Translation

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KOHOKU

Securities code: 6524



Kohoku Kogyo is a leading manufacturer of lead terminals for aluminum electrolytic capacitors and parts for submarine optical communication.

Financial Results Materials of FY12/2025

Kohoku Kogyo Co., Ltd.

Feb.12, 2026

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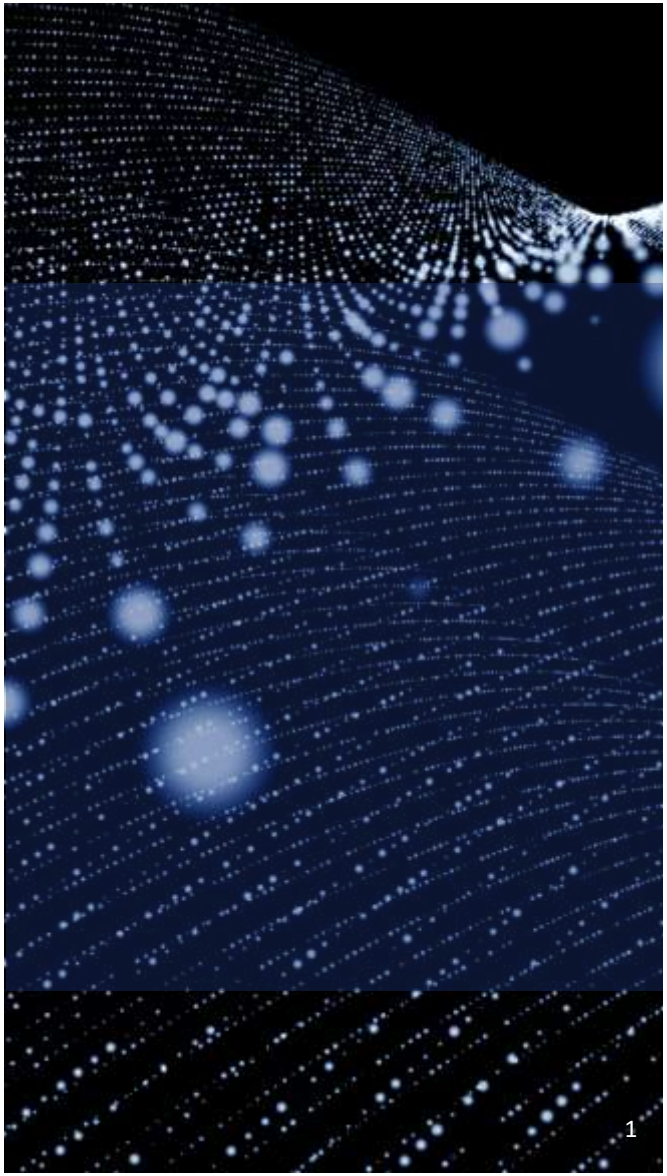


Ⅰ. Summary of business performance trends and medium-term plans

Business Performance Trends

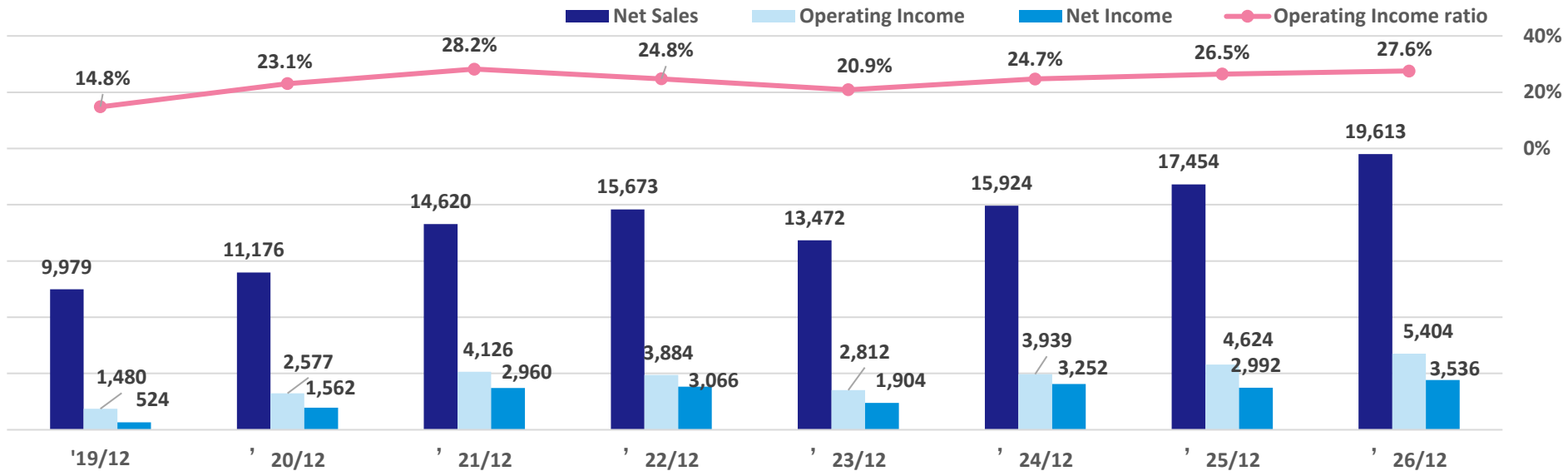
<Performance summary>

- **For fiscal year 2025, sales increased by +9.6% and operating profit by +17.4% compared to the last year. Record high sales and operating profit. Plans for fiscal year 2026 also call for increased sales and profits.**
- **Lead terminals continue to improve despite a slow market recover. Sales of optical components and devices continue to expand thanks to a favorable market trend**
- **Net income decreased by 8.0% year-on-year due to foreign exchange losses (the yen strengthened against the US dollar compared to the year-end 2024 rate of 158.17 yen) and the recognition of impairment losses on goodwill, etc. related to EpiPhotonics..**

<Business environment>

- **In the submarine cable market, orders for optical devices continue to be strong, supported by steady project investment.**
- **In the automotive-related market, the European and Japanese markets continued to face difficult conditions, but automobile production in China increased, and sales of lead terminals showed a recovery trend.**
- **In the information and communications infrastructure market, the generation AI and data center markets are performing well, which has a positive impact on both businesses.**
- **Inquiries about high-purity quartz glass business are increasing, and preparations are underway for mass production**

Net Sales, Operating Profit, Net Income, Operating Profit ratio (Million Yen, %)



Mid-term Management Plan until 2028

Aiming for 1.4 times sales and 1.7 times operating profit by growing the two main businesses and adding new businesses

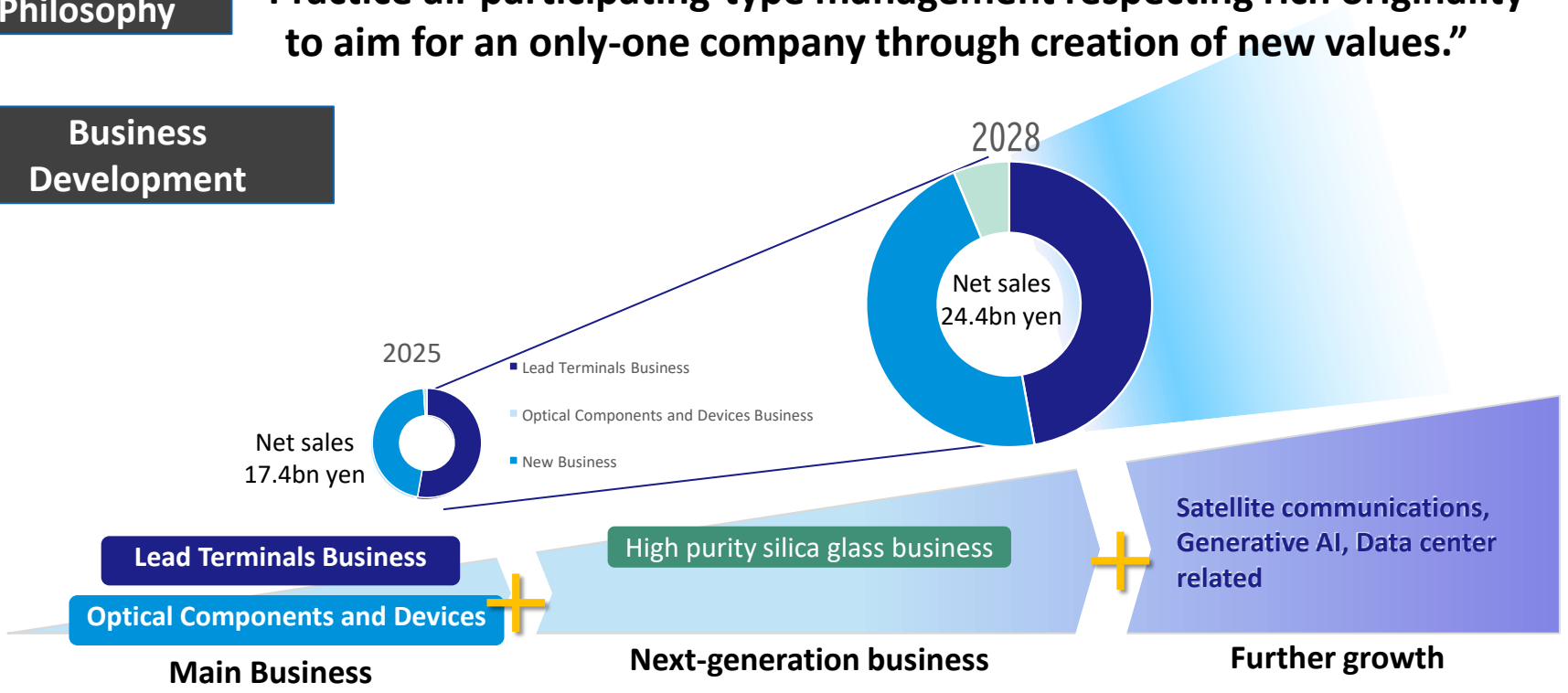
		FY12/2025 Results	FY12/2028 Medium-term management plan
Growth	Net Sales	17.4 billion yen	24.4 billion yen
Profitability	Operating profit	4.6 billion yen	7.9 billion yen
Investment	Capital Expenditures	Past three years 4.3 billion yen	Next 3 years 8 billion yen (New Base at Maibara : ¥4.3 Billion)
Efficiency	ROIC	15.0%	17.5%
	ROE	12.8%	17.3%
Shareholder Return Policy		Goal of Consolidated Dividend payout ratio 30% DOE 3% or more	Goal of Consolidated Dividend payout ratio 30% DOE 3% or more

Vision and Business Portfolio

Management Philosophy

“Practice all-participating-type management respecting rich originality to aim for an only-one company through creation of new values.”

Business Development



Strengthening the Management Structure

Strengthening Governance	● Continue strengthening internal control systems and promoting sustainability activities ● Strengthen the structure for the prime market
Maibara New Base Concept	● First phase construction: Construction is scheduled to begin at the end of 2026, with completion scheduled for 2028 ● Positioned as a hub for long-term growth
Others	● Increase employee motivation, improve performance awareness, etc. ● Strengthening sales structure for the global market

Ⅱ. Performance for the FY 2025 and FY 2026

Income Statement (Q4 Cumulative) Summary

Both main two main businesses recovered significantly, with sales increased 9.6% and operating profit increased 17.4% year-on-year.

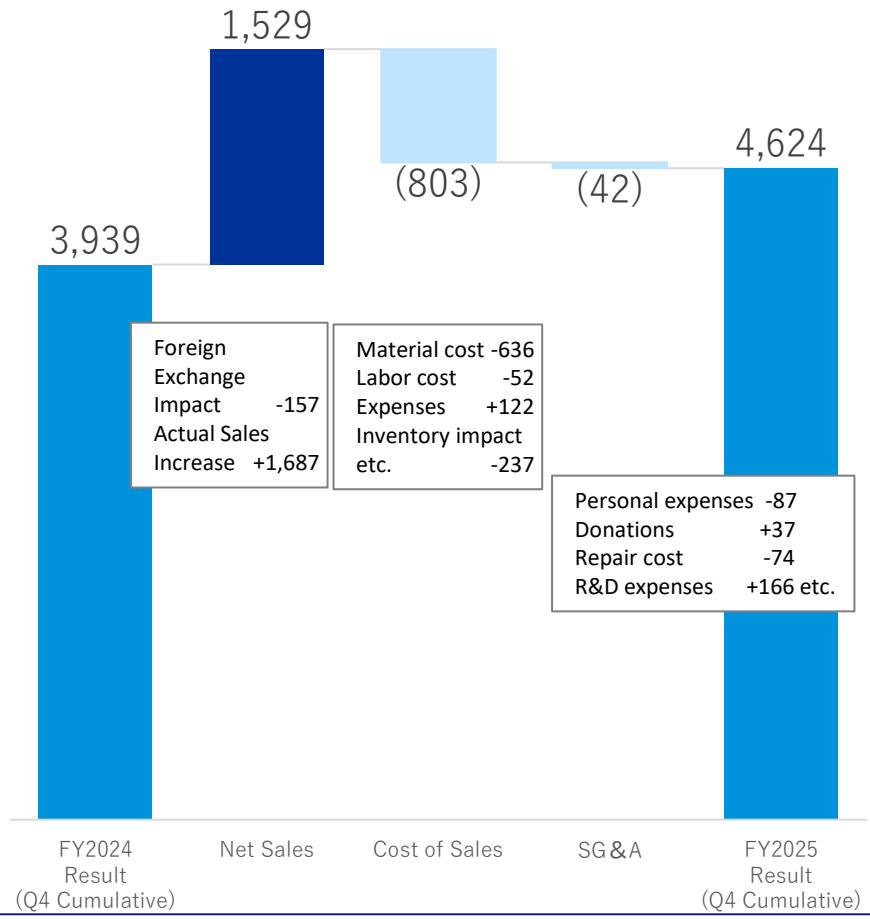
(Millions of yen)

	＜YoY＞				＜QoQ＞					
	FY12/2024	FY12/2025			FY12/2025					
	Q4 Cumulative (Jan–Dec)	Q4 Cumulative (Jan–Dec)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)	QoQ change	QoQ change (%)
Net sales	15,924	17,454	+1,529	+9.6%	3,558	4,316	4,604	4,973	+368	+8.0%
Lead Terminals Business	8,403	8,802	+398	+4.7%	1,978	2,171	2,209	2,442	+232	+10.5%
Optical Components and Devices Business	7,520	8,651	+1,131	+15.0%	1,580	2,144	2,395	2,531	+136	+5.7%
Gross profit	6,884	7,611	+726	+10.6%	1,398	1,854	2,116	2,241	+124	+5.9%
Selling, general and administrative expenses	2,944	2,987	+42	+1.4%	728	712	731	815	+84	+11.5%
Operating profit	3,939	4,624	+684	+17.4%	670	1,141	1,385	1,425	+40	+2.9%
Operating margin rat	*24.7%*	*26.5%*	*+1.8pt*	—	18.8%	26.5%	30.1%	28.7%	*-1.4pt*	—
Lead Terminals Business	403	766	+362	+90.0%	114	228	212	210	-2	-1.0%
Optical Components and Devices Business	3,536	3,857	+321	+9.1%	555	913	1,172	1,215	+42	+3.6%
Ordinary profit	4,856	4,547	-308	-6.4%	301	996	1,529	1,720	+191	+12.5%
Profit attributable to owners of parent	3,252	2,992	-259	-8.0%	227	376	1,149	1,237	+88	+7.7%
Exchange rate (average for the period)	151.69yen/$	149.62yen/$			152.56yen/$	144.60yen/$	147.46yen/$	154.09yen/$		

Factors of Increase/Decrease in Operating profit (Q4 Cumulative)

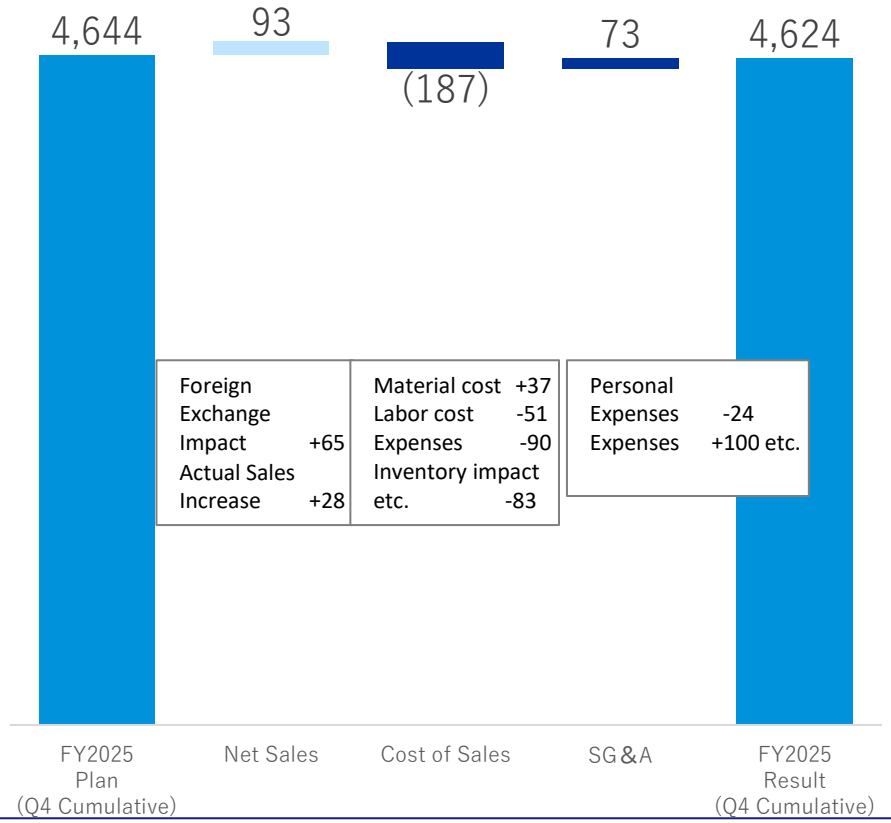
Year on Year comparison (Millions of yen)

Increased sales absorbed the increase in costs, resulting in increased profits



Compared to the revised plan (Millions of yen)

Compared to the plan as of August 2025, the results were almost on track.



