

Anticipating growth based on increased demand for automobile capacitors and growth in optical devices for undersea cables

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[6524 Kohoku Kogyo Sector : Electric Appliances]

Fiscal Year	Net sales	YoY	Ope. profit	YoY	Ord. profit	YoY	Profit	YoY	EPS	BPS	DPS
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)	(yen)	(yen)	(yen)
Dec. 2019	9,979	-	1,480	-	1,360	-	524	-	72.6	594.4	4.1
Dec. 2020	11,176	12.0	2,577	74.1	2,357	73.3	1,562	3.0x	216.1	797.6	8.0
Dec. 2021 f	13,963	24.9	3,640	41.2	3,370	59.9	2,661	70.4	365.5	-	TBD

Note: Consolidated basis. Figures for the fiscal year ending Dec. 2021 are the company's forecast.

It conducted 1-to-100 stock split on August 23,2019. Per share indices are adjusted retroactively.

Manufacturing Lead Terminals for Aluminum Electrolytic Capacitors and Optical Components/Devices

Comprising Kohoku Kogyo and five subsidiaries, the Kohoku Kogyo Group conducts the lead terminal business, which involves manufacturing and sales of lead terminals (an electrode component of aluminum electrolytic capacitors), and the optical component/device business, which involves manufacturing and sales of optical components and devices for fiber-optic communication networks.

In the fiscal year ended December 2020, the lead terminal business recorded sales of 5,536 million yen, representing 49.5% of the net sales, and the optical component/device business recorded sales of 5,640 million yen, representing 50.5% of the net sales.

Lead Terminal Business

Lead terminals are an electrode component of aluminum electrolytic capacitors, which are an electronic component used in electronic circuits for automobiles, electronic equipment such as home electric/electronic appliances and telecommunications equipment, etc.

The Kohoku Kogyo Group produced approximately 40 billion lead terminals (20 billion aluminum electrolytic capacitors' worth) in the fiscal year ended December 2020, and it is estimated to hold an approximately 40% share of global production based on the number of units.

Around 90% of lead terminal sales are Japanese aluminum electrolytic capacitor manufacturers such as Nippon Chemi-Con (6997 TSE 1st Section) and NICHICON (6996 TSE 1st Section), while the remaining 10% or so are to Taiwanese and Chinese manufacturers.

Since its founding in 1959, the company has been involved in the lead terminal business, and from the outset it has manufactured its products in locations near major aluminum electrolytic capacitor manufacturers' production sites.

The group engages in manufacturing and sales aimed at domestic and international customers at a total of four sites, including one in Malaysia and two in China along with Kohoku Kogyo. It

has an overseas sales office in Singapore.

Optical Component/Device Business

The optical component/device business involves manufacturing and sales of optical components and optical devices used in equipment for fiber-optic communications equipment and optical modules for optical transmitting/receiving.

The main sales destination, Alcatel Submarine Networks UK Ltd., is a NOKIA-owned UK company involved in all aspects of undersea cables and undersea cable repeaters, from manufacturing to laying. Sales of optical devices such as optical isolators and optical filters for undersea cables to this customer have recently grown substantially.

Kohoku Kogyo (6524 TSE 2nd Section) - - - - - January 6, 2022**Financial Statements**

Statement of income	Fiscal Year	Dec. 2019		Dec. 2020		Nine months to Sep. 2021	
		(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Net sales		9,979	100.0	11,176	100.0	10,669	100.0
Cost of sales		6,734	67.5	6,928	62.0	6,149	57.6
Gross profit		3,245	32.5	4,248	38.0	4,520	42.4
Selling, general and administrative expenses		1,764	17.7	1,670	14.9	1,328	12.4
Operating profit		1,480	14.8	2,577	23.1	3,191	29.9
Non-operating income		27	-	42	-	258	-
Non-operating expenses		147	-	262	-	59	-
Ordinary profit		1,360	13.6	2,357	21.1	3,391	31.8
Profit before income taxes		1,093	11.0	2,354	21.1	3,389	31.8
Profit		524	5.3	1,562	14.0	2,221	20.8

Balance sheet	Dec. 2019		Dec. 2020		Sep. 2021	
	(mn yen)	(%)	(mn yen)	(%)	(mn yen)	(%)
Current assets	7,622	60.4	8,318	62.7	10,275	66.9
Cash and deposits	3,083	24.4	3,501	26.4	4,135	26.9
Accounts receivable	2,900	23.0	2,951	22.2	3,985	26.0
Inventories	1,520	12.0	1,645	12.4	1,820	11.9
Non-current assets	5,002	39.6	4,954	37.3	5,073	33.1
Property, plant and equipment	4,014	31.8	4,019	30.3	4,336	28.3
Intangible assets	117	0.9	94	0.7	93	0.6
Investments and other assets	870	6.9	840	6.3	642	4.2
Total assets	12,624	100.0	13,273	100.0	15,348	100.0
Current liabilities	4,583	36.3	4,540	34.2	4,850	31.6
Accounts payable	518	4.1	557	4.2	769	5.0
Short-term borrowings	1,740	13.8	1,617	12.2	1,553	10.1
Current portion of bonds payable	14	0.1	14	0.1	9	0.1
Current portion of long-term borrowings	1,052	8.3	982	7.4	832	5.4
Non-current liabilities	3,744	29.7	2,965	22.3	2,222	14.5
Bonds payable	23	0.2	9	0.1	-	-
Long-term borrowings	3,008	23.8	2,203	16.6	1,530	10.0
Net assets	4,297	34.0	5,766	43.4	8,275	53.9
Shareholders' equity	4,297	34.0	5,766	43.4	8,275	53.9

Statement of cash flows	Dec. 2019		Dec. 2020	
	(mn yen)	(%)	(mn yen)	(%)
Cash flows from operating activities	1,641		2,017	
Depreciation	536		509	
Amortization of goodwill	147		24	
Cash flows from investing activities	-805		-527	
Cash flows from financing activities	75		-1,048	
Dividends paid	-		-	
Net increase in cash and cash equivalents	880		418	
Cash and cash equivalents	3,083		3,501	

Note: Consolidated basis

Source: Prepared by Stock Research Center based on the notifiable prospectus.

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