending March 2023 (Forecast)	–	70.00	–	80.00	150.00		27.2	

Notes: 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: Ordinary dividend: 40.00 yen; Extraordinary dividend: 35.00 yen
 Breakdown of year-end dividend for FY3/2023 (forecast) : Ordinary dividend: 70.00 yen; 55th anniversary commemorative dividend: 10.00 yen

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	510,000	2.9	21,200	1.4	21,200	(1.2)	14,500	(5.9)	552.42

* Notes

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

(2) Changes in accounting policies, estimates, and retrospective restatement

(a) Changes due to revision of accounting standards: Yes

(b) Changes other than (a): None

(c) Changes in accounting estimates: None

(d) Retrospective restatement: None

Note: For more information, please refer “4. Consolidated Financial Statements and Major Notes (5) Notes to consolidated financial statements (Changes to accounting policies)” on page 18.

(3) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)	As of March 31, 2022:	28,702,118	As of March 31, 2021:	28,702,118
(b) Treasury shares	As of March 31, 2022:	2,454,162	As of March 31, 2021:	1,229,877
(c) Average number of shares outstanding during the year	As of March 31, 2022:	26,717,972	As of March 31, 2021:	27,465,021

(Reference) Non-consolidated Financial Results**Financial results for the fiscal year ended March 2022 (April 1, 2021 - March 31, 2022)****(1) Result of operations (Non-consolidated)**

(Percentage figures represent year on year changes)

	Net sales		Operating income		Ordinary income		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended March 2022	103,074	27.8	3,692	109.0	9,454	48.8	7,208	—
Fiscal year ended March 2021	80,628	5.6	1,766	734.5	6,351	33.7	(621)	—

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
Fiscal year ended March 2022	269.77	—
Fiscal year ended March 2021	(22.63)	—

(2) Financial Position (Non-consolidated)

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of March 31, 2022	117,109	41,110	35.1	1,566.11
As of March 31, 2021	103,000	40,107	38.9	1,459.80

Ref.: Shareholders' equity Fiscal year ended March 2022: 41,110 million yen Fiscal year ended March 2021: 40,107 million yen

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

*Cautionary statement regarding forecasts of operating results and special notes
(Caution regarding forward-looking statements)

Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For information about the forecasts, please see "1. Results of Operations (4) Future outlook" on page 5 of Supplementary Information.

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

We plan to hold an earnings briefing for institutional investors and analysts on Thursday, May 26, 2022. Supplementary materials for the earnings briefing will be posted on our website today (Thursday, May 12nd). We plan to post a video of the earnings briefing, together with the briefing materials used on that day, on our website on May 26th.

(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 consolidated fiscal period under review, conditions remained harsh for the Japanese and overseas economies due to a global supply shortage of semiconductors and other products, stalls in the international distribution network, and the resurgence of COVID-19 cases due to variants. However, economic activity recovered due to progress in vaccination campaigns and the relaxation of restrictions on movement, and there were signs of improvements in capital investment and manufacturing activity in the manufacturing industry overall as well as in personal spending.

In the electronics industry to which the Group belongs, demand for semiconductors and electronic parts expanded in a wide range of fields, including automotive, medical equipment and industrial equipment. Manufacturing could not keep up with the higher demand for some electronic parts, leading to ongoing supply shortages, and unit prices were also increased. However, demand remained robust on the back of a recovery in manufacturing activity.

In these conditions, the electronic components business, which is the Group's core business, addressed customer requests from various industries in advance, pursued sales activities that leveraged its strengths as an independent trading company, and gave the highest priority to securing sales volume. As a result, the Group's net sales in the fiscal year under review totaled 495,827 million yen, up 17.4% year on year.

In terms of income, the Company's continued efforts to facilitate telework and take other workstyle reform measures in the midst of the COVID-19 pandemic while also controlling operating costs, combined with an increase in gross profit due to higher net sales and an improved gross profit margin, led to an 82.4% year-on-year increase in operating income, to 20,915 million yen, and a 90.9% increase in ordinary income, to 21,456 million yen. Despite the absence of the 7,963 million yen "gain on bargain purchase" posted as extraordinary income following a corporate acquisition in the previous fiscal year, profit attributable to owners of parent increased 35.1% year on year, to 15,401 million yen, due to a significant increase in ordinary income.

Net sales reached the highest level in two fiscal years, since the fiscal year ended in March 2020, operating income and ordinary income reached record levels for the third straight year, and profit attributable to owners of parent did so for the second straight year

The Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. was applied from the beginning of the current fiscal year. This lowered net sales in the current fiscal year by 6,060million yen. For details, refer to "4. Consolidated Financial Statements and Major Notes (5) Notes to consolidated financial statements (Changes to accounting policies)."

	FY 2021/3	FY 2022/3	YoY	
	(April 1, 2020 – March 31, 2021)	(April 1, 2021 – March 31, 2022)	(Million yen)	
Net sales	(Million yen) 422,365	(Million yen) 495,827	73,462	17.4%
Gross profit (Margin)	47,936 11.3%	60,547 12.2%	12,610 0.9pt	26.3% –
SG&A	36,469	39,632	3,162	8.7%
Operating income	11,467	20,915	9,448	82.4%
Ordinary income	11,241	21,456	10,214	90.9%
Profit before income taxes	14,472	21,348	6,875	47.5%
Profit attributable to owners of parent	11,399	15,401	4,001	35.1%
EPS (yen)	415.07	576.46	161.39	–
ROE	13.5%	15.7%	2.2pt	–
Exchange Rate (Average rate during the year) USD (yen)	106.06	112.38	6.32	–

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, despite prolonged constraints on the supply of semiconductors and electronic parts, strong sales continued in the component sales business throughout the period as a result of previously capturing demand from customers in a wide range of industries. Furthermore, the Company leveraged the strength of its procurement capabilities and knowledge as an independent trading company to enable it to maintain widespread sales quantities, which also boosted revenue in this business. In addition, steady progress in PMI at acquired companies such as KAGA FEI Co., Ltd., and EXCEL Co., Ltd., contributed to profit growth in this business.

