

Translation

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Consolidated Financial Results for the Year Ended December 31, 2023 [Japanese GAAP]

February 8, 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

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Director, Executive Officer and General Manager of Accounting
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Scheduled date of Annual General Meeting of Shareholders: March 28, 2024

Scheduled date of commencing dividend payments: March 29, 2024

Scheduled date of filing annual securities report: March 29, 2024

Availability of supplementary briefing material on annual financial results: Yes

Schedule of annual financial results briefing session: Yes

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

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(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	%
Fiscal year ended December 31, 2023	13,472	(14.0)	2,812	(27.6)	3,152	(29.1)	1,904	(37.9)
December 31, 2022	15,673	7.2	3,884	(5.9)	4,443	1.8	3,066	3.6

(Note) Comprehensive income: Fiscal year ended December 31, 2023: ¥ 2,258 million [(36.7) %]
Fiscal year ended December 31, 2022: ¥ 3,570 million [1.4%]

	Basic earnings per share	Diluted earnings per share	Rate of return on equity	Ordinary profit to total assets ratio	Operating profit to net sales ratio
Fiscal year ended December 31, 2023	Yen 211.64	Yen -	% 9.9	% 12.8	% 20.9
December 31, 2022	346.14	-	18.3	19.0	24.8

(Reference) Equity in earnings (losses) of affiliated companies: Fiscal year ended December 31, 2023: ¥ - million
Fiscal year ended December 31, 2022: ¥ - million

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio	Net assets per share
As of December 31, 2023	Millions of yen 24,973	Millions of yen 20,059	% 80.3	Yen 2,229.68
December 31, 2022	24,285	18,296	75.3	2,033.69

(Reference) Equity: As of December 31, 2023: ¥ 20,059 million
As of December 31, 2022: ¥ 18,296 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
Fiscal year ended December 31, 2023	Millions of yen 3,577	Millions of yen (1,033)	Millions of yen (1,577)	Millions of yen 10,439
December 31, 2022	2,755	(1,949)	(2,585)	9,362

2. Dividends

	Annual dividends					Total dividends	Payout ratio (consolidated)	Dividends to net assets (consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2022	-	0.00	-	55.00	55.00	494	15.9	2.9
December 31, 2023	-	0.00	-	60.00	60.00	539	28.3	2.8
Fiscal year ending December 31, 2024 (Forecast)	-	0.00	-	23.00	23.00		29.1	

* At a meeting of the Board of Directors held on February 8, 2024, decided to implement a 3-for-1 split of shares in its common stock effective on April 1, 2024. The annual dividends per share for Fiscal Year 2024 (forecast) stated above indicate amounts calculated in consideration of the stock split. The annual dividends per share for Fiscal Year 2024 (forecast) not considering the stock split are 69.00 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

* Basic earnings per share for Fiscal Year 2024 (forecast) stated above indicate an amount calculated in consideration of the stock split described in "2. Dividends." Basic earnings per share for the six months ending June 30, 2024 and the full-year of Fiscal Year 2024, not considering the stock split, are 101.51 yen and 237.50 yen, respectively.

* Notes:

(1) Changes in significant subsidiaries during the period under review (changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
Exclusion: - (Company name:)

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

- 1) Changes in accounting policies due to the revision of accounting standards: Yes
- 2) Changes in accounting policies other than 1) above: No
- 3) Changes in accounting estimates: No
- 4) Retrospective restatement: No

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

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

December 31, 2023: 9,000,000 shares
December 31, 2022: 9,000,000 shares

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

December 31, 2023: 3,497 shares
December 31, 2022: 3,368 shares

3) Average number of shares outstanding during the period:

Fiscal Year ended December 31, 2023: 8,996,558 shares
Fiscal Year ended December 31, 2022: 8,859,924 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Non-consolidated Operating Results (% indicates changes from the previous corresponding period.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	9,205	(13.2)	2,543	(20.6)	3,172	(16.5)	2,217	(15.0)
December 31, 2022	10,604	3.6	3,204	(8.1)	3,801	(4.2)	2,607	(2.8)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	246.44	-
December 31, 2022	294.33	-

(2) Non-consolidated Financial Position

As of	Total assets	Net assets	Capital adequacy ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	19,907	17,594	88.4	1,955.75
December 31, 2022	19,439	15,867	81.6	1,763.67

(Reference) Equity: As of December 31, 2023: ¥ 17,594 million
As of December 31, 2022: ¥ 15,867 million

* 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)

(1) The Company, at a meeting of the Board of Directors held on February 8, 2024, decided to implement a 3-for-1 split of shares in its common stock effective on April 1, 2024.

