

Translation

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Summary of Consolidated Financial Results for the Fiscal Year Ended December 2022 (Based on Japanese GAAP)

February 9, 2023

Company name: Kohoku Kogyo Co., Ltd.

Listing exchange: Tokyo Stock Exchange

Securities code: 6524

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

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Scheduled date for next regular general meeting of shareholders: March 30, 2023

Scheduled date for commencing dividend payments: March 31, 2023

Scheduled date for filing annual securities report: March 30, 2023

Preparation of supplementary materials on financial results: Yes

Holding of financial results briefing session: Yes (for institutional investors and analysts)

(Amounts are rounded down to the nearest million yen, unless otherwise noted)

1. Consolidated Financial Results for the Fiscal Year Ended December 2022 (January 1, 2022 to December 31, 2022)

(1) Consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2022	15,673	7.2	3,884	(5.9)	4,443	1.8	3,066	3.6
Fiscal year ended December 31, 2021	14,620	30.8	4,126	60.1	4,363	85.1	2,960	89.5

(Note) Comprehensive income

Fiscal year ended December 31, 2022: 3,570 million yen [1.4 %]

Fiscal year ended December 31, 2021: 3,521 million yen [134.9 %]

	Net income per share	Diluted earnings per share	Return on equity	Return on assets	Operating profit ratio
	Yen	Yen	%	%	%
Fiscal year ended December 31, 2022	346.14	–	18.3	19.0	24.8
Fiscal year ended December 31, 2021	406.72	398.10	28.3	24.4	28.2

(Reference) Equity gains (losses) of affiliated companies

Fiscal year ended December 31, 2022: – million yen

Fiscal year ended December 31, 2021: – million yen

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	24,285	18,296	75.3	2,033.69
As of December 31, 2021	22,540	15,149	67.2	1,715.73

(Reference) Total shareholders' equity

As of December 31, 2022: 18,296 million yen

As of December 31, 2021: 15,149 million yen

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended December 31, 2022	2,755	(1,949)	(2,585)	9,362
Fiscal year ended December 31, 2021	3,032	(406)	4,564	10,951

2. Cash Dividends

	Annual dividends per share					Total dividends	Payout ratio (Consolidated)	Dividend on equity ratio (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended December 2021	–	0.00	–	55.00	55.00	485	13.5	4.4
Fiscal year ended December 2022	–	0.00	–	55.00	55.00	494	15.9	2.9
Fiscal year ending December 2023 (Forecast)	–	0.00	–	60.00	60.00		–	

(Note) Breakdown of fiscal year-end dividend per share for the fiscal year ended December 2021:

Ordinary dividend: 50.00 yen

Commemorative dividend for listing: 5.00 yen

3. Forecast of Consolidated Financial Results for the Fiscal Year Ending December 2023 (January 1, 2023 to December 31, 2023)

(Percentage figures indicate year-on-year changes for full year and changes from the same quarter of the previous fiscal year for quarter)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First two quarters (Cumulative)	8,086	1.6	2,047	0.3	2,027	(25.8)	1,398	(23.0)	155.49
Full year	16,494	5.2	4,121	6.1	4,084	(8.1)	2,819	(8.1)	313.41

* Notes

(1) Changes in significant subsidiaries during the fiscal year

(Changes in specified subsidiaries resulting in change in scope of consolidation) : No

Newly consolidated: No

Excluded from consolidation: No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

1) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

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

3) Changes in accounting estimates: No

4) Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

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

As of December 31, 2022	9,000,000 shares	As of December 31, 2021	9,000,000 shares
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2) Number of treasury shares at the end of the period

As of December 31, 2022	3,368 shares	As of December 31, 2021	170,000 shares
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3) Average number of shares during the period

Fiscal year ended December 31, 2022	8,859,924 shares	Fiscal year ended December 31, 2021	7,278,219 shares
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(Reference) Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 2022 (January 1, 2022 to December 31, 2022)

(1) Non-consolidated Operating Results

(Percentage figures represent year-on-year changes)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended December 31, 2022	10,604	3.6	3,204	(8.1)	3,801	(4.2)	2,607	(2.8)
Fiscal year ended December 31, 2021	10,233	30.6	3,487	77.5	3,968	111.3	2,683	119.9

	Net income per share	Diluted earnings per share
	Yen	Yen
Fiscal year ended December 31, 2022	294.33	–
Fiscal year ended December 31, 2021	368.71	360.90

(2) Non-consolidated Financial Position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of December 31, 2022	19,439	15,867	81.6	1,763.67
As of December 31, 2021	19,063	13,688	71.8	1,550.22

(Reference) Total shareholders' equity

As of December 31, 2022: 15,867 million yen
As of December 31, 2021: 13,688 million yen

* This summary of financial results is not subject to review procedures 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 of achieving the results by the Company. Actual financial results and the like may differ materially due to various factors. For the conditions forming the assumptions on which earnings forecasts are based and explanatory notes for use of earnings forecasts, etc., please refer to "1. Overview of Operating Results, Etc.;" (4) Future Outlook" on page 4 of the Attachment.

