

Translation

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**Summary of Consolidated Financial Results
for the First Nine Months of the Fiscal Year Ending December 2023
(Based on Japanese GAAP)**

November 9, 2023

Listed company: Kohoku Kogyo Co., Ltd.	Listing exchange: Tokyo Stock Exchange
Security code: 6524	URL https://www.kohokukogyo.co.jp
Representative: (Title) President and CEO (Name) Futoshi Ishii	
Inquiries: (Title) Director, Executive Officer and General Manager of Accounting Department (Name) Kunio Uehara	Phone: +81-749-85-3211
Scheduled date for filing quarterly report:	November 9, 2023
Scheduled date for commencing dividend payments:	-
Preparation of supplementary materials on quarterly financial results:	Yes
Holding of quarterly financial results briefing session:	No

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

**1. Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending December 2023
(January 1, 2023 to September 30, 2023)**

(1) Consolidated Operating Results (Cumulative)

(Percentage figures indicate changes from the same period of the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
First nine months of the fiscal year ending December 31, 2023	10,355	(13.0)	2,295	(26.3)	2,973	(27.3)	1,723	(36.0)
First nine months of the fiscal year ended December 31, 2022	11,901	11.6	3,115	(2.4)	4,088	20.6	2,693	21.2

(Note) Comprehensive income

As of September 30, 2023: 2,337 million yen ((37.0)%)

As of September 30, 2022: 3,708 million yen (44.5%)

	Net income per share	Diluted earnings per share
	yen sen	yen sen
First nine months of the fiscal year ending December 31, 2023	191.62	-
First nine months of the fiscal year ended December 31, 2022	304.57	300.14

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of September 30, 2023	25,350	20,138	79.4
Fiscal year ended December 2022	24,285	18,296	75.3

(Reference) Total shareholders' equity

As of September 30, 2023: 20,138 million yen

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

2. Cash Dividends

	Annual dividends per share				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Fiscal year-end	Total
	yen sen	yen sen	yen sen	yen sen	yen sen
Fiscal year ended December 2022	-	0.00	-	55.00	55.00
Fiscal year ending December 2023	-	0.00	-	-	-
Fiscal year ending December 2023 (forecast)	-	-	-	60.00	60.00

(Note) Revisions to the most recently announced dividend forecast: No

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

(Percentage figures indicate changes from the previous fiscal year)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen sen
Full year	14,490	(7.5)	3,411	(12.2)	3,363	(24.3)	2,157	(29.7)	239.77

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

* Notes

(1) Changes in significant subsidiaries during the first nine months of the fiscal year ending December 2023: No
(Changes in specified subsidiaries resulting in change in scope of consolidation)

Newly consolidated: No, Excluded from consolidation: No

(2) Application of specific accounting to preparation of the quarterly consolidated financial statements: No

(3) 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

(4) Number of issued shares (common shares)

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

As of September 30, 2023	9,000,000	As of December 31, 2022	9,000,000
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2) Number of treasury shares at the end of the period

As of September 30, 2023	3,495	As of December 31, 2022	3,368
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3) Average number of shares during the period (cumulative from start of the period)

As of September 30, 2023	8,996,576	As of September 30, 2022	8,842,643
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* This summary of quarterly financial results is not subject to quarterly 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 that the Company will achieve the results. 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 "(3) Explanation Regarding Forecast Information Such as Consolidated Earnings Forecasts" under "1. Qualitative Information on Quarterly Financial Results" on page 3 of the Attachment.

* Changes in the display unit for amounts

The amounts of items and other matters presented in the quarterly consolidated financial statements of the Company were previously presented in units of 1,000 yen, but have been changed to be presented in units of 1 million yen from the first quarter of the fiscal year ending December 2023.

