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## Consolidated Financial Results for the Three Months Ended March 31, 2024 [Japanese GAAP]

May 9, 2024

Company name: KOHOKU KOGYO CO.,LTD.

Stock exchange listing: Tokyo

Code number: 6524

URL: <https://www.kohokukogyo.co.jp>

Representative: Futoshi Ishii

President and CEO

Contact: Kunio Uehara

Director, Executive Officer and General Manager of Accounting Department

Phone: +81-749-85-3211

Scheduled date of filing quarterly securities report: May 9, 2024

Scheduled date of commencing dividend payments: -

Availability of supplementary briefing material on quarterly financial results: Yes

Schedule of quarterly financial results briefing session: No

(Amounts of less than one million yen are rounded down.)

### 1. Consolidated Financial Results for the Three Months Ended March 31, 2024 (January 1, 2024 to March 31, 2024)

#### (1) Consolidated Operating Results

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
March 31, 2024	3,413	(3.1)	635	(24.9)	1,130	28.1	724	28.4
March 31, 2023	3,521	(11.0)	846	(20.4)	882	(32.0)	564	(36.3)

(Note) Comprehensive income: Three months ended March 31, 2024: ¥ 1,062 million [ 58.0%]  
Three months ended March 31, 2023: ¥ 672 million [ (45.4) %]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
Three months ended		
March 31, 2024	26.86	-
March 31, 2023	20.92	-

(Note) On April 1, 2024, the Company conducted a stock split at a ratio of 3 shares for each common share.

"Quarterly net income per share" is calculated assuming that the stock split was carried out at the beginning of the previous consolidated fiscal year.

#### (2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
	Millions of yen	Millions of yen	%
As of			
March 31, 2024	25,427	20,581	80.9
December 31, 2023	24,973	20,059	80.3

(Reference) Equity: As of March 31, 2024: ¥ 20,581 million  
As of December 31, 2023: ¥ 20,059 million

## 2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Fiscal year ended December 31, 2023	Yen -	Yen 0.00	Yen -	Yen 60.00	Yen 60.00
Fiscal year ending December 31, 2024	-				
Fiscal year ending December 31, 2024(Forecast)		0.00	-	23.00	23.00

(Note) Revision to the forecast for dividends announced most recently: No

(Note) On April 1, 2024, the Company conducted a stock split at a ratio of 3 shares for each common share. For the fiscal year ending December 31, 2023, the actual dividends before the stock split are shown.

(Note) Breakdown of the 1st quarter dividend for the fiscal year ending December 31, 2024 :

Commemorative dividend	- yen
Special dividend	- yen

## 3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024(January 1, 2024 to December 31, 2024)

(% indicates changes from the previous corresponding period.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending June 30, 2024	6,800	(3.2)	1,427	(15.4)	1,444	(33.9)	913	(32.1)	33.84
Full year	14,536	7.9	3,243	15.3	3,284	4.2	2,136	12.2	79.17

(Note) Revision to the financial results forecast announced most recently: No

(Note) On April 1, 2024, the Company conducted a stock split at a ratio of 3 shares for each common share. "Basic earnings per share" in Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2024 takes the stock split into consideration.

\* Notes:

(1) Changes in significant subsidiaries during the three months ended March 31, 2024

(changes in specified subsidiaries resulting in changes in scope of consolidation): No

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: No

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

1) Total number of issued shares at the end of the period (including treasury shares):

March 31, 2024: 27,000,000 shares

December 31, 2023: 27,000,000 shares

2) Number of treasury shares at the end of the period:

March 31, 2024: 10,524 shares

December 31, 2023: 10,491 shares

3) Average number of shares outstanding during the period:

Three months ended March 31, 2024: 26,989,502 shares

Three months ended March 31, 2023: 26,989,896 shares

(Note) On April 1, 2024, the Company conducted a stock split at a ratio of 3 shares for each common share. Number of issued shares (common shares) is calculated assuming that the stock split was carried out at the beginning of the previous consolidated fiscal year.

\*This summary of quarterly financial results is not subject to quarterly review by a public accountant or audit corporation.

\*Explanation regarding appropriate use of earnings forecasts, and other notes

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to and certain assumptions that are thought to be reasonable by the Company. Accordingly, such statements should not be construed as a guarantee that the Company will achieve the results. Actual financial results and the like may differ materially due to various factors.