In the EMS business, the automotive, industrial equipment, and medical sectors in particular continued to see strong performance. Although lockdowns to combat the spread of COVID-19 and production line stoppages due to a shortage of electronic parts occurred at some plants, the Company endeavored to mitigate their impact by implementing thorough process control through close cooperation with customers' plants and other measures.

As a result, net sales rose 22.7% year on year to 433,852 million yen and segment income increased 122.1% year on year to 18,107 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 educational institutions and PC peripherals such as security software remained strong, but sales of PCs to corporations were sluggish due to the winding down of demand associated with the shift to remote work and the impact of product supply difficulties attributable to a shortage of electronic parts. In addition, the impact of difficulties in procuring equipment, products, and materials and delays to construction work resulting from late deliveries were also felt in the equipment installation business for LED lighting, network devices, and other, which led to disappointing results.

As a result, net sales decreased 18.1% year on year to 39,616 million yen and segment income decreased 16.0% year on year to 2,085 million yen.

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

In this business, demand for computer graphics production for smartphone games was solid on the back of stay-at-home demand during the pandemic, but profitability worsened due to an increase in development costs and other resulting from efforts to meet delivery deadlines.

As a result, net sales decreased 5.6% year on year to 2,767 million yen and segment loss was 26 million yen (segment income was 263 million yen in the same period of the previous year).

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

In this business, the PC and PC peripheral recycling business was strong, as demand for reused and recycled products increased amid continuing supply difficulties for PC products due to the shortage in electronic parts.

As a result, net sales increased 11.4% year on year to 19,590 million yen and segment income increased 32.0% year on year to 626 million yen.

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

< Financial Results by Business Segment >

		FY 2021/3	FY 2022/3	YoY	
		(April 1, 2020 – March 31, 2021)	(April 1, 2021 – March 31, 2022)	(Million yen)	
Electronic components	Net sales	(Million yen) 353,454	(Million yen) 433,852	(Million yen) 80,398	22.7%
	Segment income	8,151	18,107	9,956	122.1%
Information equipment	Net sales	48,389	39,616	(8,772)	(18.1%)
	Segment income	2,482	2,085	(396)	(16.0%)
Software	Net sales	2,932	2,767	(165)	(5.6%)
	Segment income	263	(26)	(290)	(110.1%)
Others	Net sales	17,589	19,590	2,000	11.4%
	Segment income	474	626	151	32.0%
Total	Net sales	422,365	495,827	73,462	17.4%
	Segment income	11,467	20,915	9,448	82.4%

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

<Reference>Financial results

① Financial highlights(3months)

	FY 2021/3 4Q (3months) (January 1, 2021 – March 31, 2021)	FY 2022/3 4Q (3months) (January 1, 2022 – March 31, 2022)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	128,099	143,143	15,043	11.7%
Gross profit (Margin)	14,289 11.2%	17,786 12.4%	3,496 1.2pt	24.5% –
SG&A	10,339	11,529	1,189	11.5%
Operating income	3,950	6,257	2,307	58.4%
Ordinary income	4,010	6,569	2,559	63.8%
Profit before income taxes	(370)	6,641	7,011	–
Profit attributable to owners of parent	(1,329)	4,986	6,315	–

② By segment

		FY 2021/3 4Q (3months) (January 1, 2021 – March 31, 2021)	FY 2022/3 4Q (3months) (January 1, 2022 – March 31, 2022)	YoY	
		(Million yen)	(Million yen)	(Million yen)	
Electronic Components	Net sales	106,750	122,440	15,690	14.7%
	Segment income	2,732	5,105	2,372	86.8%
Information Equipment	Net sales	14,451	13,315	(1,135)	(7.9%)
	Segment income	728	869	140	19.2%
Software	Net sales	927	926	(1)	(0.1%)
	Segment income	156	83	(73)	(46.9%)
Others	Net sales	5,969	6,460	490	8.2%
	Segment income	325	152	(172)	(53.0%)
Total	Net sales	128,099	143,143	15,043	11.7%
	Segment income	3,950	6,257	2,307	58.4%

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 March 31, 2022 increased by 35,135 million yen from the previous fiscal year-end to 272,139 million yen.

Current assets increased by 33,805 million yen compared to the end of the previous fiscal year, to 233,984 million yen. This was primarily due to a 16,503 million yen increase in merchandise and finished goods and a 7,072 million yen increase in raw materials and supplies.

Non-current assets increased by 1,329 million yen compared to the end of the previous fiscal year, to 38,155 million yen. This was primarily due to a 1,406 million yen increase in machinery, equipment, and vehicles.

Liabilities increased by 24,397 million yen compared to the end of the previous fiscal year, to 166,339 million yen. This was primarily due to a 13,028 million yen increase in loans payable and a 6,639 million yen increase in notes and accounts payable – trade.

Net assets increased by 10,737 million yen from March 31, 2021, to 105,800 million yen. This was primarily due to a 12,854 million yen increase in retained earnings due to 15,401 million yen in profit attributable to owners of parent.

(3) Cash flows

Cash and cash equivalents as of March 31, 2022 decreased 5,092 million yen from March 31, 2021 to 39,240 million yen.

(Operating activities)

Net cash used in operating activities was 1,554 million yen (9,999 million yen provided by the previous fiscal year) mainly due to an increase in inventory assets.