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1. Overview of Operating Results, Etc.

(1) Overview of Operating Results for the Fiscal Year Under Review

During the fiscal year ended December 2022 (January - December 2022), recovery in economic activities was anticipated for the world economy amid the trend of coexistence with COVID-19. However, severe status continued because of factors including the deterioration in business conditions due to the “zero-COVID policy” in China, the rise in energy prices originating from the situation in Ukraine, and concerns on a recession due to financial tightening in the U.S. and European countries.

In Japan, although the domestic consumption was on a recovery trend in line with the mitigation of restrictions concerning the COVID-19 infection, full-scale economic recovery was not achieved as the yen’s rapid depreciation against the dollar since the fall as well as continuous rise in energy prices resulted in an increase in raw material and other prices.

Under these circumstances, for the fiscal year under review, the Company posted net sales of 15,673 million yen (up 7.2% year on year) due to the impact of depreciation of yen and passing on of raw material prices to sales prices in the Lead Terminals Business. Operating income was 3,884 million yen (down 5.9% year on year) due to a decrease in sales volume because of slowdown in products for information and communications equipment and consumer products markets, which are one of the major fields of target, along with the resulting inability to offset the increased costs due to the surging materials prices. Ordinary income amounted to 4,443 million yen (up 1.8% year on year), and net income attributable to owners of parent came to 3,066 million yen (up 3.6% year on year).

The period-average exchange rate for the fiscal year under review was 131.64 yen to the U.S. dollar.

As for topics to note, in the Optical Communication Parts and Devices Business, the Company started sales of micro optical isolators compatible with multi-channel fiber of submarine cables ahead of others in the industry. In addition, the Company conducted product development looking ahead to an increase in the information communication volume, and made presentations at international conferences on the development outcomes of multi-core fiber optical devices related to increasing the capacity of optical fiber communications. In addition, the Company proactively conducted research and development activities for the future, including launch of joint research with Kindai University in the high purity quartz glass business, which it positions as the next-generation growth business.

In the Lead Terminals Business, the Company developed a new product (*1) that contributes to vibration resistance and improving insulation characteristics for the automotive market, and has begun shipping samples. In addition, preparations for mass production system of this new product have been underway, as the wider use of this product is expected with the growing demand for use in EVs, etc. In order to improve the profit structure in the Lead Terminals Business, the Company also made efforts to develop production technology aimed at correction of sales prices and improvement of production efficiency.

In addition, as part of ESG activities, the Company made efforts in activities such as the promotion of environmental conservation activities at the “Forest of Yamakado Water Source,” which is located in northern Shiga Prefecture and one of the largest wetlands in the prefecture, as well as CO2 reduction aiming for carbon neutrality by 2050, including the installation of solar panels at the head office building.

*1 Features of the new product

Lead terminals that are highly effective in preventing foil breakage of the aluminum foil inside the capacitor to meet the needs for larger capacity and higher quality aluminum electrolytic capacitors. This will improve vibration resistance and insulation characteristics.

Operating results by segment are as follows.

<Lead Terminals Business>

In the Lead Terminals Business, net sales and segment income (operating income) for the fiscal year under review were 8,384 million yen (up 10.3% year on year) and 232 million yen (down 59.2% year on year), respectively. The decrease in the segment income was due to an increase in materials costs.

Concerning products for the automotive market, although the number of EVs produced increased significantly, the sales volume of lead terminals only increased slightly due to overall automobile production remained sluggish because of reduced production caused by the shortage of semiconductors and the effects of the lockdown in China. Concerning products for information and communications equipment and consumer products markets, the Company saw a sharp drop in number of orders it receives concerning products for PCs and home appliances after the summer, due to factors such as the settling down of demand arising from the pandemic. As a result, sales have declined significantly on a sales volume basis compared with the previous year. Although it was a tough environment in terms of sales volume since the drastic drop in 2019, net sales increased partly due to the transfer of soaring raw material prices to sales prices and the impact of a depreciation of the yen.