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## 1. Qualitative Information on Quarterly Financial Results

### (1) Explanation Regarding Operating Results

During the first quarter of the fiscal year ending December 2024, the global economy followed a trend of recovery, as the post-pandemic recovery in the retail and service sectors continued and some signs of improvement were also seen in the manufacturing sector. However, there were some concerns about the economic outlook, 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. However, the depreciation of the yen and quality fraud problems in the automobile industry had an impact on industrial production, resulting in fluctuations in the economy.

In the electronic components industry, conditions remained challenging due to the prolonged weakness in the information and communications equipment market and the impact of the economic slowdown in China. However, there were signs of a halt in the decline, including some progress in adjustment of excess components inventory since last summer in Europe.

Under these circumstances, the Company worked to expand sales and improve the profit structure by developing and expanding sales of new products and improving transactions for unprofitable products and orders in order to achieve the medium-term management plan.

The Company also worked on measures aimed at medium- to long-term growth, including efforts to commercialize high-purity quartz glass products which are a new field we focus on, and making EpiPhotonics Corp., a developer of PLZT optical switch technology which is expected to have applications in high-speed optical communications and optical quantum computers, into a subsidiary.

Based on this environment, for the operating results for the first quarter of the fiscal year ending December 2024, the Company posted net sales of 3,413 million yen (down 3.1% year on year), operating profit of 635 million yen (down 24.9% year on year), ordinary profit of 1,130 million yen (up 28.1% year on year) due to foreign exchange gains resulting from the depreciation of the yen, and profit attributable to owners of parent of 724 million yen (up 28.4% year on year). The period-average exchange rate for the first quarter of the fiscal year ending December 2024 was 148.62 yen to the U.S. dollar.

Operating results by segment are as follows.

#### <Lead Terminals Business>

In the Lead Terminals Business, net sales and segment loss (operating loss) for the first quarter of the fiscal year ending December 2024 were 1,929 million yen (up 3.5% year on year) and 13 million yen (segment profit of 28 million yen in the same period of the previous fiscal year), respectively.

In the automotive electronics market, the slump in the aluminum electrolytic capacitor market, which began last year, continued in Europe, China, and other markets as excess inventory became apparent. In addition, the stagnation of some automobile production due to quality fraud issues in the Japanese automobile market had an impact. However, there were signs of bottoming out due to progress in inventory adjustments, with some product types showing signs of recovery.

On the other hand, challenging conditions persisted in the information and communications equipment power supply and consumer equipment markets with prolonged adjustments as the stay-at-home demand during the pandemic fizzled out.

Under these circumstances, an unexpected increase in fixed costs due to a sharp rise in orders for some product types led to a temporary downward pressure on profits. However, the Company worked to improve the profit structure over the medium to long term by expanding sales of a new “burr-free” product featuring significantly improved vibration resistance and insulation, reviewing small-lot orders, and improving the overall efficiency of equipment.

Moreover, in order to enhance the product quality and reliability and improve production efficiency, the Company worked to develop new welding technologies that realize high efficiency and high accuracy.

### <Optical Components and Devices Business>

In the Optical Components and Devices Business, net sales and segment income (operating profit) for the first quarter of the fiscal year ending December 2024 were 1,484 million yen (down 10.4% year on year) and 649 million yen (down 20.6% year on year), respectively.

In the area of optical devices for submarine cables, demand remained sluggish compared to the same period last year due to inventory adjustments and postponement of submarine cable projects by some customers. However, orders showed a trend of recovery due to an improved outlook for demand for optical components and devices, including the announcement of projects backed by the global trend toward strengthening telecommunications infrastructure over the medium to long term, and sales increased compared to the previous quarter.

Sales of optical fiber array products for land optical communications continued to face challenging conditions, including sluggish demand in the Chinese market.

In terms of development, the Company worked on developing small, composite products, and multi-core fiber products to meet growing needs in information and communications. In the area of multi-core fiber products, the Company developed a new optical isolator and fan-in/fan-out (\*1) composite optical device for next-generation optical submarine cable systems, contributing to the demonstration of optical fiber transmission over 18,090 km, the world's longest multicore fiber. A paper was presented jointly with KDDI Research, Inc. at OFC2024, one of the world's largest international conferences in the field of optical communications.

In the high-purity quartz glass business, which the Company has positioned as a next-generation business, sales of the aspherical lenses for ultraviolet rays launched last year increased. The Company 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 and worked toward mass production.

#### \*1: Fan in/fan out (product)

An optical component that connects each core of a multi-core fiber to the core of a single-core fiber “Fan-in” means combining multiple inputs into a single output, and “fan-out” means branching one input into multiple outputs. For example, when a multi-core fiber with multiple cores built into a single optical fiber cable is used as a submarine cable, the fiber is branched into a single-core fiber in optical repeaters installed every few tens of kilometers to amplify the optical signal and then recombined into a single output.

