

## Translation

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Securities code: 6524

**World-Class Manufacturing**


# Financial Results Materials First Quarter of FY12/2024

Kohoku Kogyo is a leading manufacturer of lead terminals for aluminum electrolytic capacitors and parts for submarine optical communication.

**Kohoku Kogyo Co., Ltd.**  
**May 9, 2024**

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# I. Financial Summary for the First Quarter of FY 12/2024



# Highlights of First Quarter of FY12/2024

- Market adjustments in the two mainstay businesses were completed and sales were on a trend of recovery, with sales and profits exceeding the plan.
- In the Lead Terminals Business, sales increased 3.5% year on year (up 6.0% from the previous quarter), due in part to a sharp increase in orders for certain automotive product types.
- Sales in the Optical Components and Devices Business decreased by 10.4% year on year, but increased by 14.4% from the previous quarter due to the resumption of investment in the submarine cable market.

## ● Macro Environment

- Although the global economy followed a trend of recovery amid the post-pandemic environment, there were some concerns about the outlook.
- Concerns including the instability in the Middle East, price increases due to soaring energy prices and other factors, and concerns about a stagnation in the real estate market in China.
- The Japanese economy began to show some positive signs in personal consumption, with improvements in the employment and income environment, amid the depreciation in the yen.

## ● Business Environment

- In the automotive electronics market, some product types showed signs of recovery, indicating a halt in the decline due to progress in inventory adjustments.
- The difficult situation in the information and telecommunications equipment market, including PCs, continues.
- In the submarine cable market, the demand outlook improved due to the resumption of investment by GAFAM and others, and orders were on a trend of recovery.

## ● Performance(Q1)

- Sales decreased 3.1% (-107 million yen) compared to the same period previous year, but increased 9.5% (296 million yen) from the previous quarter.
- Operating profit decreased 24.9% (210 million yen) year on year, due to the impact of lower inventory, and increased 22.8% (118 million yen) from the previous quarter.

# Income Statement (Q1) Summary

Year-on-year growth was negative, but there was a trend of recovery from the previous quarter.

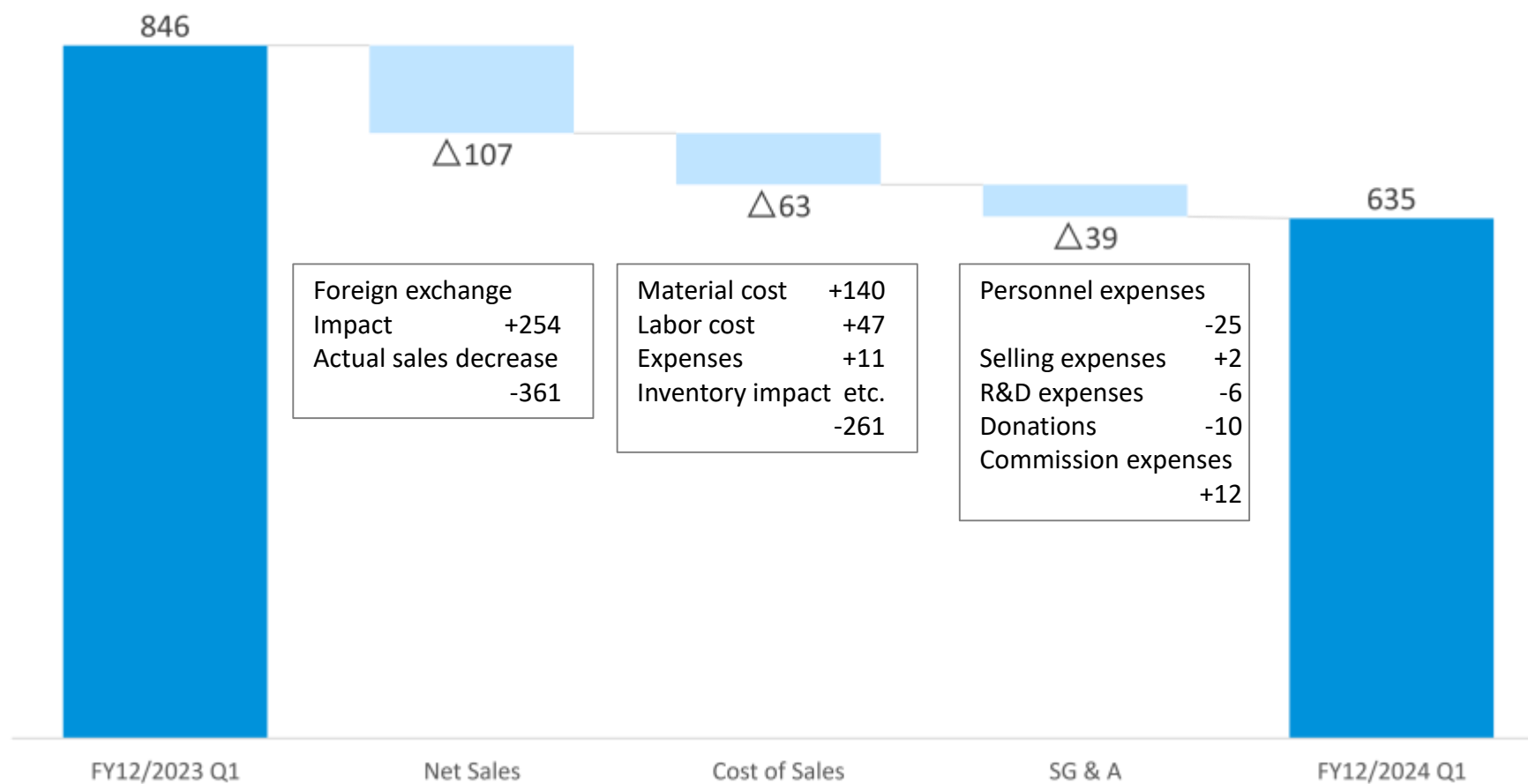
(Millions of yen)

	FY12/2023	FY12/2024			Q4 (Oct.-Dec.)	FY12/2023	
	Q1 (Jan-Mar)	Q1 (Jan-Mar)	YoY change	YoY change (%)		QoQ change	QoQ change (%)
Net sales	3,521	3,413	-107	-3.1%	3,117	+296	+9.5%
Lead Terminals Business	1,864	1,929	+64	+3.5%	1,819	+109	+6.0%
Optical Components and Devices Business	1,656	1,484	-172	-10.4%	1,297	+187	+14.4%
Operating profit	846	635	-210	-24.9%	517	+118	+22.8%
<i>Operating profit ratio</i>	24.0%	18.6%	-5.4pt	—	16.6%	+2.0pt	—
Ordinary profit	882	1,130	+247	+28.1%	179	+951	+530.5%
Profit attributable to owners of parent	564	724	+160	+28.4%	180	+544	+302.6%
Exchange rate (average for the period)	132.40yen/\$	148.62yen/\$			147.86yen/\$		

# Operating profit (Q1) Increase/Decrease Factors (YoY basis)

In addition to the decrease sales, profit fell due to the impact of lower product inventory.

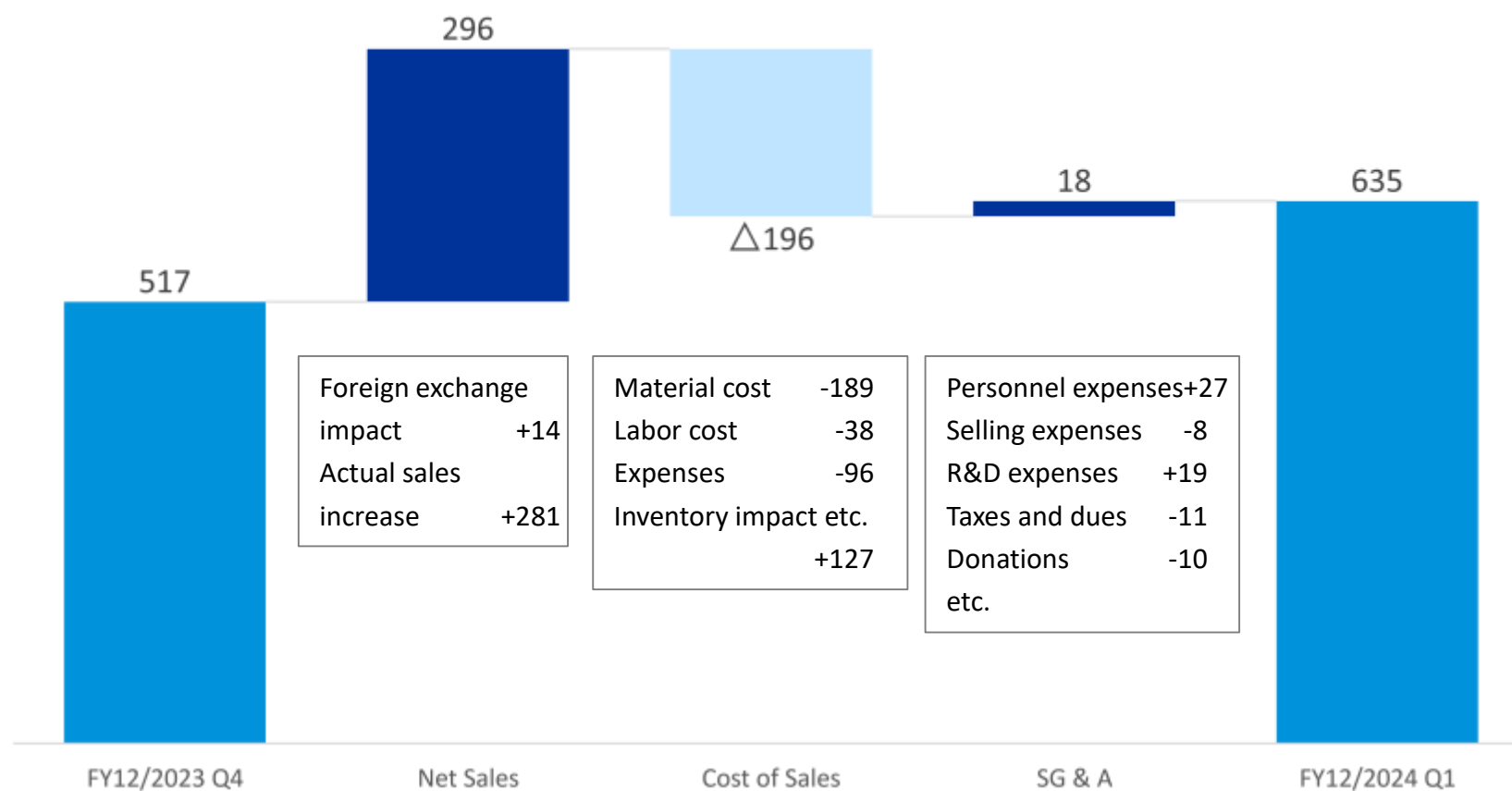
(Millions of yen)



# Operating profit (Q1) Increase/Decrease Factors (QoQ basis)

Sales were on a trend of recovery for both lead terminals and optical components and devices, resulting in improved earnings.

