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 First Quarter of FY12/2026

Kohoku Kogyo Co., Ltd.

May 13, 2026

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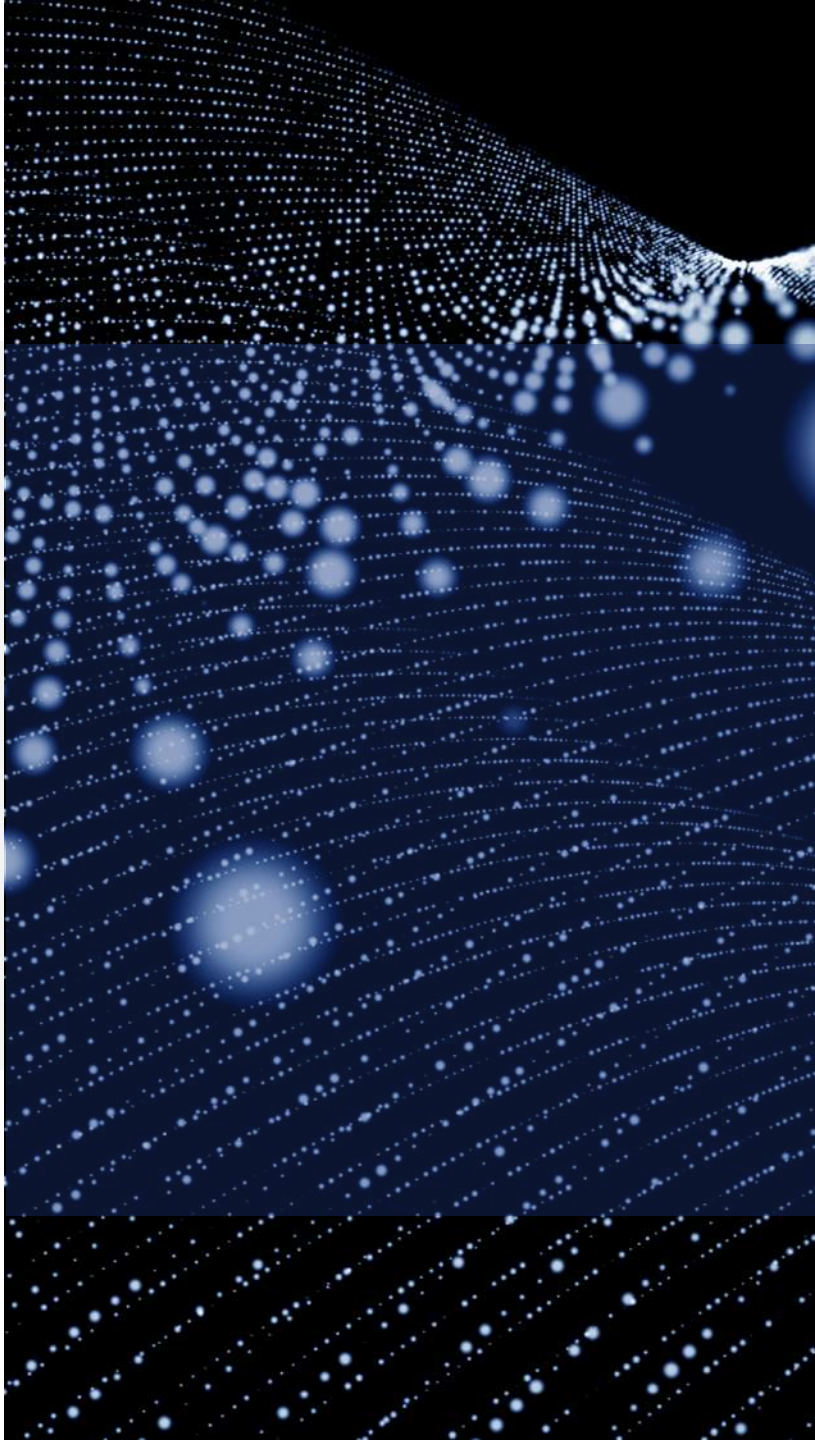