(Investing activities)

Net cash used in investing activities was 6,772 million yen (2,453 million yen used in the previous fiscal year) mainly due to purchase of property, plant and equipment.

(Financing activities)

Net cash provided by financing activities was 1,155 million yen (6,851 million yen used in the previous fiscal year) mainly due to the additional acquisition of shares in KAGA FEI Co., Ltd., the acquisition of treasury shares, and the payment of dividends, despite an increase in loans payable.

(4) Future outlook

In the fiscal year ending in March 2023, we expect economic activity in Japan and overseas to normalize due to the spread of vaccines in developed countries and regions such as the US and Europe and economic stimulus measures. However, we believe that the outlook will remain uncertain due to concerns about inflation stemming from a spike in the price of oil and other resources and Russia's prolonged conflict in Ukraine.

In the electronics industry to which the Group belongs, it will still take time for the tight global supply/demand conditions caused by turmoil in the supply chain for semiconductors and other products to ease, but in the medium to long term, we continue to maintain that demand for electronic components will increase. Specifically, in the ICT sector, we expect smartphone functions to become more advanced as 5G (fifth-generation wireless network technology) is introduced in earnest; also, the data center market will expand, and greater sophistication of IoT and AI will create new demand. In the automotive field, we expect electronic vehicles to be increasingly popular as an eco-friendly initiative and that advancements with CASE (Connected, Autonomous, Shared & Services, Electric) will result in the introduction of more electronic components and cyber technology to cars.

Based on these assumptions and in line with the basic policies of Medium-Term Management Plan 2024, which begins in the fiscal year ending on March 31, 2023, the Group will further reinforce profitability by focusing on markets in which high growth and profitability are expected while also actively utilizing venture investments and mergers and acquisitions to create new businesses and strengthen resilience against changes in the external environment. While pursuing further efficiency and soundness, we will strengthen the Group's management foundation while also pursuing SDGs management, aiming for a balance between solutions to social issues and sustainable growth as a company.

As a result of these factors, we expect net sales to total 510 billion yen, operating and ordinary income to amount to 21.2 billion yen, and profit attributable to owners of parent to be 14.5 billion yen in the fiscal year ending in March 2023.

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

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

For its year-end dividend for the fiscal year ended on March 31, 2022, the Company plans to pay an extraordinary dividend of 10 yen per share in addition to the 65 yen per share dividend (40 yen ordinary dividend + 25 yen extraordinary dividend) that we previously forecasted (May 9, 2022), in light of the aforementioned strong earnings in the fiscal year ended in March 2022, for a total of 75 yen per share. As a result, the annual dividend, including the interim dividend of 45 yen per share already paid in November of last year, will be 120 yen per share, which is an increase of 40 yen from the 80 yen per share in the previous fiscal year.

The Company will celebrate the 55th anniversary of its founding in September 2022. We would like to take this opportunity to thank our shareholders and other stakeholders for their generous support. To express our appreciation for the support we have received from all of our shareholders thus far, we will pay an interim dividend of 10 yen per share as a commemorative dividend in the fiscal year ending in March 2023. With the addition of this commemorative dividend, we plan to pay 150 yen per share (including an 80 yen interim dividend) in the next fiscal year.

2. Management policies, operating environment, and challenges to address

(1) Philosophy

- ① Corporate Philosophy: Everything we do is for our customers
- ② Vision: Aim to be “Japan’s No. 1 corporate group in the industry”
Aim to become a competitive “world-class company”
- ③ Action Guidelines: “F.Y.T. (Fight)” (Flexibility, Young at heart, Try)
“3G” (General, Global, Group)
“KAGA-ism” (Management mindset, sales mindset, and readiness as a member of society)

Since its founding, the Company has been expanding its business fields by responding to customers’ diverse needs under the corporate philosophy that “Everything we do is for our customers.” Starting with the sale of electronic parts and semiconductors leveraging its strengths as an independent trading company, the Company now provides a wide array of services both domestically and overseas as an electronics trading conglomerate, including its electronics manufacturing service (EMS) business specializing in high-mix, small-lot production, as well as planning, development, and engineering support for customers’ products; software and video production; network solutions; and system support.

At the same time, the Company’s business environment is changing at an accelerating pace, with reorganization and consolidation of semiconductor and device manufacturers as well as reviews to agency policies on the supplier side, along with the shifting of finished-product assembly overseas, demand changes and price fluctuations in both the domestic and overseas markets, and responses to global environment problems as exemplified by decarbonization on the customer side. The Company recognizes that competition in the electronics trading industry, where there are still numerous competing companies, will become even more intense in the future.

(2) Review of previous medium-term management plan

Against this backdrop, the Company is accelerating a growth strategy centered around promoting sales of electronic devices to major customers and expanding its EMS business mainly in overseas markets in order to achieve its medium- to long-term vision of becoming “Japan’s No. 1 corporate group in the industry” and a “world-class company.”

The consolidated fiscal year ended on March 31, 2022, was the final year of Medium-Term Management Plan 2021 (2019-2021), the Group’s three-year management plan that began in April 2019. Over the past three business years, the Company has worked on priority issues in line with the basic policies of that plan.