Summary of Balance Sheet/Cash Flow Statement

(Millions of yen)

Balance Sheet	End of FY12/2024	End of FY12/2025	Increase /decrease	Major changes
Current assets	18,331	17,027	(1,303)	Accounts receivable-trade +1,130,Cash and deposits -809, Securities -1,400 etc.
Non-current assets	10,353	11,291	+938	Investment securities +1,096, Tools furniture and fixtures net +178, Goodwill -291 etc.
Total assets	28,684	28,319	(365)	
Current liabilities	2,945	2,584	(360)	Current portion of long-term borrowings -208, Income taxes payable -463, Accounts payable - trade +261etc.
Non-current liabilities	2,309	2,293	(15)	Deferred tax liabilities +20, Leased obligation -40, etc.
Total liabilities	5,254	4,877	(376)	
Total net assets	23,430	23,441	+11	Retained earnings +2,182, Capital surplus -2,261, Foreign currency translation adjustment +216, Treasury shares -211, etc.
Total liabilities and net assets	28,684	28,319	(365)	

Cash Flow Statement	FY12/2024	FY12/2025	Major items for FY12/2025
Operating cash flow	3,836	3,343	Net Profit before taxes and other adjustments 4,387, Depretiation 973 Corporate tax paid: -1,861
Investing cash flow	(3,115)	(1,197)	Proceeds from withdrawal of time deposits 1,083, Purchase of property, plant and equipment -781, Purchase of investment securities -1,266
Free cash flow	721	2,146	
Financing cash flow	(1,636)	(3,646)	Purchase of treasury shares -2,490, dividend payment -809
Net increase (decrease) in cash and cash equivalent	(639)	(1,381)	
Cash and cash equivalent at end of period	9,779	8,417	

Financial Forecast for FY12/2026

Continued improvement in the two main business divisions is expected to result in a third consecutive year of increased sales and profits

(Millions of yen)

＜Currency Sensitivity＞ Sales: ¥80 million per yen Operating profit: ¥30 million per yen	FY12/2025	FY12/2026 (plan)				
	Actual	First half	Second half	Full-year forecast	YoY change	YoY change (%)
Net sales	17,454	9,275	10,338	19,613	+2,159	+12.4%
Lead Terminals Business	8,802	4,911	5,445	10,356	+1,554	+17.7%
Optical Components and Devices Business	8,651	4,364	4,892	9,257	+605	+7.0%
Operating profit	4,624	2,466	2,938	5,404	+780	+16.9%
Operating margin ratio	26.5%	26.6%	28.4%	27.6%	*+1.1pt*	-
Lead Terminals Business	766	469	655	1,125	+358	+46.8%
Optical Components and Devices Business	3,857	1,996	2,282	4,279	+421	+10.9%
Ordinary profit	4,547	2,287	2,960	5,247	+700	+15.4%
Profit attributable to owners of parent	2,992	1,571	1,964	3,536	+543	+18.2%
Net income per share (yen)	114.73	60.67	75.84	136.51		
Exchange rate (average for the period)	149.62yen/$	150.00yen/$	150.00yen/$	150.00yen/$		

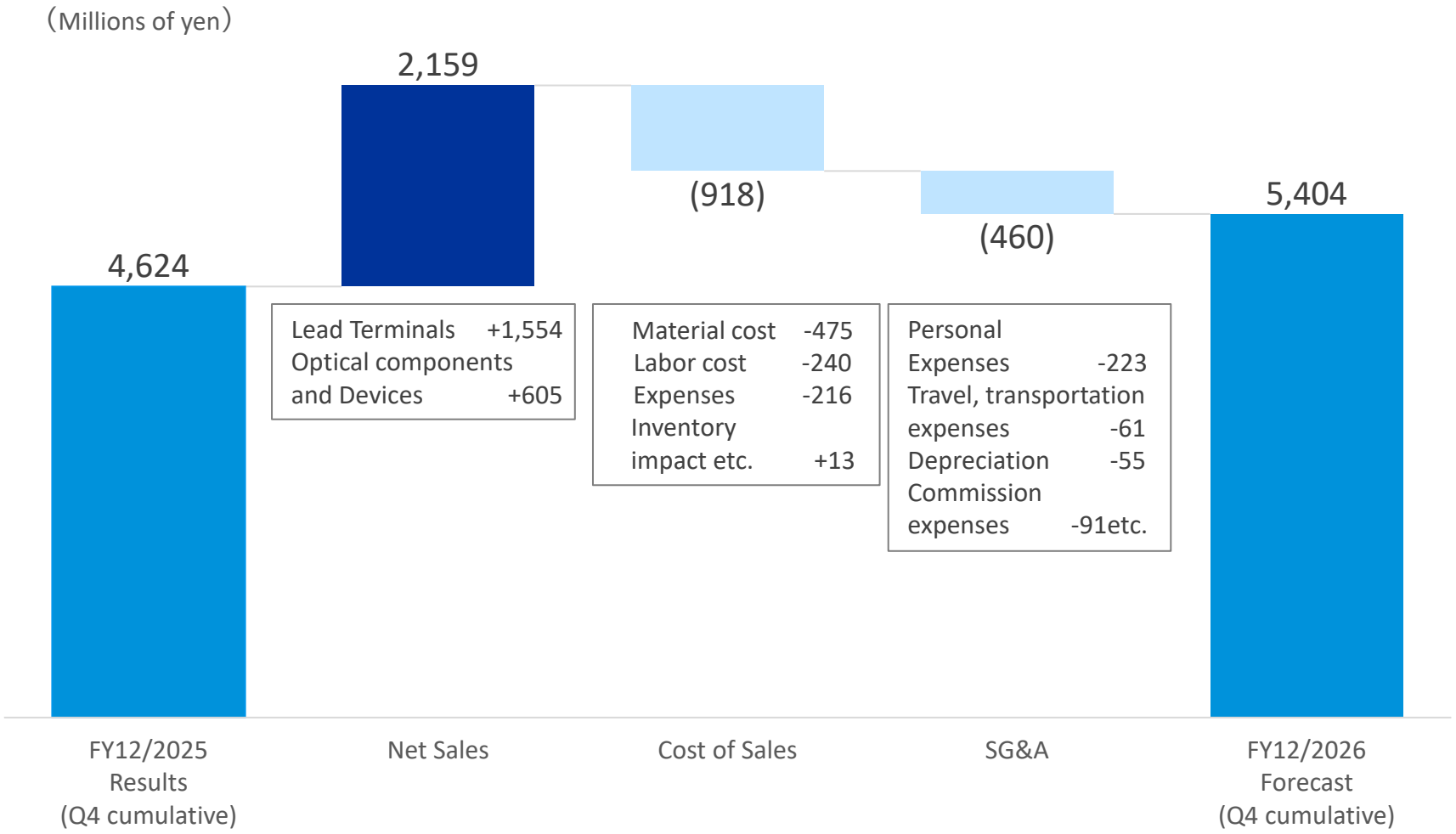
Basis for earnings forecast

- The lead terminal business is expected to see significant increases in both sales and profits due to increased demand for AI and data centers and further improvements in profitability.
- Optical Components and Devices Business: Although it is a transitional period for new products, stable increases in sales and profits are expected.

＜Exchange rate sensitivity＞Estimated value assuming that the fluctuation of 1yen against 1 dollar continues for 1 year.

Factors of Increase/Decrease in Operating profit (FY12/2026 Forecast)

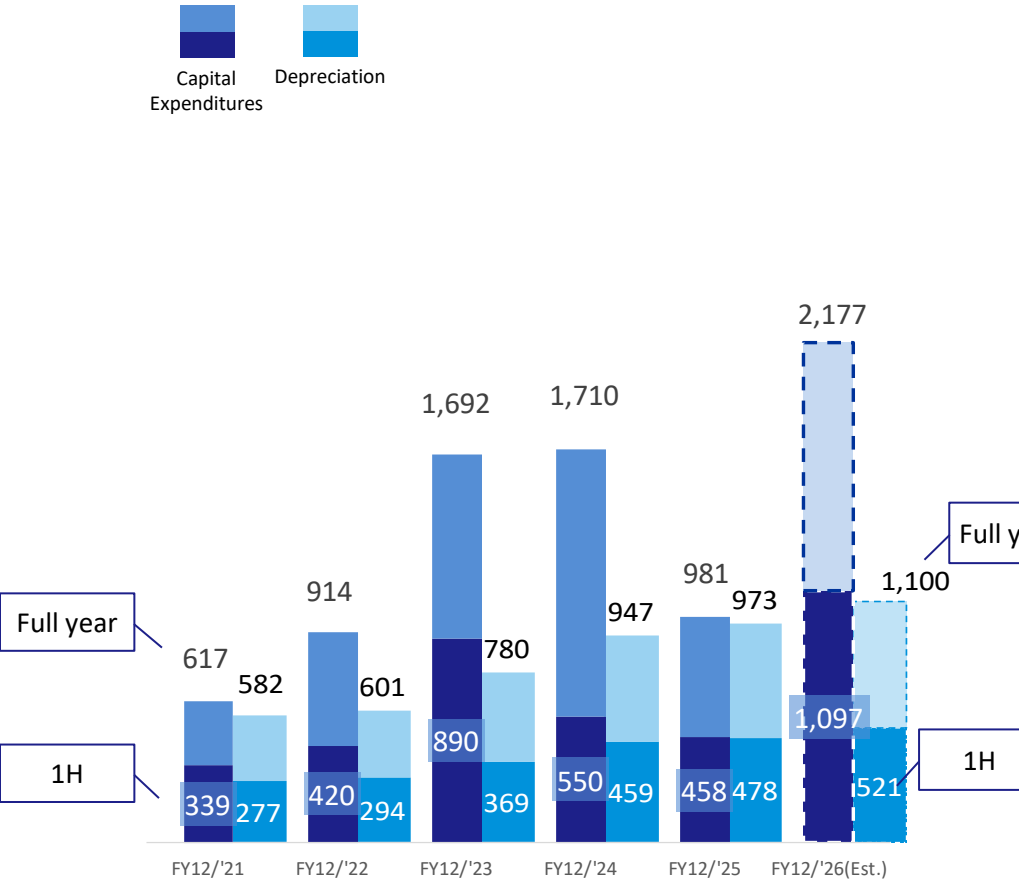
The two main businesses of lead terminals and optical components and devices are expected to contribute to increased sales and operating profit.



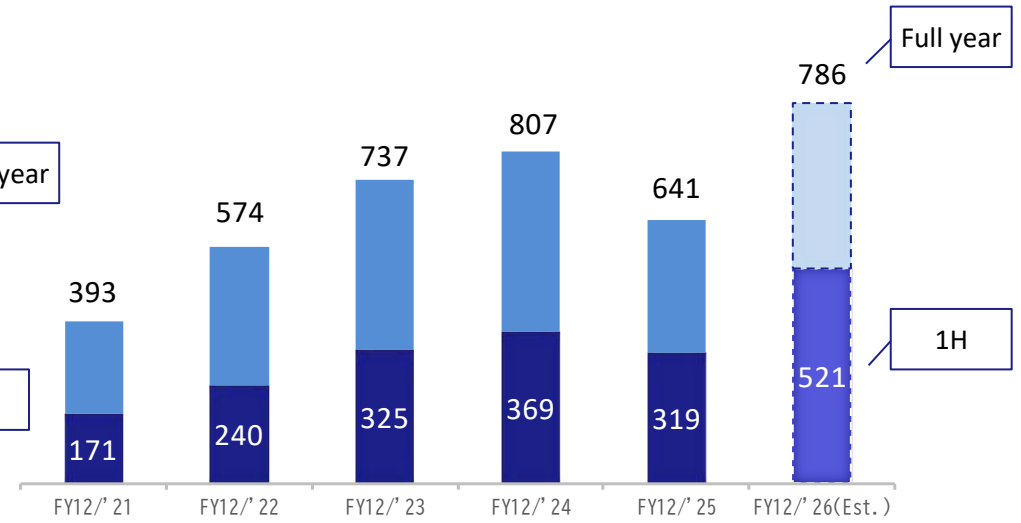
Capital Expenditures, Depreciation, and R&D Expenses

Focused investment in growth areas such as crystal growth furnaces for Faraday rotators and high-purity quartz glass sintering furnaces
The 2026 investment plan includes construction costs of just under 600 million yen for the Maibara Business Site

Capital Expenditures and Depreciation （Millions of Yen）



R&D expenses （Millions of Yen）



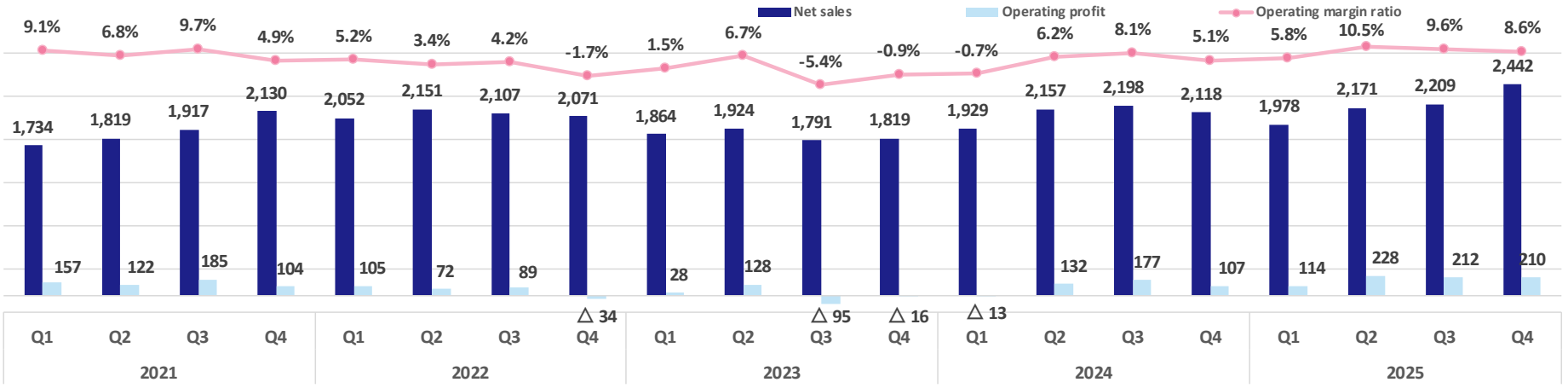
Results by Segment - Lead Terminals

- **Sales to the automotive and data center markets are continuing to recover after hitting bottom in the first quarter.**
- **In addition to the recovery in sales, operating profit increased significantly due to the restructuring of the production system and continued activities to improve production efficiency.**

(Millions of yen)

	＜YoY＞				＜QoQ＞					
	FY12/2024	FY12/2025			FY12/2025					
	Q4 Cumulative (Jan–Dec)	Q4 Cumulative (Jan–Dec)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)	QoQ change	QoQ change (%)
Net sales	8,403	8,802	+398	+4.7%	1,978	2,171	2,209	2,442	+232	+10.5%
Operating profit	403	766	+362	+90.0%	114	228	212	210	-2	-1.0%
Operating margin ratio	*4.8%*	*8.7%*	*+3.9pt*	—	*5.8%*	*10.5%*	*9.6%*	*8.6%*	*-1.0pt*	—