I. Financial Summary for the First Quarter of FY 12/2026

Highlights of Q1 FY12/2026

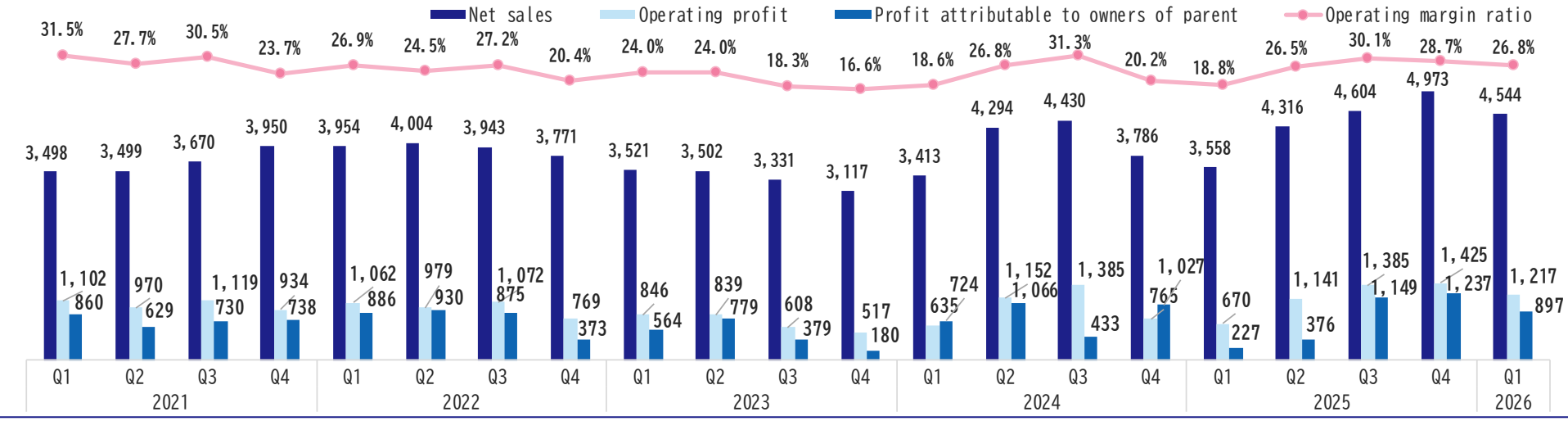
<Achievement summary>

- In the first quarter, sales increased by 27.7% (+986 million yen) and operating profit increased by 81.5% (+546 million yen) year on year.
- While the optical components and devices business experienced temporary inventory adjustments from certain customers compared to the previous quarter, the lead terminal business continued to see improved sales, and both of two main businesses saw significant year-on-year sales increases.
- Thanks in part to foreign exchange gains, net income for the period increased significantly by 294.0% (+670 million yen) year on year

<Business environment>

- The submarine cable market continues to see strong orders for optical components and devices, driven by robust project investment.
- In the automotive market, while the recovery was slow in the European and Chinese markets, positive factors were seen due to the progress of electrification.
- In the information and communication infrastructure market, AI server and data center markets are performing well, having a positive impact on sales.

Sales revenue, operating profit, net profit, operating profit margin (million yen, %)



Income Statement (Q1) Summary

Sales and profit increased significantly year on year.
Both business segments also recorded strong growth in sales and profit.

