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Consolidated Financial Results for the Three Months Ended March 31, 2025 [Japanese GAAP]

May 12, 2025

Company name: KOHOKU KOGYO CO.,LTD.

Listing: Tokyo Stock Exchange

Securities code: 6524

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Scheduled date to commence dividend payments: -

Preparation of supplementary material on financial results: Yes

Holding of financial results briefing: None

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Three Months Ended March 31, 2025 (January 1, 2025 to March 31, 2025)

(1) Consolidated Operating Results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2025	3,558	4.3	670	5.5	301	(73.3)	227	(68.6)
March 31, 2024	3,413	(3.1)	635	(24.9)	1,130	28.1	724	28.4

(Note) Comprehensive income: Three months ended March 31, 2025: ¥ (128) million [-%]
Three months ended March 31, 2024: ¥ 1,062 million [58.0%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
March 31, 2025	8.56	-
March 31, 2024	26.86	-

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

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Millions of yen	Millions of yen	%
March 31, 2025	24,014	20,001	83.3
December 31, 2024	28,684	23,430	81.7

(Reference) Equity: As of March 31, 2025: ¥ 20,001 million
As of December 31, 2024: ¥ 23,430 million

2. Dividends

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended December 31, 2024	-	0.00	-	30.00	30.00
Fiscal year ending December 31, 2025	-				
Fiscal year ending December 31, 2025 (Forecast)		0.00	-	30.00	30.00

(Note) Revision to the forecast for dividends announced most recently: None

3. Consolidated Financial Results Forecast for the Fiscal Year Ending December 31, 2025(January 1, 2025 to December 31, 2025)

(Percentages indicate year-on-year changes.)

	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, 2025	8,344	8.3	1,920	7.4	1,623	(41.0)	1,082	(39.6)	41.20
Full year	17,919	12.5	4,586	16.4	4,474	(7.9)	3,006	(7.6)	115.30

(Note) 1 Revision to the financial results forecast announced most recently: None

- 2 The Company acquired and cancelled treasury shares pursuant to the resolution of the Board of Directors meeting held on February 26, 2025. "Basic earnings per share" takes into account the impact of the acquisition and cancellation of treasury shares.

* Notes:

(1) Significant changes in the scope of consolidation during the period: None

Newly included: - (Company name:)
Excluded: - (Company name:)

(2) Adoption of accounting treatment specific to the preparation of quarterly consolidated financial statements: None

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

- 1) Changes in accounting policies due to revisions to accounting standards and other regulations: None
2) Changes in accounting policies due to other reasons: None
3) Changes in accounting estimates: None
4) Restatement: None

(4) Number of issued shares (common shares)

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

March 31, 2025: 26,000,000 shares
December 31, 2024: 27,000,000 shares

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

March 31, 2025: 104,996 shares
December 31, 2024: 4,996 shares

3) Average number of shares outstanding during the period:

Three months ended March 31, 2025: 26,640,559 shares
Three months ended March 31, 2024: 26,989,502 shares

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

* Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: None

* Proper use of earnings forecasts, and other special matters

(Notes on forward-looking statements)

The earnings outlook and other forward-looking statements contained in this document are based on information currently available to the Company 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 information on the assumptions underlying the earnings forecasts and precautions regarding the use of the earnings forecasts, please refer to "1. Overview of Operating Results, Etc. (3) Explanation Regarding Forecast Information Such as Consolidated Earnings Forecasts" on page 4 of the attached documents.

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1. Overview of Operating Results, Etc.

(1) Overview of Consolidated Operating Results for the First Quarter Period

During the first three months of the fiscal year ending December 31, 2025, the global economy followed a gradual recovery trend, as while the economic stagnation in China and Europe that began last year continued, the U.S. and some parts of Asia, including India, performed well, and China also showed signs of the effects of its economic policies. At the same time, a host of concerns remained, including price increases due to fear of global inflation, high energy prices, and other factors, and the continuing sluggish real estate market in China. In addition, the outlook for the economy remained unstable due to factors such as changes in U.S. tariff policy.

Despite the impact of the uncertain global economic situation, the Japanese economy showed a trend toward recovery due to improved employment and income conditions, as well as increased inbound consumption.