(2) 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 2 of the Attachment.

* Changes in the display unit for amounts

The amounts of items and other matters presented in the 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 this fiscal year ending December 2023. For ease of comparison, the amounts for the previous fiscal year have been restated to units of 1 million yen.

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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 2023 (January–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, there were also concerns over an economic recession reflecting 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 interest rate hikes in Europe and the U.S. In the Asian region, the situation varied by areas with India and other countries entering an economic recovery phase while the Chinese economy decelerated.

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.

In the electronics market, the consumption of tangible goods supported by stay-at-home demand during the pandemic declined, replaced by consumption of intangible goods such as travel. On the other hand, the information and communications equipment market where demand temporarily increased, thanks to teleworking, and remained extremely severe throughout the year due to the prolonged adjustment in the market following a recoil. In addition, spending in the consumer equipment market declined, affected by the economic slowdown in China including the real estate recession. The automotive market was affected by the prolonged adjustment of excess components inventory primarily in Europe, while global production recovered. The industrial equipment market also remained extremely severe due to factors such as a slowdown in capital investment.

In the optical devices market for submarine cables, there was continued trend towards increased information and communications traffic driven by factors such as the announcement of a new submarine cable installation project across the Atlantic Ocean by a major tech company. However, there was an inventory adjustment of components for submarine cable equipment caused by changes in the schedule of some installation projects.

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 promoted the sale of new products to address the improvement of the functions of aluminum electrolytic capacitors and pushing forward with the development of technology of optical devices for submarine cables in response to the need for increasing information and communications volume. Further, the Company also worked to strengthen its risk management system including cybersecurity measures and disaster preparedness.

For the fiscal year under review, the Company posted net sales of 13,472 million yen (down 14.0% year on year), operating profit of 2,812 million yen (down 27.6% year on year), ordinary profit of 3,152 million yen (down 29.1% year on year), and profit attributable to owners of parent of 1,904 million yen (down 37.9% 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 fiscal year under review was 140.66 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 profit (operating profit) for the fiscal year under review were 7,400 million yen (down 11.7% year on year) and 44 million yen (down 80.7% year on year), respectively.

In the automobile market, production was on a recovery track and the shift to EVs was progressing, especially in China. However, with the normalization of supply chains, excess inventory of aluminum electrolytic capacitors became apparent and adjustment in the market continued. In addition, the information and communications equipment market, where stay-at-home demand fizzled out, continued to be sluggish, while the consumer equipment market significantly stagnated due to the deceleration of the Chinese economy and other factors.

Under these circumstances, the Company worked to increase sales and strengthen profitability with an eye on improving the profit structure and considering the medium- to long-term growth of the market. It did this by negotiating price revisions for unprofitable products, and by expanding sales of high value-added products that supported the technological evolution of aluminum electrolytic capacitors such as the burr-free product, which has significantly improved vibration resistance and

insulation characteristics, high-performance products that contribute to reducing leakage current, 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. To strengthen its supply chain, the Company worked on rebuilding its global production system through initiatives such as the relocation of the Suzhou Plant in China, and production shift to the Dongguan Plant in China and the Malaysia Plant.

<Optical Components and Devices Business>

In the Optical Components and Devices Business, net sales and segment profit (operating profit) for the fiscal year under review were 6,071 million yen (down 16.7% year on year) and 2,767 million yen (down 24.2% year on year), respectively.

In the case of optical devices for submarine cables, sales of optical isolators, its mainstay product, were strong on the back of growing demand due to the strengthening of the global communications infrastructure. By contrast, sales of customized optical filters significantly declined due to the impact of factors such as inventory adjustment resulting from changes in the schedules of some submarine cable installation projects. Sales of optical fiber array products for land optical communications significantly declined due to adjustments in the data center market among other factors.

In terms of development, the Company worked on small and high multi-core composite products in line with technological progress toward further growth of the volume of information and communications. 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.