## (2) Explanation Regarding Financial Position

### (Assets)

Current assets increased by 24 million yen from the end of the previous fiscal year to 16,759 million yen. This was mainly attributable to notes and accounts receivable - trade increasing 283 million yen, work in process increasing 75 million yen, and raw materials and supplies increasing 59 million yen while cash and deposits declined 382 million yen.

Non-current assets increased by 430 million yen from the end of the previous fiscal year to 8,668 million yen. This was mainly attributable to increases of 145 million yen in machinery, equipment and vehicles, net, 84 million yen in tools, furniture and fixtures, net, 55 million yen in leased assets, net, and 66 million yen in deferred tax assets.

As a result, total assets increased 454 million yen from the end of the previous fiscal year to 25,427 million yen.

### (Liabilities)

Current liabilities decreased by 18 million yen from the end of the previous fiscal year to 2,504 million yen. This was mainly attributable to short-term borrowings declining 196 million yen and current portion of long-term borrowings declining 47 million yen while income taxes payable increased 77 million yen and provision for bonuses increased 120 million yen.

Non-current liabilities were down by 49 million yen from the end of the previous fiscal year to 2,341 million yen. This was mainly attributable to lease liabilities increasing 54 million yen, while long-term borrowings fell 127 million yen.

As a result, total liabilities decreased by 68 million yen from the end of the previous fiscal year to 4,845 million yen.

(Net assets)

Net assets increased by 522 million yen from the end of the previous fiscal year to 20,581 million yen. This was mainly attributable to increases of 185 million yen in retained earnings and 336 million yen in foreign currency translation adjustment, etc.

### (3) Explanation Regarding Forecast Information Such as Consolidated Earnings Forecasts

In the first quarter under review, both the Lead Terminals Business and the Optical Components and Devices Business faced challenging conditions as market adjustments continued from the previous year. However, sales slightly exceeded the initial plan with progress in inventory adjustments in the aluminum electrolytic capacitor market and front-loaded orders for some submarine cable products. In terms of the outlook for the second quarter, while there are some concerns such as economic standstill in China and slowing growth in the EV market, the Company has determined that the outlook overall has not changed and has not changed the forecasts of financial results for the first half of the fiscal year and full year from the initial forecasts. While paying close attention to developments in the future, the Company will promptly announce any changes that are deemed necessary.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto  
(1) Quarterly Consolidated Balance Sheet

(Millions of yen)

	As of December 31, 2023	As of March 31, 2024
<b>Assets</b>		
Current assets		
Cash and deposits	10,864	10,482
Notes and accounts receivable - trade	2,450	2,733
Electronically recorded monetary claims - operating	937	951
Finished goods	979	904
Work in process	351	426
Raw materials and supplies	888	947
Other	263	313
Total current assets	16,735	16,759
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,406	1,423
Machinery, equipment and vehicles, net	2,756	2,902
Tools, furniture and fixtures, net	476	560
Land	143	143
Leased assets, net	1,895	1,950
Construction in progress	439	462
Total property, plant and equipment	7,117	7,443
Intangible assets		
Other	330	366
Total intangible assets	330	366
Investments and other assets		
Investment securities	385	388
Deferred tax assets	210	276
Other	193	193
Total investments and other assets	789	858
Total non-current assets	8,237	8,668
Total assets	24,973	25,427

	As of December 31, 2023	As of March 31, 2024
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	476	547
Short-term borrowings	196	-
Current portion of long-term borrowings	517	470
Lease liabilities	127	129
Accounts payable - other	422	389
Income taxes payable	402	480
Provision for bonuses	70	190
Provision for bonuses for directors (and other officers)	27	7
Other	282	289
Total current liabilities	2,522	2,504
Non-current liabilities		
Long-term borrowings	208	80
Lease liabilities	1,902	1,956
Deferred tax liabilities	80	99
Retirement benefit liability	123	129
Asset retirement obligations	67	67
Other	8	8
Total non-current liabilities	2,391	2,341
Total liabilities	4,913	4,845
<b>Net assets</b>		
Shareholders' equity		
Share capital	350	350
Capital surplus	5,648	5,648
Retained earnings	12,633	12,818
Treasury shares	(1)	(1)
Total shareholders' equity	18,629	18,815
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	7	8
Foreign currency translation adjustment	1,422	1,758
Total accumulated other comprehensive income	1,429	1,766
Total net assets	20,059	20,581
Total liabilities and net assets	24,973	25,427