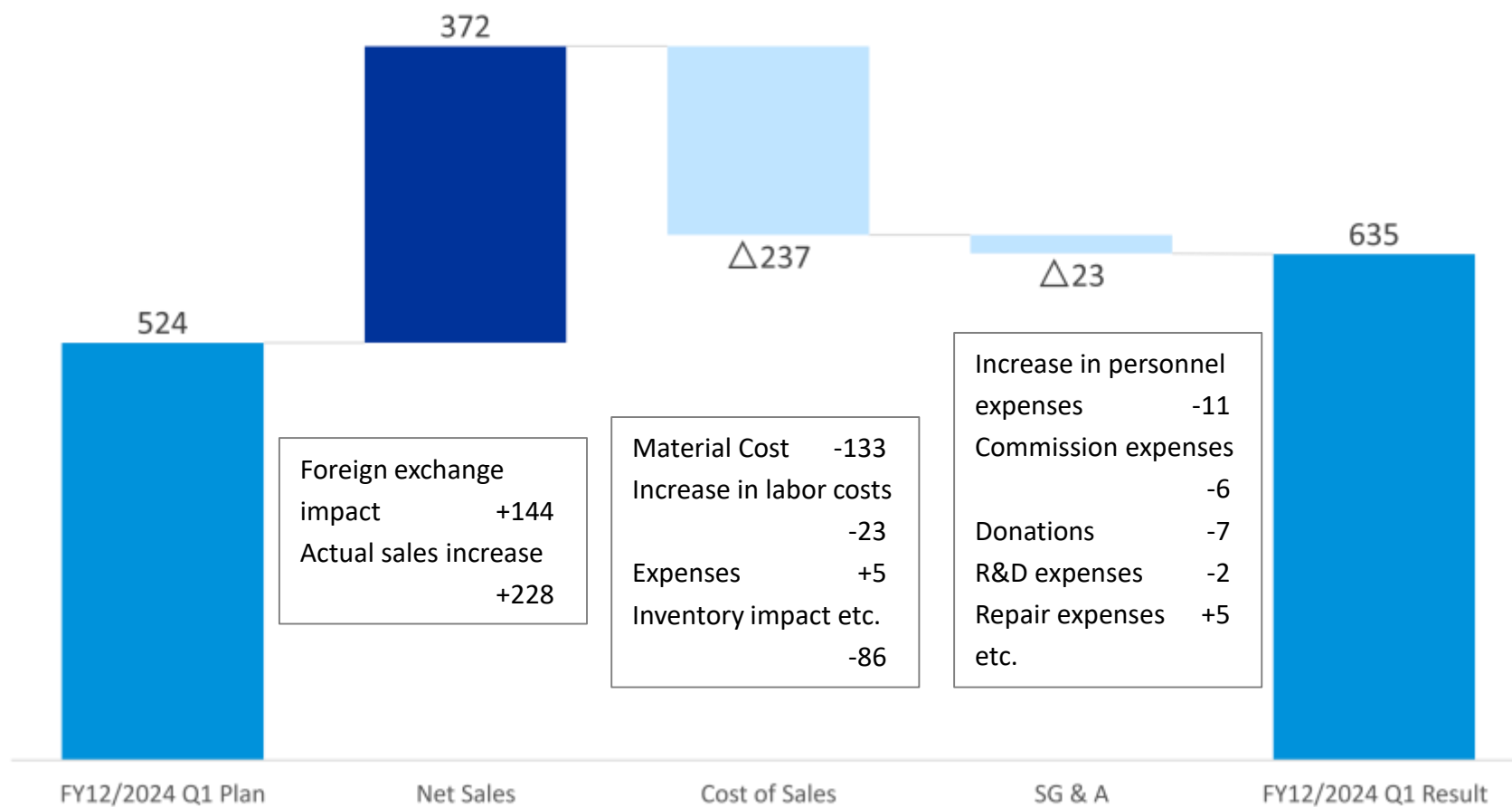
(Millions of yen)



# Operating profit (Q1) Increase/Decrease Factors (vs. Plan)

Both sales and profit were higher than the plan.

(Millions of yen)

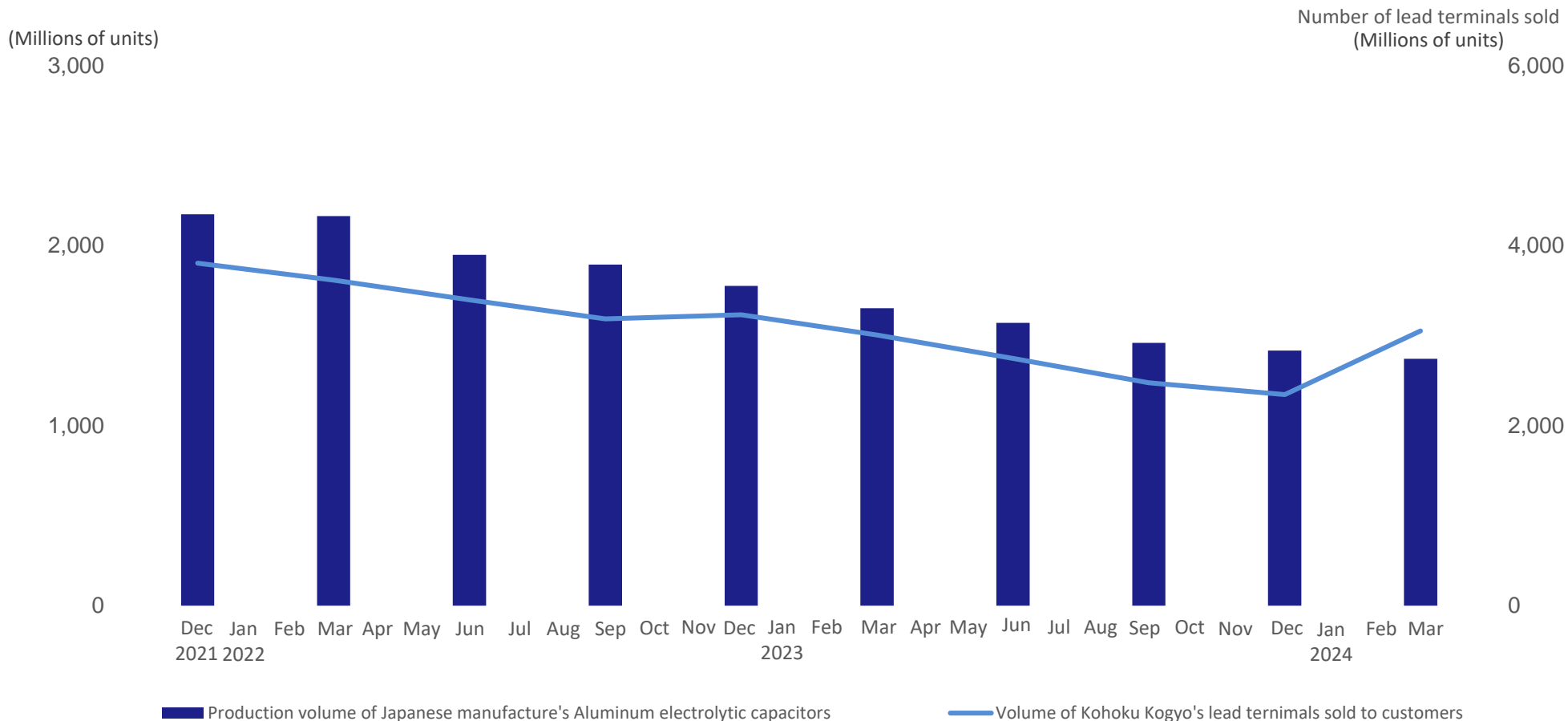




# Business Environment for FY12/2024 (Q1)

The adjustment of aluminum electrolytic capacitor production volumes by Japanese companies since the summer of the year before last has been prolonged.

Miniature Aluminum Electrolytic Capacitors Market Production (Japanese Manufacturers) (Including Overseas Production)



\*Figures are monthly.

(Source: : Kohoku Kogyo)

# Summary of Balance Sheet (Q1)

(Millions of yen)

Balance Sheet	End of FY12/2023	End of Q1 FY12/2024	Increase/decrease	Remarks
Current assets	16,735	16,759	+24	Cash and deposits -382 Accounts receivable - trade +283 etc.
Non-current assets	8,237	8,668	+430	Machinery, equipment and vehicles +145 etc.
Total assets	24,973	25,427	+454	
Current liabilities	2,522	2,504	-18	Income taxes payable +77 Short-term borrowings -196 etc.
Non-current liabilities	2,391	2,341	-49	Long-term borrowings -127 Lease liabilities +54 etc.
Total liabilities	4,913	4,845	-68	
Total net assets	20,059	20,581	+522	Retained earnings +185 Foreign currency translation adjustment +336 etc.
Total liabilities and net assets	24,973	25,427	+454	

# Financial Forecast for FY12/2024 (Current progress)

Sales in both the Lead Terminals Business and Optical Components and Devices Business are slightly higher than initial plan.

(Millions of yen)

<Exchange Rate Sensitivity> Net Sales 80 million yen/yen Operating profit 30 million yen/yen	FY12/2023	FY12/2024 (Initial plan)				
	Actual	First-half forecast	Second-half forecast	Full-year forecast	YoY change	YoY change (%)
Net sales	13,472	6,800	7,736	14,536	+1,063	+7.9%
Lead Terminals Business	7,400	3,701	4,166	7,868	+467	+6.3%
Optical Components and Devices	6,071	3,098	3,569	6,667	+596	+9.8%
Operating profit	2,812	1,427	1,816	3,243	+431	+15.3%
<i>Operating profit ratio</i>	20.9%	20.9%	23.4%	22.3%	+1.4pt	—
Lead Terminals Business	44	47	210	257	+212	+473.5%
Optical Components and Devices	2,767	1,379	1,606	2,986	+218	+7.9%
Ordinary profit	3,152	1,444	1,840	3,284	+132	+4.2%
Profit attributable to owners of parent	1,904	913	1,223	2,136	+232	+11.2%

※ < Exchange rate sensitivity > Estimated value assuming that the fluctuation of 1yen against 1 dollar continues for 1 year

Net income per share (yen)	211.64	33.84*	45.33*	79.17*	*This figure takes into account a 1:3 stock split.
Exchange rate (average for the period)	140.66yen/\$	140.00yen/\$	140.00yen/\$	140.00yen/\$	

## ● Current status

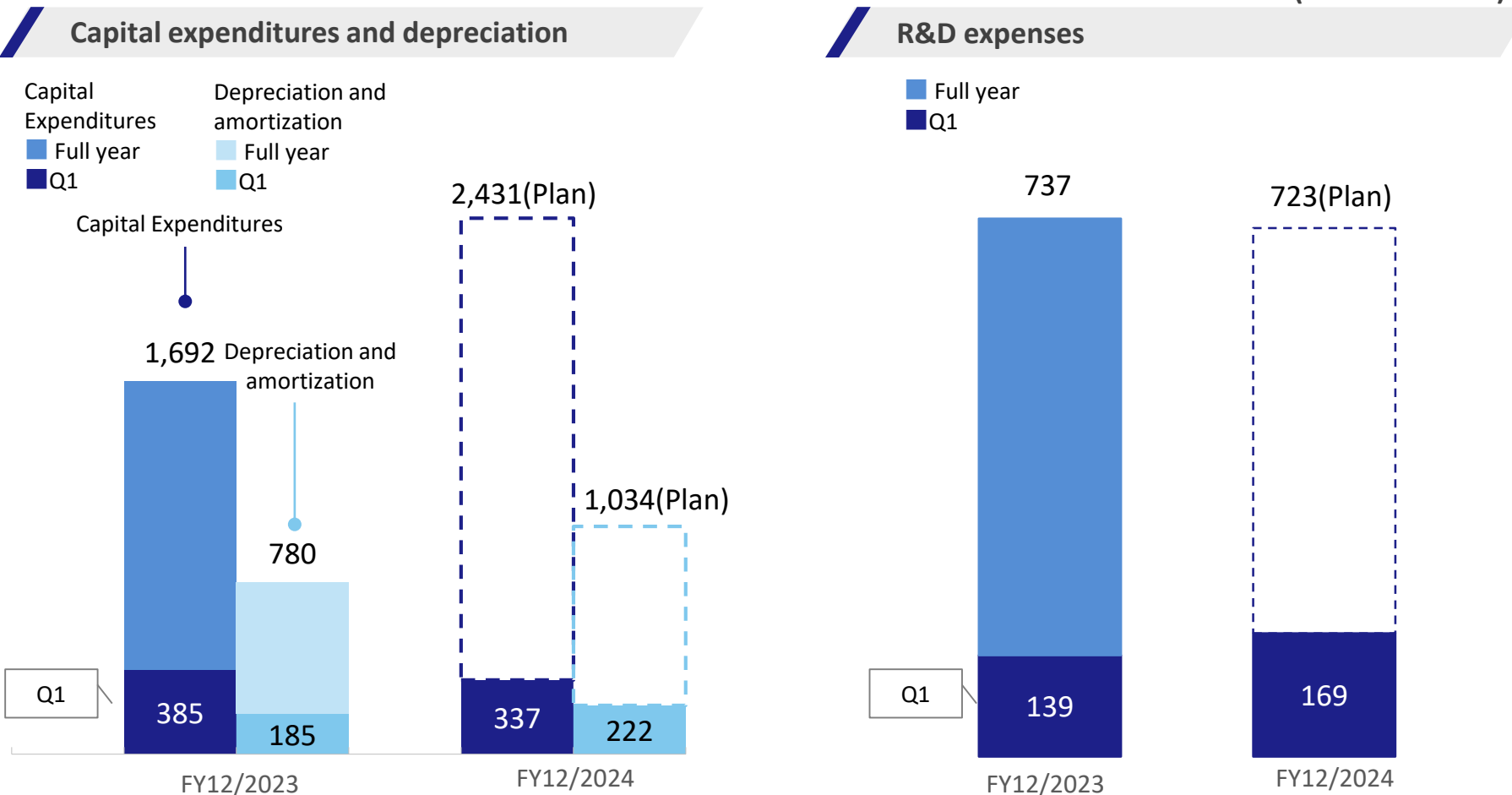
- Lead Terminals business : The market has remained sluggish, but has improved a little from initial expectations. There was an unexpected increase in fixed costs due to a sharp increase in orders for some items. This had a negative impact on profit.
- Optical components and devices business : Orders from some customers recovered more than expected. Sales increased.

