HOSOKAWA MICRON CORPORATION

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February 7, 2025

Consolidated Financial Results for the First Quarter Ended December 31,2024 (Under Japanese GAAP)

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Stock Exchange Listing Tokyo Stock Exchange
Stock Code 6277 URL https://www.hosokawamicron.co.jp
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Scheduled date of dividend payment: -
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

(Figures are rounded down to the nearest million yen)

1. Quarterly Consolidated Financial Results (October 1, 2024 - December 31, 2024)

(1) Consolidated Results of Operation (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
1st quarter ended Dec. 2024	18,123	(10.5)	1,441	(8.3)	1,686	(7.7)	1,162	(3.5)
1st quarter ended Dec. 2023	20,259	9.9	1,571	12.5	1,827	23.8	1,204	9.5

(Reference) Comprehensive Income (million Yen) 1st quarter ended Dec.2024: 3,524 (934.0%)
1st quarter ended Dec.2023: 340 (26.9%)

	Earnings per share	Diluted earnings per share
	Yen	Yen
1st quarter ended Dec. 2024	78.60	78.47
1st quarter ended Dec. 2023	80.21	79.97

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio
	Million yen	Million yen	%
As of Dec. 31, 2024	98,288	64,130	65.2
As of Sep. 30, 2024	98,071	61,623	62.8

(Reference) Shareholders' Equity (million Yen) Dec. 2024: 64,085 Sep. 2024: 61,540

2. Dividends

	Dividends per share				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended Sept. 2024 (actual)	—	50.00	—	70.00	120.00
Year ended Sept. 2025 (actual)	—				
Year ended Sept. 2025 (forecast)		60.00	—	60.00	120.00

Note: Revisions of the forecast dividends since the latest announcement: None

3. Consolidated Forecasts for the Fiscal Year Ending September 30, 2025
(October 1, 2024 - September 30, 2025)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
1st Half	41,000	(1.2)	3,000	(20.6)	3,200	(24.9)	2,500	2.7	169.09
Full Year	83,000	(2.8)	6,500	(21.5)	6,900	(25.3)	5,100	(8.6)	344.96

Note: Revisions of the Consolidated forecast since the latest announcement: None

4. Others

(1) Significant changes in consolidated subsidiaries during the period: None

(2) Adoption of simplified accounting treatment for quarterly closing: Yes

(3) Changes in accounting treatment for quarterly consolidated financial statement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Retrospective restatement: None

(4) Number of shares outstanding (common stock)

1) Number of shares outstanding at the end of the period (incl. treasury stock)
Dec. 2024: 15,730,538 shares Sept. 2024: 15,730,538 shares

2) Number of treasury stock at the end of the period
Dec. 2024: 921,676 shares Sept. 2024: 946,096 shares

3) Average number of shares in the fiscal year
Dec. 2024: 14,788,989 shares Dec. 2023: 15,013,814 shares

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

* Explanation regarding appropriate use of earnings forecasts and other special notes

Note : The forecasts above are based on currently available information at the time of announcement. Actual results may differ from these forecasts for a number of factors.

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Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of Yen)

	As of September 30, 2024	As of December 31, 2024
Assets		
Current Assets		
Cash and deposits	27,420	28,116
Notes and accounts receivable-trade, and contract assets	21,449	18,311
Electronically recorded monetary claims - operating	1,240	1,512
Finished goods	3,146	3,467
Work in process	4,933	6,190
Raw materials and supplies	4,853	3,923
Other	1,963	2,467
Allowance for doubtful accounts	(398)	(414)
Total Current Assets	64,608	63,575
Non-Current Assets		
Property, plant and equipment		
Buildings and structures	27,379	28,453
Machinery, equipment and vehicles	17,541	18,648
Land	7,150	7,295
Construction in progress	792	859
Other	3,953	4,145
Accumulated depreciation and impairment loss	(27,740)	(29,143)
Total property, plant and equipment	29,075	30,259
Intangible assets		
Goodwill	128	126
Other	669	651
Total intangible assets	798	778
Investments and other assets		
Investment securities	2,655	2,604
Deferred tax assets	812	942
Other	121	127
Total investments and other assets	3,589	3,675
Total Non-Current Assets	33,463	34,713
Total Assets	98,071	98,288