In the high purity quartz glass business, which the Company has been developing as its third business, it has begun the mass production and sales of aspheric lens for ultraviolet light. Furthermore, the Company also drove forward activities to expand future sales by commencing the shipment of sample products for manufacturing equipment for next-generation semiconductors, where further miniaturization continues.

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

(Assets)

Current assets decreased by 492 million yen from the end of the previous fiscal year to 16,735 million yen. This was mainly attributable to cash and deposits increasing by 500 million yen, while notes and accounts receivable - trade decreasing by 590 million yen, finished goods decreasing by 86 million yen, and raw materials and supplies decreasing by 179 million yen.

Non-current assets increased by 1,180 million yen from the end of the previous fiscal year to 8,237 million yen. This was mainly attributable to buildings and structures net increasing by 447 million yen, leased assets net increasing by 285 million yen, construction in progress net increasing by 202 million yen, and intangible assets net increasing by 196 million yen.

As a result, total assets increased by 687 million yen from the end of the previous fiscal year to 24,973 million yen.

(Liabilities)

Current liabilities decreased by 853 million yen from the end of the previous fiscal year to 2,522 million yen. This was mainly attributable to accounts payable - trade decreasing by 207 million yen, short-term borrowings decreasing by 245 million yen, current portion of long-term borrowings decreasing by 158 million yen, and income taxes payable decreasing by 213 million yen.

Non-current liabilities decreased by 222 million yen from the end of the previous fiscal year to 2,391 million yen. This was mainly attributable to lease liabilities increasing by 278 million yen while long-term borrowings decreasing by 517 million yen.

As a result, total liabilities decreased by 1,075 million yen from the end of the previous fiscal year to 4,913 million yen.

(Net assets)

Net assets increased by 1,762 million yen from the end of the previous fiscal year to 20,059 million yen. This was mainly

attributable to retained earnings increasing by 1,409 million yen and foreign currency translation adjustment increasing by 348 million yen.

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

(Cash flows from operating activities)

Net cash provided by operating activities amounted to 3,577 million yen. The major factors of cash inflow were profit before income taxes of 2,869 million yen, depreciation of 780 million yen, a decrease in trade receivables of 695 million yen, and a decrease in inventories of 360 million yen, while the major factors of cash outflow were income taxes paid of 1,227 million yen.

(Cash flows from investing activities)

Net cash used in investing activities amounted to 1,033 million yen. The major factors of cash outflow were purchase of property, plant and equipment of 1,438 million and payments into time deposits of 440 million yen, while the major factor of cash inflow was proceeds from withdrawal of time deposits of 1,036 million yen.

(Cash flows from financing activities)

Net cash used in financing activities amounted to 1,577 million yen. The major factors of cash outflow were dividends paid of 494 million yen, repayments of long-term borrowings of 676 million yen, repayment of short-term borrowings of 260 million yen, and repayment of lease liabilities of 144 million yen.

(4) Future Outlook

As for the medium- to long-term market environment surrounding the Company, while inventory adjustment that began last year continues in part of the electronic components market and components for submarine cable equipment, it anticipates that the automotive electronics market will expand in line with the spread of EVs and the evolution of autonomous driving technology, as well as the expansion of the information and communications equipment market along with the evolution of generative AI technology, and continuous increases in information communication volume will result in the installation of more submarine cables and further evolution of technology. The Company is convinced that medium- to long-term business growth can be sustained by developing high value-added products that meet new needs as well as by further strengthening the quality and stability of the supply system.

For the consolidated earnings forecast for the fiscal year ending December 2024, the Company is expected to post net sales of 14,536 million yen (up 7.9% year on year), operating profit of 3,243 million yen (up 15.3% year on year), ordinary income of 3,284 million yen (up 4.2% year on year), and net income attributable to owners of parent of 2,136 million yen (up 12.2% year on year).

It is assumed that the period-average exchange rate was 140.00 yen to the U.S. dollar.

Outlooks by segment are as follows.

<Lead Terminals Business>

In the aluminum electrolytic capacitor industry, the market adjustment that began in the summer of 2022 continues even now. However, the Company is expecting increased sales in lead terminals for high performance condensers led by hybrid type, which is being increasingly adopted for the growing automotive electronics market, as well as a gradual recovery in sales for the consumer equipment market as the market recovers. Furthermore, in addition to reviewing the transactions involving unprofitable products, the Company will strive to improve profitability by working to boost the adoption of high value-added products and improving production efficiency.