# Capital Expenditures, Depreciation, and R&D Expenses (Q1)

Capital investment was lower than initially planned due to a delay in the investment plan for the Optical Components and Devices Business segment.

Research and development expenses progressed almost in line with the initial plan.

(Millions of Yen)





## II . Situation by segment in Q1 of FY12/2024

## Results by Segment (Q1) - Lead Terminals

Sales increased 3.5% year on year (up 6.0% from the previous quarter), due in part to a sharp increase in orders for certain automotive product types.

(Millions of yen)

	FY12/2023	FY12/2024			FY12/2023	FY12/2024		
	Q1 (Jan-Mar)	Q1 (Jan-Mar)	YoY change	YoY change (%)	Q4 (Oct-Dec)	Q1 (Jan-Mar)	QoQ change	QoQ change (%)
Net Sales	1,864	1,929	+64	+3.5%	1,819	1,929	+109	+6.0%
Operating profit	28	-13	-42	-	-16	-13	+3.0	-
<i>Operating profit ratio</i>	1.5%	-0.7%	-2.2pt	-	-0.9%	-0.7%	+0.2pt	-

### Overview of FY12/2024 (Q1)

- **Although the challenging business environment persisted, there was a recovery trend in some areas**
  - In the automotive electronics market, some product types showed signs of recovery, indicating a halt in the decline due to progress in inventory adjustments.
  - The difficult situation in the information and telecommunications equipment market, including PCs, continues.
- **Our status and efforts to improve profits**
  - Review of small-lot orders and improvement of overall equipment efficiency.
  - In order to enhance the product quality and reliability and improve production efficiency, developed new welding technologies that realize high efficiency and high accuracy.



# Comparison between Assumption at Beginning of the FY and Now

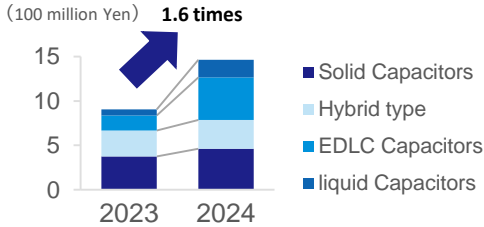

## – Lead Terminals

### 1. Perception based on information from customers, market research firms, and other sources.

	FY12/2024 forecast(Initial comments)	Status for Q1 FY12/2024	Forecast for Q2 FY12/2024 Onward
(1) Overall aluminum electrolytic capacitor market (mainly Japanese customers)	<ul style="list-style-type: none"> <li>➤ Inventory adjustments are expected to be completed by spring, followed by a recovery.</li> <li>➤ While the continued spread of EVs is expected, the automobile market is expected to recover gradually due to concerns of a recession in China and elsewhere.</li> <li>➤ A recovery from the inventory adjustments is expected in the ICT equipment and consumer markets, but the slump in demand is expected to continue.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inventory adjustments almost completed, and orders turned around.</li> <li>➤ Despite signs of recovery in the automotive market, overall market recovery is slow due to macroeconomic factors.</li> <li>➤ Inventory adjustment appears to have ended, but the market remains sluggish, with no signs of recovery.</li> </ul>	<ul style="list-style-type: none"> <li>➤ The market has bottomed out, but recovery is expected to remain weak in the near term.</li> <li>➤ A full-scale recovery is expected from September onward.</li> <li>➤ Although there are signs of recovery in products for use in Chinese smartphones and smart meters, overall conditions will remain weak due to macroeconomic factors.</li> </ul>
(2) Trends by application	<ul style="list-style-type: none"> <li>➤ Sales of lead terminals for hybrid capacitors for automobiles are expected to triple year on year.</li> <li>➤ Inventory adjustments were virtually complete at the beginning of the period. A recovery is expected from spring.</li> <li>➤ The market is expected to head towards recovery in the second half of the year, driven by the generative AI market etc.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Lead terminals for hybrid capacitors market fluctuated.</li> <li>➤ Recovery in the automotive sector is weaker than expected due to quality fraud issues and slower growth in the EV market.</li> <li>➤ The evolution of generative AI has no impact at this stage.</li> </ul>	<ul style="list-style-type: none"> <li>➤ No significant increase is expected in Q2. Growth is expected from the summer onward.</li> <li>➤ Despite concerns about the slowing EV market, a gradual recovery is expected for the automotive market.</li> <li>➤ The information and communications equipment market will remain sluggish overall, with no recovery expected.</li> </ul>

# Comparison between Assumption at Beginning of the FY and Now - Lead Terminals

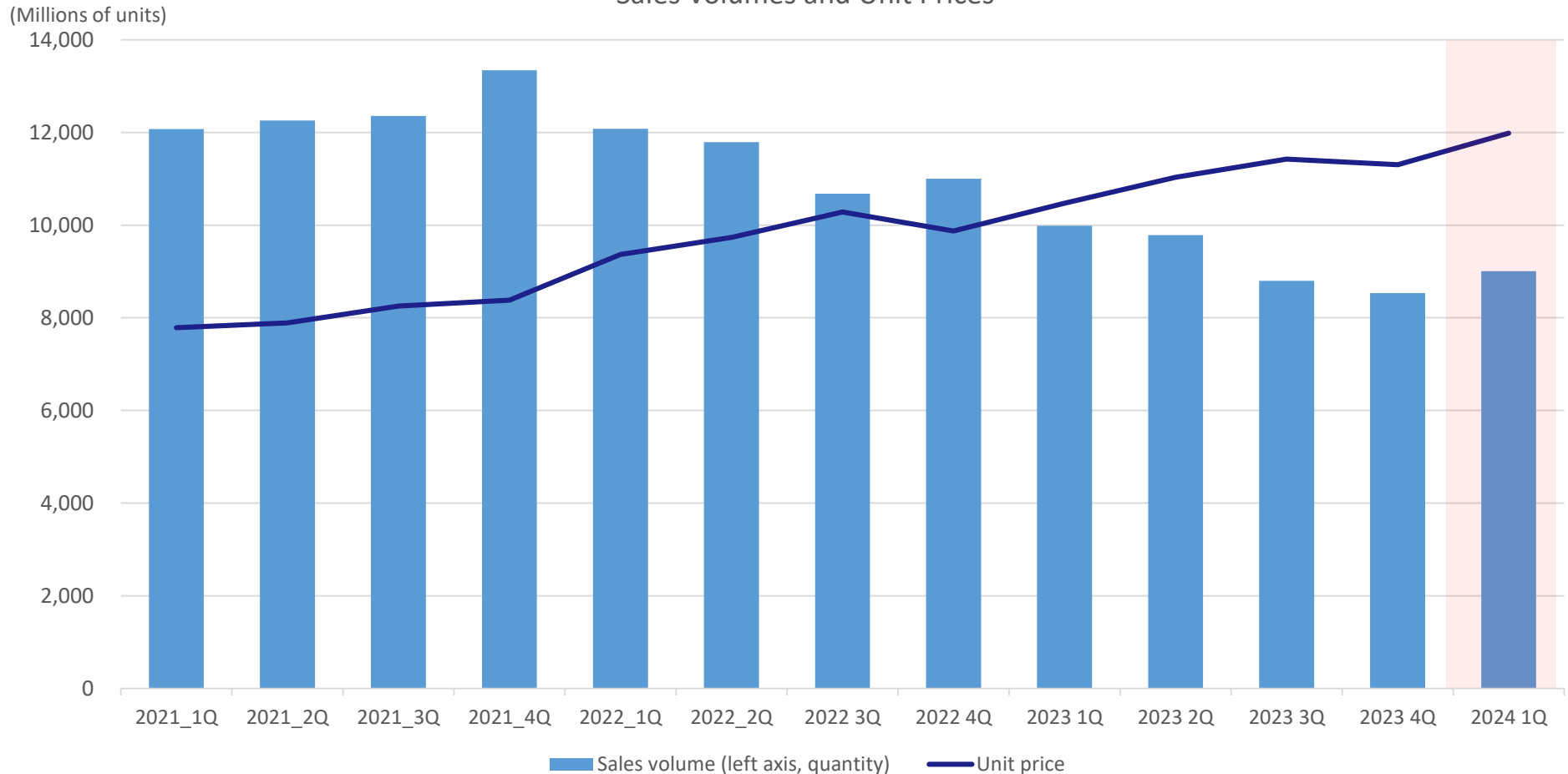
## 2. Business Environment surrounding the Company.

	FY12/2024 forecast(Initial comments)	Status for Q1 FY12/2024	Forecast for Q2 FY12/2024 Onward
<b>(1) Production</b>	<ul style="list-style-type: none"> <li>➢ Strengthen profitability and improve quality by improving production efficiency at the Suzhou, Dongguan and Malaysia bases.</li> <li>➢ Target of OEE 85%.</li> </ul>	<ul style="list-style-type: none"> <li>➢ The mismatch between inventory and orders at the Suzhou plant is adversely affecting earnings due to decrease in inventory.</li> <li>➢ There is gradual progress in improving production efficiency at each site, with targets achieved for some lines.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Improve equipment and mold layout at each site to avoid mismatches, and increase inventories against the backdrop of rising demand.</li> <li>➢ Aim to achieve 85% OEE at all production sites.</li> </ul>
<b>(2) Sales</b>	<ul style="list-style-type: none"> <li>➢ Sales forecast of Lead Terminals for High - performance capacitors.</li> </ul>  <p>(100 million Yen) 1.6 times</p> <p>2023 2024</p> <ul style="list-style-type: none"> <li>■ Solid Capacitors</li> <li>■ Hybrid type</li> <li>■ EDLC Capacitors</li> <li>■ liquid Capacitors</li> </ul>	<ul style="list-style-type: none"> <li>➢ There has been a significant increase in sales for EDLC. Use for Chinese smart meters and in-vehicle braking systems expanded.</li> <li>➢ As of Q1, the new product ratio was 15.7%, and products for EDLC increased.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Sales growth of products for EDLC is expected to continue.</li> <li>➢ Work to expand sales further from Q2 onward.</li> </ul>
<b>(3) Technology</b>	<ul style="list-style-type: none"> <li>➢ Target of OEE 85%.</li> <li>➢ Start of shipments sample products using laser welding machine.</li> </ul> 	<ul style="list-style-type: none"> <li>➢ Continuous development underway. Evaluation underway of laser welder (prototype) using laser technology of Ariel Inc.</li> </ul>	<ul style="list-style-type: none"> <li>➢ Development and testing for laser welders for mass production.</li> <li>➢ Target sample shipments during FY2024.</li> </ul>

# Trends in Sales Volumes and Unit Prices

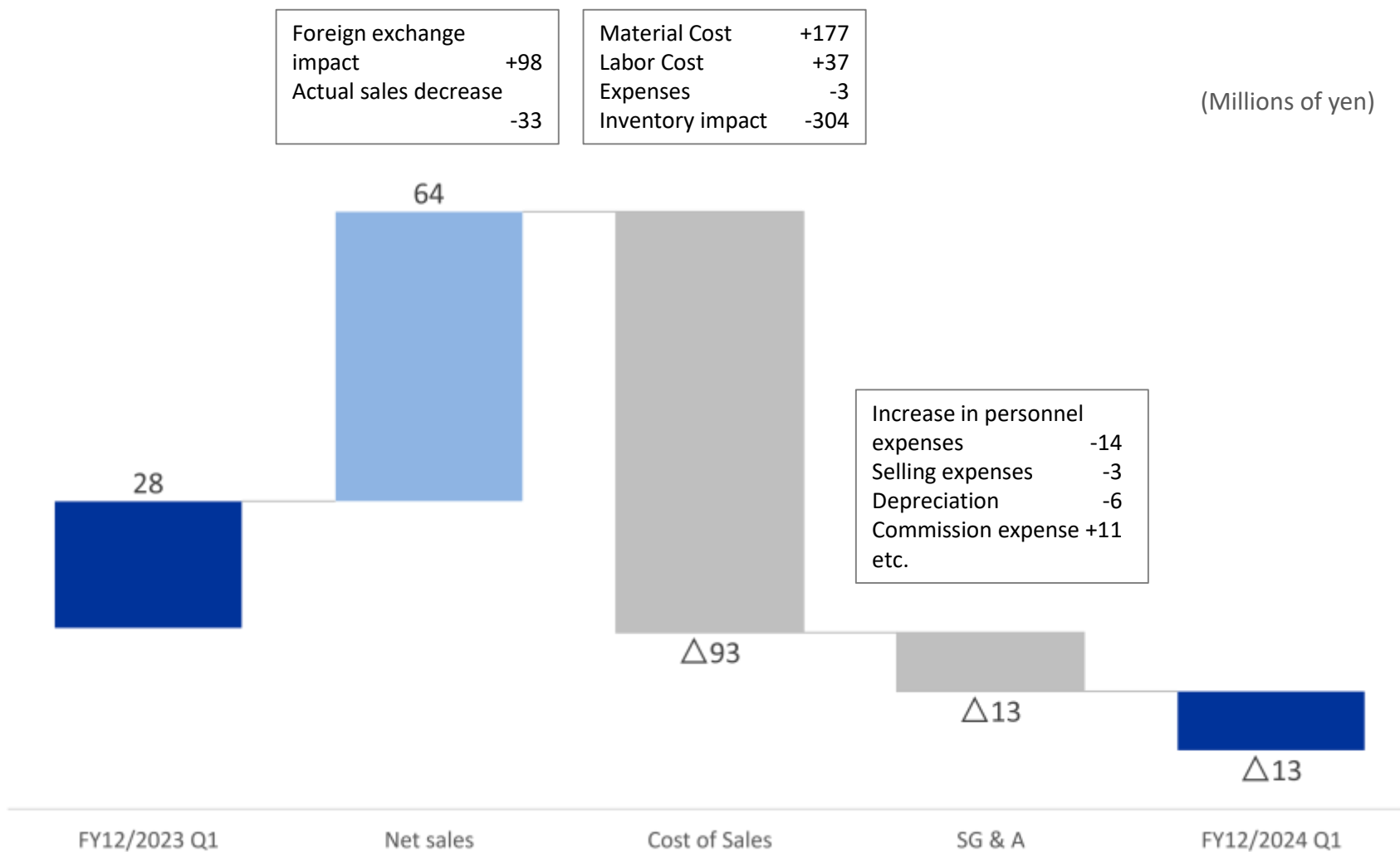
Presuming that the market adjustments have finally bottomed out and entered a gradual recovery phase.