In the electronic components industry, although some information and telecommunications equipment markets have been booming due to the spread of generative AI and increased investment in data centers, overall conditions remained harsh due to factors such as the sluggish European automobile market that began last fall and weak consumption caused by the sluggish real estate market in China.

Under these circumstances, the Company worked to expand sales and improve the profit structure by expanding sales of new products, streamlining the production process, and improving unprofitable orders in the Lead Terminals Business, and developing next-generation products and automating manufacturing processes in the Optical Components and Devices Business in order to achieve the medium-term management plan.

The Company also worked on measures aimed at medium- to long-term growth, including strengthening the supply system for high-purity silica glass products (SSG®), for which inquiries for semiconductor-related equipment parts have been increasing.

For the operating results for the first three months of the fiscal year ending December 31, 2025, the Company posted net sales of 3,558 million yen (up 4.3 % year on year), operating profit of 670 million yen (up 5.5% year on year), ordinary profit of 301 million yen (down 73.3 % year on year) due to foreign exchange losses resulting from the appreciation of the yen, and profit attributable to owners of parent of 227 million yen (down 68.6% year on year). The period-average exchange rate for the first three months of the fiscal year ending December 2025 was 152.56 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 first three months of the fiscal year ending December 31, 2025 were 1,978 million yen (up 2.5% year on year) and 114 million yen (segment loss of 13 million yen in the same period of the previous fiscal year), respectively.

In the automotive electronics market, conditions remained difficult due to continued adjustments in the European automobile market that began in the latter half of last year.

In the consumer equipment market, adjustments continued due to the sluggish real estate market in China and other factors, but the information and telecommunications equipment market remained strong due to growing IT demand, particularly for AI servers.

Under these circumstances, the Company focused on expanding sales of high-value-added lead terminals that anticipate the need for more sophisticated aluminum electrolytic capacitors, mainly in the automotive-related and information and telecommunications equipment markets, and their adoption has progressed.

With regard to production systems, the Company reorganized the production system at overseas production bases, such as increasing production capacity at the Dongguan factory in China, and strengthened efforts to improve production efficiency at each factory. The Company also worked to improve management efficiency using ROIC indicators to accelerate profit structure improvements, and took measures to improve profitability relative to invested capital, such as reducing and effectively utilizing assets. Efforts were also taken on the development of laser welding technology as a next-generation welding technology that achieves high efficiency and high precision.

<Optical Components and Devices Business>

In the Optical Components and Devices Business, net sales and segment profit (operating profit) for the first three months of the fiscal year ending December 31, 2025 were 1,580 million yen (up 6.5% year on year) and 555 million yen (down 14.4% year on year), respectively.

In optical devices for submarine cables, the Company worked to expand sales of small products and develop next-generation products in response to an increase in new submarine cable projects and technological innovations aimed at expanding

telecommunication capacity. At the same time, there were some short-term adjustments, such as schedule changes in some projects and inventory adjustments of existing products due to the switch to smaller products. As for other products, the market faced a tight supply and demand situation for Faraday rotators due to the growing popularity of generative AI and active investment in data centers, and the Company worked to strengthen its supply system by gradually increasing production capacity.

In terms of development, the Company worked on developing hybrid and module products to meet growing needs in information and telecommunications. The Company also worked on developing next-generation products, such as an optical isolator and fan-in/fan-out(*1) optical device, to support the shift to multi-core fiber products in submarine cables.

With regard to high-purity silica glass (SSG®) products, which is being strengthened as a new business, the Company continued sales expansion activities and supplying samples amidst a significant increase in inquiries for semiconductor-related quartz components, and also strengthened its stable supply system in preparation for future demand growth by increasing production capacity.

In addition, the Company conducted environmental testing of optical components and devices in outer space for adoption in the satellite communications market, and worked to expand sales in the communications satellite market.

*1: Fan in/fan out (product)

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

(2) Overview of Financial Position for the First Quarter Period

(Assets)

Current assets decreased by 5,146 million yen from the end of the previous fiscal year to 13,184 million yen. This was mainly attributable to decreases of 3,738 million yen in cash and deposits, 278 million yen in notes and accounts receivable - trade, and contract, 1,000 million yen in securities.