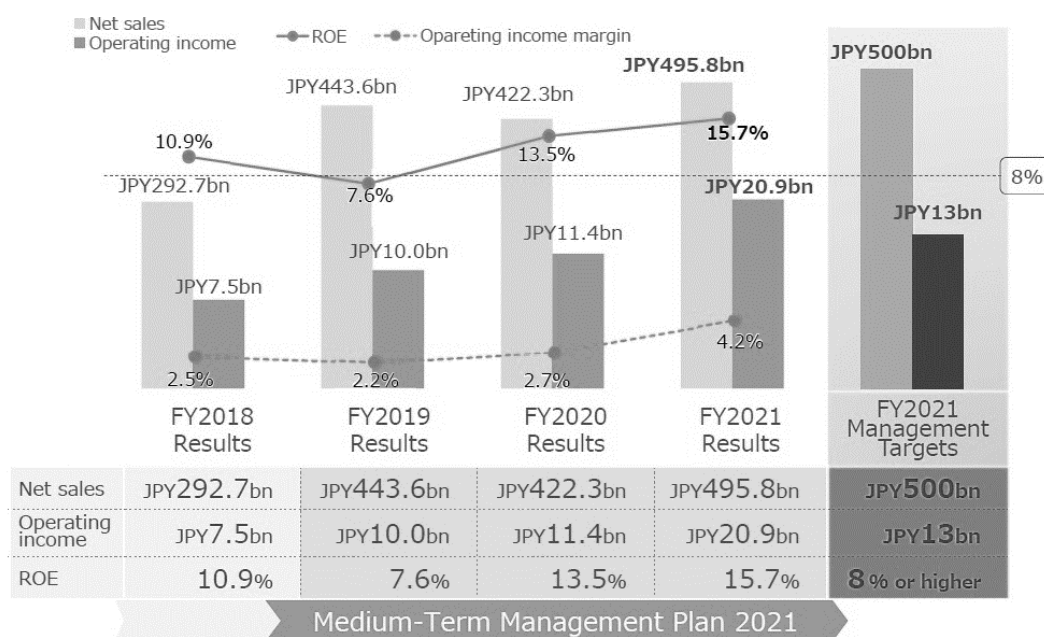
As major achievements, in terms of the first basic policy, “enhancement of revenue base,” the Company acquired KAGA FEI Co., Ltd. (“KAGA FEI”), and EXCEL Co., Ltd., as Group companies and worked to share and expand the products it handles and its customer base, thereby generating about 215 billion yen in net sales. In the EMS business, the Company also achieved sales growth of about 28 billion yen, mainly in the key automotive and medical markets.

In “stabilization of management base,” the Company worked to instill the concept of “profit-focused management” at KAGA FEI in order to improve its profit margin.

In “creation of new businesses,” the Company entered the mobility business, a business oriented toward the resolution of social issues, in areas such as disaster-safety helicopters and electric buses and also moved forward with preparations for entry into the medical device business.

As a result of these efforts, in terms of progress toward major KPIs, although net sales fell slightly short of the management target due to losses of major commercial rights at KAGA FEI, the Company succeeded in substantially surpassing the targets for operating income and ROE.

<Review of Medium-Term Management Plan 2021 : Management Targets



(3) New medium-term management plan

The Company formulated Medium-Term Management Plan 2024 in November 2021 to present the Group's path toward growth over the next three years. Under the new medium-term management plan, the Company will continue to thoroughly implement "profit-focused management" while carrying out measures in line with the following basic policies to achieve its vision of becoming "Japan's No. 1 corporate group in the industry" and "a competitive world-class company."

① Basic Policy

- 1) Further Reinforcement of Profitability
Predicting the era to focus on markets with potential for high growth and profitability
- 2) Reinforcement of Management Base
Pursuit of further efficiency and soundness, and transformation to a Group management foundation worthy of "Japan's No. 1 corporate group in the industry"
- 3) Creation of New Businesses
Active use of venture investments and M&As to create new businesses and strengthen resistance to change in the external environment
- 4) Promotion of SDGs Management
Promotion of management that seeks to achieve solutions to social issues and sustainable growth as a company

② Management targets

For the initiatives described above, the Company has set the following management targets to be achieved by the fiscal year ending on March 31, 2025, which will be the final year of the new medium-term management plan.

- 1) Net sales: 750 billion yen In addition to 600 billion yen in organic growth, the Company will aim to generate 150 billion yen through measures such as new mergers and acquisitions.
- 2) Operating income: 20 billion yen ... Although profit levels currently already exceed the medium-term target due in part to special factors, the Company will review this target appropriately in line with actual conditions after assessing progress in the first half.
- 3) ROE: 8.5% or higher Keeping shareholders' equity costs (approximately 7-8%) in mind, the Company will aim to maintain a stable level of 8.5% or higher.

3. Basic Approach to the Selection of Accounting Standards

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

4. Consolidated Financial Statements and Major Notes

(1) Consolidated balance sheet

(Million yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3 (As of March 31, 2022)
ASSETS		
Current assets		
Cash and deposits	45,636	41,051
Notes and accounts receivable - trade	103,773	–
Notes receivable – trade	–	1,449
Electronically recorded monetary claims - operating	4,621	9,258
Accounts receivable – trade	–	110,240
Securities	302	264
Merchandise and finished goods	29,727	46,230
Work in process	1,280	2,363
Raw materials and supplies	6,940	14,013
Other	9,921	9,388
Allowance for doubtful accounts	(2,024)	(275)
Total current assets	200,179	233,984
Non-current assets		
Property, plant and equipment		
Buildings and structures	14,327	15,033
Accumulated depreciation	(7,305)	(8,108)
Buildings and structures, net	7,021	6,925
Machinery, equipment and vehicles	11,496	14,181
Accumulated depreciation	(6,853)	(8,132)
Machinery, equipment and vehicles, net	4,642	6,048
Tools, furniture and fixtures	5,632	5,697
Accumulated depreciation	(4,254)	(4,667)
Tools, furniture and fixtures, net	1,378	1,030
Land	5,074	5,074
Construction in progress	107	313
Total property, plant and equipment	18,225	19,393
Intangible assets		
Goodwill	209	98
Software	2,338	3,021
Other	62	42
Total intangible assets	2,609	3,163
Investments and other assets		
Investment securities	10,771	10,313
Deferred tax assets	2,252	2,189
Guarantee deposits	931	1,068
Insurance funds	910	915
Other	1,629	3,466
Allowance for doubtful accounts	(504)	(2,355)
Total investments and other assets	15,990	15,598
Total non-current assets	36,825	38,155
Total assets	237,004	272,139