For ease of comparison, the amounts for the previous fiscal year and the first nine months of the previous fiscal year have also been restated to units of 1 million yen.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation Regarding Operating Results

During the first nine months of the fiscal year ending December 2023, regarding the world economy, in the time of post-COVID, there were some signs of improvement in the retail and service sectors. However, tough situations continued due to various factors such as the prolonged Russia-Ukraine situation, the U.S.-China friction, a standstill in the Chinese economy, energy prices remaining at a high level and price increases, and financial instability in Western countries. In the electronics market, consumer spending continued to be sluggish, as the consumption of tangible goods supported by stay-at-home demand during the pandemic declined, replaced by consumption of intangible goods such as travel. The information and communications equipment market where demand temporarily increased thanks to teleworking was also in a tough situation. In addition, the consumer equipment market was affected by the economic slowdown due to the real estate recession in China in addition to the decline in consumption. In addition, it took time for the automobile market to recover in some countries such as China, which affected the related parts market.

The Japanese economy began to show some positive signs, with improvements in the employment environment and a recovery in capital investment, as well as an upward trend in the stock market. However, the economic recovery remained weak, with industrial production continuing to stagnate.

In the electronic components industry, automobile production remained strong, with EV sales increasing rapidly in various parts of the world. However, some electronic components, such as aluminum electrolytic capacitors, saw an adjustment in excess inventory due to the normalization of the supply chain. The information and communications equipment market, which had weakened significantly since last summer, was in a difficult situation due to continued stagnation in demand for PCs and smartphones and a significant drop in sales of various home appliances. In the submarine cable equipment market, although there were some movements in response to the growth in information and communications traffic, such as the announcement of a new cable installation project, some submarine cable installation projects were delayed or changed.

Under these circumstances, in preparation for the medium- to long-term growth of the market, the Company worked to strengthen its supply chain by relocating its Suzhou Plant in China and optimizing the global production ratio. The Company also worked to strengthen its risk management system, including cybersecurity and disaster preparedness.

For the operating results for the first nine months of the fiscal year ending December 2023, the Company posted net sales of 10,355 million yen (down 13.0% year on year), operating profit of 2,295 million yen (down 26.3% year on year), ordinary profit of 2,973 million yen (down 27.3% year on year), and profit attributable to owners of parent of 1,723 million yen (down 36.0% year on year), due to the slowdown of the Lead Terminals Business and the Optical Components and Devices Business. The period-average exchange rate for the first nine months of the fiscal year ending December 2023 was 138.24 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 income (operating profit) for the first nine months of the fiscal year ending December 2023 were 5,580 million yen (down 11.6% year on year) and 61 million yen (down 77.0% year on year), respectively.

In the automobile market, automobile production was on a recovery trend except in some regions, and the shift to EVs was progressing, especially in China. However, as automobile production normalized following the resolution of semiconductor shortage, excessive inventories of aluminum electrolytic capacitors became apparent and inventory adjustment continued. In addition, sales remained stagnant due to the continued decline in the overall consumer equipment marketing such as digital consumer, after stay-at-home demand fizzled out. Under these circumstances, with an eye to improving the profit structure and considering the medium- to long-term growth of the market, the Company worked to strengthen profitability. It did this by negotiating price revisions for unprofitable products, and by expanding sales of new products such as the burr-free product, which has significantly improved vibration resistance and insulation characteristics, and EDLC (electric double-layer capacitor), for which demand is expected to expand in the automobile market.

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. In addition, while working on the relocation of the Suzhou Plant in China, the Company enhanced the production capacity of the Dongguan Plant in China and the Malaysia Plant to optimize the global production system.

<Optical Components and Devices Business>

In the Optical Components and Devices Business, net sales and segment income (operating profit) for the first nine months of the fiscal year ending December 2023 were 4,774 million yen (down 14.6% year on year) and 2,233 million yen (down 21.6% year on year), respectively.

In the case of optical devices for submarine cables, there were positive factors such as long-term bulk orders from customers on the back of growing demand due to the strengthening of the global communications infrastructure. However, there was also the impact of a continued adjustment of delivery dates triggered by supply chain disruptions last year, and reduced orders due to changes and delays in some submarine cable installation projects. Sales of optical fiber array products for land optical communications declined due to adjustments in the data center market in addition to the embargo associated with the U.S.-China conflict.