On the cost front, the price (LME prices) of nonferrous metals such as aluminum, copper, and tin, which are raw materials, rose sharply in the first half of the fiscal year, and the delayed passing on of prices to customers and other factors put pressure on the earnings. Although the higher prices were passed on to customers more in the second half of the fiscal year, the improvement in earnings was limited by the significant decline in sales volume after the summer.

In the automotive market, which is expected to grow significantly over the medium to long term in line with the penetration of EVs, etc., the Company worked to expand its lineup of new products that contribute to improving reliability of aluminum electrolytic capacitors, such as improved vibration resistance, leakage current reduction characteristics and insulation characteristics, as well as improving yield in the aluminum electrolytic capacitor manufacturing process.

<Optical Communication Parts and Devices Business>

In the Optical Communication Parts and Devices Business, net sales and segment income (operating income) for the fiscal year under review were 7,289 million yen (up 3.9% year on year) and 3,652 million yen (up 2.7% year on year), respectively.

In optical devices for submarine cables, demand for optical isolators remained strong due to the installment of submarine cables led by major global tech companies including GAFAM, in addition to traditional telecom carriers. The Company also started sales of compact optical isolators compatible with multi-channel fiber of submarine cables in May 2022 as its new product, and steadily increased its sales. While on the contrary, the sales volume decreased when compared to the previous year due to the impact of the downward adjustment on production volume arising from the shortage of components at major customers. On the other hand, sales of optical fiber array products were impacted by the state of information and telecommunications equipment market since the summer in addition to delivery restrictions associated with U.S.-China conflict from before, and those for high-speed optical transceiver applications entered adjustment phase. Even though the Company was under such circumstances, it secured a year-on-year increase in sales and profit due partly to the foreign exchange rate shifting to depreciation of the yen.

In terms of production, there were concerns that the turmoil in politics and economy in Sri Lanka would have an impact on the production at KOHOKU LANKA (PVT). LTD., the Company's subsidiary located in Sri Lanka. However, it managed to continue normal operations by implementing business continuity measures such as countermeasures for power outages by in-house power generation facility and providing employees with livelihood support, and thus maintained a stable supply system.

In research and development, etc., the Company continued to develop new products that get ahead of the submarine cables with even more multi-channel fibers backed by dramatic expansion in information communication volume, as well as production systems to enhance production efficiency of optical devices, and proceeded with cooperative measures with an external research institution. The Company also made efforts in the research and development of high purity quartz glass products, which it positions as the next-generation business, and unfurling of samples.

(2) Overview of Financial Position for the Fiscal Year under Review

(Assets)

Current assets decreased by 138 million yen from the end of the previous fiscal year to 17,227 million yen. This was mainly attributable to finished goods increasing by 354 million yen, electronically recorded monetary claims - operating increasing by 237 million yen and raw materials and supplies increasing by 97 million yen, while cash and deposits decreasing by 587 million yen and notes and accounts receivable - trade decreasing by 216 million yen.

Non-current assets increased by 1,883 million yen from the end of the previous fiscal year to 7,057 million yen. This was mainly attributable to leased assets, net increasing by 1,236 million yen, machinery, equipment and vehicles, net increasing by 442 million yen, etc.

As a result, total assets increased by 1,745 million yen from the end of the previous fiscal year to 24,285 million yen.

(Liabilities)

Current liabilities decreased by 1,938 million yen from the end of the previous fiscal year to 3,375 million yen. This was mainly attributable to short-term borrowings decreasing by 1,132 million yen, income taxes payable decreasing by 444 million yen, accounts payable - trade decreasing by 213 million yen and current portion of long-term borrowings decreasing by 124 million yen, etc.

Non-current liabilities increased by 536 million yen from the end of the previous fiscal year to 2,613 million yen. This was mainly attributable to long-term borrowings decreasing by 676 million yen while lease liabilities increased by 1,189 million yen, etc.

As a result, total liabilities decreased by 1,401 million yen from the end of the previous fiscal year to 5,988 million yen.

(Net assets)

Net assets increased by 3,146 million yen from the end of the previous fiscal year to 18,296 million yen. This was mainly attributable to retained earnings increasing by 2,581 million yen and foreign currency translation adjustment increasing by 508 million yen, etc.

