

August 4, 2022

## Summary of Consolidated Financial Results for the First Quarter Ended June 30, 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  
 Representative: Title: Representative Director, Name: Ryoichi Kado  
 President & COO  
 Contact Person: Title: Director, Managing Executive Officer Name: Eiji Kawamura  
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 Date of filing of quarterly securities report (tentative): August 15, 2022  
 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 2023 (April 1, 2022 – June 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 quarter ended June 2022	149,302	40.9	9,820	120.6	9,858	115.9	6,984	143.2
First quarter ended June 2021	105,949	25.9	4,452	168.8	4,566	197.8	2,872	(66.6)

Note: Comprehensive income: 1Q of FY2023/3: 11,314 million yen [234.4%] 1Q of FY2022/3: 3,383million yen[ (63.0%)]

	Earnings per share	Earnings per share (diluted)
	Yen	Yen
First quarter ended June 2022	266.10	-
First quarter ended June 2021	104.55	-

(2) Financial Position (Consolidated)

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of June 30, 2022	286,756	115,119	40.1
As of March 31, 2022	272,139	105,800	38.8

Reference: Shareholders' equity : As of June 30, 2022: 115,008 million yen As of March 31, 2022: 105,680million 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	-	-	-	-	-
Fiscal year ending March 2023 (Forecast)	-	70.00	-	80.00	150.00

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

Breakdown of interim dividend for FY3/22: Ordinary dividend: 40.00 yen; Extraordinary dividend: 5.00 yen

Breakdown of year-end dividend for FY3/22: Ordinary dividend: 40.00 yen; Extraordinary dividend: 35.00 yen

Breakdown of year-end dividend for FY3/23 (Forecast): Ordinary dividend: 70.00 yen; 55<sup>th</sup> 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	540,000	8.9	24,000	14.7	24,500	14.2	16,000	3.9	609.58

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

With respect to the revision of consolidated performance forecast, please refer to "Notice Regarding Upward Revision to Earnings Forecast" announced today (August 4, 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 (3) Notes to quarterly consolidated financial statements (Changes in accounting policies)" on page 9.

(4) Number of shares outstanding (common stock)

(a) Shares outstanding (including treasury shares)

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

(b) Treasury shares

As of June 30, 2022: 2,454,375 As of March 31, 2022 2,454,162

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

Period ended June 30, 2022: 26,247,868 Period ended June 30, 2021: 27,472,177

\* 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)

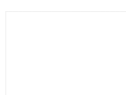
Forward-looking statements in these materials are based on information available to management at the time this report was prepared and assumptions that management believes are reasonable. Actual results may differ significantly from these statements for a number of reasons. For conditions as assumption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

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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, uncertainties continued to prevail in the overseas economy, due to the prolonged situation in Ukraine, the impact of lockdowns in China under its zero-COVID policy, and concerns about an acceleration of inflation triggered by the surge in prices of oil and other resources. Meanwhile, in Japan, personal consumption followed a recovery trend with the progressive easing of restrictions on economic activity as the number of COVID-19 cases continued to decline. Corporate earnings also showed signs of improvement, notably in the manufacturing industry.

In the electronics industry to which the Group belongs, business was affected by global supply shortages and extended lead times of certain semiconductors and electronic components, but demand remained robust in a broad range of areas, led by automotive- and industrial equipment-related applications.

As a result of these factors, net sales in the first quarter of the consolidated fiscal year rose 40.9% year on year to 149,302 million yen. This growth was driven by the electronic components business, which is the Group's core business. Operating income increased by 120.6% year on year to 9,820 million yen, due to a significant increase in gross profit resulting from higher net sales and improved gross profit margin. Ordinary income increased by 115.9% year on year to 9,858 million yen, and profit attributable to owners of parent increased by 143.2% year on year to 6,984 million yen. All metrics from net sales to ordinary income for the quarter achieved record highs for a consolidated first quarter.

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<sup>(note)</sup> 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. In this first quarter of the first fiscal year of the new Medium-Term Management Plan, the Company was able to make a good start.

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

	FY 2022/3 1Q (April 1, 2021 – June 30, 2021)	FY 2023/3 1Q (April 1, 2022 – June 30, 2022)	YoY	
	(Million yen)	(Million yen)	(Million yen)	
Net sales	105,949	149,302	43,352	40.9%
Gross profit	13,550	19,838	6,287	46.4%
(Margin)	12.8%	13.3%	0.5pt	–
SG&A	9,098	10,018	919	10.1%
Operating income	4,452	9,820	5,367	120.6%
Ordinary income	4,566	9,858	5,292	115.9%
Profit before income taxes	4,129	9,982	5,853	141.7%
Profit attributable to owners of parent	2,872	6,984	4,112	143.2%
Exchange Rate (Average rate during the year period) USD	109.49yen	129.57yen	20.08yen	–

Business segment performance was as follows.