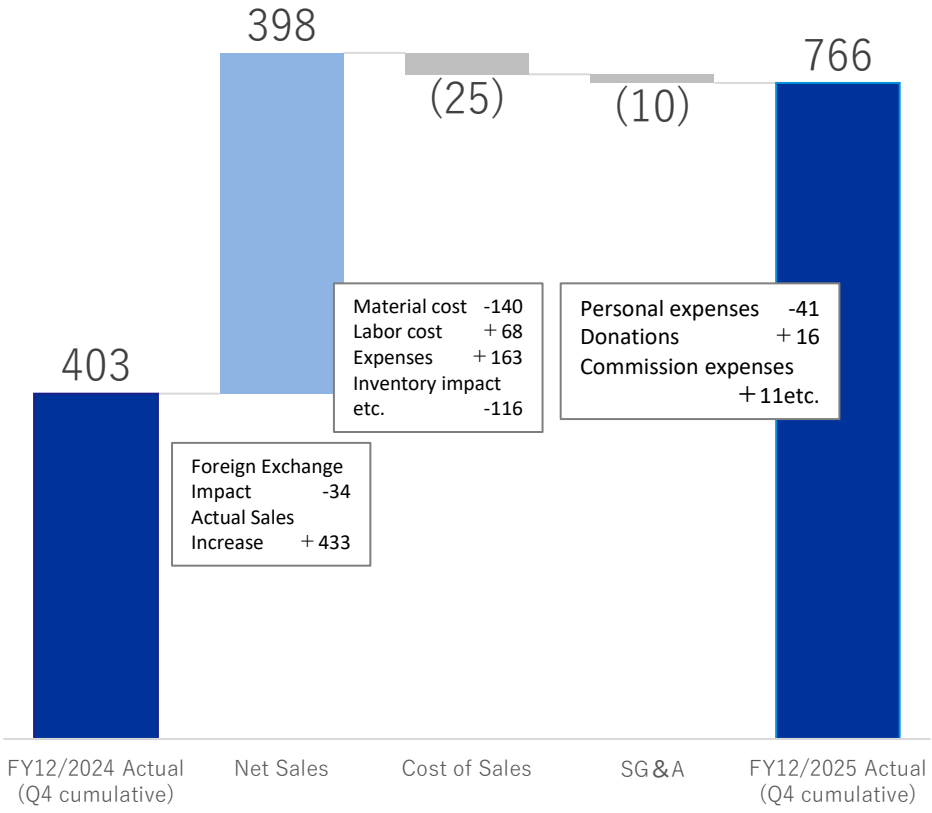
Net Sales, Operating Profit, Operating Profit ratio (Millions of yen, %)



Factors of Increase/Decrease in Operating profit by Segment for Q4 Cumulative - Lead Terminals

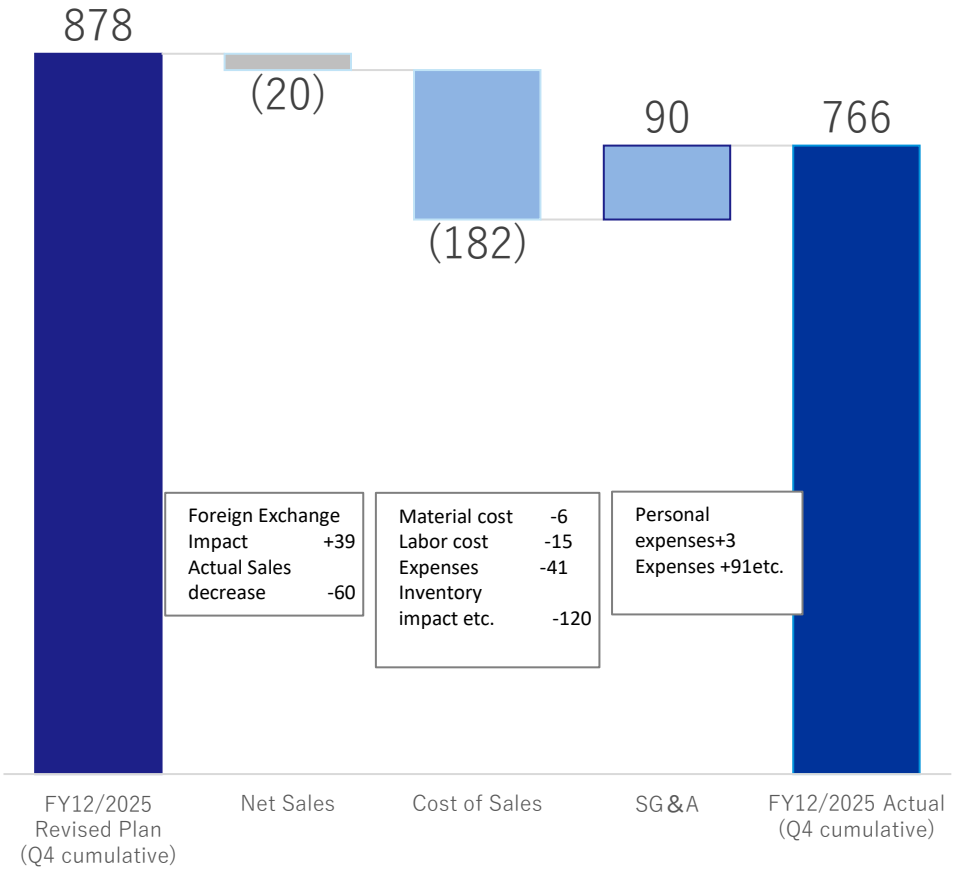
Year-on-year comparison (Millions of yen)

Operating profit improved significantly due to sales recovery and fixed cost reductions



Compared to the revised plan (Millions of yen)

Slightly below target due to higher expenses than planned at overseas bases



Forecast - Lead Terminals

Strengthen sales expansion in the automotive-related market and the generative AI/data center market.
In manufacturing, we aim to improve OEE (Overall Equipment Effectiveness) and increase sales and profits.

(Millions of yen)

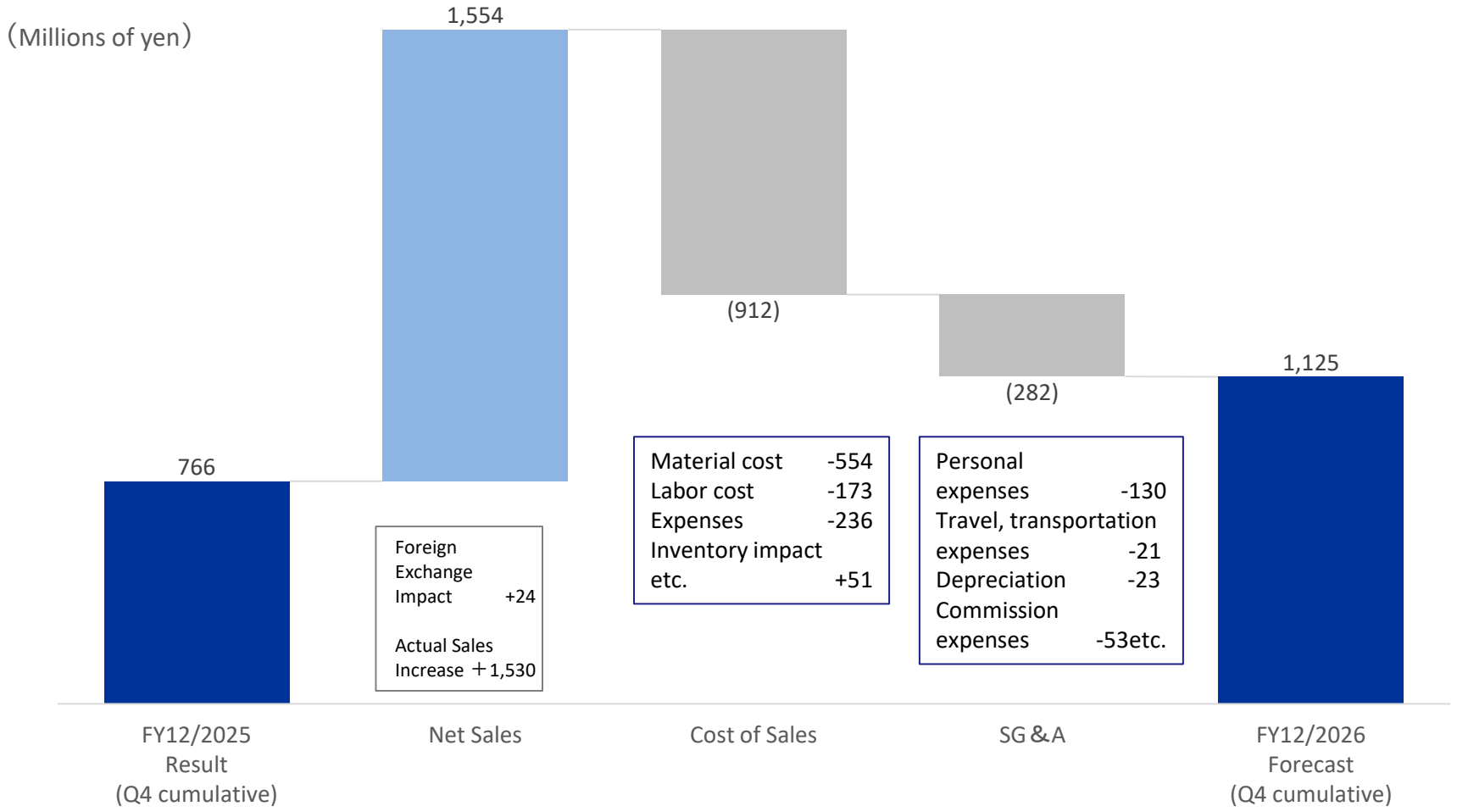
	FY12/2025	FY12/2026 (plan)				
	Actual	First half	Second half	Full-year forecast	YoY change	YoY change (%)
Net sales	8,802	4,911	5,445	10,356	1,554	+17.7%
Operating profit	766	469	655	1,125	+358	+46.8%
Operating margin ratio	8.7%	9.6%	12.0%	10.9%	*+2.2pt*	—

Outlook for FY12/2026

- Production of hybrid capacitors and solid capacitors for the automotive market, AI servers, etc. is expected to grow significantly globally (China, ASEAN)
- In addition to increased sales of high-value-added lead terminals, we expect volume growth in the volume zone of the global market.
- Accelerate efforts to strengthen the lineup of new products, such as leakage current countermeasure products and laser welded products

Factors of Increase/Decrease in Operating profit by Segment (Forecast) – Lead Terminals

We anticipate increased revenue and profits due to market recovery, expanded sales of new products, and efficiency improvements.



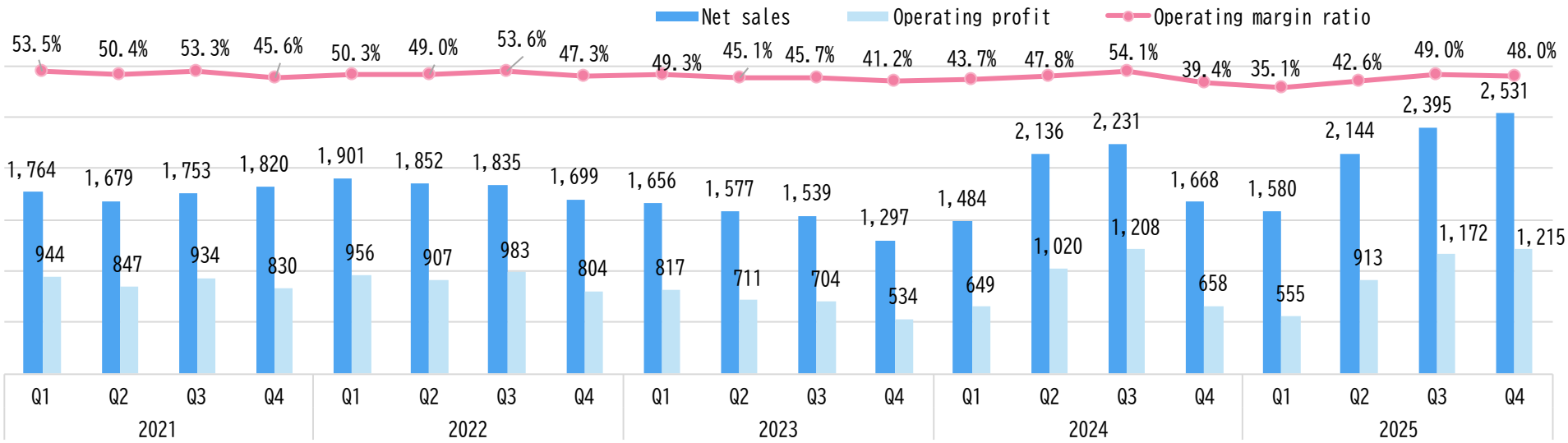
Results by Segment- Optical Components and Devices

Sales have been increasing since the second quarter. Sales increased more than expected in the third and fourth quarters.

(Millions of yen)

	＜YoY＞				＜QoQ＞					
	FY12/2024	FY12/2025			FY12/2025					
	Q4 Cumulative (Jan–Dec)	Q4 Cumulative (Jan–Dec)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	Q4 (Oct-Dec)	QoQ change	QoQ change (%)
Net sales	7,520	8,651	+1,131	+15.0%	1,580	2,144	2,395	2,531	+136	+5.7%
Operating profit	3,536	3,857	+321	+9.1%	555	913	1,172	1,215	+42	+3.6%
Operating margin ratio	*47.0%*	*44.6%*	*-2.4pt*	—	*35.2%*	*42.6%*	*49.0%*	*48.0%*	*-1.0pt*	—

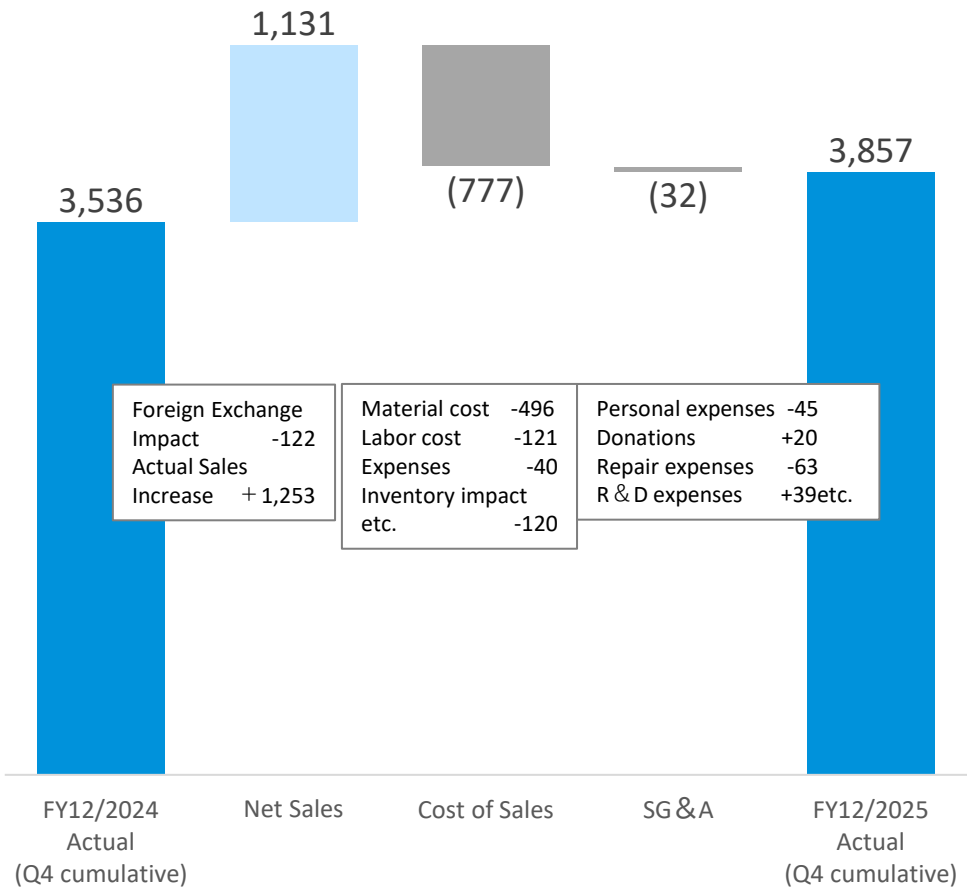
Net Sales, Operating Profit, Operating Profit ratio (Millions of yen, %)



Increase/Decrease in Operating profit by Segment - Optical Components and Devices

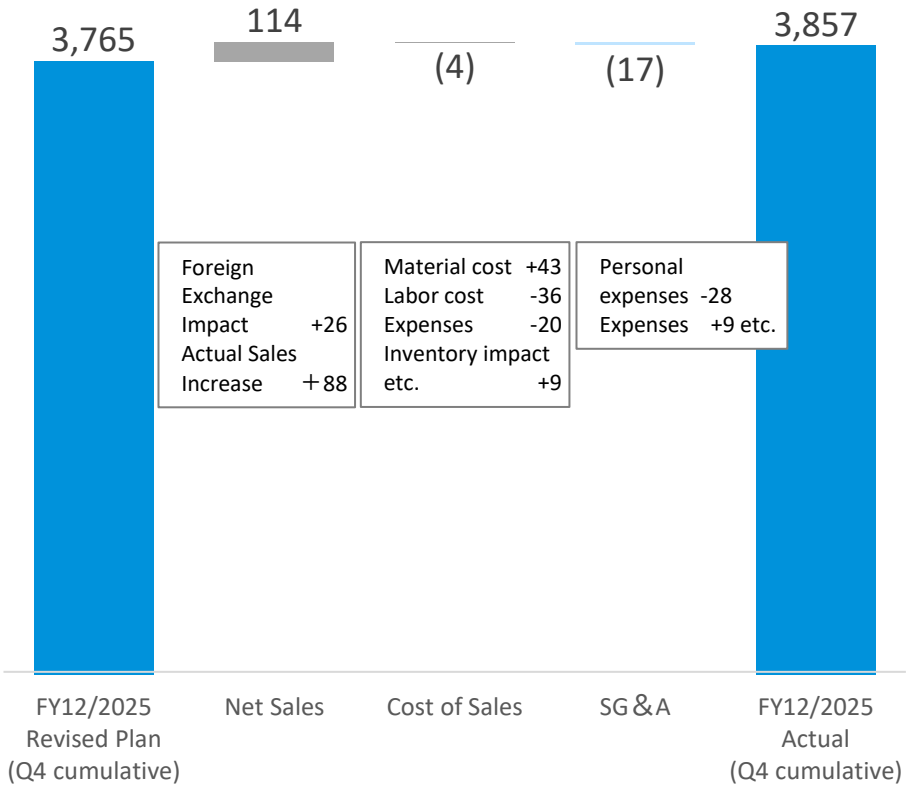
Year-on-year comparison (Millions of yen)

Increased sales absorbed rising material and other costs, ensuring increased profits



Compared to the revised plan (Millions of yen)

Sales and profits are progressing almost as planned



Forecast - Optical Components and Devices Business

Some inventory adjustments are expected for some customers in the first quarter, but sales are expected to recover for other customers and from the second quarter onwards.