(3) Overview of Cash Flows for the Fiscal Year under Review

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 2,755 million yen. The major factors of cash inflow were income before income taxes of 4,441 million yen and depreciation of 692 million yen, and the major factors of cash outflow were income taxes paid of 1,766 million yen, increase in inventories of 349 million yen and increase in trade payables of 266 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,949 million yen. The major factors of cash outflow were purchase of property, plant and equipment of 866 million yen and purchase of investment securities of 104 million yen, and the major factor of cash inflow was proceeds from sale of investment securities of 18 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 2,585 million yen. The major factors of cash outflow were dividends paid of 485 million yen, repayments of long-term borrowings of 800 million yen, decrease in short-term borrowings of 1,210 million yen and repayments of lease liabilities of 142 million yen.

(4) Future Outlook

As for the medium- to long-term market environment surrounding the Company, it is anticipated that automotive electronics will expand in line with the spread of EVs and the evolution of autonomous driving technology, and that the information communication volume, which contributes to the realization of the spread of the metaverse, will continuously increase. The Company is convinced that medium- to long-term business growth can be sustained by developing high value-added products that meet the new needs and further strengthening quality as well as stable supply system.

Although medium- to long-term growth trends can be anticipated in the current business environment surrounding the Company and its group of companies (“the Group”) as described above, it is difficult to avoid trends in the global economy and fluctuations in supply and demand in the market in the short term, and it is assumed that it will be affected to a certain extent by external environments such as the future economic recession.

Based on this environment, for the consolidated earnings forecast for the fiscal year ending December 2023, the Company is expected to post net sales of 16,494 million yen (up 5.2% year on year), operating income of 4,121 million yen (up 6.1% year on year), ordinary income of 4,084 million yen (down 8.1% year on year), and net income attributable to owners of parent of 2,819 million yen (down 8.1% year on year).

It is assumed that the period-average exchange rate was 130.00 yen to the U.S. dollar.

Outlooks by segment are as follows.

<Lead Terminals Business>

In the aluminum electrolytic capacitor industry, the downward trend in demand centering on that for information and communications equipment and consumer products, which became apparent after the summer of 2022, continues even now. For the automotive market, it is thought that it will take some time for automobile production to fully recover, but the Company believes that sales of highly functional products will steadily increase in line with the spread of EVs and other factors.

In light of such environment, for the earnings forecast of the Lead Terminals Business for the fiscal year ending December 2023, net sales of 9,162 million yen (up 9.3% year on year) and operating income of 699 million yen (up 200.7% year on year) are expected.

<Optical Communication Parts and Devices Business>

As for submarine cables, it is believed that investment by major global tech companies including GAFAM, telecom carriers of various countries will continue against the backdrop of the expansion of information communication volume due to cloud services, etc.

In light of such environment, for the earnings forecast of the Optical Communication Parts and Devices Business for the fiscal year ending December 2023, net sales of 7,331 million yen (up 0.6% year on year) and operating income of 3,422 million yen (down 6.3% year on year) are expected.

(5) Basic Policy on Profit Allocation and Dividends for the Fiscal Year under Review and the Next Fiscal Year

The Company hopes to aggressively allocate funds into capital investment, research and development investment, M&A and such in order to achieve sustainable growth, while striving to strengthen its financial standing by building a certain level of internal reserves for some time.

At the same time, the Company wishes to improve shareholder return and allocate profits in amount that meet expectation from investors.

As for the policy on shareholder return, the Company intends to enhance shareholder return by targeting a consolidated dividend payout ratio of 30% over the medium-to-long term.

In addition to the policy above, the Company increased the period-end common dividend per share for the fiscal year under review by 5 yen from the initial forecast of 50 yen to 55 yen, and also plans to increase 5 yen for the period-end common dividend per share for the next fiscal year to 60 yen.

2. Basic Principle on the Choice of Accounting Standards

The Group has adopted Japanese GAAP for accounting standards, in order to secure comparability of consolidated financial statements from period to period and between companies. As for the adoption of IFRS (International Financial Reporting Standards), the Group will appropriately consider it by taking into account the domestic and international circumstances.