For the earning forecast of the Lead Terminals Business for the fiscal year ending December 2024, net sales of 7,868 million yen (up 6.3% year on year) and operating profit of 257 million yen (up 473.5% year on year) are expected.

<Optical Components and Devices Business>

As for optical devices for submarine cables, the Company expects sales to recover from mid-year onwards from products such as optical isolators and filters, which have been strong on the back of needs for a long-term increase in information and

communications volume, even though it expects impacts from changes in the schedule of submarine cable projects and inventory adjustment in the first half of the fiscal year ending December 2024.

For the earnings forecast of the Optical Components and Devices Business for the fiscal year ending December 2024, net sales of 6,667million yen (up 9.8% year on year) and operating profit of 2,986 million yen (up 7.9% 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 believes it is necessary to actively allocate funds to capital investment, research and development, M&As, and other purposes in order to achieve sustainable growth, while maintaining strong financial standings for increasing corporate value from the medium- to long-term perspective, addressing changes in the market, and flexibly responding to various business opportunities.

At the same time, the Company wishes to improve shareholder return and realize proactive profit allocation that meet expectation from investors.

As for our shareholder return policy, we will continue to aim for a consolidated dividend payout ratio of 30%.

Furthermore, we aim to maintain DOE of 3% or higher and will promote shareholder returns while paying attention to stable dividends.

In accordance with the policy above, the Company expects to pay the year-end regular dividend for the fiscal year under review of 60 yen per share, the same as the initial forecast. It plans to pay the year-end regular dividend for the next fiscal year of 23 yen per share.

* The Company, at a meeting of the Board of Directors held on February 8, 2024, decided to implement a 3-for-1 split of shares in its common stock effective on April 1, 2024. When the stock split is not considered, the regular year-end dividend would be 69 yen per share, which is an increase of 9 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

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	10,363	10,864
Notes and accounts receivable - trade	3,041	2,450
Electronically recorded monetary claims - operating	994	937
Finished goods	1,066	979
Work in process	362	351
Raw materials and supplies	1,067	888
Other	332	263
Total current assets	17,227	16,735
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	959	1,406
Machinery, equipment and vehicles, net	2,758	2,756
Tools, furniture and fixtures, net	503	476
Land	143	143
Leased assets, net	1,609	1,895
Construction in progress	236	439
Total property, plant and equipment	6,210	7,117
Intangible assets		
Other	134	330
Total intangible assets	134	330
Investments and other assets		
Investment securities	324	385
Deferred tax assets	178	210
Other	209	193
Total investments and other assets	711	789
Total non-current assets	7,057	8,237
Total assets	24,285	24,973

(Millions of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	684	476
Short-term borrowings	441	196
Current portion of long-term borrowings	676	517
Lease liabilities	135	127
Accounts payable - other	465	422
Income taxes payable	615	402
Provision for bonuses	65	70
Provision for bonuses for directors (and other officers)	30	27
Other	260	282
Total current liabilities	3,375	2,522
Non-current liabilities		
Long-term borrowings	726	208
Lease liabilities	1,623	1,902
Deferred tax liabilities	82	80
Retirement benefit liability	104	123
Asset retirement obligations	66	67
Other	10	8
Total non-current liabilities	2,613	2,391
Total liabilities	5,988	4,913
Net assets		
Shareholders' equity		
Share capital	350	350
Capital surplus	5,648	5,648
Retained earnings	11,223	12,633
Treasury shares	(0)	(1)
Total shareholders' equity	17,221	18,629
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1	7
Foreign currency translation adjustment	1,073	1,422
Total accumulated other comprehensive income	1,074	1,429
Total net assets	18,296	20,059
Total liabilities and net assets	24,285	24,973