(Million yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3 (As of March 31, 2022)
LIABILITIES		
Current liabilities		
Notes and accounts payable - trade	79,854	86,493
Short-term loans payable	10,800	23,858
Accrued expenses	5,957	7,138
Income taxes payable	2,136	2,834
Provision for directors' bonuses	126	301
Other	9,642	12,291
Total current liabilities	108,517	132,918
Non-current liabilities		
Long-term loans payable	25,166	25,136
Deferred tax liabilities	1,685	2,046
Provision for directors' retirement benefits	106	123
Net defined benefit liability	2,272	2,095
Asset retirement obligations	343	572
Other	3,850	3,446
Total non-current liabilities	33,424	33,421
Total liabilities	141,942	166,339
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,327	14,818
Retained earnings	64,568	77,423
Treasury shares	(1,984)	(5,643)
Total shareholders' equity	89,045	98,732
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,378	1,299
Deferred gains or losses on hedges	50	(2)
Foreign currency translation adjustment	470	5,439
Remeasurements of defined benefit plans	21	210
Total accumulated other comprehensive income	1,921	6,948
Non-controlling interests	4,095	120
Total net assets	95,062	105,800
Total liabilities and net assets	237,004	272,139

(2) Consolidated statements of income and comprehensive income

(Million yen)

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Net sales	422,365	495,827
Cost of sales	374,428	435,280
Gross profit	47,936	60,547
Selling, general, and administrative expenses	36,469	39,632
Operating income	11,467	20,915
Non-operating income		
Interest income	135	135
Dividends income	197	195
Commission fee	168	183
Foreign exchange gain	–	252
House rent income	116	104
Other	539	572
Total non-operating income	1,158	1,443
Non-operating expenses		
Interest expenses	317	315
Loss from equity method investments	627	472
Foreign exchange losses	359	–
Other	80	114
Total non-operating expenses	1,384	902
Ordinary income	11,241	21,456
Extraordinary income		
Gain on sales of non-current assets	2	15
Gain on sales of investment securities	128	363
Gain on bargain purchase	7,963	–
Gain on transfer of business	7	7
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	–	176
Other	20	34
Total extraordinary income	8,122	596
Extraordinary loss		
Impairment loss	1,893	93
Loss on retirement of non-current assets	101	13
Loss on sales of investment securities	36	2
Loss on valuation of investment securities	525	260
Loss on liquidation of subsidiaries and associates	–	175
Extra retirement payments	24	–
Provision of allowance for doubtful accounts	1,750	129
Estimated losses associated with fund leakage incident that involved our American subsidiary	480	–
Other	78	29
Total extraordinary loss	4,892	705
Profit before income taxes	14,472	21,348
Income taxes - current	3,207	5,071
Income taxes - deferred	(51)	606
Total income taxes	3,156	5,678
Profit	11,315	15,669
Profit attributable to owners of parent	11,399	15,401
Profit (loss) attributable to non-controlling interests	(84)	268

(Million yen)

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Other comprehensive income		
Valuation difference on available-for-sale securities	1,376	(78)
Deferred gains or losses on hedges	22	(52)
Foreign currency translation adjustment	1,218	4,922
Remeasurements of defined benefit plans, net of tax	138	188
Share of other comprehensive income of entities accounted for using equity method	42	95
Total other comprehensive income	2,799	5,075
Comprehensive income	14,114	20,745
Comprehensive income attributable to owners of parent	14,101	20,428
Comprehensive income attributable to non-controlling interests	13	316

(3) Consolidated statement of changes in equity

For the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	13,878	55,091	(2,005)	79,097
Changes of items during period					
Dividends of surplus			(1,922)		(1,922)
Profit attributable to owners of parent			11,399		11,399
Purchase of treasury shares				(1)	(1)
Disposal of treasury shares		8		22	31
Change in ownership interest of parent due to transactions with non-controlling interests		441			441
Net changes of items other than shareholders' equity					
Total changes of items during period	–	449	9,477	21	9,948
Balance at the end of current period	12,133	14,327	64,568	(1,984)	89,045

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	0	28	(707)	(133)	(812)	7,965	86,250
Changes of items during period							
Dividends of surplus							(1,922)
Profit attributable to owners of parent							11,399
Purchase of treasury shares							(1)
Disposal of treasury shares							31
Change in ownership interest of parent due to transactions with non-controlling interests							441
Net changes of items other than shareholders' equity	1,378	22	1,178	154	2,733	(3,869)	(1,135)
Total changes of items during period	1,378	22	1,178	154	2,733	(3,869)	8,812
Balance at the end of current period	1,378	50	470	21	1,921	4,095	95,062

For the fiscal year ended March 2022 (April 1, 2021 – March 31, 2022)

(Million yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of current period	12,133	14,327	64,568	(1,984)	89,045
Cumulative effects of changes in accounting policies			7		7
Restated balance	12,133	14,327	64,576	(1,984)	89,053
Changes of items during period					
Dividends of surplus			(2,554)		(2,554)
Profit attributable to owners of parent			15,401		15,401
Purchase of treasury shares				(3,681)	(3,681)
Disposal of treasury shares		8		22	30
Change in ownership interest of parent due to transactions with non-controlling interests		481			481
Net changes of items other than shareholders' equity					
Total changes of items during period	–	490	12,847	(3,658)	9,678
Balance at the end of current period	12,133	14,818	77,423	(5,643)	98,732