3. Consolidated Financial Statements and Significant Notes Thereto
(1) Consolidated Balance Sheets

(Thousands of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Assets		
Current assets		
Cash and deposits	10,951,563	10,363,775
Notes and accounts receivable - trade	3,257,363	3,041,087
Electronically recorded monetary claims - operating	756,971	994,782
Finished goods	711,166	1,066,003
Work in process	343,317	362,408
Raw materials and supplies	970,676	1,067,753
Other	375,338	332,070
Total current assets	17,366,396	17,227,881
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	908,555	959,191
Machinery, equipment and vehicles, net	2,315,999	2,758,630
Tools, furniture and fixtures, net	483,758	503,069
Land	143,818	143,818
Leased assets, net	373,622	1,609,733
Construction in progress	199,665	236,551
Total property, plant and equipment	4,425,419	6,210,994
Intangible assets		
Other	94,739	134,500
Total intangible assets	94,739	134,500
Investments and other assets		
Investment securities	246,404	324,058
Deferred tax assets	217,215	178,140
Other	189,908	209,708
Total investments and other assets	653,528	711,907
Total non-current assets	5,173,688	7,057,402
Total assets	22,540,084	24,285,284

(Thousands of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Liabilities		
Current liabilities		
Accounts payable - trade	897,482	684,086
Short-term borrowings	1,573,531	441,473
Current portion of bonds payable	9,000	-
Current portion of long-term borrowings	800,674	676,382
Lease liabilities	126,779	135,234
Accounts payable - other	450,521	465,987
Income taxes payable	1,060,573	615,867
Provision for bonuses	64,582	65,936
Provision for bonuses for directors (and other officers)	33,750	30,468
Other	296,964	260,238
Total current liabilities	5,313,859	3,375,675
Non-current liabilities		
Long-term borrowings	1,402,522	726,140
Lease liabilities	434,364	1,623,730
Deferred tax liabilities	53,120	82,322
Retirement benefit liability	109,038	104,558
Asset retirement obligations	65,614	66,446
Other	11,710	10,030
Total non-current liabilities	2,076,369	2,613,227
Total liabilities	7,390,229	5,988,902
Net assets		
Shareholders' equity		
Share capital	350,000	350,000
Capital surplus	5,607,824	5,648,104
Retained earnings	8,642,704	11,223,849
Treasury shares	(22,323)	(454)
Total shareholders' equity	14,578,205	17,221,499
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	6,684	1,036
Foreign currency translation adjustment	564,964	1,073,845
Total accumulated other comprehensive income	571,649	1,074,882
Total net assets	15,149,855	18,296,381
Total liabilities and net assets	22,540,084	24,285,284

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

Consolidated Statements of Income

(Thousands of yen)

	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Net sales	14,620,018	15,673,226
Cost of sales	8,561,079	9,528,214
Gross income	6,058,939	6,145,012
Selling, general and administrative expenses	1,932,835	2,260,391
Operating income	4,126,103	3,884,620
Non-operating income		
Interest and dividend income	9,047	13,932
Foreign exchange gains	283,829	507,407
Gain on sale of investment securities	23,851	–
Gain on sale of goods	8,600	25,219
Other	32,067	81,925
Total non-operating income	357,397	628,485
Non-operating expenses		
Interest expenses	66,970	67,656
Listing expenses	45,293	–
Other	7,770	1,720
Total non-operating expenses	120,034	69,376
Ordinary income	4,363,466	4,443,729
Extraordinary losses		
Loss on sale and retirement of non-current assets	2,815	2,185
Loss on valuation of investment securities	9,341	–
Total extraordinary losses	12,156	2,185
Income before income taxes	4,351,310	4,441,544
Income taxes - current	1,365,329	1,305,603
Income taxes - deferred	25,771	69,146
Total income taxes	1,391,101	1,374,749
Net income	2,960,209	3,066,794
Net income attributable to owners of parent	2,960,209	3,066,794

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Net income	2,960,209	3,066,794
Other comprehensive income		
Valuation difference on available-for-sale securities	(13,375)	(5,648)
Foreign currency translation adjustment	574,238	508,880
Total other comprehensive income	560,863	503,232
Comprehensive income	3,521,072	3,570,027
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,521,072	3,570,027

(3) Consolidated Statements of Changes in Shareholders' Equity

Previous fiscal year (January 1, 2021 – December 31, 2021)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	350,000	29,245	5,740,407	(363,744)	5,755,908
Changes during period					
Dividends of surplus			(57,912)		(57,912)
Net income attributable to owners of parent			2,960,209		2,960,209
Purchase of treasury shares					–
Disposal of treasury shares		5,709,894		210,105	5,920,000
Cancellation of treasury shares		(131,315)		131,315	–
Net changes in items other than shareholders' equity					
Total changes during period	–	5,578,579	2,902,296	341,420	8,822,296
Balance at end of period	350,000	5,607,824	8,642,704	(22,323)	14,578,205