Sales Volumes and Unit Prices



## Factors of Increase/Decrease in Operating profit by Segment (YoY) - Lead Terminals

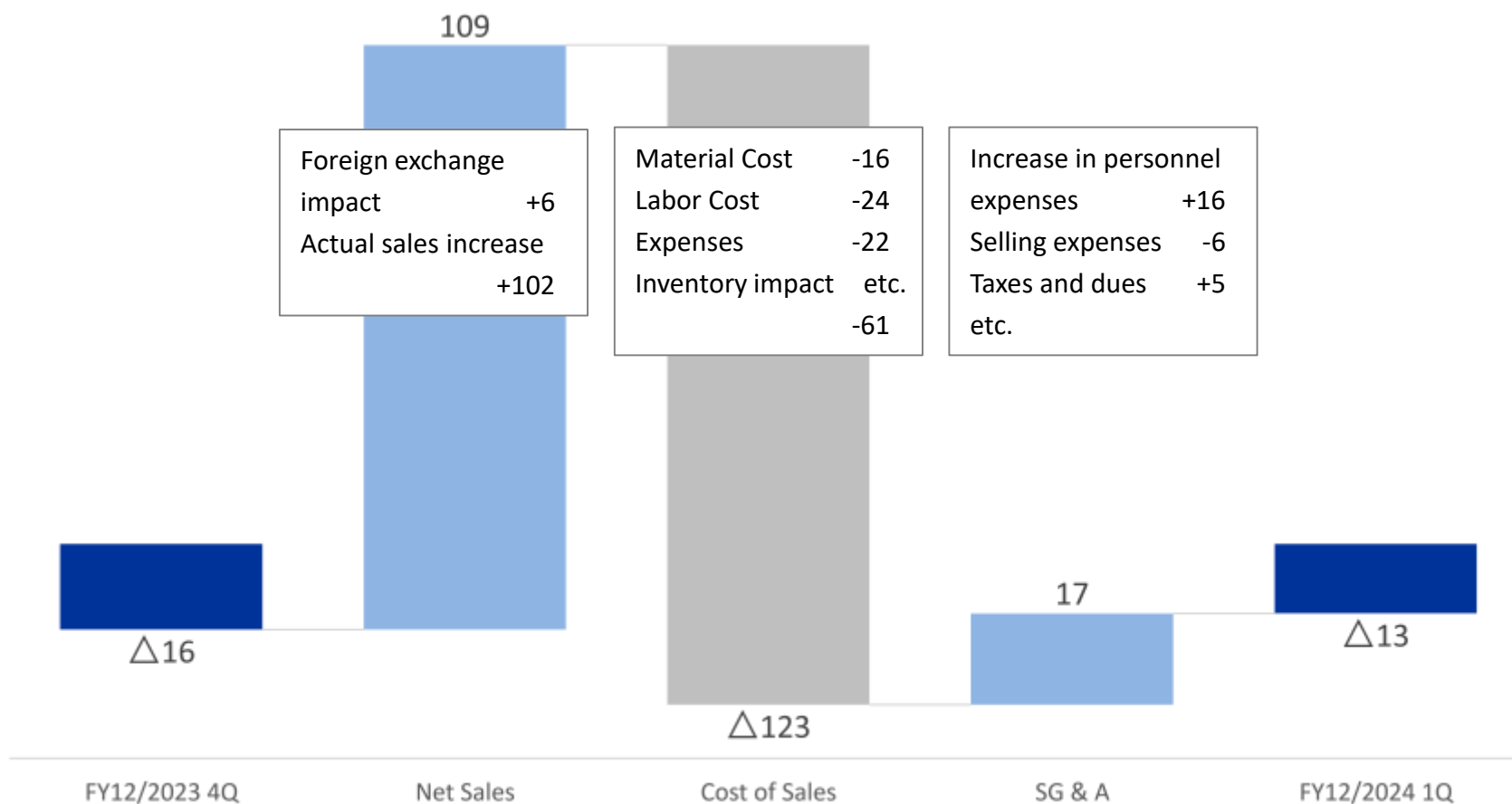
Sales and profit continued to face challenging conditions compared to the same period previous year.



## Factors of Increase/Decrease in Operating profit by Segment (QoQ) - Lead Terminals

Sales increased but higher fixed costs and inventory fluctuations had an impact.

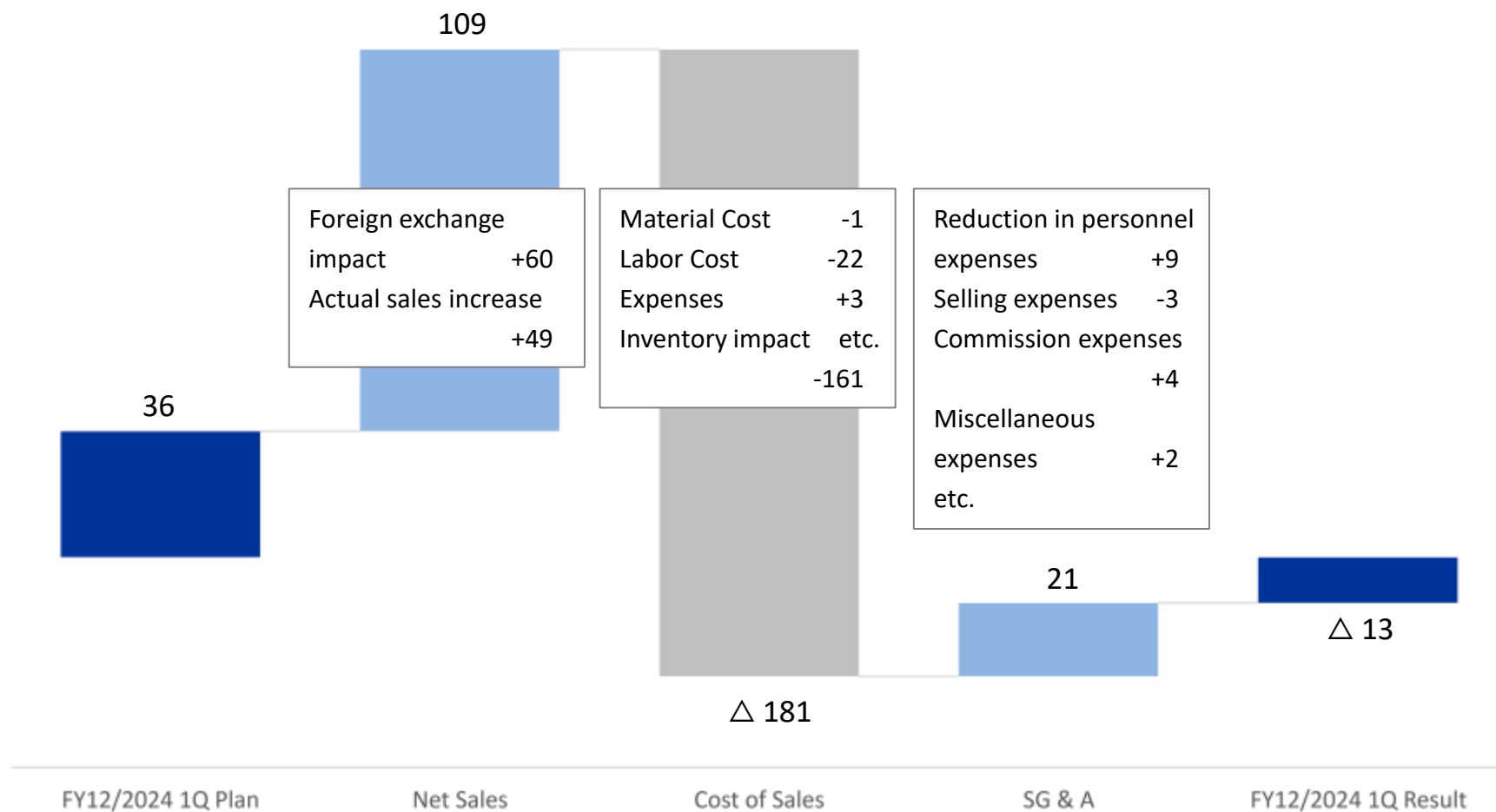
(Millions of yen)



## Factors of Increase/Decrease in Operating profit by Segment (vs. Plan) - Lead Terminals

Sales increased, but there was no return to profitability due to lower inventory.

(Millions of yen)





## Financial Forecast for FY12/2024 - Lead Terminals

Second half revenue is expected to recover due to a market recovery and improvement of the product mix.

(Millions of yen)	FY12/2023	FY12/2024 (Initial plan)				YoY change	YoY change (%)
	Actual	First-half forecast	Second-half forecast	Full-year forecast			
Net sales	7,400	3,701	4,166	7,868	+467	+6.3%	
Operating profit	44	47	210	257	+212	+473.5%	
<i>Operating profit ratio</i>	<i>0.6%</i>	<i>1.3%</i>	<i>5.0%</i>	<i>3.3%</i>	<i>+2.6pt</i>	<i>—</i>	

### Status for Q1 FY12/2024 and Current Forecast

- Sales increased slightly from the initial plan, but the weak market recovery continued.
- By application, sales increased slightly, mainly for use in automobiles.

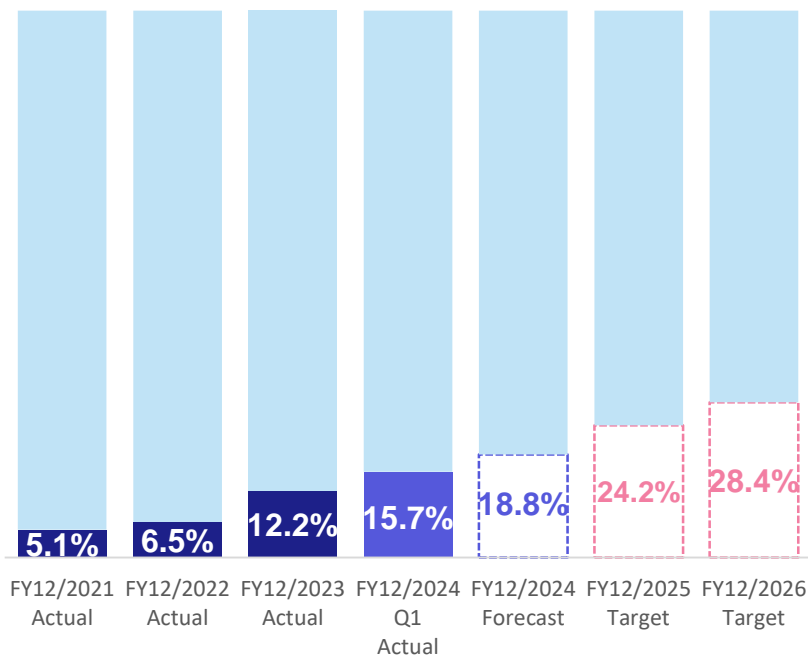
# Expansion of business scale through market development

Improve the sales ratio of new products and strengthen sales to the automobile market.