In terms of development, the Company developed small and multi-core composite products in line with technological progress toward further growth of information and communications traffic. The Company has also strengthened its

research and development activities for the evolution of next-generation communications technologies, such as a four-core MCF inter-core switching module using silicon photonics for future multi-core fiber technologies (developed in collaboration with the National Institute of Advanced Industrial Science and Technology), and an optical isolator for four-core fiber for long-distance communication such as submarine cables. In addition, in order to strengthen the stable supply system, the Company automated production at the post-process sites and strengthened natural disaster countermeasures such as water stop measures at the pre-process sites.

(2) Explanation Regarding Financial Position

(Assets)

Current assets fell 106 million yen from the end of the previous fiscal year to 17,121 million yen. This was mainly attributable to cash and deposits increasing 394 million yen, while notes and accounts receivable - trade dropped 347 million yen, electronically recorded monetary claims - operating were down 41 million yen, and raw materials and supplies fell 60 million yen.

Non-current assets increased 1,171 million yen from the end of the previous fiscal year to 8,229 million yen. This was mainly attributable to buildings and structures, net increasing 514 million yen, machinery, equipment and vehicles, net rising 142 million yen, and construction in progress increasing 217 million yen.

As a result, total assets increased 1,065 million yen from the end of the previous fiscal year to 25,350 million yen.

(Liabilities)

Current liabilities decreased 460 million yen from the end of the previous fiscal year to 2,915 million yen. This was mainly attributable to accounts payable - trade decreasing 277 million yen, short-term borrowings falling 95 million yen, current portion of long-term borrowings declining 101 million yen, and income taxes payable falling 114 million yen.

Non-current liabilities were down 316 million yen from the end of the previous fiscal year to 2,296 million yen. This was mainly attributable to lease liabilities increasing 78 million yen, while long-term borrowings fell 443 million yen.

As a result, total liabilities decreased 776 million yen from the end of the previous fiscal year to 5,212 million yen.

(Net assets)

Net assets increased 1,842 million yen from the end of the previous fiscal year to 20,138 million yen. This was mainly attributable to retained earnings increasing 1,229 million yen and foreign currency translation adjustment increasing 592 million yen.

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

Although the market environment surrounding the Company continues to be challenging, the Company has not changed its full-year earnings forecasts from the previous forecasts (announced on August 9, 2023) based on comprehensive judgment of the status of sales and profits to date, the forecast of orders for the fourth quarter, and the trend of exchange rates.

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

	Previous fiscal year (As of December 31, 2022)	(Millions of yen) First nine months of the fiscal year ending December 2023 (As of September 30, 2023)
Assets		
Current assets		
Cash and deposits	10,363	10,758
Notes and accounts receivable - trade	3,041	2,693
Electronically recorded monetary claims - operating	994	953
Finished goods	1,066	1,068
Work in process	362	383
Raw materials and supplies	1,067	1,007
Other	332	256
Total current assets	17,227	17,121
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	959	1,473
Machinery, equipment and vehicles, net	2,758	2,901
Tools, furniture and fixtures, net	503	495
Land	143	143
Leased assets, net	1,609	1,682
Construction in progress	236	454
Total property, plant and equipment	6,210	7,151
Intangible assets		
Other	134	296
Total intangible assets	134	296
Investments and other assets		
Investment securities	324	405
Deferred tax assets	178	180
Other	209	194
Total investments and other assets	711	780
Total non-current assets	7,057	8,229
Total assets	24,285	25,350

(Millions of yen)

	Previous fiscal year (As of December 31, 2022)	First nine months of the fiscal year ending December 2023 (As of September 30, 2023)
Liabilities		
Current liabilities		
Accounts payable - trade	684	406
Short-term borrowings	441	345
Current portion of long-term borrowings	676	574
Lease liabilities	135	127
Accounts payable - other	465	497
Income taxes payable	615	501
Provision for bonuses	65	256
Provision for bonuses for directors (and other officers)	30	-
Other	260	206
Total current liabilities	3,375	2,915
Non-current liabilities		
Long-term borrowings	726	282
Lease liabilities	1,623	1,701
Deferred tax liabilities	82	115
Retirement benefit liability	104	120
Asset retirement obligations	66	67
Other	10	8
Total non-current liabilities	2,613	2,296
Total liabilities	5,988	5,212
Net assets		
Shareholders' equity		
Share capital	350	350
Capital surplus	5,648	5,648
Retained earnings	11,223	12,452
Treasury shares	(0)	(1)
Total shareholders' equity	17,221	18,449
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	22
Foreign currency translation adjustment	1,073	1,666
Total accumulated other comprehensive income	1,074	1,688
Total net assets	18,296	20,138
Total liabilities and net assets	24,285	25,350