(Millions of yen)

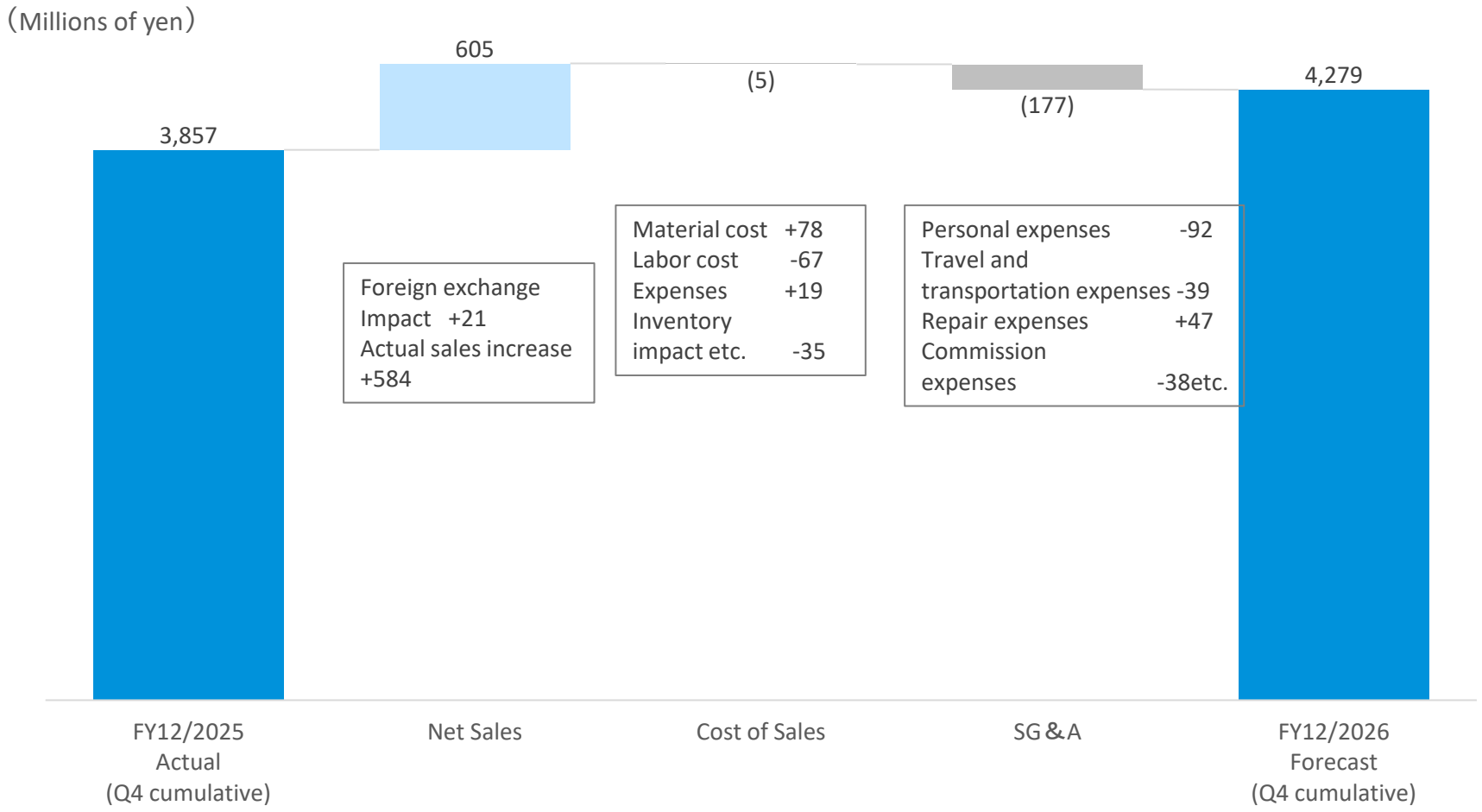
	FY12/2025	FY12/2026 (plan)				
	Actual	First half	Second half	Full-year forecast	YoY change	
Net sales	8,651	4,364	4,892	9,257	+605	+7.0%
Operating profit	3,857	1,996	2,282	4,279	+421	+10.9%
Operating margin ratio	*44.6%*	*45.7%*	*46.7%*	*46.2%*	*+1.6pt*	—

Outlook for FY12/2026

- Demand for optical devices for submarine cables is expected to grow steadily for the full year, although some customers may adjust their inventory in the first quarter due to the shift to integrated optical devices.
- Sales of small isolators are expected to increase significantly in 2026.
- Sales of new products will be gradually recorded from spring onwards.
- Supply and demand for optical components for AI servers is expected to remain tight, sales of optical components are expected to increase significantly
- Responding to the tight supply and demand of rare earths, we will secure material inventory and diversify procurement routes.

Increase/Decrease in Operating profit by Segment - Optical Components and Devices

Operating profit is expected to increase due to increased sales



Ⅲ. Medium-Term Management Plan Growth Strategy

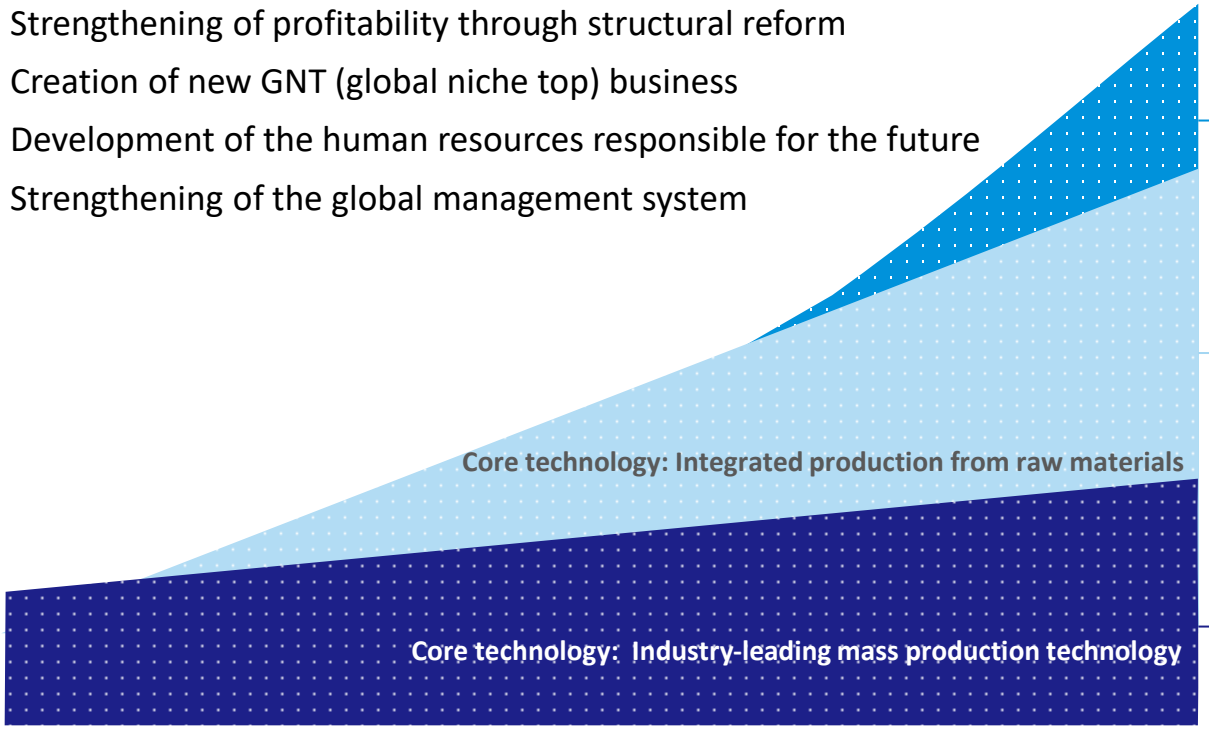
Basic Medium-Term Management Policy

Management Vision

We will carry out research and development, technology development, etc. that contribute to the realization of a one-of-a-kind company and build a highly profitable business.

Basic Medium-Term Management Policy

- Expansion of business scale through market development
- Strengthening of profitability through structural reform
- Creation of new GNT (global niche top) business
- Development of the human resources responsible for the future
- Strengthening of the global management system



Next-generation business

Cultivate using core technologies

Growth business

Expand market share and develop new products

Core business

Strengthen profitability

Review of FY12/2025

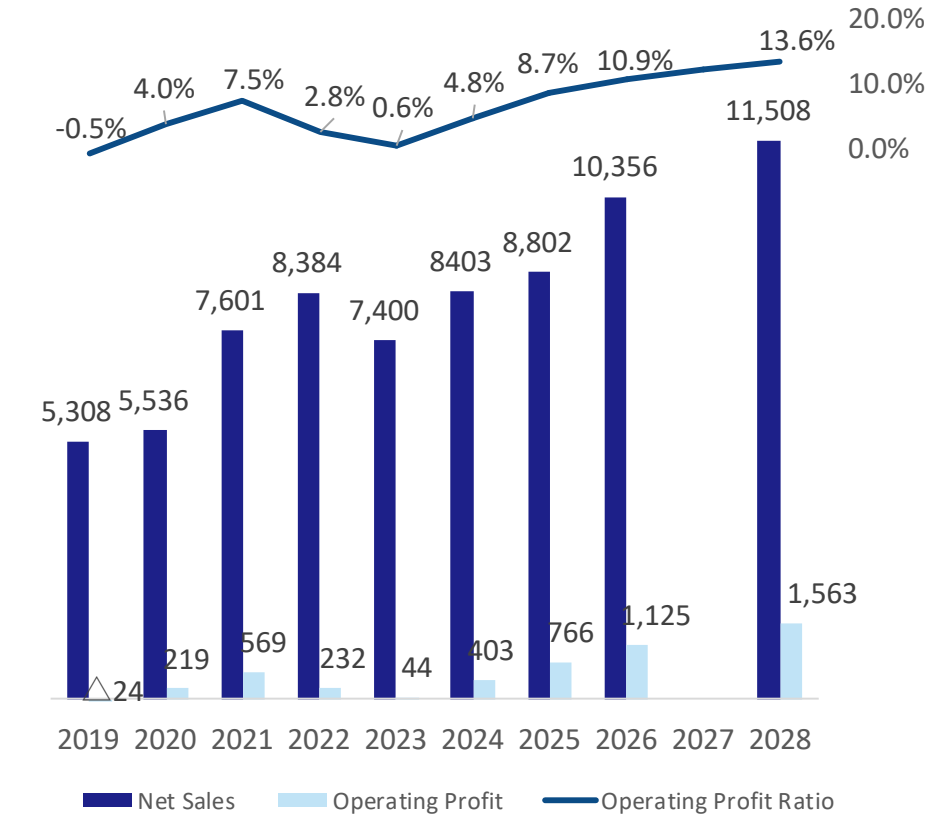
Basic Medium-Term Management Policy		Priority Measures	Action items, KPI	Results for FY12/2025
Lead Terminals	Expansion of business scale through market development	● Strengthen marketing by collecting market and customer information ● Price adjustment for existing products and strengthening sales of high value-added products ● Development of high-value-added lead terminals ● Development of high value-added products based on core technologies centered on laser welding	● Expand business with a focus on overseas markets, including automobile and generative AI ● Strengthen sales and expansion structures in Asia ● Increase sales of burr-free products (strengthen adoption of newly designed aluminum electrolytic capacitors), strengthen products to improve leakage current, and strengthen sales of low resistance products to target a high value-added product sales ratio of 30% ● Mass production of new products for EDLC and lithium-ion capacitors using laser welding technology to begin in 2026	●Sales ratio to the automotive market: 52% ●Overseas sales ratio (Improved from 51.7% in 1Q to 52.9% in 4Q) ●High value-added product sales ratio: 19.6% ●Development of nickel-plated products for automobiles (Samples are scheduled to ship in the first quarter of 2026)
	Strengthening of profitability through structural reform	● Improve OEE and strengthen cost control by solving process issues (changeovers, repairs, small outages) ● Strengthen education and training aimed at achieving zero defects ● Ensure material quality ● Improve QCDS by supporting and developing existing suppliers ● Promote multi-sourcing of suppliers ● Make efforts to improve ROIC by segment	● Improve manufacturing cost ratio (2024 actual result 79.5% → 2027 71.2%) ● Improve overall equipment effectiveness (OEE) at all factories by improving yields, strengthening process improvements, reducing changeover losses, etc. (target: 90% achievement in FY2027) ● Improve the manufacturing process through multi-skilling and the use of IOT ● Strengthen skills transfer education to develop young employees ● Raise quality level through training and guidance with overseas material manufacturers and stabilizing procurement	●2025 manufacturing cost ratio actual: 75.8% ●OEE improved from 81.4% in 2024 to 83.1% in 2025 through improved yield, process improvements, and reduced adjustment failure rates ●Collaboration between two Chinese factories improves production technology at Malaysian factory
Optical Components and Devices	Expansion of business scale through market development	● Strengthen technical support for customers: Evolving from "customer" to "partner"	● Strengthen technical collaboration with customers and, together with pricing strategies, expand market share to over 60%	●Signs of intensifying competition as the market expands ●Maintaining market share of over 50%
		● Research and development of new core technologies and application fields	● Research and development with a view to future multi-core fibers ● Development of high-speed optical switches for generative AI and data center demand ● Develop the space field (optical devices), generative AI, and data center markets (high-speed optical switches, optical components)	●Development of FIFO device for multi-core fiber ●Started external sales of PLZT single crystal wafers ●Development of high-power optical isolators for the space industry
	Strengthening of profitability through structural reform	● Improve productivity through production automation	● 2025: Introduce the optical isolator assembly automatic machine (No. 2)	●Currently operating as planned
		● Strengthen production through multi-line	● 2025: Increase the automated production ratio in Sri Lanka to 80% and establish a multi-line system ● 2026～: Start establishing second base	●The production volume target using semi-automatic machines has already been achieved ●The situation in Sri Lanka has calmed down, and we are considering establishing multiple bases from a long-term perspective.

Image of performance by Segment

The lead terminal business is expected to continue stable growth, while the growth rate of the optical components and devices business is expected to improve from 2027 onwards.

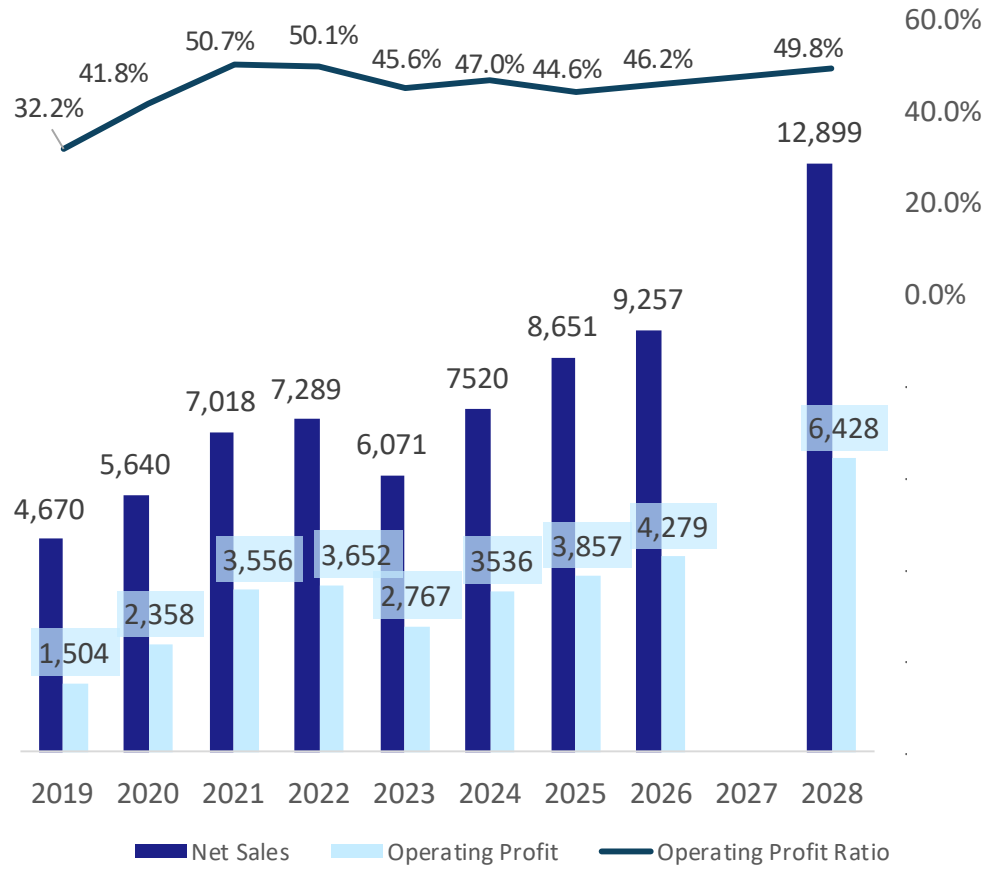
Lead Terminals Business

(Millions of Yen)



Optical Components and Devices Business

(Includes high-purity silica glass business, etc.)