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at the beginning of current period	1,378	50	470	21	1,921	4,095	95,062
Cumulative effects of changes in accounting policies						1	8
Restated balance	1,378	50	470	21	1,921	4,096	95,071
Changes of items during period							
Dividends of surplus							(2,554)
Profit attributable to owners of parent							15,401
Purchase of treasury shares							(3,681)
Disposal of treasury shares							30
Change in ownership interest of parent due to transactions with non-controlling interests							481
Net changes of items other than shareholders' equity	(79)	(53)	4,969	189	5,026	(3,976)	1,050
Total changes of items during period	(79)	(53)	4,969	189	5,026	(3,976)	10,728
Balance at the end of current period	1,299	(2)	5,439	210	6,948	120	105,800

(4) Consolidated statement of cash flows

(Million yen)

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Cash flows from operating activities		
Profit before income taxes	14,472	21,348
Depreciation	3,167	3,738
Impairment loss	1,893	93
Amortization of goodwill	114	110
Increase (decrease) in net defined benefit liability	(5)	16
Increase (decrease) in provision for directors' retirement benefits	11	16
Increase (decrease) in provision for directors' bonuses	25	175
Increase (decrease) in allowance for doubtful accounts	1,607	92
Interest and dividend income	(413)	(403)
Interest expenses	317	315
Share of (profit) loss of entities accounted for using equity method	627	472
Loss (gain) on sales of property, plant and equipment	(0)	(14)
Loss on retirement of non-current assets	101	13
Loss (gain) on sales of investment securities	(92)	(360)
Loss (gain) on valuation of investment securities	525	260
Gain on bargain purchase	(7,963)	–
Reversal of estimated losses associated with fund leakage incident that involved our American subsidiary	–	(187)
Estimated losses associated with fund leakage incident that involved our American subsidiary	480	–
Decrease (increase) in notes and accounts receivable - trade	(4,303)	(7,889)
Decrease (increase) in inventories	2,997	(22,088)
Increase (decrease) in notes and accounts payable - trade	1,495	2,451
Decrease (increase) in accounts receivable - other	842	583
Increase (decrease) in accrued expenses	(162)	887
Decrease (increase) in advance payments	(349)	1,349
Decrease (increase) in consumption taxes refund receivable	(164)	(822)
Decrease (increase) in other current assets	(397)	(264)
Increase (decrease) in other current liabilities	(1,206)	2,030
Other, net	130	797
Subtotal	13,754	2,723
Interest and dividend income received	342	124
Interest expenses paid	(322)	(315)
Income taxes paid	(3,295)	(4,263)
Fund leakage incident that involved our American subsidiary	(480)	–
Other, net	–	175
Net cash provided by (used in) operating activities	9,999	(1,554)

(Million yen)

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Cash flows from investing activities		
Payments into time deposits	(905)	(856)
Proceeds from withdrawal of time deposits	753	474
Purchase of property, plant and equipment	(2,514)	(3,276)
Proceeds from sales of property, plant and equipment	28	32
Purchase of intangible assets	(1,059)	(1,377)
Purchase of investment securities	(1,688)	(1,085)
Proceeds from sales of investment securities	723	834
Purchase from purchase of shares of subsidiaries resulting in change in scope of consolidation	(351)	–
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	2,707	–
Payments of short-term loans receivable	–	(388)
Collection of short-term loans receivable	0	–
Long-term loan advances	(166)	(1,180)
Purchase of insurance funds	(11)	(4)
Proceeds from cancellation of insurance funds	58	–
Payments for guarantee deposits	(77)	(28)
Proceeds from collection of guarantee deposits	63	65
Other payments	(100)	(174)
Other proceeds	87	194
Net cash provided by (used in) investing activities	(2,453)	(6,772)
Cash flows from financing activities		
Increase (decrease) in short-term loans payable	(4,608)	7,636
Proceeds from long-term borrowings	5,000	5,000
Repayments of long-term loans payable	(1,279)	(668)
Purchase of treasury shares	(1)	(3,681)
Cash dividends paid	(1,922)	(2,551)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(3,441)	(3,811)
Other, net	(597)	(767)
Net cash provided by (used in) financing activities	(6,851)	1,155
Effect of exchange rate change on cash and cash equivalents	945	2,079
Net increase (decrease) in cash and cash equivalents	1,639	(5,092)
Cash and cash equivalents at beginning of period	42,693	44,333
Cash and cash equivalents at end of period	44,333	39,240

(5) Notes to consolidated financial statements

(Notes to going concern assumptions)

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 consolidated fiscal year ended on March 31, 2022, and it recognizes revenue as the amount expected to be received in exchange for goods or services when control over the promised goods or 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 has been applied to periods prior to the beginning of the consolidated fiscal year ended on March 31, 2022, was added to or subtracted from the balance of retained earnings at the beginning of the consolidated fiscal year ended on March 31, 2022, and thus the new accounting policy was applied from this 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 recognition of nearly all the revenue amounts for periods prior to the beginning of the consolidated fiscal year ended on March 31, 2022, were subject to the previous treatment.

Furthermore, "Notes and accounts receivable – trade," which was listed under "Current assets" in the consolidated balance sheet for the previous consolidated fiscal year, has been included under "Notes receivable – trade" and "Accounts receivable – trade" starting from the consolidated fiscal year ended on March 31, 2022. However, subject to the transitional treatment provided for in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, statements for the previous fiscal year were not reclassified according to the new format.

As a result, compared to the previous method, in the consolidated fiscal year ended on March 31, 2022, net sales decreased by 6,060 million yen, and the impact on operating income, ordinary income, and profit before income taxes was minimal. The impact of retained earnings on the balance at the beginning of the period was also minimal.

The impact on per-share information is described in the corresponding section.