Non-current assets increased by 476 million yen from the end of the previous fiscal year to 10,830 million yen. This was mainly attributable to investment securities increasing 852 million yen, while buildings and structures, net decreasing 72 million yen, machinery, equipment and vehicles, net decreasing 192 million yen, and leased assets, net decreasing 137 million yen.

As a result, total assets decreased by 4,669 million yen from the end of the previous fiscal year to 24,014 million yen.

(Liabilities)

Current liabilities decreased by 1,103 million yen from the end of the previous fiscal year to 1,841 million yen. This was mainly attributable to provision for bonuses increasing 124 million yen, while accounts payable - trade decreasing 103 million yen, current portion of long-term borrowings decreasing 127 million yen, and income taxes payable decreasing 995 million yen.

Non-current liabilities decreased by 137 million yen from the end of the previous fiscal year to 2,171 million yen. This was mainly attributable to lease liabilities decreasing 127 million yen.

As a result, total liabilities decreased by 1,241 million yen from the end of the previous fiscal year to 4,012 million yen.

(Net assets)

Net assets decreased by 3,428 million yen from the end of the previous fiscal year to 20,001 million yen. This was mainly attributable to increase of 235 million yen in treasury shares, decreases of 2,254 million yen in capital surplus, 581 million yen in retained earnings, and 373 million yen in foreign currency translation adjustment.

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

In the first three months of the fiscal year ending December 31, 2025, progress was slightly less than forecast for the first half of the year due to stagnation in the European automobile market in the Lead Terminals Business, short-term inventory adjustments in the Optical Components and Devices Business, the trend toward a stronger yen, and other factors.

Looking ahead, although there is a high degree of uncertainty regarding the impact of the U.S. tariff policy and other factors, orders in the lead terminals market have been on the rise since the beginning of the second quarter, and the effects of improved production efficiency and other profitability improvements have begun to emerge. In the optical components and devices market, the short-term inventory adjustments that occurred in the first three months are also moving toward being resolved. In the long term, markets are expected to grow due to the progress of energy conservation in automobiles and the growing need to expand telecommunications capacity worldwide due to investment in generative AI and data centers, which is expected to lead to increased demand moving forward.

Under these circumstances, the Company has determined that there is currently no need to change overall outlook for the future, and have therefore not revised our initial forecasts for the second quarter and full-year consolidated financial results. The Company will continue to monitor the situation, and will promptly announce any changes that are deemed necessary.

2. Quarterly Consolidated Financial Statements and Significant Notes Thereto

(1) Quarterly Consolidated Balance Sheets

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Assets		
Current assets		
Cash and deposits	9,327	5,589
Notes and accounts receivable - trade, and contract assets	3,013	2,735
Electronically recorded monetary claims - operating	1,038	1,008
Securities	1,801	800
Finished goods	1,019	985
Work in process	481	540
Raw materials and supplies	1,210	1,062
Other	439	462
Total current assets	18,331	13,184
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,503	1,430
Machinery, equipment and vehicles, net	3,037	2,845
Tools, furniture and fixtures, net	567	592
Land	756	756
Leased assets, net	1,939	1,801
Construction in progress	356	363
Total property, plant and equipment	8,160	7,790
Intangible assets		
Goodwill	291	292
Other	608	629
Total intangible assets	899	921
Investments and other assets		
Investment securities	856	1,708
Deferred tax assets	228	205
Other	208	204
Total investments and other assets	1,292	2,118
Total non-current assets	10,353	10,830
Total assets	28,684	24,014

(Millions of yen)