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

Consolidated Statements of Income

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net sales	15,673	13,472
Cost of sales	9,528	7,993
Gross profit	6,145	5,479
Selling, general and administrative expenses	2,260	2,666
Operating profit	3,884	2,812
Non-operating income		
Interest and dividend income	13	102
Foreign exchange gains	507	362
Gain on sale of goods	25	2
Other	81	50
Total non-operating income	628	517
Non-operating expenses		
Interest expenses	67	92
Litigation expenses	-	50
Factory transfer expenses	-	26
Other	1	8
Total non-operating expenses	69	177
Ordinary profit	4,443	3,152
Extraordinary losses		
Loss on sale and retirement of non-current assets	2	39
Impairment losses	-	243
Total extraordinary losses	2	283
Profit before income taxes	4,441	2,869
Income taxes - current	1,305	1,003
Income taxes - deferred	69	(38)
Total income taxes	1,374	965
Profit	3,066	1,904
Profit attributable to owners of parent	3,066	1,904

Consolidated Statements of Comprehensive Income

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit	3,066	1,904
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	6
Foreign currency translation adjustment	508	348
Total other comprehensive income	503	354
Comprehensive income	3,570	2,258
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,570	2,258

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	350	5,607	8,642	(22)	14,578
Changes during period					
Dividends of surplus			(485)		(485)
Profit attributable to owners of parent			3,066		3,066
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares		40		22	62
Net changes in items other than shareholders' equity					
Total changes during period	-	40	2,581	21	2,643
Balance at end of period	350	5,648	11,223	(0)	17,221

	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	564	571	15,149
Changes during period				
Dividends of surplus				(485)
Profit attributable to owners of parent				3,066
Purchase of treasury shares				(0)
Disposal of treasury shares				62
Net changes in items other than shareholders' equity	(5)	508	503	503
Total changes during period	(5)	508	503	3,146
Balance at end of period	1	1,073	1,074	18,296

Current consolidated fiscal year (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	350	5,648	11,223	(0)	17,221
Changes during period					
Dividends of surplus			(494)		(494)
Profit attributable to owners of parent			1,904		1,904
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	1,409	(0)	1,408
Balance at end of period	350	5,648	12,633	(1)	18,629

	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	1	1,073	1,074	18,296
Changes during period				
Dividends of surplus				(494)
Profit attributable to owners of parent				1,904
Purchase of treasury shares				(0)
Disposal of treasury shares				-
Net changes in items other than shareholders' equity	6	348	354	354
Total changes during period	6	348	354	1,762
Balance at end of period	7	1,422	1,429	20,059

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	4,441	2,869
Depreciation	692	780
Impairment losses	-	243
Factory move cost	-	26
Loss (gain) on sale and retirement of non-current assets	2	39
Increase (decrease) in retirement benefit liability	(8)	18
Increase (decrease) in provision for bonuses	1	4
Increase (decrease) in provision for bonuses for directors (and other officers)	(3)	(2)
Interest and dividend income	(13)	(102)
Interest expenses	67	92
Foreign exchange losses (gains)	(11)	(28)
Litigation expenses	-	50
Decrease (increase) in trade receivables	198	695
Decrease (increase) in inventories	(349)	360
Increase (decrease) in trade payables	(266)	(234)
Increase (decrease) in accounts payable - other	(49)	(52)
Other, net	(123)	87
Subtotal	4,577	4,847
Interest and dividends received	10	101
Interest paid	(66)	(93)
Litigation-related expenses paid	-	(50)
Income taxes paid	(1,766)	(1,227)
Net cash provided by (used in) operating activities	2,755	3,577
Cash flows from investing activities		
Payments into time deposits	(1,000)	(440)
Proceeds from withdrawal of time deposits	-	1,036
Purchase of property, plant and equipment	(866)	(1,438)
Purchase of intangible assets	(3)	(170)
Purchase of investment securities	(104)	(55)
Proceeds from sale of investment securities	18	2
Other, net	6	31
Net cash provided by (used in) investing activities	(1,949)	(1,033)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(1,210)	(260)
Repayments of long-term borrowings	(800)	(676)
Redemption of bonds	(9)	-
Repayments of lease liabilities	(142)	(144)
Proceeds from disposal of treasury shares	62	-
Purchase of treasury shares	-	(0)
Dividends paid	(485)	(494)
Net cash provided by (used in) financing activities	(2,585)	(1,577)
Effect of exchange rate change on cash and cash equivalents	191	109
Net increase (decrease) in cash and cash equivalents	(1,588)	1,076
Cash and cash equivalents at beginning of period	10,951	9,362
Cash and cash equivalents at end of period	9,362	10,439

(5) Notes to Consolidated Financial Statements

(Notes on Going Concern Assumption)

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]

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 profit.