(Millions of Yen)

	As of September 30, 2024	As of December 31, 2024
Liabilities		
Current Liabilities		
Notes and accounts payable-trade	8,706	6,752
Electronically recorded obligations - operating	1,649	1,643
Current portion of long-term loans payable	323	173
Accrued expenses	4,862	3,744
Income taxes payable	1,185	1,230
Contract liabilities	8,584	9,805
Provision for bonuses	721	174
Provision for directors' bonuses	82	26
Provision for product warranties	872	1,039
Provision for share awards	27	10
Other	2,653	2,923
Total Current Liabilities	29,669	27,524
Non-Current Liabilities		
Long-term loans payable	1,286	1,244
Provision for share awards	12	13
Net defined benefit liability	3,224	3,257
Deferred tax liabilities	1,243	1,156
Other	1,012	961
Total Non-Current Liabilities	6,778	6,633
Total Liabilities	36,447	34,157
Net Assets		
Shareholders' Equity		
Capital stock	14,496	14,496
Capital surplus	3,220	3,197
Retained earnings	42,128	42,254
Treasury stock	(2,877)	(2,796)
Total Shareholders' Equity	56,967	57,151
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	734	698
Deferred gains or losses on hedges	33	(42)
Foreign currency translation adjustment	4,174	6,644
Remeasurements of defined benefit plans	(369)	(365)
Total accumulated other comprehensive income	4,572	6,934
Subscription rights to shares	83	44
Total Net Assets	61,623	64,130
Total Liabilities and Net Assets	98,071	98,288

(2) Quarterly Consolidated Statements of Income

(Millions of Yen)

	Oct. 1, 2023 - Dec. 31, 2023	Oct. 1, 2024 - Dec. 31, 2024
Net sales	20,259	18,123
Cost of sales	13,704	11,941
Gross profit	6,555	6,182
Selling, general and administrative expenses	4,983	4,741
Operating profit	1,571	1,441
Non-operating income		
Interest income	131	141
Dividend income	11	39
Equity in earnings of affiliates	65	7
Foreign exchange gains	―	46
Gain on valuation of derivatives	59	―
Other	13	22
Total non-operating Income	281	257
Non-operating expenses		
Interest expenses	6	4
Foreign exchange losses	15	―
Loss on valuation of derivatives	―	2
Other	3	4
Total non-operating Expenses	25	12
Ordinary profit	1,827	1,686
Extraordinary income		
Gain on sales of non-current assets	1	1
Total extraordinary income	1	1
Extraordinary losses		
Loss on sales and retirement of non-current assets	2	0
Total extraordinary loss	2	0
Income before income taxes	1,827	1,687
Income taxes	622	524
Net income	1,204	1,162
Profit attributable to owners of parent	1,204	1,162

(3) Quarterly Consolidated Statements of Comprehensive Income

(Millions of Yen)

	Oct. 1, 2023 - Dec. 31, 2023	Oct. 1, 2024 - Dec. 31, 2024
Net income	1,204	1,162
Other comprehensive income		
Valuation difference on available-for-sale securities	(48)	(36)
Deferred gains or losses on hedges	6	(76)
Foreign currency translation adjustment	(827)	2,470
Remeasurements of defined benefit plans	6	4
Total other comprehensive income	(863)	2,362
Comprehensive income	340	3,524
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	340	3,524
Comprehensive income attributable to non-controlling interests	—	—

(4) Quarterly Consolidated Statements of Cash Flows

(Millions of Yen)