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	20,060	(9,273)	10,786	5,766,695
Changes during period				
Dividends of surplus				(57,912)
Net income attributable to owners of parent				2,960,209
Purchase of treasury shares				–
Disposal of treasury shares				5,920,000
Cancellation of treasury shares				–
Net changes in items other than shareholders' equity	(13,375)	574,238	560,863	560,863
Total changes during period	(13,375)	574,238	560,863	9,383,159
Balance at end of period	6,684	564,964	571,649	15,149,855

Current fiscal year (January 1, 2022 – December 31, 2022)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	350,000	5,607,824	8,642,704	(22,323)	14,578,205
Changes during period					
Dividends of surplus			(485,650)		(485,650)
Net income attributable to owners of parent			3,066,794		3,066,794
Purchase of treasury shares				(529)	(529)
Disposal of treasury shares		40,280		22,398	62,679
Net changes in items other than shareholders' equity					
Total changes during period	–	40,280	2,581,144	21,868	2,643,293
Balance at end of period	350,000	5,648,104	11,223,849	(454)	17,221,499

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	6,684	564,964	571,649	15,149,855
Changes during period				
Dividends of surplus				(485,650)
Net income attributable to owners of parent				3,066,794
Purchase of treasury shares				(529)
Disposal of treasury shares				62,679
Net changes in items other than shareholders' equity	(5,648)	508,880	503,232	503,232
Total changes during period	(5,648)	508,880	503,232	3,146,526
Balance at end of period	1,036	1,073,845	1,074,882	18,296,381

(4) Consolidated Statements of Cash Flows

	(Thousands of yen)	
	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Cash flows from operating activities		
Income before income taxes	4,351,310	4,441,544
Depreciation	582,728	692,249
Loss (gain) on sale of investment securities	(23,851)	–
Loss (gain) on valuation of investment securities	9,341	–
Loss (gain) on sale and retirement of non-current assets	2,815	2,185
Increase (decrease) in allowance for doubtful accounts	(6,452)	–
Increase (decrease) in retirement benefit liability	(4,203)	(8,119)
Increase (decrease) in provision for bonuses	5,750	1,232
Increase (decrease) in provision for bonuses for directors (and other officers)	5,625	(3,281)
Interest and dividend income	(9,047)	(13,932)
Interest expenses	66,970	67,656
Foreign exchange losses (gains)	(89,406)	(11,002)
Listing expenses	45,293	–
Decrease (increase) in trade receivables	(1,069,168)	198,575
Decrease (increase) in inventories	(245,023)	(349,991)
Increase (decrease) in trade payables	262,914	(266,300)
Increase (decrease) in accounts payable - other	27,497	(49,851)
Other, net	65,536	(123,897)
Subtotal	<u>3,978,628</u>	<u>4,577,067</u>
Interest and dividends received	6,635	10,965
Interest paid	(66,948)	(66,381)
Income taxes paid	(885,814)	(1,766,509)
Income taxes refund	334	–
Net cash provided by (used in) operating activities	<u>3,032,835</u>	<u>2,755,141</u>
Cash flows from investing activities		
Payments into time deposits	–	(1,000,789)
Purchase of property, plant and equipment	(582,885)	(866,410)
Purchase of intangible assets	(1,467)	(3,242)
Purchase of investment securities	(4,361)	(104,633)
Proceeds from sale of investment securities	185,455	18,857
Other, net	(2,809)	6,614
Net cash provided by (used in) investing activities	<u>(406,068)</u>	<u>(1,949,605)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(102,144)	(1,210,124)
Repayments of long-term borrowings	(982,269)	(800,674)
Redemption of bonds	(14,000)	(9,000)
Repayments of lease liabilities	(154,286)	(142,697)
Proceeds from sale of treasury shares	5,920,000	62,149
Dividends paid	(57,912)	(485,650)
Listing expenses	(45,293)	–
Net cash provided by (used in) financing activities	<u>4,564,093</u>	<u>(2,585,997)</u>
Effect of exchange rate change on cash and cash equivalents	259,521	191,882
Net increase (decrease) in cash and cash equivalents	<u>7,450,382</u>	<u>(1,588,578)</u>
Cash and cash equivalents at beginning of period	<u>3,501,181</u>	<u>10,951,563</u>
Cash and cash equivalents at end of period	<u>10,951,563</u>	<u>9,362,985</u>

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Changes in Accounting Policies)

(Accounting Standard for Revenue Recognition, Etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan [ASBJ] Statement No. 29, issued on March 31, 2020), etc. from the beginning of the first quarter of the fiscal year ended December 2022, and decided to recognize revenue at the amount expected to be received in exchange for the promised goods or services when control of the goods or services is transferred to the customer.