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, profit or loss, asset, and other items for each reportable segment, and breakdown of revenue.
Previous consolidated fiscal year (January 1, 2022 to December 31, 2022)

(Millions of yen)

	Reportable segment			Adjustments	Total (Note)
	Lead Terminals Business	Optical Communication Parts and Devices Business	Total		
Net sales					
Japan	3,762	1,491	5,254	—	5,254
China	1,785	381	2,166	—	2,166
Asia	2,785	62	2,848	—	2,848
U.K.	—	3,712	3,712	—	3,712
U.S.	—	1,583	1,583	—	1,583
Others	51	56	107	—	107
Revenue from contracts with customers	8,384	7,289	15,673	—	15,673
Other revenue					
Sales to outside customers	8,384	7,289	15,673	—	15,673
Inter-segment sales or transfers	—	—	—	—	—
Total	8,384	7,289	15,673	—	15,673
Segment profit	232	3,652	3,884	—	3,884
Segment assets	7,591	4,898	12,490	11,795	24,285
Other items					
Depreciation	387	304	692	—	692
Increase in property, plant and equipment and intangible assets	544	362	906	1,356	2,263

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

- (1) The amount of adjustments of 11,795 million 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 increase in Property, plant and equipment Intangible assets of 1,356 million yen was mainly due to capital investments related to the head office Building, etc. that do not belong to reportable segments.
2. The segment profit is consistent with operating profit as reported in the Consolidated Statements of Income.

Current consolidated fiscal year (January 1, 2023 to December 31, 2023)

(Millions of yen)

	Reportable segment			Adjustments	Total (Note)
	Lead Terminals Business	Optical Communication Parts and Devices Business	Total		
Net sales					
Japan	3,480	1,375	4,856	—	4,856
China	1,558	101	1,659	—	1,659
Asia	2,327	19	2,346	—	2,346
U.K.	—	2,010	2,010	—	2,010
U.S.	—	2,543	2,543	—	2,543
Others	33	21	55	—	55
Revenue from contracts with customers	7,400	6,071	13,472	—	13,472
Other revenue					
Sales to outside customers	7,400	6,071	13,472	—	13,472
Inter-segment sales or transfers	—	—	—	—	—
Total	7,400	6,071	13,472	—	13,472
Segment profit	44	2,767	2,812	—	2,812
Segment assets	7,636	4,473	12,110	12,862	24,973
Other items					
Depreciation	449	330	780	—	780
Impairment losses	—	243	243	—	243
Increase in property, plant and equipment and intangible assets	1,174	297	1,472	220	1,692

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

- (1) The amount of adjustments of 12,862 million 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 increase of 220 million yen in Property, plant and equipment Intangible assets is mainly due to investments in internal core systems that do not belong to reportable segments.
2. The segment profit is consistent with operating profit as reported in the Consolidated Statements of Income.

(Per Share Information)

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net assets per share	2,033.69 yen	2,229.68 yen
Basic earnings per share	346.14 yen	211.64 yen

(Note) 1. Diluted earnings per share is not stated as there are no diluted shares.

2. The basis for calculation of basic earnings per share is as follows:

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Profit attributable to owners of parent	3,066 million yen	1,904 million yen
Amount not attributable to common shareholders	— million yen	— million yen
Profit attributable to owners of parent for common shares	3,066 million yen	1,904 million yen
Average number of shares outstanding during the period of common shares	8,859,924 shares	8,996,558 shares

(Significant Subsequent Events)

(Regarding stock split and partial amendments to the articles of incorporation)

At the Board of Directors meeting held on February 8, 2024, the Company resolution to split the stock and partially amend the articles of incorporation as follows.

The Descriptions 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 division

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

(4) Schedule

① Record date announcement 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

Assuming that the stock split was carried out at the beginning of the previous consolidated fiscal year, the figures for (per share information) are as follows.

	For the fiscal year ended December 31, 2022	For the fiscal year ended December 31, 2023
Net assets per share	677.90 yen	743.23 yen
Basic earnings per share	115.38 yen	70.55 yen