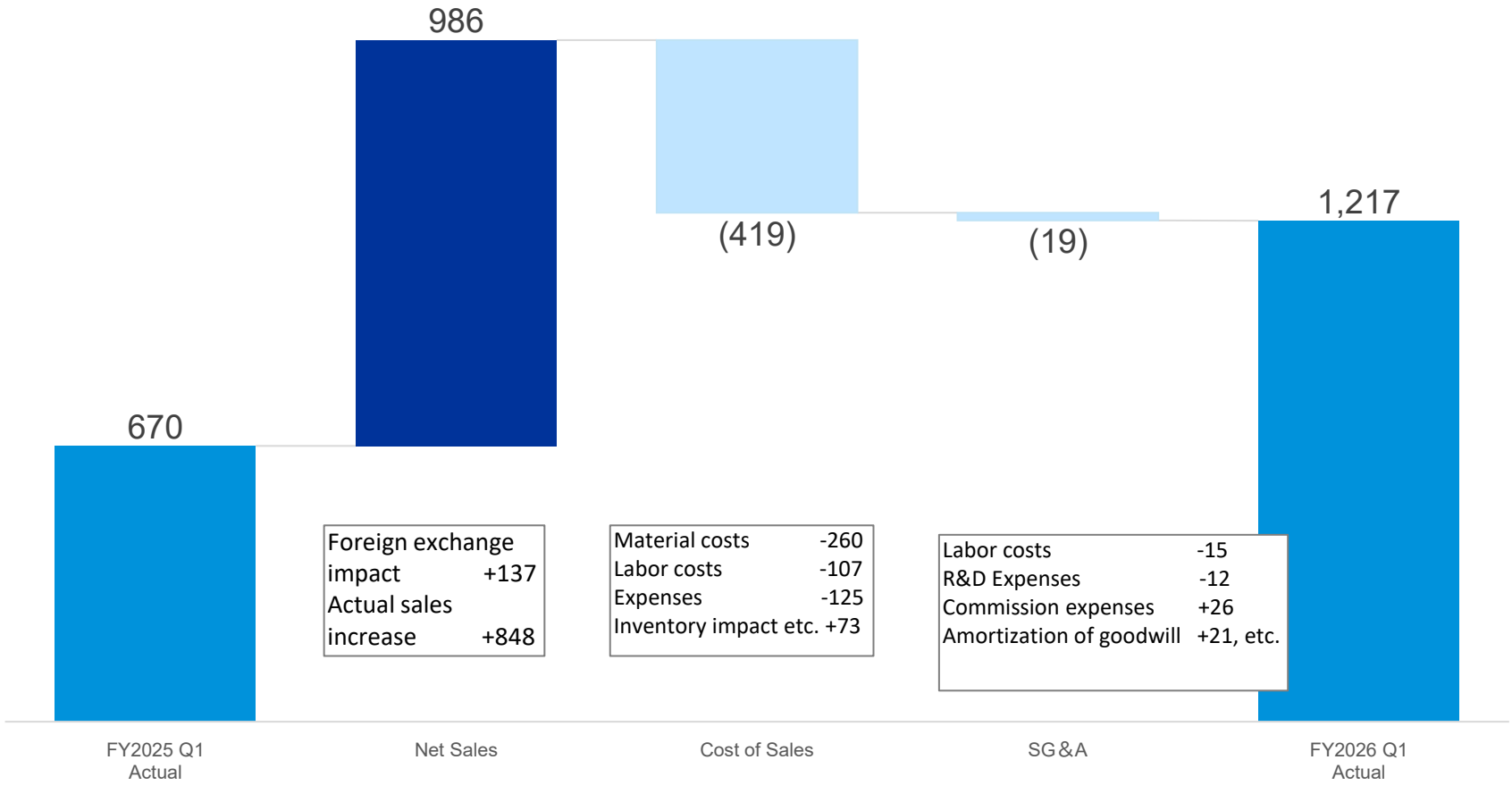
(Million yen)

	＜YoY＞				＜QoQ＞			
	FY12/2025	FY12/2026			FY12/2025	FY12/2026		
	Q1 (Jan–Mar)	Q1 (Jan–Mar)	YoY change	YoY change (%)	Q4 (Oct–Dec)	Q1 (Jan–Mar)	QoQ change	QoQ change (%)
Net sales	3,558	4,544	+986	+27.7%	4,973	4,544	-428	-8.6%
Lead Terminals Business	1,978	2,516	+538	+27.2%	2,442	2,516	+73	+3.0%
Optical Components and Devices Business	1,580	2,028	+447	+28.3%	2,531	2,028	-502	-19.9%
Operating profit	670	1,217	+546	+81.5%	1,425	1,217	-208	-14.6%
Operating margin ratio	*18.8%*	*26.8%*	*+7.9pt*	—	28.7%	26.8%	*-1.9pt*	—
Lead Terminals Business	114	209	+94	+82.4%	210	209	-1	-0.8%
Optical Components and Devices Business	555	1,008	+452	+81.4%	1,215	1,008	-206	-17.0%
Ordinary profit	301	1,327	+1,026	+340.5%	1,720	1,327	-392	-22.8%
Profit attributable to owners of parent	227	897	+670	+294.0%	1,237	897	-339	-27.5%
Exchange rate (average for the period)	152.56yen/$	156.96yen/$			154.09yen/$	156.96yen/$		

Factors of Increase/Decrease in Operating profit for Q1 (YoY)

Increased sales absorbed the increased costs, resulting in a significant increase in profits.