Strategy and Action plan (Lead Terminals)

Strengthen efforts in the global market and further expand share in priority markets

Basic Medium-Term Management Policy	Priority Measures	Action items, KPI
Expansion of business scale through market development	1. Increase in global sales of new products for the automotive and AI server/data center markets. 2. Strengthening customer support in global markets and expanding market share in high-volume markets. 3. New product sales ratio target: 30%. 4. Mass production of laser welding and strengthening of lineup.	1. Expanding business with a focus on automotive, generative AI, and overseas markets. 2. Expand market share in China and the ASEAN region by optimizing cost structures, including materials, to meet market needs and by strengthening marketing. 3. Expand sales of Burr-less products (strengthen adoption for newly designed aluminum electrolytic capacitors), and strengthen products that improve leakage current. 4. Mass production of nickel-plated automotive parts using laser welding technology to begin in 2026.
Strengthening of profitability through structural reform	1. Strengthening efforts to improve ROIC in each business division. 2. Improve OEE by further improving availability and misalignment rates. 3. Improved price management and cost reduction efficiency through strengthened cost management systems. 4. Strengthening cooperation between the Malaysian factory and two Chinese factories to improve the level of production and customer support systems. 5. Training engineers for new product development and production technology development.	1. Improve overall equipment effectiveness (OEE) at all plants through measures such as increasing yield, strengthening process improvements, and reducing changeover losses (target of 90% in FY2028). 2. Improve manufacturing cost ratio (2025 actual result: 75.8% → target of 2028: 70.7%). 3. Raise the level of manufacturing processes through multi-skill development and the use of IoT. 4. Develop young employees by strengthening skills transfer education. 5. Raise quality standards and stabilize procurement, including through training and guidance with overseas material manufacturers..

Strategy and Action plan (Optical Components and Devices)

Strengthening development and production capabilities to promote manufacturing that meets technological advances and increasing demand for submarine cables

Basic Medium-Term Management Policy	Priority Measures	Action items, KPI
Expansion of business scale through market development	1. Accelerating development of new products to keep up with technological advances in the submarine cable market	1-1. Expanding the lineup of composite and modular products 1-2. Accelerating development and expanding sales of devices for multi-core fibers
	2. Sales growth due to increased production capacity for optical components	2. Sales and profit growth through strengthening the lineup of magneto-optical devices and improving production efficiency
	3. Establish a foundation for long-term sales growth by obtaining certification from important customers for high-purity quartz glass products	3. Expand sales and strengthen production systems in the semiconductor manufacturing equipment and specialty fiber markets
	4. Accelerate development of optical components and devices for the space industry and record sales	4-1. Promoting high-power optical isolators for the space field 4-2. Increased awareness through increased external sales of PLZT single crystal wafers
Strengthening of profitability through structural reform	1. Strengthening the supply chain to accommodate increased production volume	1. Expanding capacity and improving yield in the crystal growth process for Faraday rotators
	2. Strengthening production through multi-line	2-1. Utilizing semi-automated production equipment to increase production capacity and meet growing demand 2-2. Strengthening procurement of rare earths and other materials, and promoting the resilience of the supply chain

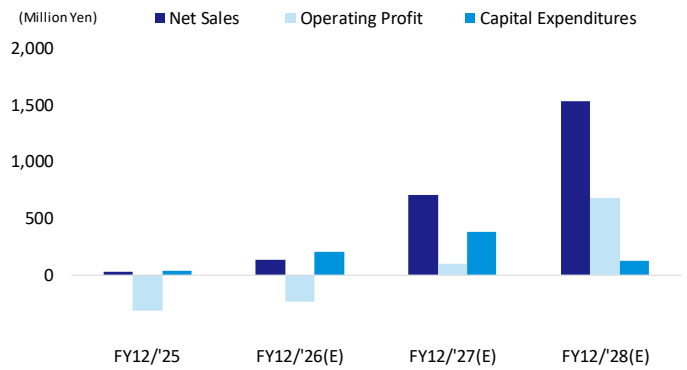
Progress of the High Purity Silica Glass "SSG®" Business

Strengthen business foundation and establish a sales growth trend in the medium to long term

＜Action items and issues in the mid-term plan＞

Theme	Implementation Items and Issues	FY2025 progress	FY2026 Action Plan
Strengthening development capabilities	Shorten development time by improving mold design, prototype simulation technology, etc.	Semiconductor device related, laser related, Expanded lineup of shape samples, including various lenses and special fiber preforms	Improved development capabilities by shortening development lead times
	Expand lineup of shapes to meet diversifying applications		
Strengthening sales and marketing	Strengthen sales structure for global customers	Strengthening global sales expansion structure, including the establishment of an overseas sales promotion office	Establishment of a global sales department and strengthening of sales structure
	Participate in exhibitions and provide technical support to customers	Semicon Japan and others	Increased participation in exhibitions, mainly overseas, including Semicon West (San Francisco) and OFC (Los Angeles), and enhanced sales promotion materials
Production System	Expand sintering furnace and other production equipment	Enhanced auxiliary facilities at the head office factory in preparation for increased production capacity	In 2026, a large sintering furnace will be added, and production capacity will be significantly increased.
	Establish BCP system	Strengthening the stable supply system, including water stoppage measures	

<Performance targets in the medium-term plan>



＜Current situation＞

- Mass production adoption is expected to be delayed by approximately one year compared to the initial plan of 2025
- Inquiries from semiconductor-related companies are progressing smoothly into the second and third measures
- Increased inquiries for special fiber preforms from fiber-related manufacturers
- The key areas are:
  ①Semiconductor-related products, ②Preforms for optical fibers, ③Various lenses, ④Biomedical

Creation of GNT (Global Niche Top) businesses

We aim to open up new fields through technological collaboration and achieve long-term growth.

Expanding core technologies aligned with trends toward higher capacity and redundancy in optoelectronic integration and information communications

Satellite communications | Advanced Information Technology | Next-generation optical communications | Highly efficient electronic components | Medical and Industrial Equipment

Laser System

ARIEL PHOTONICS

June 2024: Capital participation

Major development themes and results

- Development of laser welding technology for lead terminals
- Development of laser systems for satellite communications

Progress

- Completed basic development of laser welding technology for lead terminals, currently developing mass production line at headquarters
- Market research on laser systems for long-distance satellite communications, such as ground-to-satellite communications

PLZT Device

Dynamic Optical Devices

EpiPhotonics

March 2024: Become a wholly owned subsidiary

Major development themes and results

- Development of PLZT high-speed optical switches and optical modulators
- Optical Switch for European Generative AI Data Centers

Progress

- Started external sales of PLZT single crystal thin wafers, currently responding to new inquiries from multiple companies
- Renewing aging facilities and considering transferring production from the US to Japan

Optical components for space communications

WARPSPACE

Oct. 2024: Capital participation
Dec.2025: Additional investment

Main Technology

- Development of an optical translator (HOCSAI) for interconnecting optical communication terminals with different communication standards
- Development of a digital twin emulator for satellite constellations (DTS) specialized in optical communications
- Development of medium-orbit optical repeater system

Progress

- Increase in new inquiries, including development of high-power optical isolators, and strengthening of development and marketing
- Exploring new collaborations for space communications

New base concept in front of Maibara Station

The first phase of construction is scheduled to begin in December 2026 and be completed in 2028.



＜Overview of the first phase＞

- The first phase of construction will be an office building
- ✓ Consideration given to sustainability, including energy conservation and earthquake-resistant construction
- ✓ The establishment will be partially open to the public, including a restaurant, and will contribute to the development of the town through coexistence with the local community.
- The second phase of construction is planned to be a development and manufacturing technology base.
- The site area is 13,765㎡

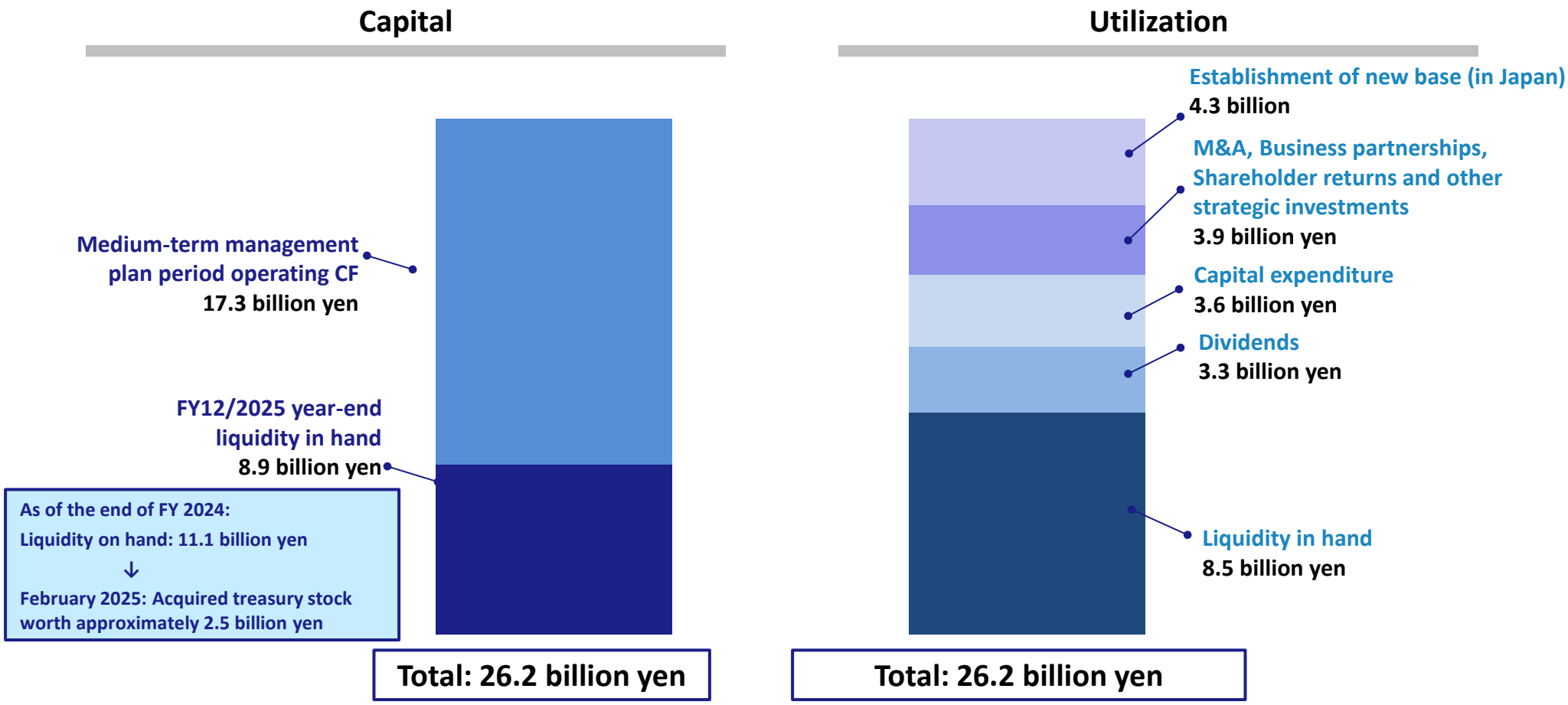
Using the Shinkansen greatly expands the commuting area

Using the Shinkansen, the commute from Hyogo Prefecture to Shizuoka Prefecture takes approximately one hour.



Financial Strategy and Capital Allocation

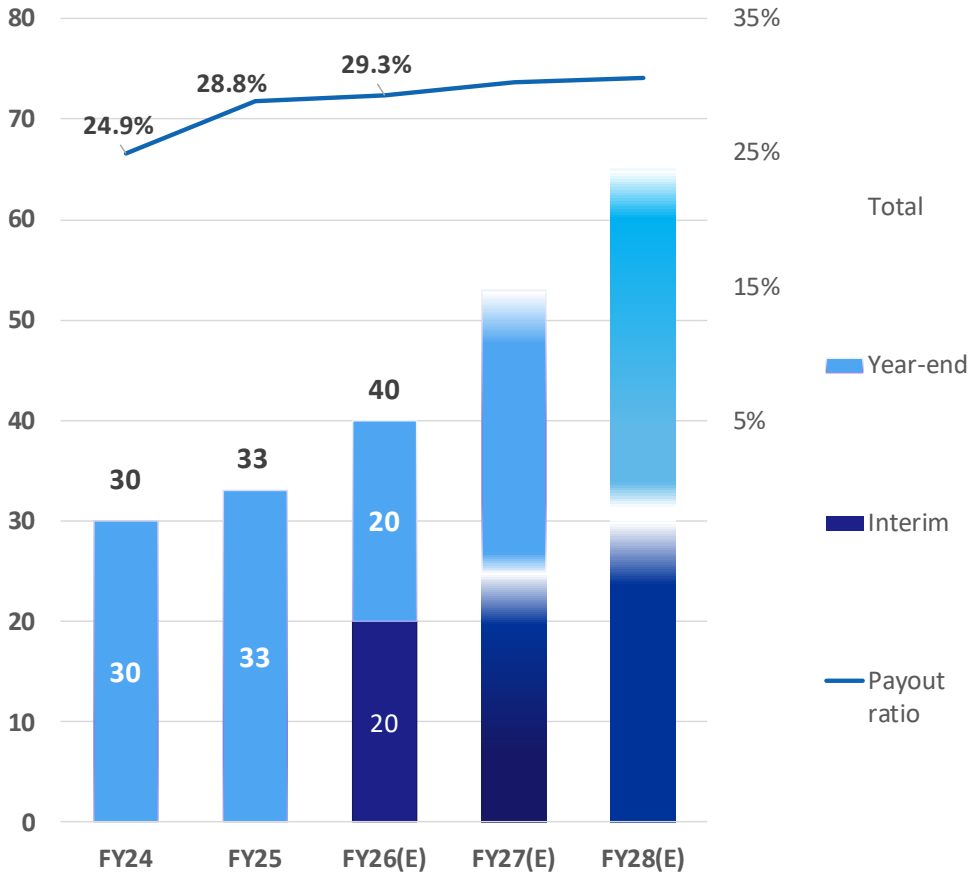
Maintain liquidity at the end of 2024 (11.1 billion yen) level, and allocate funds acquired through business to growth investments and shareholder returns



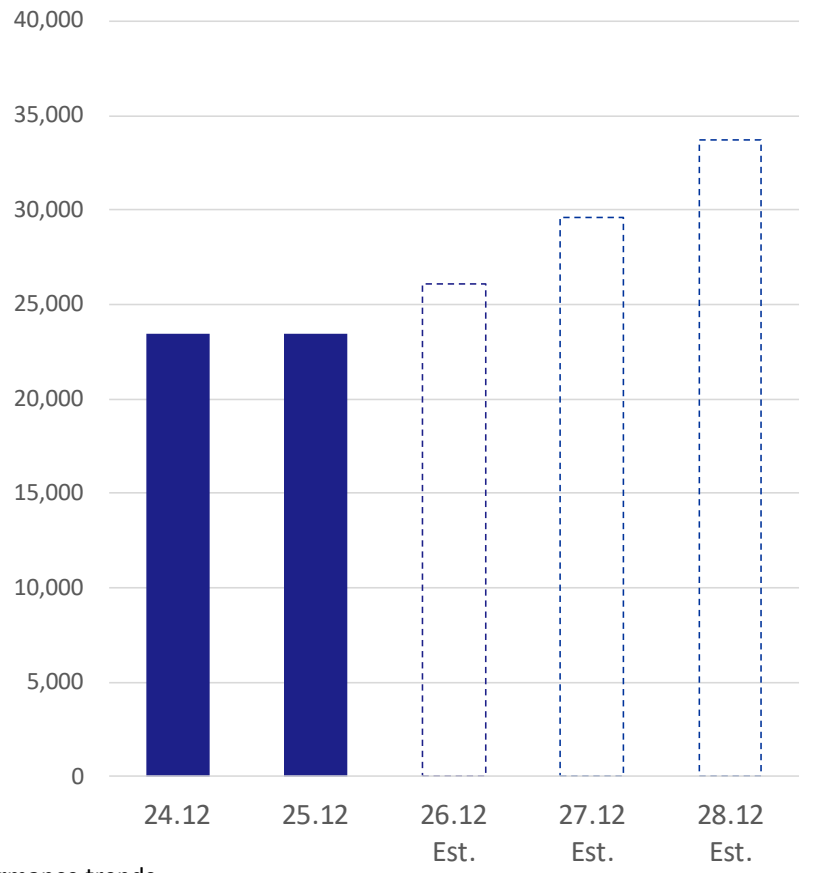
Shareholder Return Policy

① Continue to aim for consolidated dividend payout ratio of 30%
② In addition, DOE is set at 3% based on the need for stable dividends

Trend of Dividend (Yen)



Trend of Equity (Millions of yen)



From 2027 onwards, the company will consider the matter further taking into account business performance trends.