## Sales Ratio of New Products

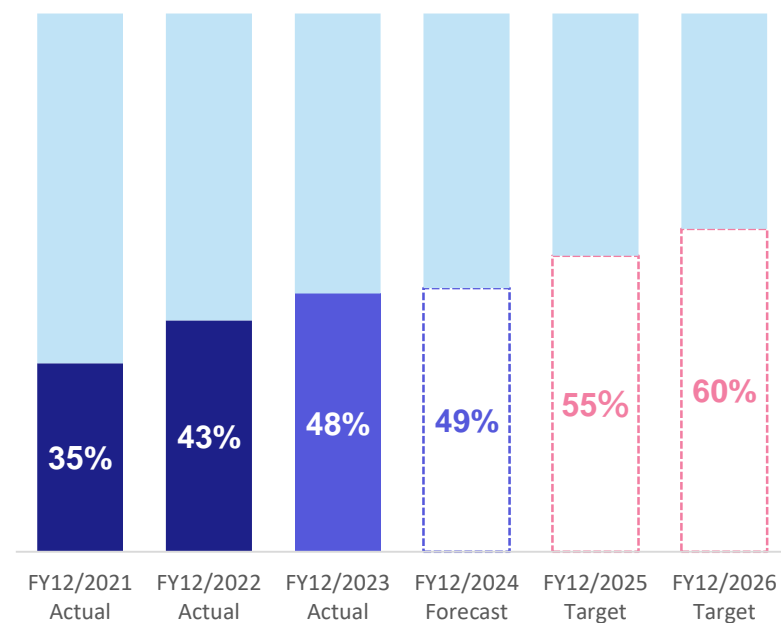


- New product sales ratio increased gradually.
- Significant sales growth for EDLC.



## Ratio of Sales to the Automotive Market

- Maintain 95% global market share of 95% for Automotive market.
- Sales expansion in overseas Automotive market.



## Results by Segment – Optical Components and Devices

Sales decreased 10.4% year on year, but increased 14.4% from the previous quarter in a trend of recovery.

(Millions of yen)

	FY12/2023	FY12/2024			FY12/2023	FY12/2024		
	Q1 (Jan-Mar)	Q1 (Jan-Mar)	YoY change	YoY change (%)	Q4 (Oct-Dec)	Q1 QoQ change	QoQ change	QoQ change (%)
Net Sales	1,656	1,484	-172	-10.4%	1,297	1,484	+187	+14.4%
Operating profit	817	649	-168	-20.6%	534	649	+115	+21.5%
<i>Operating profit ratio</i>	49.3%	43.7%	-5.6pt	-	41.2%	43.7%	2.5pt	-

### Overview of Q1 FY12/2024

#### ● Industry and Market Trends

- For optical device products, inventory adjustments and the postponement of submarine cable projects appear to have slowed down.
- There have been some front-loaded orders.
- Orders are recovering as projects are announced against the backdrop of the global trend to strengthen communications infrastructure over the medium to long term.
- Sales of optical fiber array products for land optical communications continue to face challenging conditions, including sluggish demand in the Chinese market.

#### ● Changes in the external environment and their handling

- Developing small, composite products, and multi-core fiber products to meet growing needs in information and communications.
- For multi-core fiber products, developed fan-in/fan-out products with built-in optical isolator functionality.
- In the high-purity quartz glass business, sales of aspherical lenses for ultraviolet rays launched last year increased. Also gradually shipped product samples in shapes with the high levels of freedom that is a feature of SSG® high-purity quartz glass to semiconductor equipment manufacturers for use in mass production.

# Market and Business Environment - Optical Components and Devices

## 1. Market environment and order trends

	F12/2024 forecast(Initial Comments)	Status for Q1 FY12/2024	Forecast for Q2 FY12/2024 Onward
(1)Market trends	<ul style="list-style-type: none"> <li>➤ Optical isolators are expected to remain strong.</li> <li>➤ Optical filters are expected to recover from mid-year.</li> <li>➤ A recovery is expected in the second half due to long-term perspective submarine cable projects.</li> </ul>	<ul style="list-style-type: none"> <li>➤ In addition to orders for devices for submarine cables and steady sales of optical isolators, there is a trend of improvement in optical filter sales.</li> <li>➤ Trend of increase in long-distance projects.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sales of both optical isolators and optical filters are expected to increase.</li> <li>➤ Solid orders are expected in the near term.</li> </ul>

## 2. Our Business Environment

	FY12/2024 forecast(Initial Comments)	Status for Q1 FY12/2024	Forecast for Q2 FY12/2024 Onward
(1) Product development	<ul style="list-style-type: none"> <li>➤ New composite device products. Shipments of mass production samples in the second half of 2024. These are expected to contribute to sales in 2025.</li> <li>➤ Transition from conventional seed development to next-generation technology and platform development.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Ongoing development underway as scheduled.</li> <li>➤ Shipments of sample optical devices for multicore fiber started.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Q2 design review completed.</li> <li>➤ Promote development based on customer feedback.</li> </ul>
(2) Productivity, etc.	<ul style="list-style-type: none"> <li>➤ Expand semi-automated production equipment and production capacity in Sri Lanka.</li> </ul>	—	<ul style="list-style-type: none"> <li>➤ Expansion of semi-automatic equipment at the Sri Lanka plant to increase the number of items that can be produced.</li> </ul>

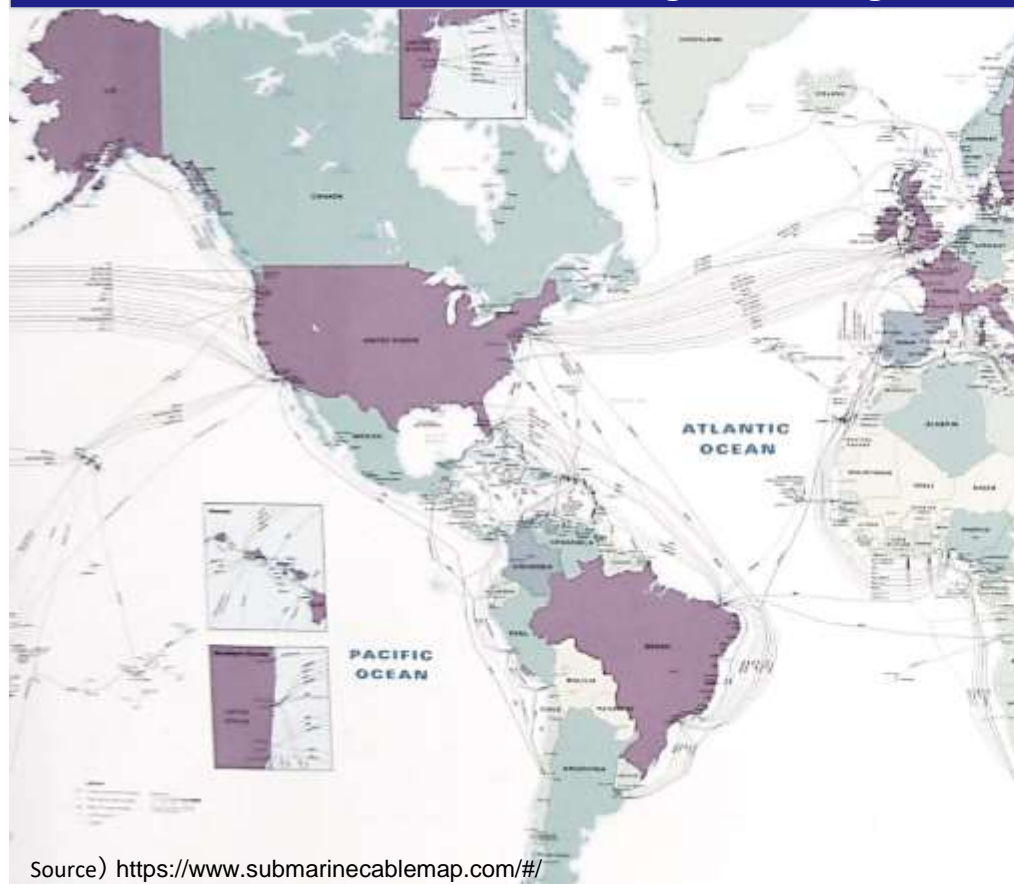
# New submarine cable networks will continue to be laid After 2024

In addition to communications carriers and GAFAM, long-distance projects from data centers are expected to increase in future.

\* Lines in the map are undersea cables

## Overall diagram of long – distance submarine cable

As of April 2024



Source) <https://www.submarinecablemap.com/#/>

### Long-distance submarine cable projects announced from 2022 to January 2024

Project name	Start of service	Owner	Distance
SeaMeWe-6	2025	Microsoft etc. 15 companies	21,700 km
Asia Connect Cable-1 (ACC-1)	2025	Inligo Networks	19,000 km ★
JUNO	2024	Seren Juno Network Co., Ltd.	11,710 km
Medusa Submarine Cable System	2024	AFRIX Telecom	8,760 km
Asia Link Cable (ALC)	2025	China Telecom等 5社	7,200 km
SEA-H2X	2024	China Mobile等 4社	5,000 km
Hawaiki Nui	2026	Hawaiki Submarine Cable LP	25,000 km ★
Echo	2025	Google, Meta	17,184 km ★
TPU	2025	Google	13,470 km
Anjana	2024	Meta	7,121 km
TAM-1	2025	Trans Americas Fiber	7,000 km
Sydney-Melbourne-Adelaide-Perth (SMAP)	2026	SUBCO	5,000 km

### Long-distance submarine cable Projects identified after February 2024

Proa	N.A.	Google	N.A.
Taihei	N.A.	Google	N.A.
New CAM Ring	2026	IP Telecom	3,812 km
Humbldt	N.A.	Google	N.A.
Tabua	N.A.	Google	N.A.

※Source) TeleGeography 「Submarine Cable Map」

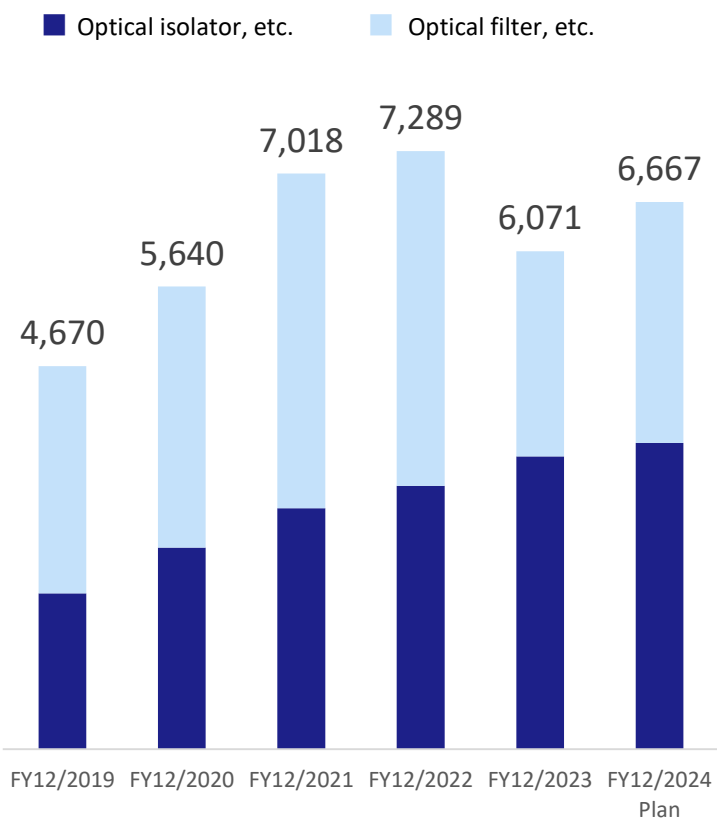
※Project updates are extrapolated from announced data

★ indicates projects the start of service was delayed

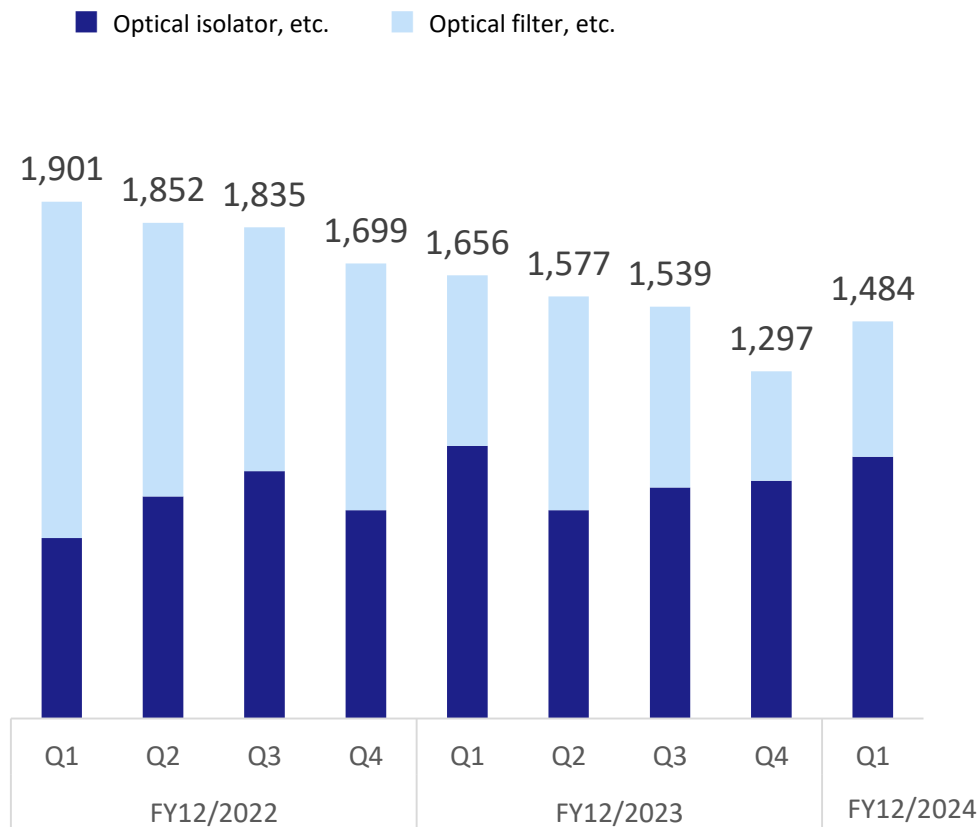
# Sales by product - Optical Components and Devices

Increase in sales of both optical filters and optical isolators with a trend of recovery.