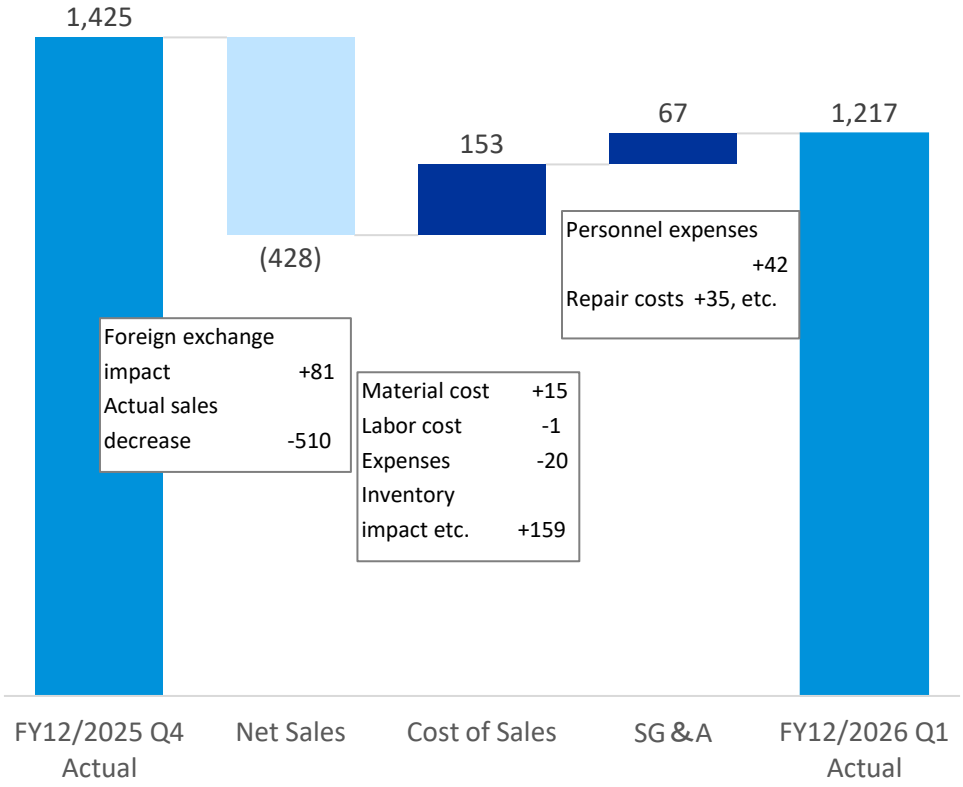
(Million yen)



Factors of Increase/Decrease in Operating profit for Q1

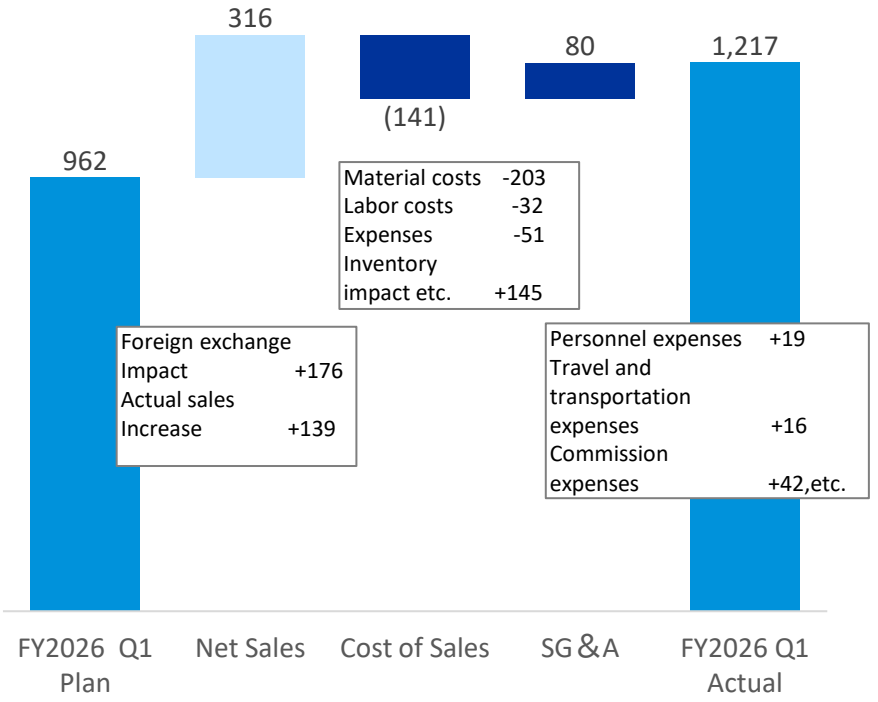
Quarter-on-Quater comparison (Million yen)

Due to a temporary decrease in sales caused by inventory adjustments by certain customers in the optical components and devices business, operating profit decreased slightly.