(2) Quarterly Consolidated Statements of Income and Comprehensive Income  
Quarterly Consolidated Statements of Income (For the three months)

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Net sales	3,521	3,413
Cost of sales	2,049	2,112
Gross profit	1,471	1,301
Selling, general and administrative expenses	625	665
Operating profit	846	635
Non-operating income		
Interest and dividend income	7	56
Foreign exchange gains	30	449
Other	24	19
Total non-operating income	61	526
Non-operating expenses		
Interest expenses	23	25
Other	2	5
Total non-operating expenses	25	31
Ordinary profit	882	1,130
Profit before income taxes	882	1,130
Income taxes - current	307	452
Income taxes - deferred	10	(46)
Total income taxes	318	405
Profit	564	724
Profit attributable to owners of parent	564	724

Quarterly Consolidated Statements of Comprehensive Income (For the three months)

(Millions of yen)

	For the three months ended March 31, 2023	For the three months ended March 31, 2024
Profit	564	724
Other comprehensive income		
Valuation difference on available-for-sale securities	18	1
Foreign currency translation adjustment	88	336
Total other comprehensive income	107	337
Comprehensive income	672	1,062
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	672	1,062

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Notes on Significant Changes in the Amount of Shareholders' Equity)

Not applicable.

(Segment Information, Etc.)

[Segment information]

First quarter of the fiscal year ended December 2023 (January 1, 2023 - March 31, 2023)

1. Information regarding net sales and income or loss for each reportable segment, and breakdown of revenue

(Millions of yen)

	Reportable segment			Adjustments	Total (Note)
	Lead Terminals Business	Optical components and Devices Business	Total		
Net sales					
Japan	873	455	1,328	—	1,328
China	379	9	389	—	389
Asia	601	5	607	—	607
U.K.	—	529	529	—	529
U.S.	—	653	653	—	653
Others	9	2	12	—	12
Revenue from contracts with customers	1,864	1,656	3,521	—	3,521
Other revenue	—	—	—	—	—
Sales to outside customers	1,864	1,656	3,521	—	3,521
Inter-segment sales or transfers	—	—	—	—	—
Total	1,864	1,656	3,521	—	3,521
Segment income	28	817	846	—	846

(Note) The total segment income is consistent with Operating profit as reported in the Quarterly Consolidated Statements of Income.

First quarter of the fiscal year ending December 2024 (January 1, 2024 - March 31, 2024)

1. Information regarding net sales and income or loss for each reportable segment, and breakdown of revenue  
(Millions of yen)

	Reportable segment			Adjustments	Total (Note)
	Lead Terminals Business	Optical Components and Devices Business	Total		
Net sales					
Japan	878	195	1,073	—	1,073
China	385	38	423	—	423
Asia	653	6	660	—	660
U.K.	—	477	477	—	477
U.S.	—	758	758	—	758
Others	11	8	20	—	20
Revenue from contracts with customers	1,929	1,484	3,413	—	3,413
Other revenue	—	—	—	—	—
Sales to outside customers	1,929	1,484	3,413	—	3,413
Inter-segment sales or transfers	—	—	—	—	—
Total	1,929	1,484	3,413	—	3,413
Segment income and Segment loss (△)	△13	649	635	—	635

(Note) The total Segment income and Segment loss (△) is consistent with Operating profit as reported in the Quarterly Consolidated Statements of Income.

(Revenue Recognition)

Breakdown of revenue from contracts with customers is described in “Notes (Segment Information, Etc.)”

(Significant Subsequent Events)

(Stock Split and Partial Amendments to Articles of Incorporation)

Based on a resolution at the Board of Directors meeting held on February 8, 2024, the Company conducted a stock split and made partial amendments to its Articles of Incorporation.

The details of the stock split are as follows:

(1) Purpose of stock split

The purpose is to increase the liquidity of the company shares and expand the investor base by lowering the minimum investment amount.

(2) Method of split

Common shares held by shareholders listed or recorded on the final register as of the record date, which is Sunday, March 31, 2024 (effectively Friday, March 29), have been split at a ratio of three for one.

(3) Number of shares increased by the split

①	Number of shares outstanding before the split	9,000,000
②	Increase in number of shares with the split	18,000,000
③	Number of shares outstanding after the split	27,000,000
④	Total number of shares authorized to be issued after the split	108,000,000

(4) Schedule

①	Announcement of the record date	Thursday, March 14, 2024
②	Record date	Sunday, March 31, 2024
③	Effective date	Monday, April 1, 2024

(5) Impact on per share information

The impact on per share information is stated in the relevant section.