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

In this business, the components sales business achieved a significant increase in sales through early efforts to capture the requests of customers from a broad range of industries. While faced with prolonged supply constraints of certain semiconductors and electronic components which are continuing from the previous fiscal year, ongoing efforts were made to secure sales volume using the Company's strength in procurement capabilities and knowledge as an independent trading company. In addition, steady progress in PMI(Post Merger Integration) at acquired companies such as KAGA FEI Co., Ltd. and EXCEL Co., Ltd. contributed to profit growth in this business. In the EMS business, demand notably in automotive and medical equipment applications remained solid. In Shanghai, China, lockdowns had an impact, but it could be minimized without having to halt operations by making supply and sales channels mutually available to Group companies in China and implementing thorough process control.

As a result, net sales increased by 47.3% year on year to 133,477 million yen, and segment income increased by 143.7% year on year to 9,018 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, while sales of PC peripherals such as security software remained strong. In the LED installation business, large-scale work which had been delayed due to a shortage of materials resumed and contributed to profit in this business.

As a result, net sales increased by 4.8% year on year to 11,147 million yen, and segment income decreased by 0.6% year on year to 564 million yen.

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

In this business, games development, computer graphics production and other efforts were made to obtain new orders. The situation, however, remained challenging.

As a result, net sales decreased by 12.3% year on year to 498 million yen, and segment loss of 33 million yen was recorded (67 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 as demand for reused and recycled products increased amid continuing supply difficulties of items such as PC products caused by the shortage of electronic components. 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 1.4% year on year to 4,178 million yen, and segment income increased by 14.7% year on year to 249 million yen.

#### Financial Results by Business Segment

		FY 2022/3 1Q	FY 2023/3 1Q	YoY	
		(April 1, 2021 – June 30, 2021)	(April 1, 2022 – June 30, 2022)	(Million yen)	
Electronic components	Net sales	90,624	133,477	42,853	47.3%
	Segment income	3,699	9,018	5,318	143.7%
Information equipment	Net sales	10,636	11,147	511	4.8%
	Segment income	568	564	(3)	(0.6%)
Software	Net sales	568	498	(69)	(12.3%)
	Segment income	(67)	(33)	33	–
Others	Net sales	4,120	4,178	57	1.4%
	Segment income	217	249	31	14.7%
Total	Net sales	105,949	149,302	43,352	40.9%
	Segment income	4,452	9,820	5,367	120.6%

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, 2022 increased by 14,616 million yen from March 31, 2022, to 286,756 million yen.

Current assets increased by 14,742 million yen compared with the end of the previous fiscal year, to 248,727 million yen. This was primarily due to a 6,855 million yen increase in merchandise and finished goods and a 5,133 million yen increase in accounts receivable – trade.

Non-current assets decreased by 126 million yen from March 31, 2022, to 38,028 million yen.

Liabilities increased by 5,297 million yen from March 31, 2022, to 171,637 million yen. This is primarily due to increases of 3,993 million yen in notes and accounts payable - trade, and 4,026 million yen in short-term loans payable.

Net assets increased by 9,319 million yen from March 31, 2022, to 115,119 million yen. This is primarily the result of recording 6,984 million yen of profit attributable to owners of the parent.

(3) Qualitative information on consolidated earnings forecast

Regarding the full-year earnings forecast for the fiscal year ending March 31, 2023, a revision has been made to the earnings forecasts announced on May 12, 2022, as presented below. The revision only factors in the earnings trend in the first quarter under review given the uncertainties in the outlook, due to future trends in supply and demand of semiconductors and other electronic components, the COVID-19 situation, the situation in Ukraine, and exchange rate fluctuations. Forecasts for the second quarter and beyond are unchanged from the initial forecasts.

For details, please refer to “Notice Regarding Upward Revision to Earnings Forecast” released today (August 4, 2022).

	Results	Previous	Current	Difference from	
	FY2022/3	Forecasts	Forecasts	Previous Forecasts	
	(Million yen)	(Million yen)	(Million yen)	(Million yen)	
Net Sales	495,827	510,000	540,000	30,000	5.9%
Operating Income	20,915	21,200	24,000	2,800	13.2%
Ordinary Income	21,456	21,200	24,500	3,300	15.6%
Profit attributable to owners of parent	15,401	14,500	16,000	1,500	10.3%
R O E	15.7%	13.0%	14.0%	1.0pt	–

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 2022 (As of March 31, 2022)	First quarter ended June 2022 (As of June 30, 2022)
<b>ASSETS</b>		
Current assets		
Cash and deposits	41,051	42,317
Notes receivable – trade	1,449	2,070
Electronically recorded monetary claims - operating	9,258	8,249
Accounts receivable – trade	110,240	115,374
Securities	264	265
Merchandise and finished goods	46,230	53,086
Work in process	2,363	2,733
Raw materials and supplies	14,013	15,218
Other	9,388	9,521
Allowance for doubtful accounts	(275)	(110)
Total current assets	233,984	248,727
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	6,925	6,857
Machinery, equipment and vehicles, net	6,048	6,638
Tools, furniture and fixtures, net	1,030	1,079
Land	5,074	5,074
Construction in progress	313	498
Total property, plant and equipment	19,393	20,148
Intangible assets		
Goodwill	98	72
Software	3,021	2,963
Other	42	38
Total intangible assets	3,163	3,075
Investments and other assets		
Investment securities	10,313	10,384
Deferred tax assets	2,189	1,383
Guarantee deposits	1,068	1,061
Insurance funds	915	916
Other	3,466	3,448
Allowance for doubtful accounts	(2,355)	(2,390)
Total investments and other assets	15,598	14,804
Total non-current assets	38,155	38,028
Total assets	272,139	286,756