(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 March 31, 2022 and do not include significant changes from the financial statement for the previous consolidated fiscal year.

(Segment information, etc.)

a. Segment information

1. Description of reportable segments

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

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

For the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(Million yen)

	Reporting segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	353,454	48,389	2,932	17,589	422,365	–	422,365
Inter-segment sales or transfers	3,022	4,251	1,178	4,714	13,166	(13,166)	–
Total	356,476	52,640	4,111	22,303	435,532	(13,166)	422,365
Segment income	8,151	2,482	263	474	11,371	95	11,467
Segment assets	215,323	18,368	2,076	11,142	246,911	(9,906)	237,004
Others							
Depreciation	2,273	51	56	156	2,537	(7)	2,530
Increase in property, plant and equipment and intangible assets	3,139	281	93	183	3,698	(124)	3,574

For the fiscal year ended March 2022 (April 1, 2021 – March 31, 2022)

(Million yen)

	Reporting segments					Adjustment *1	Consolidated *2
	Electronic components	Information equipment	Software	Others	Total		
Net sales:							
Sales to external customers	433,852	39,616	2,767	19,590	495,827	–	495,827
Inter-segment sales or transfers	2,733	5,402	855	6,265	15,257	(15,257)	–
Total	436,586	45,019	3,623	25,855	511,085	(15,257)	495,827
Segment income	18,107	2,085	(26)	626	20,792	122	20,915
Segment assets	250,460	20,435	1,612	11,707	284,214	(12,074)	272,139
Others							
Depreciation	2,237	54	53	136	2,481	(10)	2,471
Increase in property, plant and equipment and intangible assets	4,362	121	24	146	4,654	–	4,654

Note: 1. The adjustment is as follows:

(1) Segment income

(Million yen)

	Fiscal year ended March 2021	Fiscal year ended March 2022
Elimination of inter-segment	95	122
Amortization of goodwill	–	–
Total	95	122

(2) Segment assets

(Million yen)

	Fiscal year ended March 2021	Fiscal year ended March 2022
Elimination of inter-segment	(12,168)	(14,176)
Corporate *	2,261	2,101
Total	(9,906)	(12,074)

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

(3) Depreciation

(Million yen)

	Fiscal year ended March 2021	Fiscal year ended March 2022
Elimination of inter-segment	(7)	(10)
Total	(7)	(10)

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

(Million yen)

	Fiscal year ended March 2021	Fiscal year ended March 2022
Elimination of inter-segment	(124)	–
Total	(124)	–

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

b. Associated information

For the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	Asia	Total
240,240	22,698	13,622	145,804	422,365

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

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

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

(1) North America: United States, and Mexico

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

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

For the fiscal year ended March 2022 (April 1, 2021 – March 31, 2022)

Geographic information

Net sales

(Million yen)

Japan	North America	Europe	Asia	Total
263,415	34,101	16,874	181,436	495,827

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

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

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

(1) North America: United States, and Mexico

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

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

(Per-share information)

(Yen)

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Net assets per share	3,311.24	4,026.22
Earnings per share	415.07	576.46

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

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

	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2020/3 (April 1, 2021 – March 31, 2022)
Earnings per share		
Profit attributable to owners of parent (million yen)	11,399	15,401
Profit not attributable to common shareholders (million yen)	–	–
Profit attributable to owners of parent allocated to common stock (million yen)	11,399	15,401
Average number of common stock outstanding during the fiscal year	27,465,021	26,717,972

3. As described under "(Changes to accounting policies)," the Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020), etc. effective from the beginning of the consolidated fiscal year ended on March 31, 2022, subject to the transitional treatment provided for in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. As a result, the impact on earnings per share in the consolidated fiscal year ended on March 31, 2022, was minimal.

(Subsequent events)

Not applicable

5. Non-consolidated Financial Statements

(1) Balance sheet

	(Million yen)	
	FY 2021/3 (As of March 31, 2021)	FY 2022/3 (As of March 31, 2022)
ASSETS		
Current assets		
Cash and deposits	8,846	10,669
Notes receivable - trade	989	412
Electronically recorded monetary claims - operating	2,820	4,300
Accounts receivable - trade	25,033	25,028
Securities	302	264
Merchandise	3,421	9,688
Work in process	4	17
Supplies	2	2
Advance payments - trade	2,033	460
Prepaid expenses	194	280
Short-term loans receivable from subsidiaries and associates	11,180	11,050
Accounts receivable - other	4,287	5,414
Other	1,241	1,650
Allowance for doubtful accounts	(5,706)	(4,760)
Total current assets	54,651	64,479
Non-current assets		
Property, plant and equipment		
Buildings	2,109	2,010
Structures	19	17
Machinery and equipment	148	102
Vehicles	0	95
Tools, furniture and fixtures	190	139
Land	3,292	3,292
Lease assets	45	50
Total property, plant and equipment	5,807	5,707
Intangible assets		
Trademark right	3	5
Software	1,289	2,266
Other	5	5
Total intangible assets	1,299	2,277
Investments and other assets		
Investment securities	8,718	8,701
Shares of subsidiaries and associates	29,416	32,776
Investments in capital	24	10
Investments in capital of subsidiaries and associates	14	14
Long-term loans receivable from subsidiaries and associates	1,131	1,096
Claims provable in bankruptcy, claims provable in rehabilitation and other	110	1,875
Long-term prepaid expenses	400	300
Deferred tax assets	35	252
Other	1,627	1,526
Allowance for doubtful accounts	(233)	(1,910)
Allowance for investment loss	(2)	(1)
Total investments and other assets	41,243	44,644
Total non-current assets	48,349	52,630
Total assets	103,000	117,109

(Million yen)