	Oct. 1, 2023 - Dec. 31, 2023	Oct. 1, 2024 - Dec 31, 2024
Cash flows from operating activities;		
Income before income taxes	1,827	1,687
Depreciation and amortization	521	555
Amortization of goodwill	6	6
Increase (decrease) in allowance for doubtful accounts	52	(5)
Increase (decrease) in provision for bonuses	(483)	(558)
Increase (decrease) in provision for directors' bonuses	(53)	(58)
Increase (decrease) in provision for product warranties	55	118
Increase (decrease) in net defined benefit liability	(0)	(33)
Increase (decrease) in provision for share awards	(16)	(14)
Interest and dividends income	(143)	(180)
Interest expenses	6	4
Equity in (earnings) losses of affiliates	(65)	(7)
Loss (gain) on valuation of derivatives	(59)	2
Loss (gain) on sales and retirement of non-current assets	0	(0)
Decrease (increase) in notes and accounts receivable-trade	611	3,770
Decrease (increase) in inventories	(57)	(66)
Increase (decrease) in notes and accounts payable-trade	(1,081)	(2,342)
Increase (decrease) in advances received	873	779
Increase (decrease) in accrued expenses	(1,034)	(1,356)
Other	(220)	(230)
Sub total	738	2,068
Interests and dividends income received	143	180
Interest expenses paid	(6)	(4)
Income taxes paid	(1,207)	(689)
Net cash provided by (used in) operating activities	(332)	1,554
Cash flows from investing activities;		
Payments into time deposits	(61)	(118)
Proceeds from withdrawal of time deposits	61	169
Purchase of property, plant and equipment	(654)	(899)
Purchase of intangible assets	(221)	(29)
Other	1	1
Net cash provided by (used in) investing activities	(873)	(875)
Cash flows from financing activities;		
Repayment of long-term loans payable	(31)	(191)
Purchase of treasury shares	(0)	—
Cash dividends paid	(753)	(1,038)
Repayment of lease liabilities	(18)	(22)
Net cash provided by (used in) financing activities	(804)	(1,253)
Effect of exchange rate change on cash and cash equivalents	(430)	1,314
Net increase (decrease) in cash and cash equivalents	(2,441)	740
Cash and cash equivalents at beginning of period	25,689	26,995
Cash and cash equivalents at end of period	23,247	27,736

(5) Notes to Quarterly Consolidated Financial Statements

(Matters related to the assumption of going concern)
There is no applicable information.

(Significant change in the amount of shareholders' equity)
There is no applicable information.

(Significant change in the scope of consolidation)
There is no applicable information.
In addition, significant change in the scope of consolidation is not applicable as the follows;
Hosokawa Micron Corporation (hereafter referred to as "the Company") absorbed Hosokawa Micron Cosmetics Corporation on October 1, 2024, which resulted in exclusion of the scope of consolidation.

(Adoption of the special accounting methods on quarterly consolidated financial statements)
The company, its domestic consolidated subsidiaries, and certain foreign consolidated subsidiaries calculate the tax expense by multiplying the reasonably estimated tax rate by the income before income taxes.
However, the effective statutory tax rate is used when the reasonably estimated tax rate results in an unreasonable tax expense.

(Change in accounting policies)
Application of "Accounting Standard for Current Income Taxes", etc.
The Company has applied the "Accounting Standard for Current Income Taxes" (ASBJ Statement No. 27, October 28, 2022 and other relevant standards from the beginning of the first quarter of the current fiscal year.
With regard to revisions to categories for recording current income taxes (taxation on other comprehensive income), the Company complies with the transitional treatment stipulated in the proviso of paragraph 20-3 of the Revised Accounting Standard of 2022 and the transitional treatment stipulated in the proviso of paragraph 65-2 (2) of the "Guidance on Accounting Standard for Tax Effect Accounting"(ASBJ Guidance No. 28, October 28, 2022). These changes in the accounting policy do not affect the quarterly consolidated financial statements.

(Segment information)

Information about reported segment profit or loss (Oct 1 2023- Dec 31 2023)

(Millions of yen)

	Reportable segment			Adjustments (*1)	Consolidated total (*2)
	Powder	Blown Film	Total		
Sales					
Outside customer	15,835	4,423	20,259	—	20,259
Intersegment	16	—	16	(16)	—
Total Sales	15,852	4,423	20,275	(16)	20,259
Segment profit (loss)	1,714	211	1,926	(354)	1,571

(*1) Adjustments to segment profit (loss) were ¥ (354) million and comprised mainly corporate expenses not allocated to reportable segments.