Sustainability

Set materiality for each working group on environment, society, and governance, and continue activities

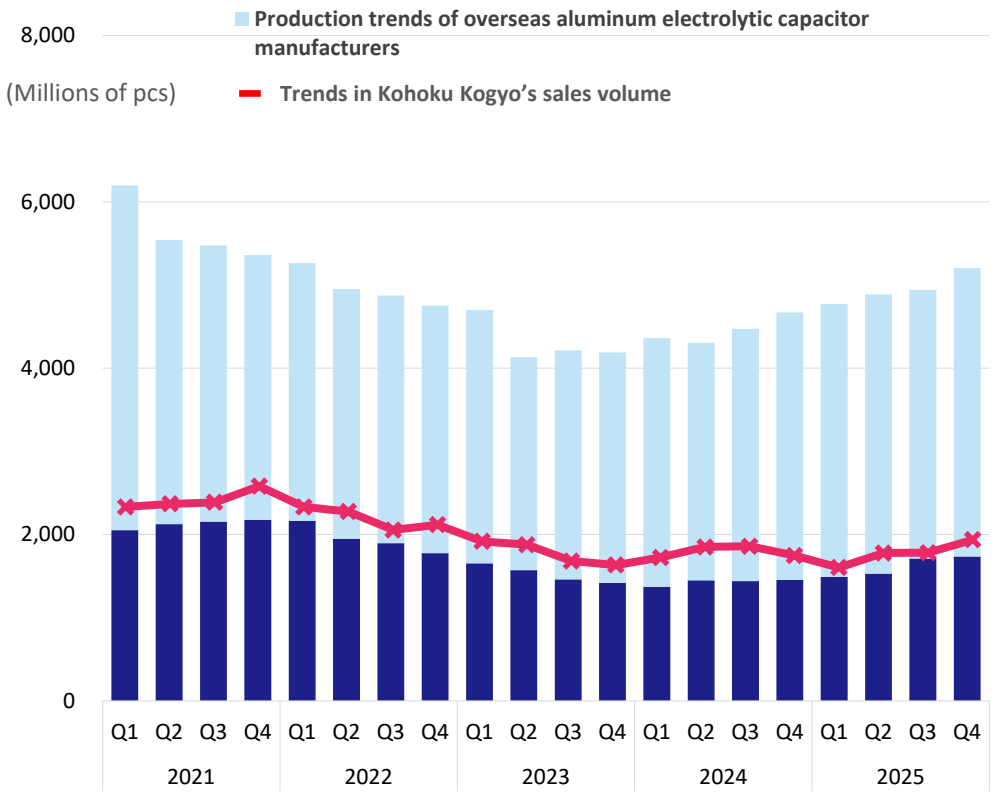
	Materiality	Progress and main activities	Working Group Meeting Status
Environmental Working Group	Responding to climate change	・Formulating the Kohoku Kogyo Group's environmental improvement action plan →Implement initiatives to reduce defect rates, reduce raw and indirect material usage, and improve logistics efficiency Start of preparation for SCOPE3 calculation ・Promoting the introduction of renewable energy at each Kohoku Kogyo Group location (currently being implemented at the head office and overseas factories)	<Working Group held> 5 times in total <Sub-WG held> 10 times in total
	Development of environmentally friendly products	・Promoting product development aimed at energy conservation and expanding communication capacity, including products to combat leakage current	
Social Working Group	Diversity Equity & Promoting Inclusion (DE&I)	・Held information exchange meetings for female managers and outside directors ・As part of comprehensive employee benefits program, started a fitness activity support initiative.	<Working Group held> Held 4 times
	Human Resource Development	・Strengthening employee training programs in language and work skills ・Multi-skilled workers and specialized skills training at production bases	
	Improving employee well-being and promoting occupational safety	・Implementing assistance for flood damage in Sri Lanka) Introduction of an incentive system to support qualification acquisition ・Wage increase rate: 5.2%, number of months for annual bonus payment: 6.5 months ・Paid vacation utilization rate: 80.0%, male childcare leave utilization rate: 100% ・Other: Employee stock ownership plan, English training, medical checkups, and other benefits	
	Contribution to the local community	・Education and culture (support for Nagahama Hikiyama Festival and other local events, support for agricultural colleges, etc.) ・Environment and biodiversity (conservation activities for the Yamakado Water Source Forest, etc.) ・Support for sports (support for the 2025 National Sports and Para-Sports Tournaments, support for local soccer teams, etc.)	
Governance Working Group	Improving management transparency and soundness	・Strengthening governance by transitioning to a company with an audit and supervisory committee	<Working Group held> Held once
	Promoting sustainability management	・Establish a process for checking various maintenance status and reviewing regulations, etc.	
	Strengthening risk management	・Identifying the top risks common to each division and the group and considering how to respond	

Ⅳ. Situation by segment- Lead Terminals

Business Environment

Aluminum electrolytic capacitors are entering a recovery phase due to the recovery in the automotive sector and growth of AI generation

Trend of Global Market for Miniature Aluminum Electrolytic Capacitors and Sales Volume of the Company



Market trends・Sales strategy

<Automotive-related market>

- ✓ **The adjustment period in the second half of 2024 has ended, and the recovery trend continues, driven by the Chinese EV market. However, growth remains sluggish due to slowing EV adoption and intensifying competition in Japan, the US, and Europe.**
- ✓ **While EV sales stagnated, global inquiries for lead terminals increased, particularly for inline lead capacitors used in ECUs for new consumer designs like HEVs.**

<Generative AI/DC market>

- ✓ **Inquiries about AI-related products from several Japanese capacitor manufacturers are increasing, and future sales growth is expected.**
- ✓ **Inquiries about lead terminals for hybrid capacitors and solid capacitors are increasing significantly**

<Consumer equipment market>

- ✓ **The difficult situation continues due to economic stagnation in China, etc.**

<Strengthening global sales structure>

- ✓ **Strengthening cooperation between the head office and overseas production bases, and strengthening marketing of new lead terminal products in the global market**

*Since there are two lead terminals per capacitor, the number is converted into the number of capacitors.
*The production volume of aluminum electrolytic capacitors is the actual result for the last month of each quarter, and the sales volume of lead terminals is the monthly average for the quarter.(Estimated by the Company)

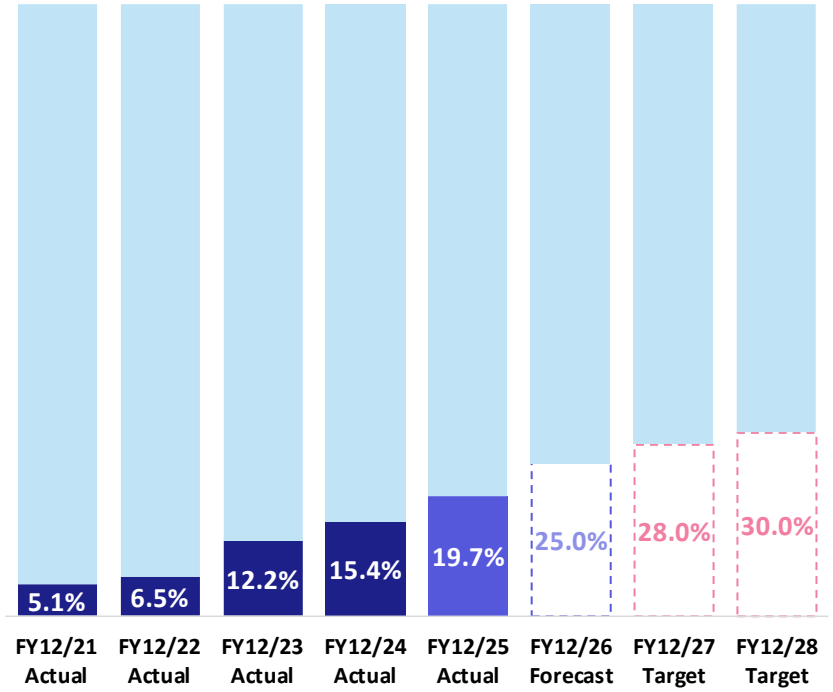
Expansion of Business Scale Through Market Development

Sales of new products for the automotive market and AI servers are on the rise

Sales Ratio of High Value-Added Products

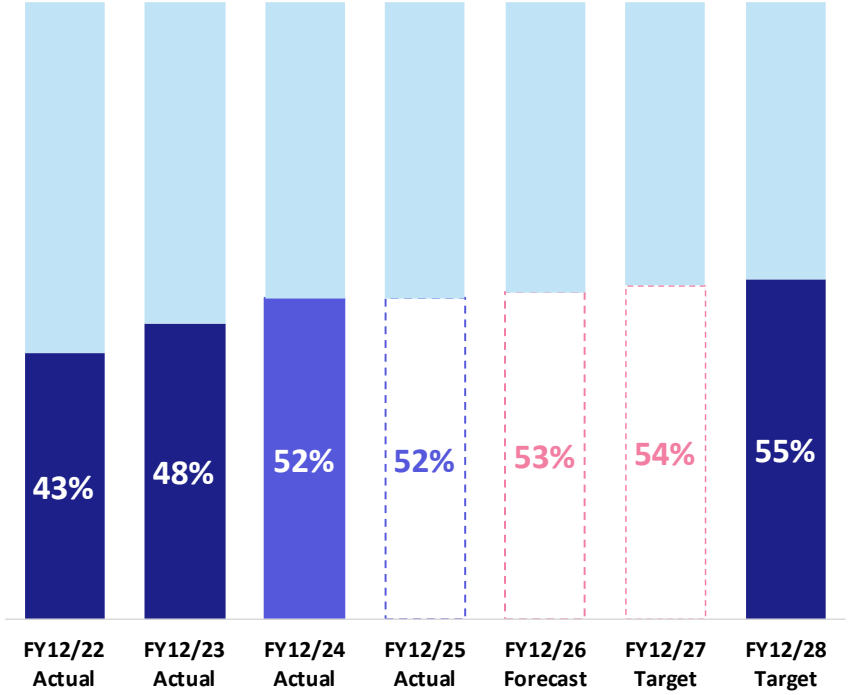


- Increasing sales of Burr-less-less and leakage current countermeasure products
- Strengthening laser welding technology products (nickel-plated products, etc.)



Ratio of Sales to the Automotive Market (Estimated)

- Global market for automotive (drive system) Maintain 95% market share
- Promoting expansion in the overseas automotive market



The Company's Situation and Efforts to Improve Earnings

	FY12/2025 Forecast (Initial Comments)	FY12/2025 Results	FY12/2026 Forecast
(1)) Production	➢ Further expand Dongguan and improve profitability (annual production ratio in 2025: KECD 50%, KECS 30%, KEM 20%). ➢ Continue to improve yield and operation rate, and reduce changeover losses.	➢ **Production ratio as of 2025 KECD 50%, KECS 30%, KEM 20%** ➢ **OEE improvement status 81.4% in 2024 → 83.1% in 2025**	➢ **Promoting automation and labor-saving at the head office factory** ➢ **2026 OEE improvement target 87% (consolidated)** • **Reduce Adjustment Defect Rate** • **Strengthening horizontal expansion between overseas factories**
(2) Sales	➢ Strengthen customer support and marketing for overseas automobile markets. ➢ Strengthen sales of high-performance lead terminals that contribute to reducing leakage current and low resistance, such as burr-free product.	➢ **The head office sales department and overseas bases work together to increase the number of visits to overseas bases by customers** ➢ **Resin coating, special chemical conversion, step-dip chemical conversion samples are submitted according to customer specifications**	➢ **Promoting an increase in orders globally** ➢ **Strengthen mass production orders after sample evaluation**
(3) Technology	➢ Development base transferred to headquarters for new laser welding technology and mass production prototypes ➢ Develop lead terminals with reduced leakage current.	➢ **October: Design samples shipped** ➢ **Prioritize nickel plating, which has a significantly different melting point** ➢ **Expanded lineup of resin-coated products**	➢ **February 2026: Sample shipments of customer-specific nickel-plated types will begin.** ➢ **Expanding sample items and building a mass production system** ➢ **Expand sales of resin coatings and specialty chemicals with a focus on automotive and AI applications**

Expanded lineup of high-voltage lead terminals for AI servers

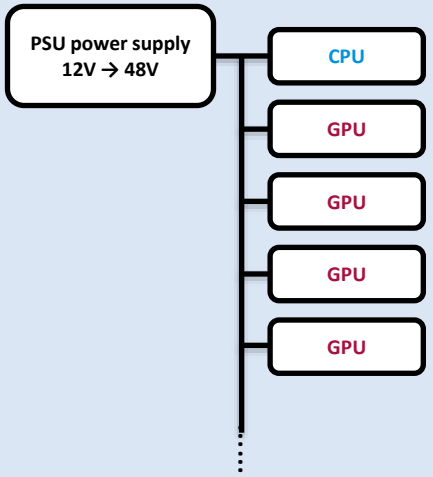
Increasing needs for power efficiency and heat reduction measures are driving demand for more advanced aluminum electrolytic capacitors

- To accommodate the increasing number of GPUs installed,

Power supply voltage increased from 12V to 48V

- Possibility of further pressure increase in the future

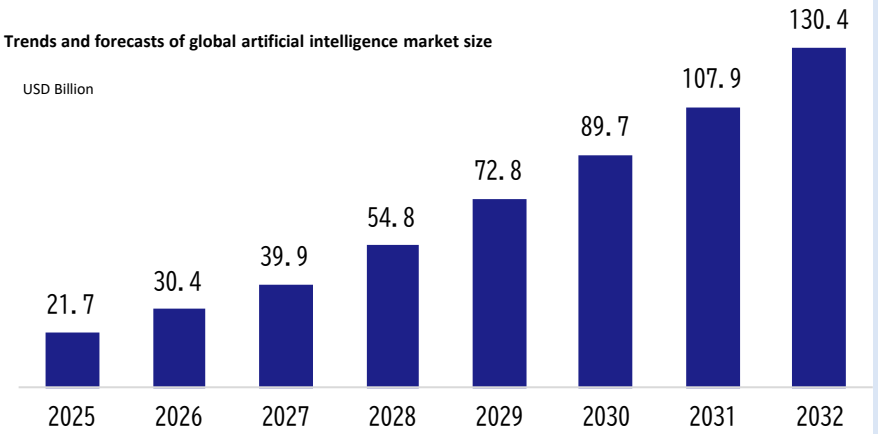
- Increasing demand for 63V and 80V compatible capacitors
- Needs for low ESR and fast response
- The number of aluminum electrolytic capacitors installed increased significantly



Reducing power consumption of the entire server
High efficiency and high voltage resistance are essential to prevent heat generation

Desired capacitor characteristics	Expanding adoption of high-value-added products
Leakage Current Characteristics	Special chemicals, resin coating
High voltage resistance	special chemical
High ripple (low ESR)	Copper wire lead

Trends and forecasts of global artificial intelligence market size



*Graph taken from the Ministry of Internal Affairs and Communications' "2024 Information and Communications White Paper"

Resin-coated products



The voltage resistance requirement for capacitors associated with 48V power supply will increase to 63V and 80V. Promote proposals for lead terminals that address this issue.