Compared to the plan (Million yen)

Increased sales and reduced SG&A expenses resulted in increase in operating profit compared to the plan.



Summary of Balance Sheet (Q1)

(Million yen)

Balance Sheet	End of FY12/2025	End of Q1 FY12/2026	Increase /decrease	Major changes
Current assets	17,027	17,491	+463	Cash and depoosits +1,299、Accounts receivable -646、Electronically recorded monetary claims -719, finsihed goods +134, Raw materials and supplies +271, etc.etc.
Non-current assets	11,291	11,481	+189	Investment securities +48、Building and structures,net +39 Machinery equipment and vehicles, net +29, Leased assets +27, etc.
Total assets	28,319	28,972	+653	
Current liabilities	2,584	2,902	+318	Accounts payable +254、Income taxes payable -130、Provision for bonuses +127,etc.
Non-current liabilities	2,293	2,336	+43	Lease liabilities +34,etc.
Total liabilities	4,877	5,239	+361	
Total net assets	23,441	23,733	+291	Foreign currency translation adjustment +229,etc.
Total liabilities and net assets	28,319	28,972	+653	

Forecast for the fiscal year FY2026 (current progress)

Both of two main businesses performed slightly better than planned in the first quarter.

(Million yen)

<Exchange Rate Sensitivity> Net Sales 80 million yen/1 yen Operating profit 30 million yen/1 yen	FY12/2025	FY12/2026 (plan)					
		Q1 Actual (Jan-Mar)	First half	Second half	Full-year forecast	YoY change	YoY change (%)
Net sales	17,454	4,544	9,275	10,338	19,613	+2,159	+12.4%
Lead Terminals Business	8,802	2,516	4,911	5,445	10,356	+1,554	+17.7%
Optical Components and Devices Business	8,651	2,028	4,364	4,892	9,257	+605	+7.0%
Operating profit	4,624	1,217	2,466	2,938	5,404	+780	+16.9%
Operating margin ratio	*26.5%*	*26.8%*	*26.6%*	*28.4%*	*27.6%*	*+1.1pt*	-
Lead Terminals Business	766	209	469	655	1,125	+358	+46.8%
Optical Components and Devices Business	3,857	1,008	1,996	2,282	4,279	+421	+10.9%
Ordinary profit	4,547	1,327	2,287	2,960	5,247	+700	+15.4%
Profit attributable to owners of parent	2,992	897	1,571	1,964	3,536	+543	+18.2%
Net income per share (yen)	114.73	34.66	60.67	75.84	136.51		
Exchange rate (average for the period)	149.62yen/$	156.96yen/$	150.00yen/$	150.00yen/$	150.00yen/$		