(*2) Segment profit (loss) was adjusted to conform with operating profit.

Information about reported segment profit or loss (Oct 1 2024- Dec 31 2024)

(Millions of yen)

	Reportable segment			Adjustments (*1)	Consolidated total (*2)
	Powder	Blown Film	Total		
Sales					
Outside customer	13,836	4,286	18,123	—	18,123
Intersegment	15	—	15	(15)	—
Total Sales	13,852	4,286	18,139	(15)	18,123
Segment profit (loss)	1,422	378	1,801	(360)	1,441

(*1) Adjustments to segment profit (loss) were ¥ (360) million and comprised mainly corporate expenses not allocated to reportable segments.

(*2) Segment profit (loss) was adjusted to conform with operating profit.

(Business combination)

(Absorption-type merger with a wholly-owned subsidiary)

The Company resolved to merge with Hosokawa Micron Cosmetics Corporation, a wholly-owned consolidated subsidiary of the Company, at the Board of Directors meeting held on July 25, 2024, and entered into a merger agreement with Hosokawa Micron Cosmetics Corporation on the same date. The merger took place on October 1, 2024.

1. Overview of the merger

(1) Overview of the disappearing company and the business

Name: Hosokawa Micron Cosmetics Corporation

Business: Sales of hair growth agents, cosmetics, and oral care products.

(2) Date of the merger

October 1, 2024

(3) Method of the merger

Hosokawa Micron Corporation, the surviving company, absorbed Hosokawa Micron Cosmetics Corporation, which was dissolved as a result of the merger.

(4) Name after the merger

Hosokawa Micron Corporation

(5) Background and purpose of the merger

Hosokawa Micron Cosmetics Corporation operates a mail-order business of which the main products are hair-growth agents, cosmetics, and oral care products developed based on the Company's proprietary technology of encapsulating ingredients into functional nanoparticles (PLGA) effective for hair growth, beauty, and periodontal disease prevention. This merger is intended to optimize and speed up the processes for marketing, research/product development, manufacturing, and sales by integrating the Material Business Division, which is responsible for manufacturing and R&D of these products, and to further accelerate the growth of our material business by streamlining management and improving the efficiency of organizational operations.

2. The outline of the implemented accounting processes

Pursuant to the "Accounting Standard for Business Combinations"(ASBJ Statement No.21, January 16, 2019) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures"(ASBJ Guidance No.10, January 16, 2019), the accounting processes are treated as a transaction under common control.

(Additional information)

(Reduction of Legal Capital Surplus)

The Company has resolved, at a meeting of the Board of Directors held on November 21, 2024 to file a proposal regarding reduction of legal capital surplus at the Annual General Meeting of Shareholders held on December 17, 2024, and the proposal is approved at its meeting, effective on February 28, 2025 as detailed below.

1 Purpose of reduction of legal capital surplus

The Company proposes to reduce legal capital surplus and transfer the entire amount to other capital surplus pursuant to Article 448 Paragraph 1 of the Companies Act to implement a flexible and stable capital policy.

2 Overview

(1) Amount of legal capital surplus to be reduced

The 3,206,917,643 yen of legal capital surplus is scheduled to be reduced by 3,000,000,000 to 206,917,643.

(2) Method of reducing legal capital surplus

The company plans to transfer the reduced amount of legal capital surplus to other capital surplus

3 Schedule

(1) Date of resolution at the meeting of the Board of Directors	November 21,2024
(2) Date of resolution at the General Meeting of Shareholders	December 17,2024
(3) Date of public notice for objections of creditors	January 10, 2025
(4) Final due date for creditors to make objections	February 10, 2025
(5) Effective date	February 28, 2025 (Scheduled)

4 Future outlooks

This reduction of legal capital surplus will have no impact on number of shares outstanding, net asset per share, and financial performance, as it only involves a reclassification of accounts within the “Net Assets” section of the balance sheet.