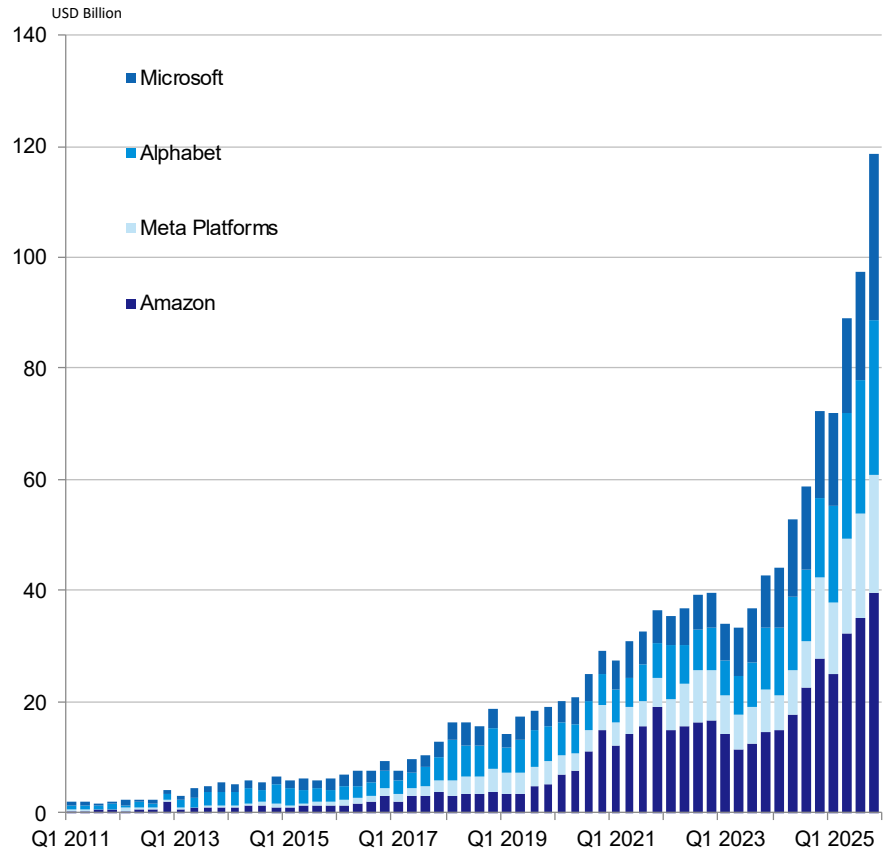
Ⅴ. Situation by segment

-Optical Components and Devices

Business Environment

Active investment in AI and data centers continues, and technological development progresses to increase the capacity of submarine cables

Capital Expenditures by Cloud Providers



(Source: Company data)

Market Trends

- **Submarine cable investment continues to increase**
- **Sales of compact optical isolators are increasing significantly as more fibers are used**
- **New technology-related, composite and wideband-compatible products will be fully adopted from 2026, and modules from 2027.**
- **Demand for Faraday rotators is increasing significantly for the optical transceiver market for AI servers**
- **Demand for multi-core fiber compatible products is expected to become apparent from 2028 onwards**
- **Diversifying technological developments for multi-core applications, strengthening development in all directions**

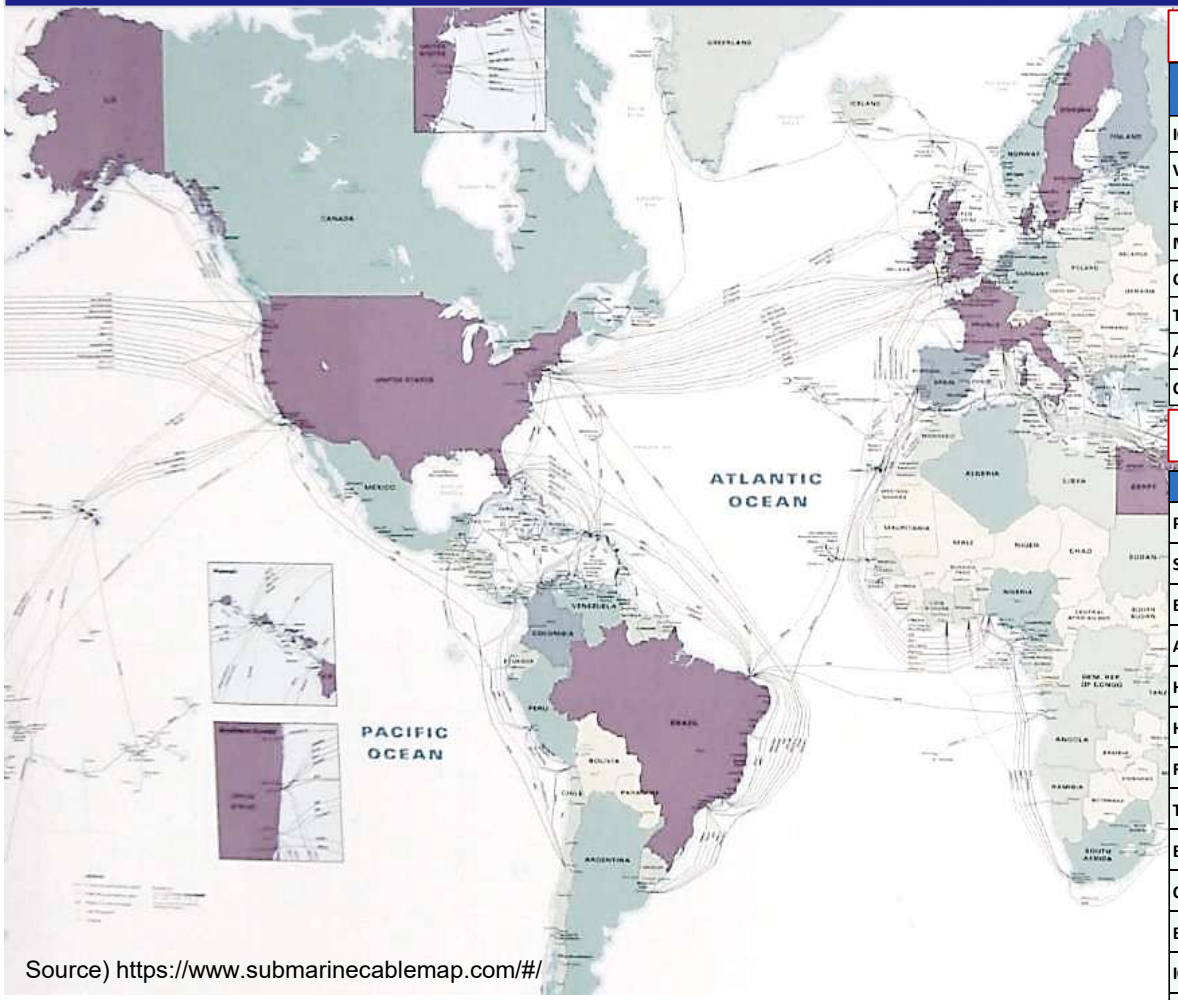
The Company's Situation and Efforts to Improve Earnings

Business Environment

	FY12/2025 Forecast (Initial Comments)	FY12/2025 Results	FY12/2026 Forecast
(1) Product development	➢ Evaluation of composite and module products is planned to proceed, mass production is scheduled to start in 2026.	➢ **Development and evaluation of the composite product has been completed and it has moved to the mass production phase.**	➢ **Sales of composite products will begin in April 2026, and evaluation of module products is scheduled to be completed in the second half of 2026.**
	➢ Sales ratio of small isolators is expected to increase, and their adoption is expected to expand with the trend toward multiple fiber cable.	➢ **The number of customers adopting compact isolators is increasing, with the miniaturization ratio reaching 50% as of the end of 2025**	➢ **Increase production of small isolators (increase by 80% to 2026)**
	➢ Development of high-speed optical switches using PLZT is planned to proceed.	➢ **Review of capital investment and development plans** ➢ **Started external sales of single crystal wafers due to productivity improvements in the PLZT film formation process**	➢ **Renewal of aging equipment such as exposure equipment and etching equipment** ➢ **We have received inquiries from multiple companies and will respond accordingly.**
(2) Productivity, etc.	➢ The second semi-automatic equipment will be launched in May, and its 80% will be automated by the end of the fiscal year.	➢ **Semi-automatic equipment launch complete, 80% automation completed as planned**	➢ **Improve production efficiency and expand production capacity by utilizing semi-automatic equipment**
	➢ Increase production capacity and sales of optical components for data center.	➢ **Production capacity significantly increased through facility expansion, and sales of optical components increased approximately three times compared to the previous year**	➢ **The company is expanding its crystal growth furnace for optical components, and together with improved yields, is expecting sales of optical components to increase 1.5 times.**
	➢ Sales of high-purity silica glass (SSG®) products is expected to increase.	➢ **In response to increasing inquiries, we are preparing to increase our production capacity.**	➢ **Continue preparations to expand production capacity from next fiscal year onwards**

Submarine cable networks are becoming longer distances and have larger capacities

Overall diagram of long – distance submarine cable



Source) https://www.submarinecablemap.com/#/

<Large-volume projects of 24FP or more>

Project	RFS	Owners	Length	FPs
IOEMA	2028	IOEMA Fibre	1,620	48
Verena	2028	Altibox	630	48
Project Waterworth	N.A.	Meta	50,000	24
Medusa Submarine Cable System	2026	AFRIX Telecom	8,760	24
Candle	2028	IPS,Meta,Softbank,etc.	8,000	24
TAM-1	2026	Trans Americas Fiber	7,200	24
Anjana	2026	Meta	7,121	24
Confluence-1	2026	Confluence Networks	2,571	24

<Long-distance projects of over 10,000 km>

Project	RFS	Owners	Length	FPs
Project Waterworth	N.A.	Meta	50,000	24
SeaMeWe-6	2026	Bahrain Telecommunications,etc	21,700	10
Bulikula	2026	Google	21,600	
Asia Connect Cable-1 (ACC-1)	2028	Inligo Networks	19,000	
Halaihai	2027	Google	17,483	
Honomoana	2026	Google	15,215	
Firmina	2026	Google	14,517	12
TPU	2026	Google	13,470	20
E2A	2029	Chunghwa Telecom,etc.	12,500	12
ORCA	2027	Meta	12,482	
Barat Timur Indonesia-2 (BTI-2)		Super Sistem (PT Super Sistem Data)	11,600	
ICE IV	2027	Telecom Egypt Telin	11,000	
Hawaiki Nui 1	2027	BW Digital	10,000	
Africa-1	2026	G42 Mobily,etc	10,000	8

Source: TeleGeography “Submarine Cable Map”　* Project update information is estimated from publicly available data

Expand business scale through market development (optical components and devices business)

The number of fiber pairs in submarine cables is increasing, and demand for the development of composite and module products is on the rise.

Evolution of submarine cables as information communication capacity expands

2020 — 2025 — 2026 — 2027 — 2035

Average number of fiber pairs

8FP → 16FP → 24FP → 32FP or more

Miniaturization and integration of optical isolators and peripheral components

8FP / 16FP: Conventional Isolator

24FP / 32FP: Compact Optical Isolator



24FP or more: Composite product — Customization — Module products

Wideband for each optical fiber Expanding data transmission capacity

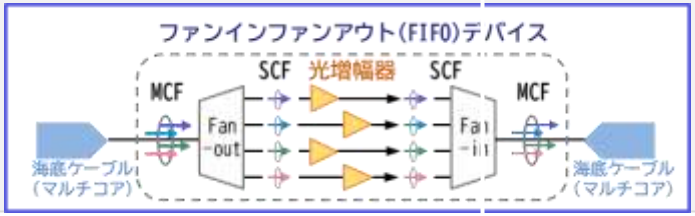
C-band (1530nm to 1560nm)

Broadband optical isolator

C-band (1530nm to 1560nm) + L-band (1565nm to 1610nm)

submarine cable Multicore Fiber

MCF (2 cores) → MCF (4 cores)



FIFO Devices



MCF Optical Isolator

MCF Optical Filter



Expand business scale through market development (optical components and devices business)

PLZT Single Crystal Wafer Sales Commence; Increased Inquiries from Major Telecom Equipment Manufacturers' R&D Divisions Aiming for Advancements in Optoelectronic Convergence Technology

2025 — 2026 — 2027 — 2028 — 2030 → 2035

high speed

Optical Components (element) 

Increase production capacity and expand sales

PLZT single crystal wafer 

Improving productivity and strengthening external sales

photoelectric fusion

Inquiries for samples are increasing for applications leveraging the characteristics of single crystals.

PLZT Optical Devices

Sample supply begins in 2028

High-speed 

Switching Module 

Generative AI Data Center

LEO (Low Earth Orbit) Communication

Demonstration Test

2026~ Environmental testing begins on the ISS

Space Optical Devices

Space communications subsystem

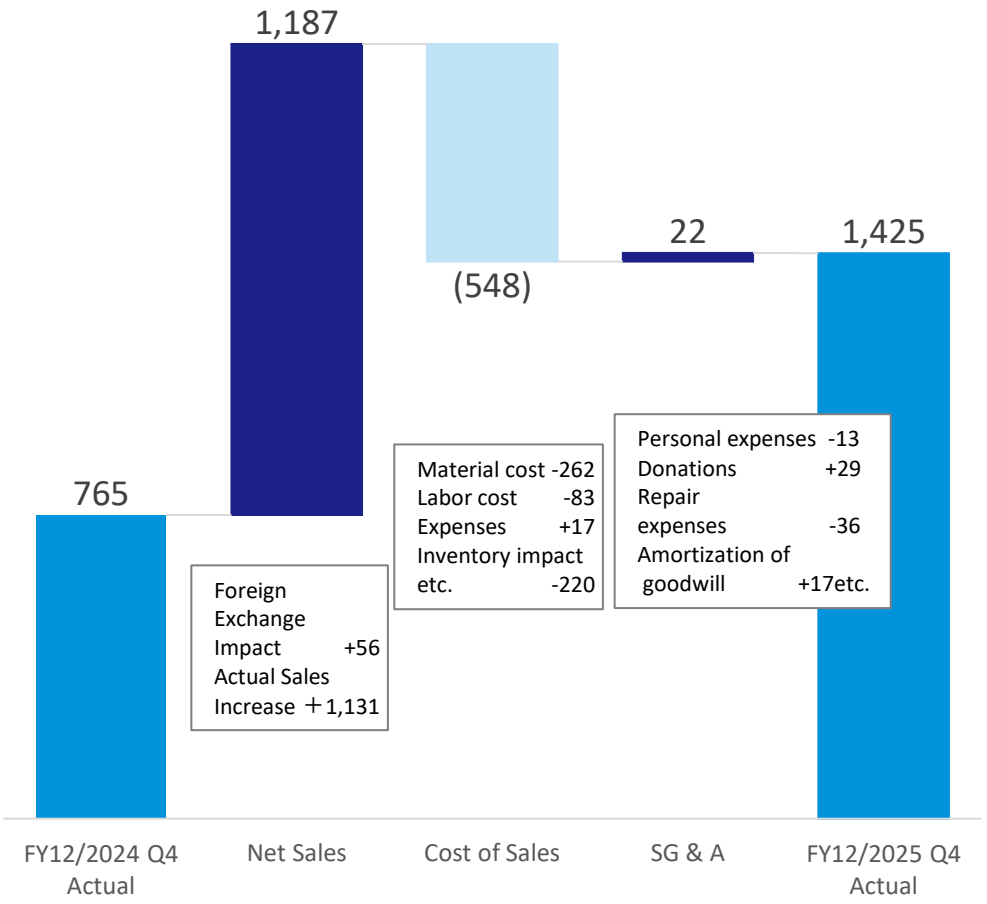
Space Communications

Sales expansion utilizing Warpspace's network

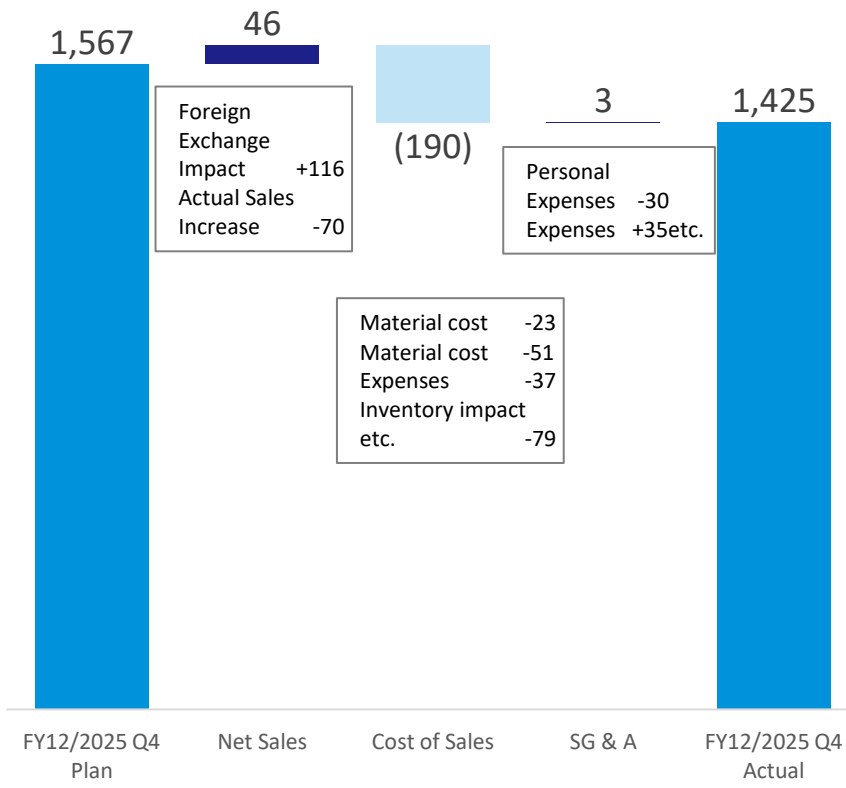
Ⅵ. Reference Information

Factors of Increase/Decrease in Operating profit for Q4 (Oct - Dec)