The major changes resulting from the application are as follows.

- In buy-sell transactions in which the Company purchases raw materials, etc. from customers, processes them and sells the products back to the said customers, the Company previously recognized revenue as the entire amount received for such products, including the amount paid for the purchase of raw materials, etc. This has been changed to the method in which the Company recognizes net revenue excluding the purchase price of raw materials, etc.
- For certain product sales transactions, the Company previously recognized revenue on a shipping basis, but has changed to the method in which it recognizes revenue on an inspection basis in accordance with contract terms and conditions.

The Company has applied the Accounting Standard for Revenue Recognition, etc. in accordance with the transitional treatment stipulated in the proviso of Paragraph 84 of the said Standard. The cumulative effect amount, when applying the new accounting policy retrospectively prior to the beginning of the first quarter of the current fiscal year, was adjusted to retained earnings as of the beginning of the first quarter, and the Company has applied the new accounting policy to the balance at the beginning of the first quarter.

As a result, net sales and cost of sales for the current fiscal year decreased by 95,926 thousand yen and 94,554 thousand yen, respectively, while gross income, operating income, ordinary income and income before income taxes decreased by 1,372 thousand yen for each. There is no impact on the balance of retained earnings at the beginning of the period.

(Application of Accounting Standard for Fair Value Measurement, Etc.)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, issued on July 4, 2019), etc. from the beginning of the first quarter of the fiscal year ended December 2022, and decided to adopt the new accounting policies set forth by the said Accounting Standard, etc. going forward in accordance with the transitional treatment as stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on July 4, 2019). Note that the application has not affected the consolidated financial statements.

(Segment Information, Etc.)

[Segment information]

1. Overview of reportable segments

(1) Method for determining reportable segments

The Group's reportable segments are the Company's components for which separate financial information is available and which are subject to periodic reviews by the Board of Directors to determine the allocation of management resources and evaluate their performance.

The Company formulates comprehensive domestic and overseas strategies for the products it handles as well as develops business activities.

The Group consists of segments for each product, and positions two, namely Lead Terminals Business and Optical Communication Parts and Devices Business, as its reportable segments.

(2) Types of products and services belonging to each reportable segment

The Lead Terminals Business mainly manufactures and sells components for aluminum electrolytic capacitors.

Optical Communication Parts and Devices Business mainly manufactures and sells components for optical communication.

2. Method for measurements of net sales, income or loss, asset, liability, and other items for each reportable segment

The income of each reportable segment indicates the figure based on operating income.

Also, although assets held by cross-sectional departments such as management departments are included and displayed under "Adjustments," depreciation arising from such assets are allocated to individual business segments according to in-house standards over the process to calculate income of each segment.

3. Information regarding net sales, income or loss, asset, liability, and other items for each reportable segment, and breakdown of revenue

Previous fiscal year (January 1, 2021 – December 31, 2021)

(Thousands of yen)

	Reportable segment			Adjustments (Note 1)	Amount recorded in consolidated financial statements (Note 2)
	Lead Terminals Business	Optical Communication Parts and Devices Business	Total		
Net sales					
Sales to outside customers	7,601,994	7,018,024	14,620,018	–	14,620,018
Inter-segment sales or transfers	–	–	–	–	–
Total	7,601,994	7,018,024	14,620,018	–	14,620,018
Segment income	569,698	3,556,405	4,126,103	–	4,126,103
Segment assets	6,824,313	4,635,845	11,460,158	11,079,926	22,540,084
Other items					
Depreciation	320,706	262,022	582,728	–	582,728
Increase in property, plant and equipment and intangible assets	302,800	282,814	585,614	32,362	617,977

(Note) 1. The amount of adjustments are as follows.

- (1) The amount of adjustments of 11,079,926 thousand yen for segment assets is company-wide assets that have not been allocated to reportable segments. Company-wide assets are mainly cash and deposits, land, buildings, investment securities, etc. not attributable to the reportable segments.
 - (2) The amount of increase in property, plant and equipment and intangible assets of 32,362 thousand yen was mainly due to investment in head office buildings not attributable to the reportable segments.
2. The segment income is consistent with operating income as reported in the Consolidated Statements of Income.