(Million yen)

	Fiscal year ended March 2022 (As of March 31, 2022)	First quarter ended June 2022 (As of June 30, 2022)
<b>LIABILITIES</b>		
Current liabilities		
Notes and accounts payable - trade	86,493	90,487
Short-term loans payable	23,858	27,885
Accrued expenses	7,138	6,188
Income taxes payable	2,834	2,146
Provision for directors' bonuses	301	8
Other	12,291	10,967
Total current liabilities	132,918	137,683
Non-current liabilities		
Bonds payable	–	10,000
Long-term loans payable	25,136	15,130
Deferred tax liabilities	2,046	2,568
Provision for directors' retirement benefits	123	127
Net defined benefit liability	2,095	2,157
Asset retirement obligations	572	587
Other	3,446	3,383
Total non-current liabilities	33,421	33,954
Total liabilities	166,339	171,637
<b>NET ASSETS</b>		
Shareholders' equity		
Capital stock	12,133	12,133
Capital surplus	14,818	14,809
Retained earnings	77,423	82,439
Treasury shares	(5,643)	(5,643)
Total shareholders' equity	98,732	103,738
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,299	1,151
Deferred gains or losses on hedges	(2)	(46)
Foreign currency translation adjustment	5,439	10,085
Remeasurements of defined benefit plans	210	78
Total accumulated other comprehensive income	6,948	11,269
Non-controlling interests	120	111
Total net assets	105,800	115,119
Total liabilities and net assets	272,139	286,756



(2) Quarterly consolidated statements of income and comprehensive income  
For the First quarter (April 1, 2022 – June 30, 2022)

(Million yen)

	First quarter ended June 2021 (April 1, 2021– June 30,2021)	First quarter ended June 2022 (April 1, 2022 – June 30, 2022)
Net sales	105,949	149,302
Cost of sales	92,398	129,464
Gross profit	13,550	19,838
Selling, general and administrative expenses	9,098	10,018
Operating income	4,452	9,820
Non-operating income		
Interest income	28	26
Dividends income	63	71
Foreign exchange gains	106	–
Commission income	60	60
Other	137	97
Total non-operating income	394	256
Non-operating expenses		
Interest expenses	74	105
Share of loss of entities accounted for using equity method	171	17
Foreign exchange losses	–	23
Other	34	70
Total non-operating expenses	280	217
Ordinary income	4,566	9,858
Extraordinary income		
Gain on sales of non-current assets	0	10
Gain on sales of investment securities	9	7
Gain on transfer of business	7	–
Gain on revision of retirement benefit plan	–	126
Other	–	1
Total Extraordinary income	16	144
Extraordinary loss		
Impairment loss	31	19
Loss on retirement of non-current assets	6	0
Loss on valuation of investment securities	6	0
Loss on liquidation of subsidiaries and associates	109	–
Provision of allowance for doubtful accounts	281	–
Other	18	0
Total extraordinary loss	454	21
Profit before income taxes	4,129	9,982
Income taxes - current	478	1,633
Income taxes - deferred	741	1,360
Total income taxes	1,220	2,993
Profit	2,908	6,989

(Million yen)

	First quarter ended June 2020 (April 1, 2020– June 30,2020)	First quarter ended June 2021 (April 1, 2021 – June 30, 2021)
Profit attributable to owners of parent	2,872	6,984
Profit attributable to non-controlling interests	36	4
Other comprehensive income		
Valuation difference on available-for-sale securities	(104)	(146)
Deferred gains or losses on hedges	(36)	(44)
Foreign currency translation adjustment	567	4,566
Remeasurements of defined benefit plans, net of tax	4	(131)
Share of other comprehensive income of associates accounted for using equity method	44	81
Total other comprehensive income	475	4,325
Comprehensive income	3,383	11,314
Comprehensive income attributable to owners of parent	3,341	11,305
Comprehensive income attributable to non-controlling interests	42	8

(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)

(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 June 30, 2022 and do not include significant changes from the financial statement for the previous consolidated fiscal year.

(Segment information)

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

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

(Million yen)

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

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

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

II . 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)	–
<b>Total</b>	<b>134,378</b>	<b>12,838</b>	<b>678</b>	<b>6,114</b>	<b>154,009</b>	<b>(4,707)</b>	<b>149,302</b>
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.