Year on Year comparison （Millions of yen）

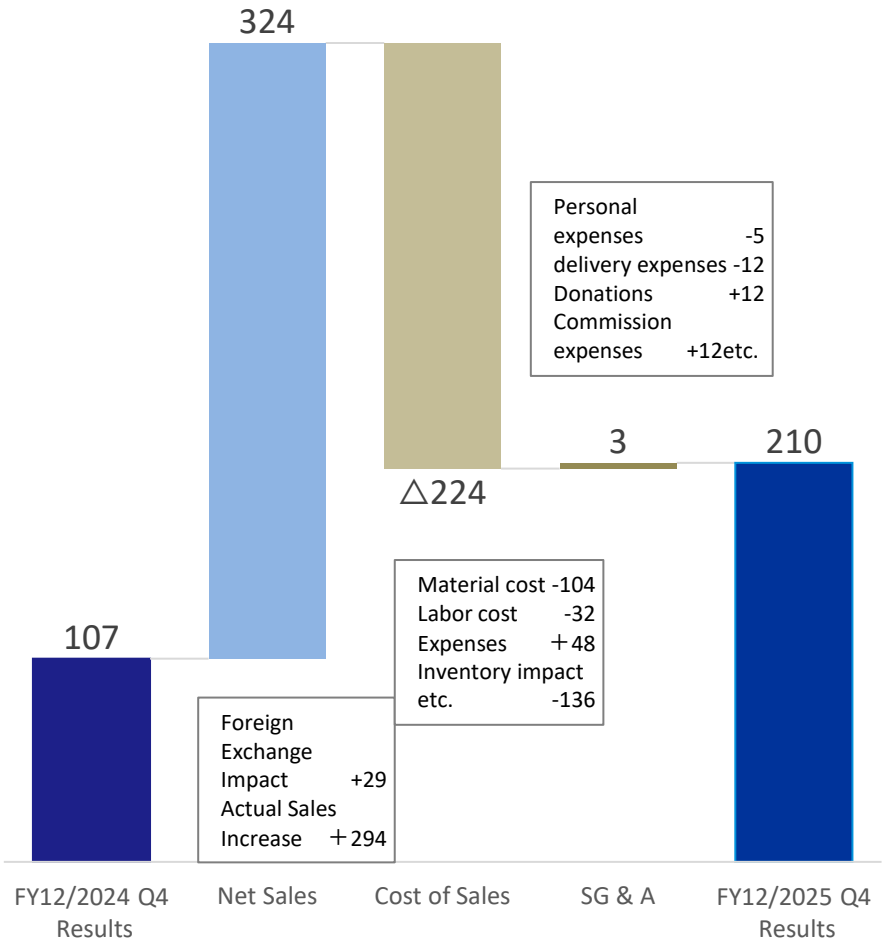


Compared to the revised plan （Millions of yen）

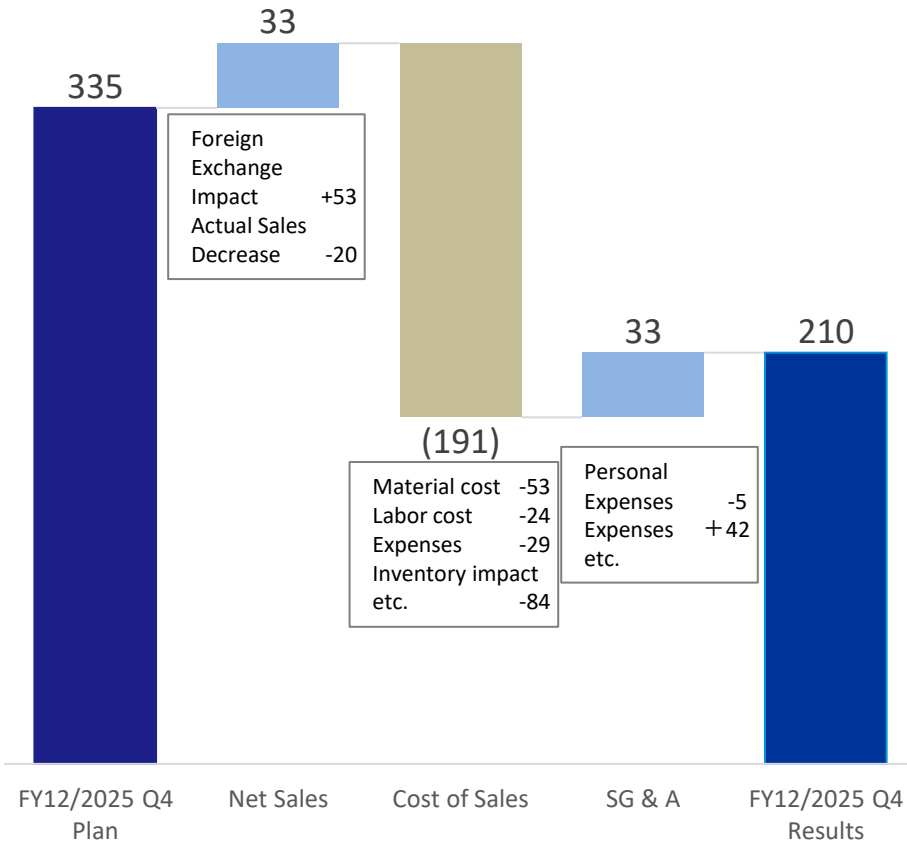


Factors of Increase/Decrease in Operating profit for Q4 (Oct - Dec)

Year on Year comparison (Millions of yen)



Compared to the revised plan (Millions of yen)



Factors of Increase/Decrease in Operating profit for Q4 (Oct - Dec)

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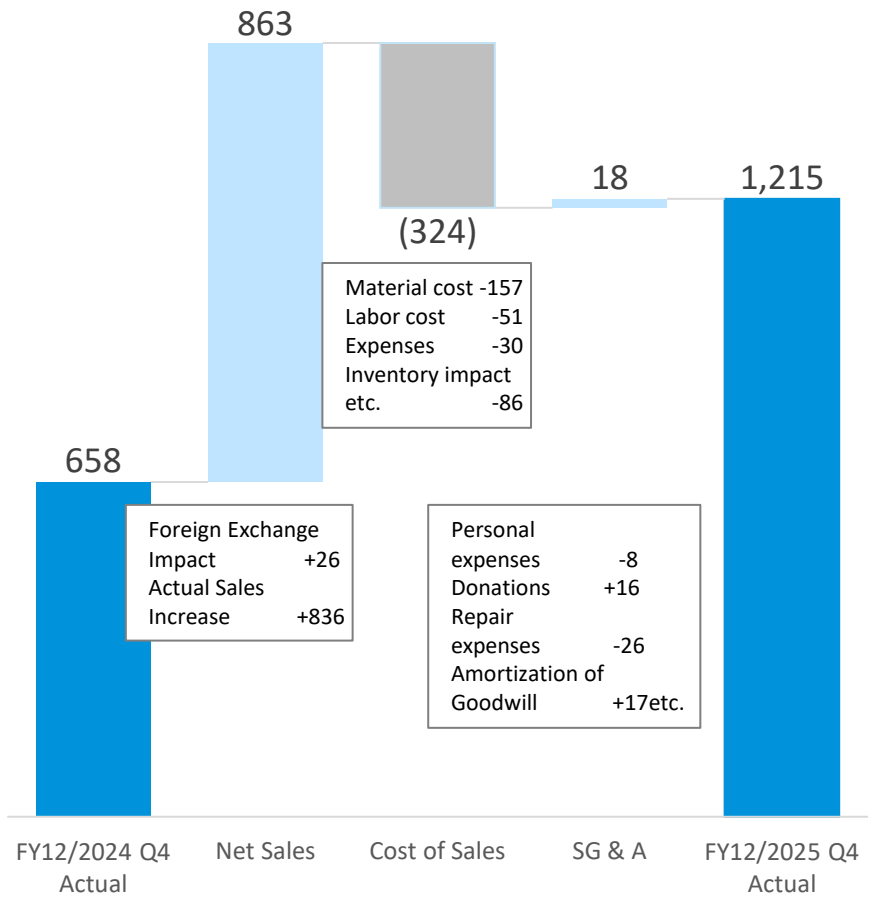
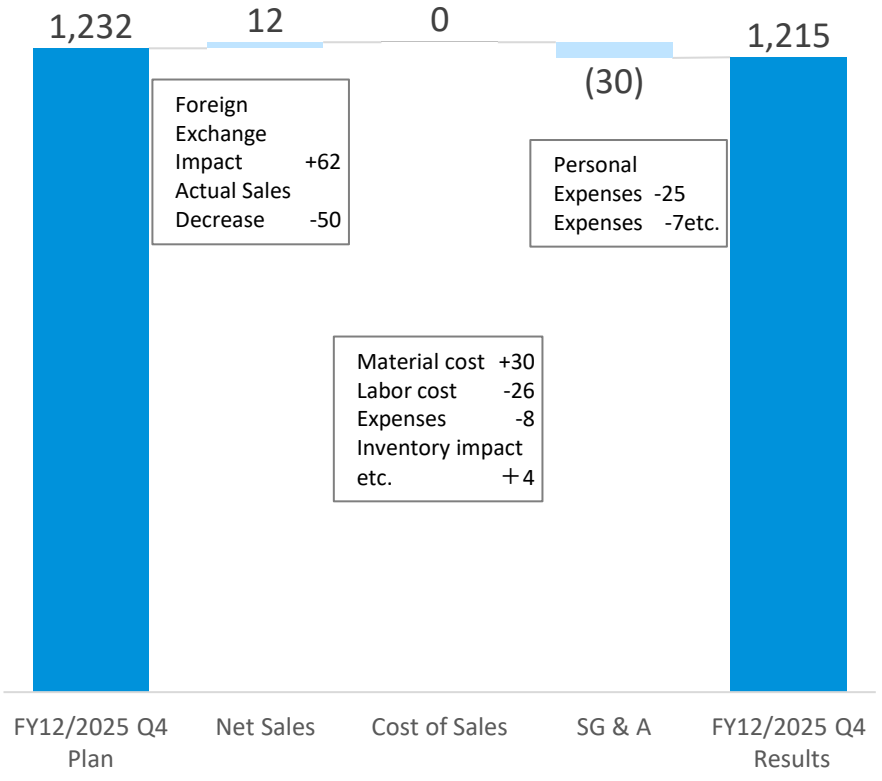


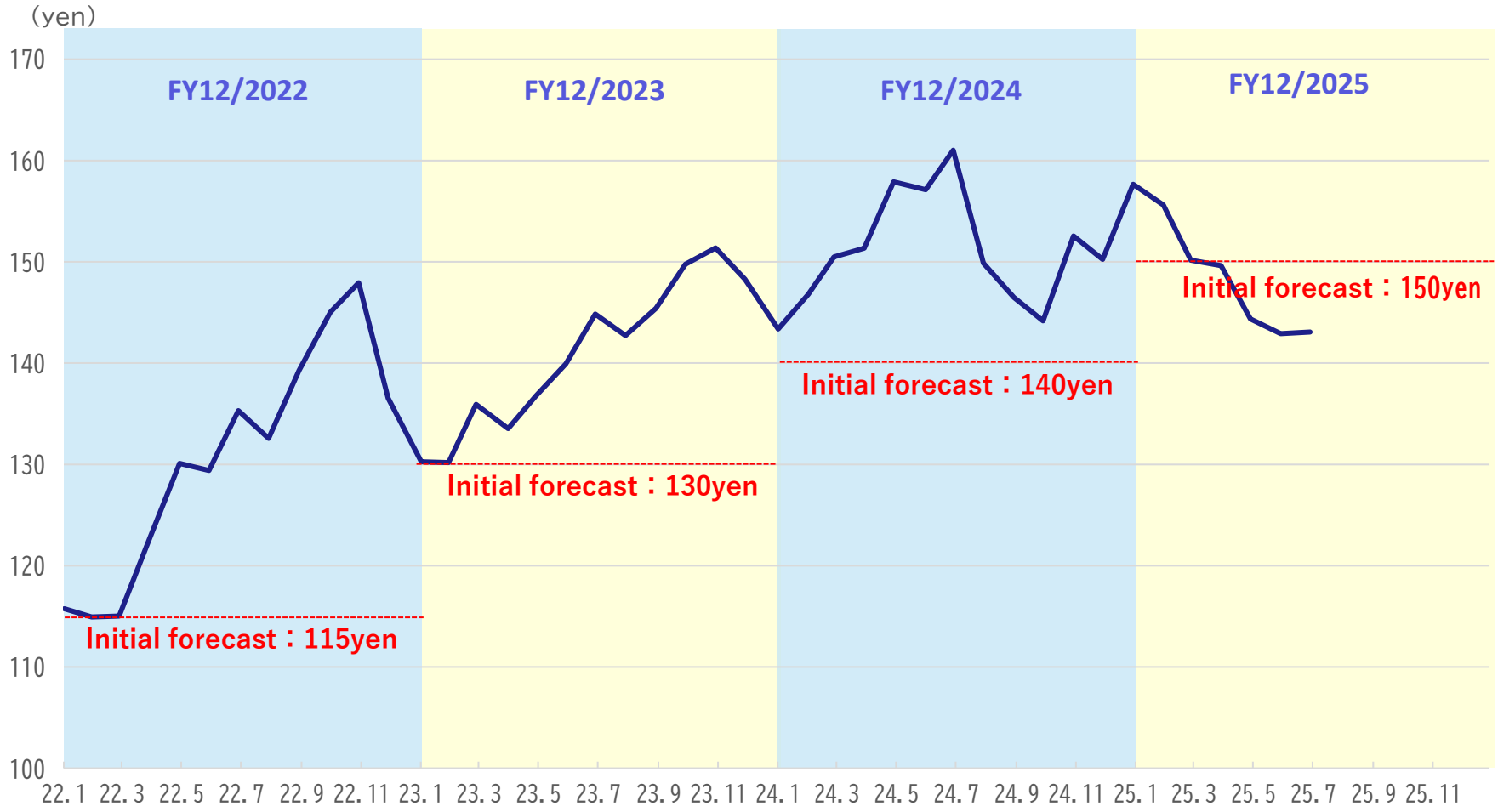
Compared to the revised plan (Millions of yen)



Business Environment for FY12/2025

The average exchange rate for 2025 was 149.62 yen per USD, and the projected rate for 2026 is 150 yen per USD.

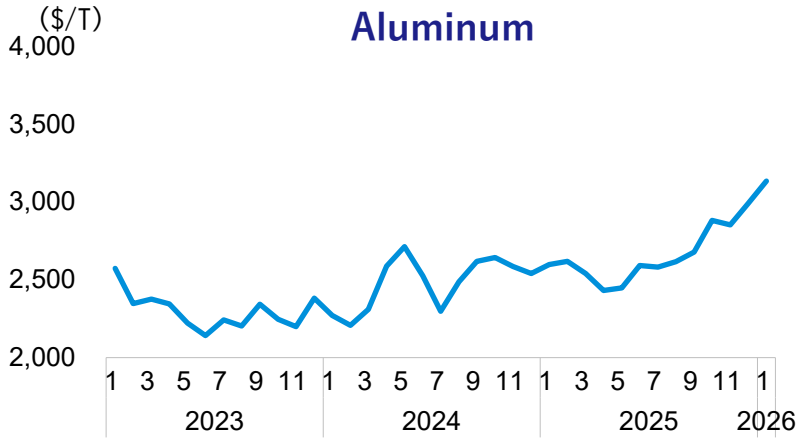
USD/JPY Trend Graph

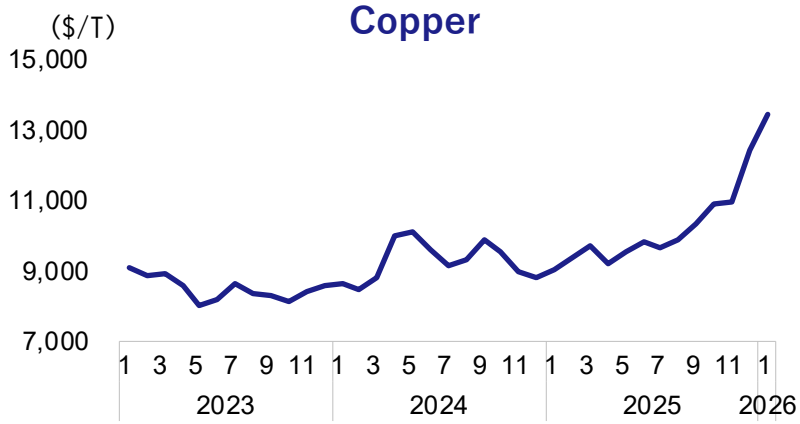


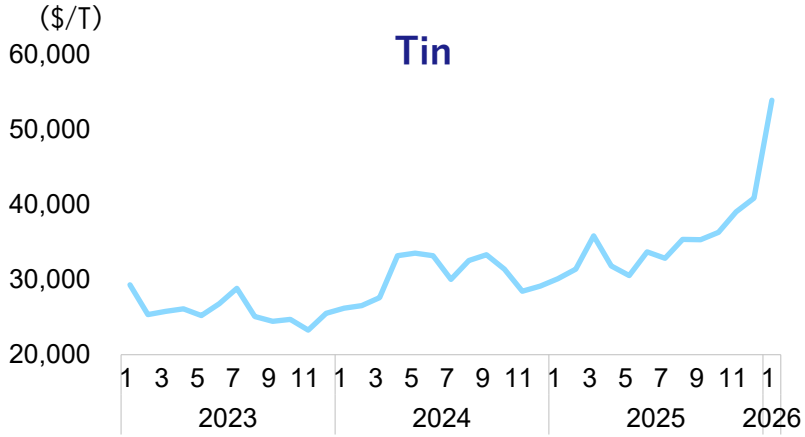
External Environment –Non-Ferrous Metals Market Trends

Market prices for non-ferrous metals are trending upward, with price increases generally passed on after three months.

LME Price Trends







This document contains our current plans and performance forecasts. These future plans and forecast figures are plans and projections made by us based on available information. Actual results may differ from these plans and forecast figures due to various conditions and factors.

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