	Reportable segment			Adjustments	Total (Note)
	Lead Terminals Business	Optical Communication Parts and Devices Business	Total		
Net sales					
Japan	3,762,465	1,491,667	5,254,133	–	5,254,133
China	1,785,031	381,478	2,166,509	–	2,166,509
Asia	2,785,235	62,998	2,848,233	–	2,848,233
U.K.	–	3,712,975	3,712,975	–	3,712,975
U.S.	–	1,583,820	1,583,820	–	1,583,820
Others	51,481	56,071	107,553	–	107,553
Revenue from contracts with customers	8,384,213	7,289,012	15,673,226	–	15,673,226
Other revenue					
Sales to outside customers	8,384,213	7,289,012	15,673,226	–	15,673,226
Inter-segment sales or transfers	–	–	–	–	–
Total	8,384,213	7,289,012	15,673,226	–	15,673,226
Segment income	232,553	3,652,067	3,884,620	–	3,884,620
Segment assets	7,591,781	4,898,340	12,490,121	11,793,175	24,283,297
Other items					
Depreciation	387,823	304,426	692,249	–	692,249
Increase in property, plant and equipment and intangible assets	544,320	362,629	906,949	1,356,210	2,263,160

(Note) 1. The amount of adjustments are as follows.

- (1) The amount of adjustments of 11,793,175 thousand yen for segment assets is company-wide assets that have not been allocated to reportable segments. Company-wide assets are mainly cash and deposits, land, buildings, investment securities, etc. not attributable to the reportable segments.
- (2) The amount of increase in property, plant and equipment and intangible assets of 1,356,210 thousand yen was mainly due to a lease contract for a factory in line with a relocation of a subsidiary not attributable to the reportable segments.
2. The segment income is consistent with operating income as reported in the Consolidated Statements of Income.
3. Notes relating to changes in reportable segments, etc.

As described in "Changes in accounting policies," the Company has applied the Accounting Standard for Revenue Recognition, etc. from the beginning of the first quarter of the current fiscal year, and changed accounting methods for revenue recognition. Accordingly, the Company has similarly changed its method for calculating income (loss) for operating segments.

Due to the change, sales to outside customers for the current fiscal year decreased by 95,926 thousand yen for the Optical Communication Parts and Devices Business. Segment income also decreased by 1,372 thousand yen for the Optical Communication Parts and Devices Business.

(Per Share Information)

	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Net assets per share	1,715.73 yen	2,033.69 yen
Net income per share	406.72 yen	346.14 yen
Diluted earnings per share	398.10 yen	–yen

(Note) 1. Diluted earnings per share for the previous fiscal year is calculated by using the average share price for the period from the initial listing date to the end of the previous fiscal year, deeming it to be the period-average share price, as the Company was listed on the Tokyo Stock Exchange's second section on December 21, 2021.

2. The basis for calculation of net assets per share is as follows:

	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Total net assets on the consolidated balance sheet	15,149,855 thousand yen	18,296,381 thousand yen
Net assets attributable to common shares	15,149,855 thousand yen	18,296,381 thousand yen
Number of issued shares (common shares)	9,000,000 shares	9,000,000 shares
Number of treasury shares (common shares)	170,000 shares	3,368 shares
Number of common shares used in calculation of net assets per share	8,830,000 shares	8,996,632 shares

3. The basis for calculation of net income per share is as follows:

	Previous fiscal year (January 1, 2021 – December 31, 2021)	Current fiscal year (January 1, 2022 – December 31, 2022)
Net income per share		
Net income attributable to owners of parent	2,960,209 thousand yen	3,066,794 thousand yen
Amount not attributable to common shareholders	–thousand yen	–thousand yen
Net income attributable to owners of parent for common shares	2,960,209 thousand yen	3,066,794 thousand yen
Average number of common shares during period	7,278,219 shares	8,859,924 shares
Diluted earnings per share		
Adjustment to net income attributable to owners of parent	–thousand yen	–thousand yen
Increase in the number of common shares	157,548 shares	–shares
(Of which, share acquisition rights)	(157,548 shares)	(–shares)
Description of dilutive shares not included in the calculation of diluted earnings per share due to the absence of dilutive effects	–	–

(Significant Subsequent Events)

Not applicable.