	FY 2021/3 (As of March 31, 2021)	FY 2022/3 (As of March 31, 2022)
LIABILITIES		
Current liabilities		
Notes payable - trade	1,007	1,736
Accounts payable - trade	13,319	14,629
Short-term loans payable	7,598	13,640
Short-term loans payable to subsidiaries and associates	7,483	6,174
Current portion of long-term loans payable	668	5,036
Lease obligations	71	67
Accounts payable - other	1,070	1,726
Accrued expenses	1,301	1,662
Income taxes payable	918	1,602
Advances received	1,519	1,767
Deposits received	76	198
Provision for directors' bonuses	100	250
Other	140	115
Total current liabilities	35,275	48,608
Non-current liabilities		
Long-term loans payable	25,166	25,136
Lease obligations	200	159
Provision for retirement benefits	201	181
Asset retirement obligations	105	107
Other	1,944	1,805
Total non-current liabilities	27,618	27,391
Total liabilities	62,893	75,999
NET ASSETS		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus		
Legal capital surplus	13,912	13,912
Other capital surplus	33	41
Total capital surplus	13,945	13,954
Retained earnings		
Legal retained earnings	618	618
Other retained earnings		
General reserve	7,000	7,000
Retained earnings brought forward	7,286	11,940
Total retained earnings	14,905	19,559
Treasury shares	(1,979)	(5,638)
Total shareholders' equity	39,004	40,008
Valuation and translation adjustments		
Valuation differences on available-for-sale securities	1,088	1,109
Deferred gains or losses on hedges	13	(7)
Total valuation and translation adjustments	1,102	1,102
Total net assets	40,107	41,110
Total liabilities and net assets	103,000	117,109

(2) Statement of income

	(Million yen)	
	FY 2021/3 (April 1, 2020 – March 31, 2021)	FY 2022/3 (April 1, 2021 – March 31, 2022)
Net sales	80,628	103,074
Cost of sales	70,616	90,211
Gross profit	10,012	12,863
Selling, general and administrative expenses	8,245	9,170
Operating income	1,766	3,692
Non-operating income		
Interest income	55	73
Dividend income	4,382	5,598
Other	384	512
Total non-operating income	4,822	6,185
Non-operating expenses		
Interest expenses	169	207
Loss on investments in partnership	4	11
Depreciation of assets for rent	11	14
Foreign exchange losses	19	127
Other	33	62
Total non-operating expenses	237	423
Ordinary income	6,351	9,454
Extraordinary income		
Gain on sales of investment securities	128	344
Gain on sale of shares of subsidiaries	104	–
Gain on liquidation of subsidiaries and associates	–	293
Gain on transfer of business	150	–
Other	0	3
Total extraordinary income	383	640
Extraordinary losses		
Loss on sales of investment securities	36	2
Loss on valuation of investment securities	525	260
Loss on sale of shares of subsidiaries and associates	–	472
Loss on valuation of shares of subsidiaries and associates	1,921	54
Provision of allowance for doubtful accounts	3,926	873
Provision of allowance for investment loss	0	–
Other	1	7
Total extraordinary losses	6,412	1,672
Profit before income taxes	323	8,422
Income taxes - current	711	1,225
Income taxes - deferred	232	(11)
Total income taxes	944	1,214
Profit(loss)	(621)	7,208

(3) Statement of changes in equity

For the fiscal year ended March 2021 (April 1, 2020 – March 31, 2021)

(Million yen)

	Shareholders' equity							Total retained earnings
	Capital stock	Capital surplus			Retained earnings		Other retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	General reserve		
Balance at the beginning of current period	12,133	13,912	24	13,937	618	7,000	9,830	17,449
Changes of items during period								
Dividends of surplus							(1,922)	(1,922)
Profit(loss)							(621)	(621)
Purchase of treasury shares								
Disposal of treasury shares			8	8				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	8	8	-	-	(2,543)	(2,543)
Balance at the end of current period	12,133	13,912	33	13,945	618	7,000	7,286	14,905

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(2,000)	41,519	(63)	24	(39)	41,480
Changes of items during period						
Dividends of surplus		(1,922)				(1,922)
Profit(loss)		(621)				(621)
Purchase of treasury shares	(1)	(1)				(1)
Disposal of treasury shares	22	31				31
Net changes of items other than shareholders' equity			1,151	(10)	1,141	1,141
Total changes of items during period	21	(2,514)	1,151	(10)	1,141	(1,373)
Balance at the end of current period	(1,979)	39,004	1,088	13	1,102	40,107

For the fiscal year ended March 2022 (April 1, 2021 – March 31, 2022)

(Million yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			Total retained earnings
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings		
					General reserve	Retained earnings brought forward		
Balance at the beginning of current period	12,133	13,912	33	13,945	618	7,000	7,286	14,905
Changes of items during period								
Dividends of surplus							(2,554)	(2,554)
Profit(loss)							7,208	7,208
Purchase of treasury shares								
Disposal of treasury shares			8	8				
Net changes of items other than shareholders' equity								
Total changes of items during period	-	-	8	8	-	-	4,653	4,653
Balance at the end of current period	12,133	13,912	41	13,954	618	7,000	11,940	19,559

	Shareholders' equity		Valuation and translation adjustments			Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference or available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	
Balance at the beginning of current period	(1,979)	39,004	1,088	13	1,102	40,107
Changes of items during period						
Dividends of surplus		(2,554)				(2,554)
Profit(loss)		7,208				7,208
Purchase of treasury shares	(3,681)	(3,681)				(3,681)
Disposal of treasury shares	22	30				30
Net changes of items other than shareholders' equity			21	(21)	(0)	(0)
Total changes of items during period	(3,658)	1,003	21	(21)	(0)	1,003
Balance at the end of current period	(5,638)	40,008	1,109	(7)	1,102	41,110