Annual Sales (Millions of yen)



Quarterly Sales (Millions of yen)

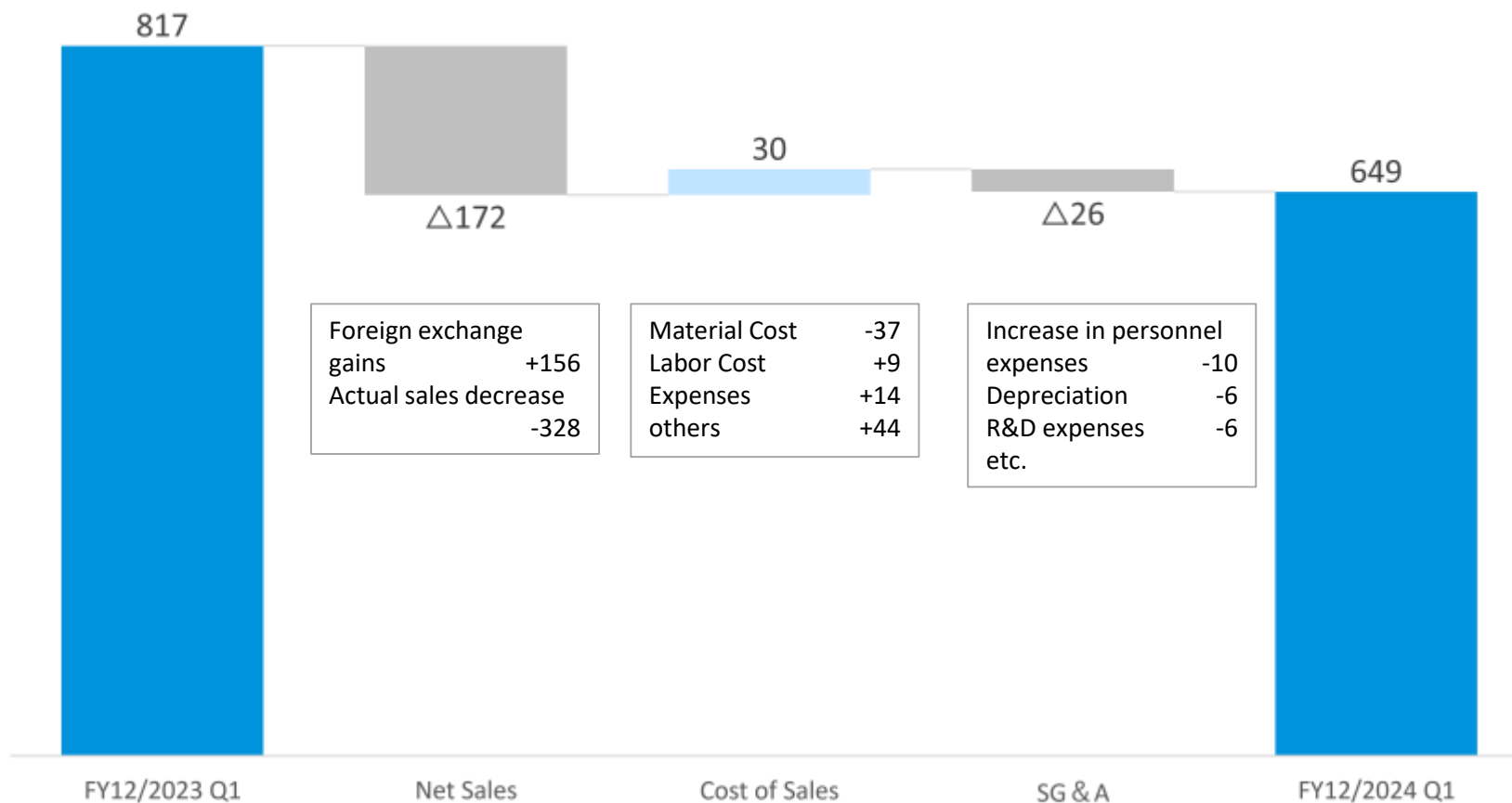




## Operating profit by Segment (Q1) Change Factors (YoY) - Optical Components and Devices

**Decrease in profit due to lower sales.**

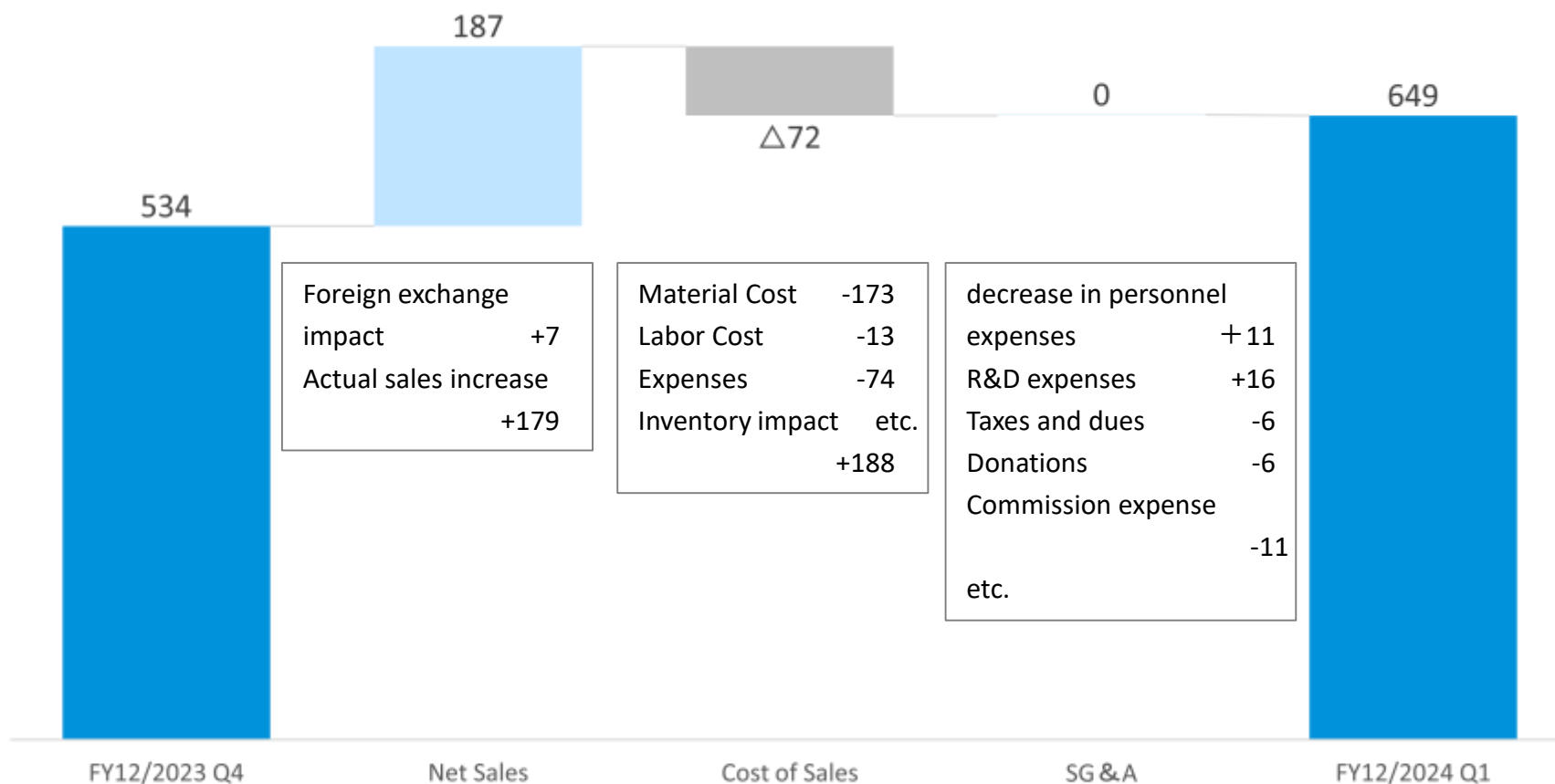
(Millions of yen)



## Operating profit by Segment (Q1) Change Factors (QoQ) - Optical Components and Devices

**Improvement in operating profit due to recovery in sales.**

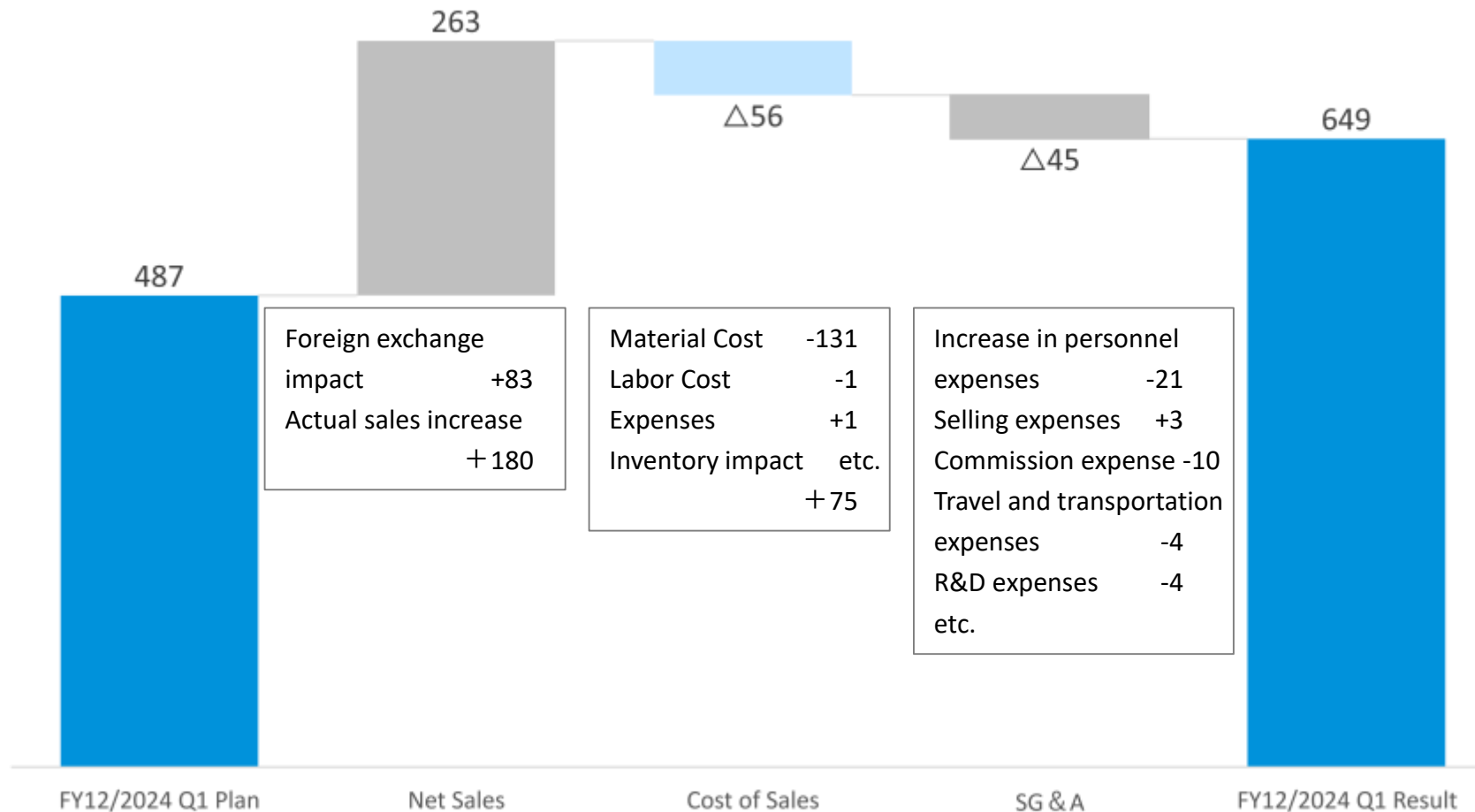
(Millions of yen)



## Operating profit by Segment (Q1) Change Factors (vs. Plan) - Optical Components and Devices

Profit also exceeded the plan due to the increase in sales.