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

Quarterly Consolidated Statements of Income
First nine months

(Millions of yen)

	First nine months of the fiscal year ended December 2022 (January 1, 2022 – September 30, 2022)	First nine months of the fiscal year ending December 2023 (January 1, 2023 – September 30, 2023)
Net sales	11,901	10,355
Cost of sales	7,129	6,077
Gross income	4,772	4,278
Selling, general and administrative expenses	1,657	1,983
Operating profit	3,115	2,295
Non-operating profit		
Interest and dividend income	7	74
Foreign exchange gains	932	712
Gain on sale of goods	16	0
Other	64	45
Total non-Operating profit	1,021	831
Non-operating expenses		
Interest expenses	47	70
Litigation expenses	-	50
Plant relocation expenses	-	26
Other	1	7
Total non-operating expenses	48	153
Ordinary profit	4,088	2,973
Extraordinary losses		
Loss on sale and retirement of non-current assets	1	38
Impairment losses	-	97
Total extraordinary losses	1	136
Income before income taxes	4,087	2,836
Income taxes - current	1,346	1,095
Income taxes - deferred	47	17
Total income taxes	1,394	1,112
Net income	2,693	1,723
Profit attributable to owners of parent	2,693	1,723

Quarterly Consolidated Statements of Comprehensive Income
First nine months

(Millions of yen)

	First nine months of the fiscal year ended December 2022 (January 1, 2022 – September 30, 2022)	First nine months of the fiscal year ending December 2023 (January 1, 2023 – September 30, 2023)
Net income	2,693	1,723
Other comprehensive income		
Valuation difference on available-for-sale securities	11	21
Foreign currency translation adjustment	1,003	592
Total other comprehensive income	1,015	613
Comprehensive income	3,708	2,337
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,708	2,337

(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.

(Changes in Accounting Policies)

(Application of Guidance on Application of Accounting Standard for Fair Value Measurement)

The Company has applied the "Guidance on Application of Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, issued on June 17, 2021) from the beginning of the first quarter of the fiscal year ending December 2023, and decided to adopt the new accounting policies set forth by the Guidance on Application of Accounting Standard for Fair Value Measurement going forward in accordance with the transitional treatment as stipulated in Paragraph 27-2 of the Guidance on Application of Accounting Standard for Fair Value Measurement. Note that the application has not affected the quarterly consolidated financial statements.

(Segment Information, Etc.)

[Segment information]

First nine months of the fiscal year ended December 2022 (January 1, 2022 – September 30, 2022)

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	2,804	1,017	3,822	-	3,822
China	1,355	327	1,683	-	1,683
Asia	2,113	49	2,163	-	2,163
U.K.	-	3,076	3,076	-	3,076
U.S.	-	1,094	1,094	-	1,094
Others	39	22	61	-	61
Revenue from contracts with customers	6,312	5,589	11,901	-	11,901
Other revenue					
Sales to outside customers	6,312	5,589	11,901	-	11,901
Inter-segment sales or transfers	-	-	-	-	-
Total	6,312	5,589	11,901	-	11,901
Segment income	267	2,847	3,115	-	3,115

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

First nine months of the fiscal year ending December 2023 (January 1, 2023 – September 30, 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	2,589	1,101	3,690	-	3,690
China	1,190	76	1,267	-	1,267
Asia	1,776	11	1,787	-	1,787
U.K.	-	1,753	1,753	-	1,753
U.S.	-	1,814	1,814	-	1,814
Others	24	17	42	-	42
Revenue from contracts with customers	5,580	4,774	10,355	-	10,355
Other revenue					
Sales to outside customers	5,580	4,774	10,355	-	10,355
Inter-segment sales or transfers	-	-	-	-	-
Total	5,580	4,774	10,355	-	10,355
Segment income	61	2,233	2,295	-	2,295

(Note) The total segment income 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.)”