	As of December 31, 2024	As of March 31, 2025
Liabilities		
Current liabilities		
Accounts payable - trade	700	597
Current portion of long-term borrowings	208	80
Lease liabilities	139	125
Accounts payable - other	379	432
Income taxes payable	1,068	72
Provision for bonuses	74	198
Provision for bonuses for directors (and other officers)	40	8
Other	334	326
Total current liabilities	2,945	1,841
Non-current liabilities		
Lease liabilities	1,961	1,833
Deferred tax liabilities	127	120
Retirement benefit liability	145	142
Asset retirement obligations	68	68
Other	6	6
Total non-current liabilities	2,309	2,171
Total liabilities	5,254	4,012
Net assets		
Shareholders' equity		
Share capital	350	350
Capital surplus	5,658	3,404
Retained earnings	15,345	14,764
Treasury shares	(1)	(236)
Total shareholders' equity	21,353	18,281
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(16)	0
Foreign currency translation adjustment	2,093	1,719
Total accumulated other comprehensive income	2,076	1,720
Total net assets	23,430	20,001
Total liabilities and net assets	28,684	24,014

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

(Millions of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Net sales	3,413	3,558
Cost of sales	2,112	2,159
Gross profit	1,301	1,398
Selling, general and administrative expenses	665	728
Operating profit	635	670
Non-operating income		
Interest and dividend income	56	54
Foreign exchange gains	449	-
Other	19	14
Total non-operating income	526	69
Non-operating expenses		
Interest expenses	25	21
Foreign exchange losses	-	412
Other	5	4
Total non-operating expenses	31	438
Ordinary profit	1,130	301
Profit before income taxes	1,130	301
Income taxes - current	452	66
Income taxes - deferred	(46)	7
Total income taxes	405	73
Profit	724	227
Profit attributable to owners of parent	724	227

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

(Millions of yen)

	For the three months ended March 31, 2024	For the three months ended March 31, 2025
Profit	724	227
Other comprehensive income		
Valuation difference on available-for-sale securities	1	17
Foreign currency translation adjustment	336	(373)
Total other comprehensive income	337	(356)
Comprehensive income	1,062	(128)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,062	(128)

(3) Notes to Quarterly Consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

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

(Acquisition of Treasury Shares)

The Company acquired 1,100,000 treasury shares by resolution of the Board of Directors held on February 26, 2025. As a result, treasury shares increased by 2,490 million yen during the first three months of the current consolidated fiscal year.

(Cancellation of Treasury Shares)

The Company cancelled 1,000,000 treasury shares on March 31, 2025 by resolution of the Board of Directors held on February 26, 2025. As a result, capital surplus and treasury shares each decreased by 2,254 million yen during the first three months of the current consolidated fiscal year.

(Notes on Statements of Cash Flows)

Quarterly consolidated statements of cash flows have not been prepared for the three months ended March 31, 2025. Depreciation (including amortization related to intangible assets excluding goodwill) and amortization of goodwill for the three months are as follows.

	For the three months ended March 2024 (January 1, 2024 - March 31, 2024)	For the three months ended March 2025 (January 1, 2025 - March 31, 2025)
Depreciation	222 Millions of yen	241 Millions of yen
Amortization of goodwill	— Millions of yen	21 Millions of yen

(Segment Information, Etc.)

【Segment Information】

First three months of the fiscal year ended December 2024 (January 1, 2024 - March 31, 2024)

- Information regarding net sales, profit or loss, asset, and other items for each reportable segment, and breakdown of revenue (Millions of yen)

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

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

First three months of the fiscal year ending December 2025 (January 1, 2025 to March 31, 2025)

1. Information regarding net sales, profit or loss, asset, and other items 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	956	143	1,099	—	1,099
China	456	139	596	—	596
Asia	561	4	565	—	565
U.K.	—	725	725	—	725
U.S.A.	—	505	505	—	505
Others	3	61	65	—	65
Revenue from contracts with customers	1,978	1,580	3,558	—	3,558
Sales to outside customers	1,978	1,580	3,558	—	3,558
Inter-segment sales or transfers	—	—	—	—	—
Total	1,978	1,580	3,558	—	3,558
Segment income	114	555	670	—	670

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

2. Information regarding impairment losses or goodwill on fixed assets by reportable segment
(Significant changes in the amount of goodwill)

In the Optical Components and Devices Business segment, new goodwill has been generated from the first quarter of this consolidated fiscal year. This is because the payment of the conditional acquisition price for the acquisition of all shares of EpiPhotonics Co., Ltd., which was conducted in the previous consolidated fiscal year, has been finalized. The increase in goodwill due to this event was 22 million yen in the first three months of this fiscal year.