(Millions of yen)



## Financial forecast for FY12/2024 – Optical Components and Devices

A recovery in the submarine cable market is expected from the second half against the backdrop of the expansion of telecommunications including generative AI.

(Millions of yen)	FY12/2023	FY12/2024 (Initial plan)			YoY change	YoY change (%)
	Actual	First-half forecast	Second-half forecast	Full-year forecast		
Net Sales	6,071	3,098	3,569	6,667	+596	+9.8%
Operating profit	2,767	1,379	1,606	2,986	+218	+7.9%
<i>Operating profit ratio</i>	45.6%	44.5%	45.0%	44.8%	-0.8pt	—

\*Figures are rounded down to the nearest million yen.

### Status for Q1 FY12/2024 and Current Forecast

- In the Q1 results, net sales were higher than the initial plan, marking a more positive start than in the plan.
- A recovery is also expected in Q2 and beyond with front-loaded orders from some customers.
- Sales of land-based optical devices were also higher than the plan, but net sales remained at a low level.

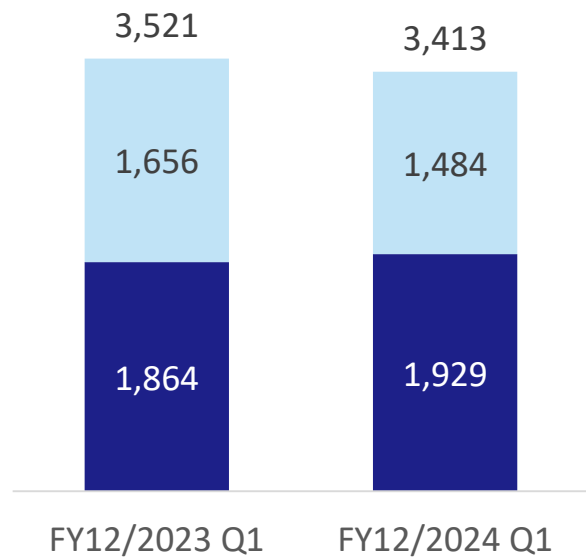
## **III. Reference information**

# Results by Segment and Ratio of Domestic and Overseas Sales

No change from the initial plan.

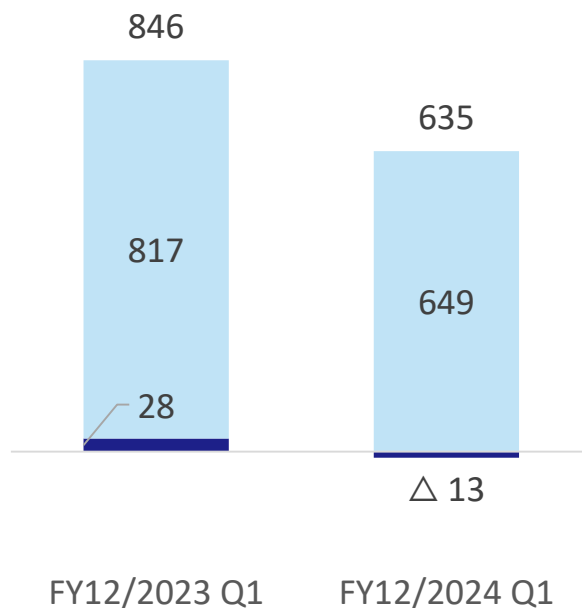
## Net Sales (Millions of Yen)

Optical components and devices Business  
Lead Terminals Business



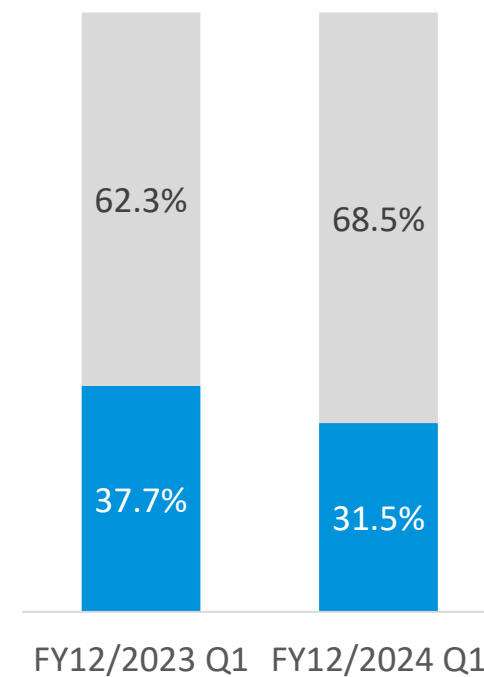
## Operating profit (Millions of Yen)

Optical components and devices Business  
Lead Terminals Business



## Domestic and overseas sales ratio

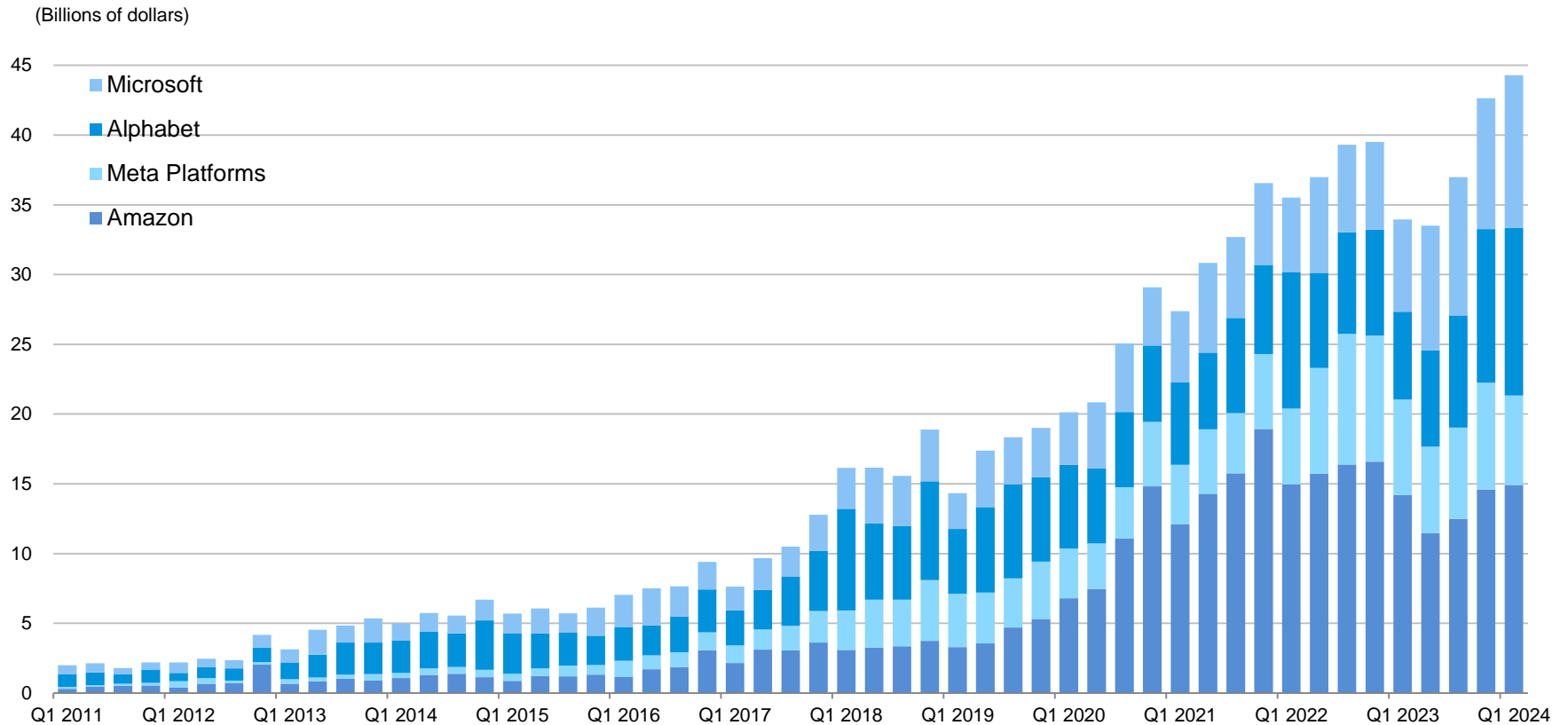
Domestic Sales  
Overseas Sales



# Business Environment until FY12/2024(Q1)

Resumption of capital investment by U.S. cloud providers.

## Capital Expenditures by U.S. cloud providers

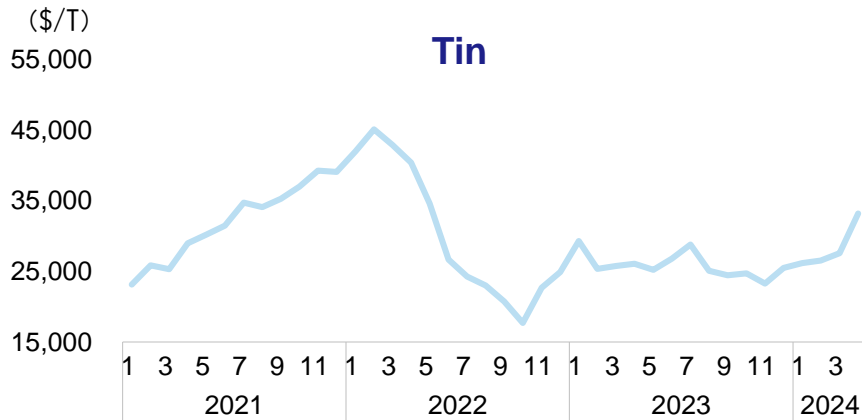
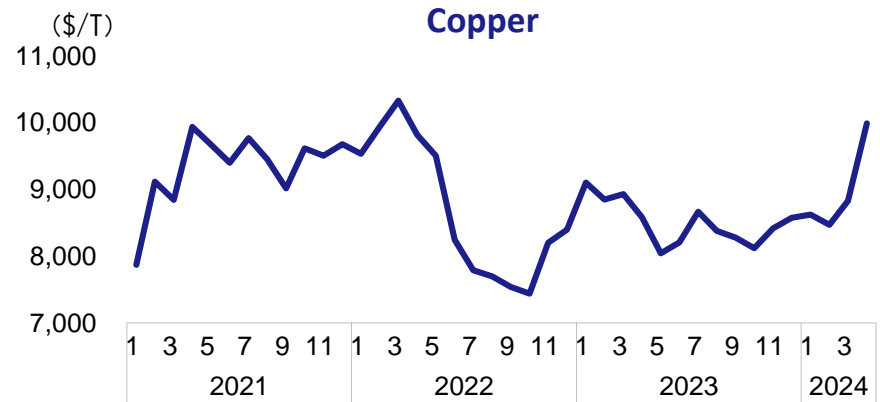
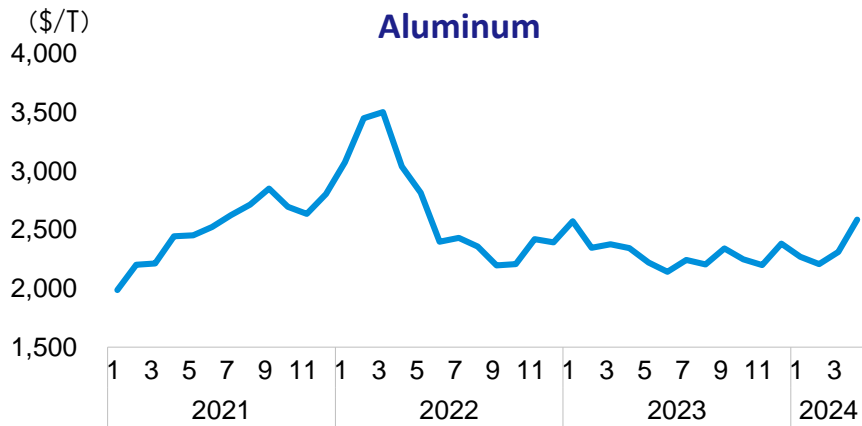


(Source: Company data)

# External Environment – Non-Ferrous Metals Market Trends

Market prices of non-ferrous metals reversed from the downward trend in 2022 and copper and tin prices rose somewhat.

## Non-Ferrous Metals Market (LME)



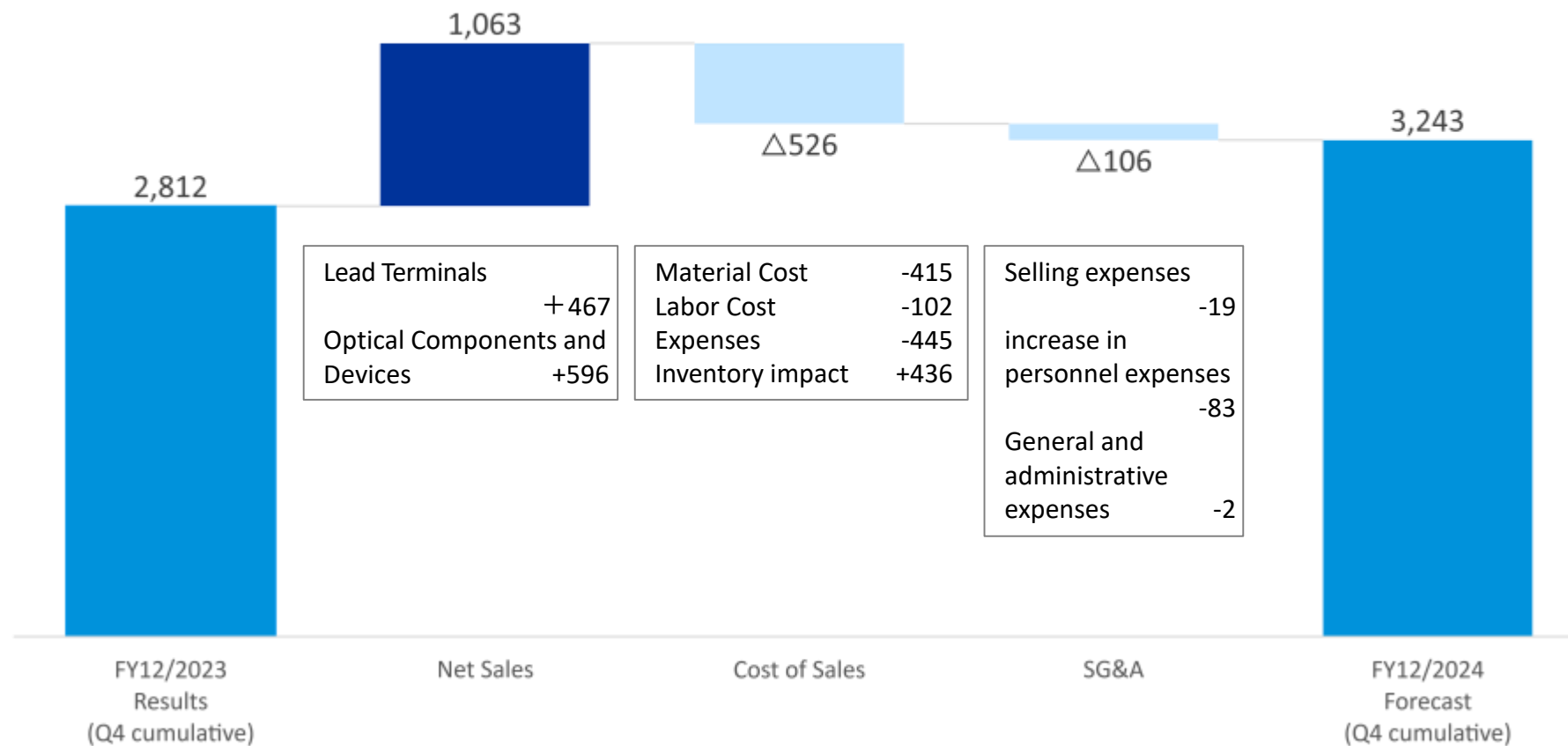


# Factors of Increase/Decrease in Operating profit (FY12/2024 Forecast)

No change from the initial plan.

Operating profit is expected to increase, due to the contribution of profit recovery in the lead terminals business in the second half of 2024.

(Millions of yen)

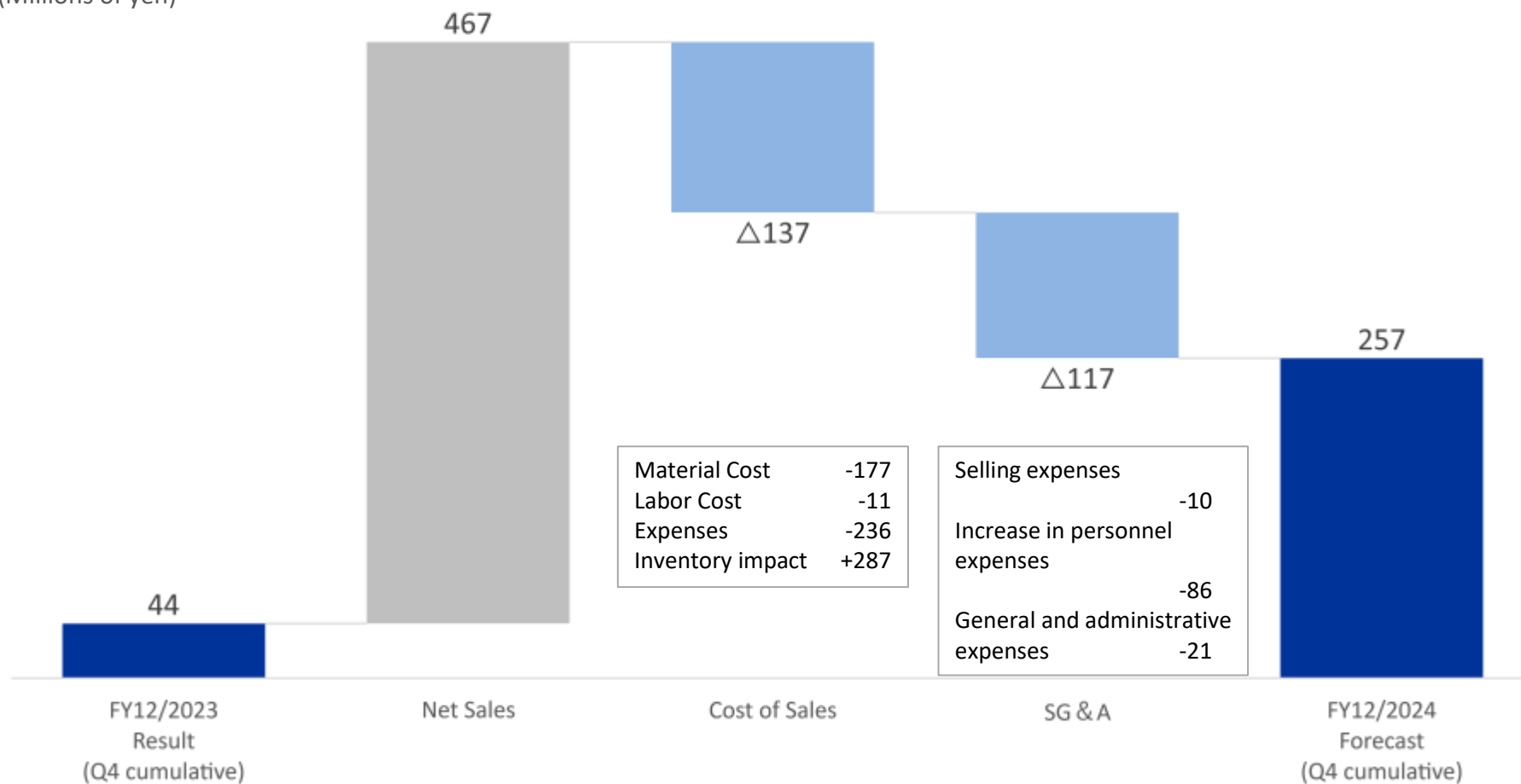


# Factors of Increase/Decrease in Operating profit by Segment (Forecast for FY12/2024) – Lead Terminals

No change from the initial plan.

Increased sales and profits are expected due to a market recovery and the expansion of new product sales.

(Millions of yen)

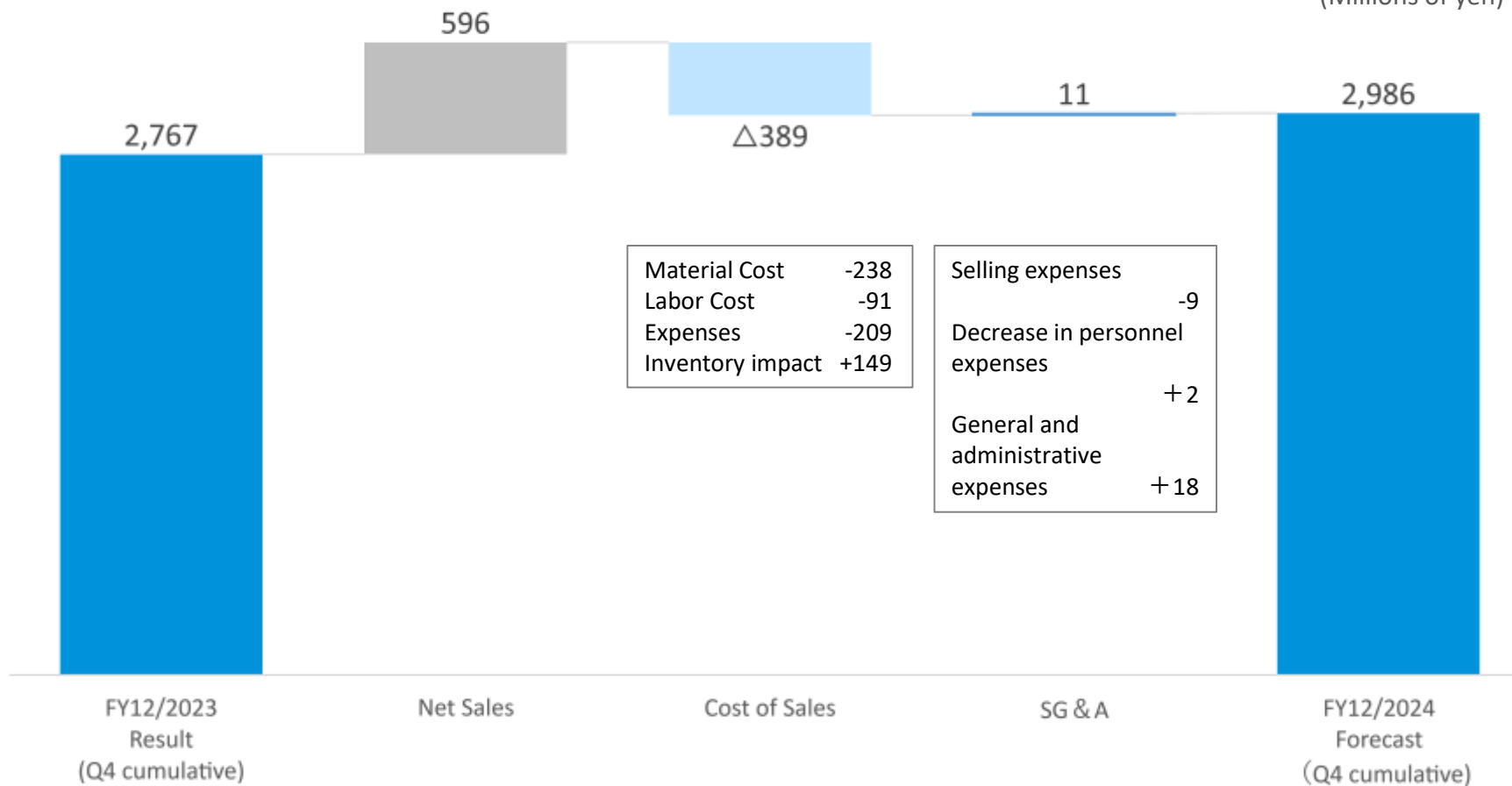


# Factors of Increase/Decrease in Operating profit by Segment (Forecast for FY12/2024) - Optical Components and Devices

Plan for the recovery of sales and securing of increased sales and profits from mid-year.

No change from the initial plan.

(Millions of yen)



**This document contains our current plans and performance forecasts. These future plans and forecast figures are plans and projections made by us based on available information. Actual results may differ from these plans and forecast figures due to various conditions and factors.**

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