Current Situation

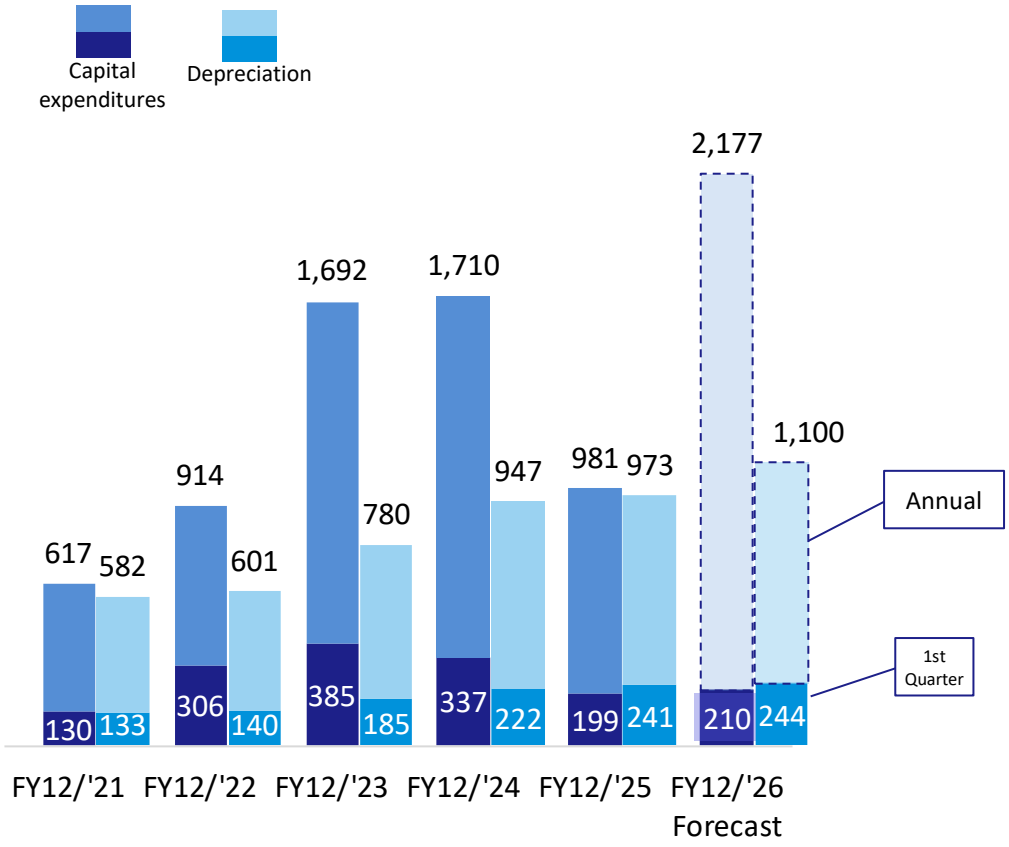
- Lead Terminal Business: Both sales and profits continue to show an upward trend, but concerns remain regarding the impact of the situation in the Middle East.
- Optical Components and Devices Business: The temporary inventory adjustments that occurred in the first quarter are expected to be resolved by the second quarter, with sales projected to recover significantly.

*The <exchange rate sensitivity> is an estimated value assuming a 1 yen fluctuation in exchange rate against 1 US dollar for one year.

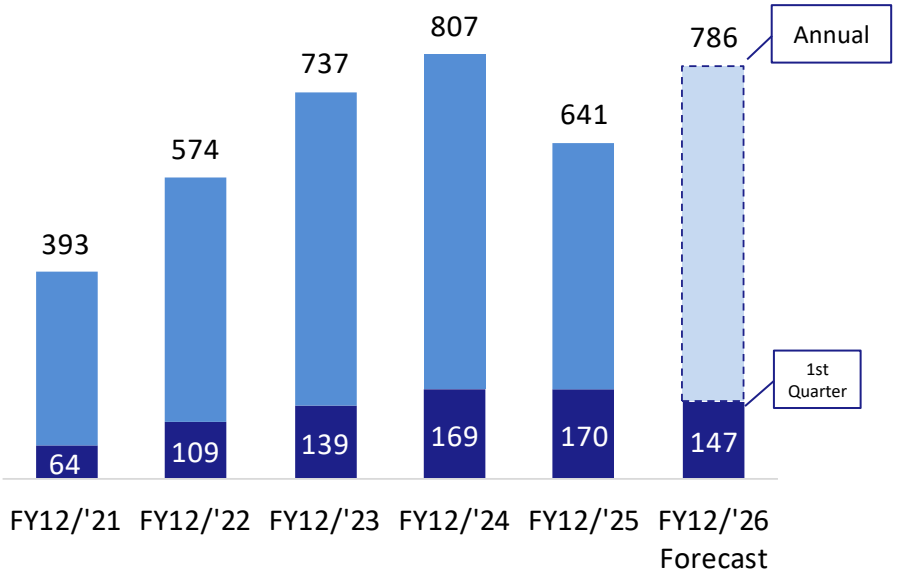
Capital expenditures, depreciation, and research and development (Q1)

There were minor timing differences in certain investments, including lead terminal laser welding equipment and decarbonization-related investments in the optical components and devices business.
The 2026 investment plan includes a portion (just under 600 million yen) of the construction costs for the Maibara Plant, which is scheduled for completion in 2028.

Capital expenditure and depreciation (million yen)



Research and development expenses (million yen)



II. Situation by Segment

Results by Segment (Q1) - Lead Terminals

- **Sales recovered, driven by expanded adoption of hybrid capacitors for automotive applications and robust demand in AI servers/data centers.**
- **On the profit side, higher material costs were absorbed through improved production efficiency, resulting in increased profits.**

< YoY >

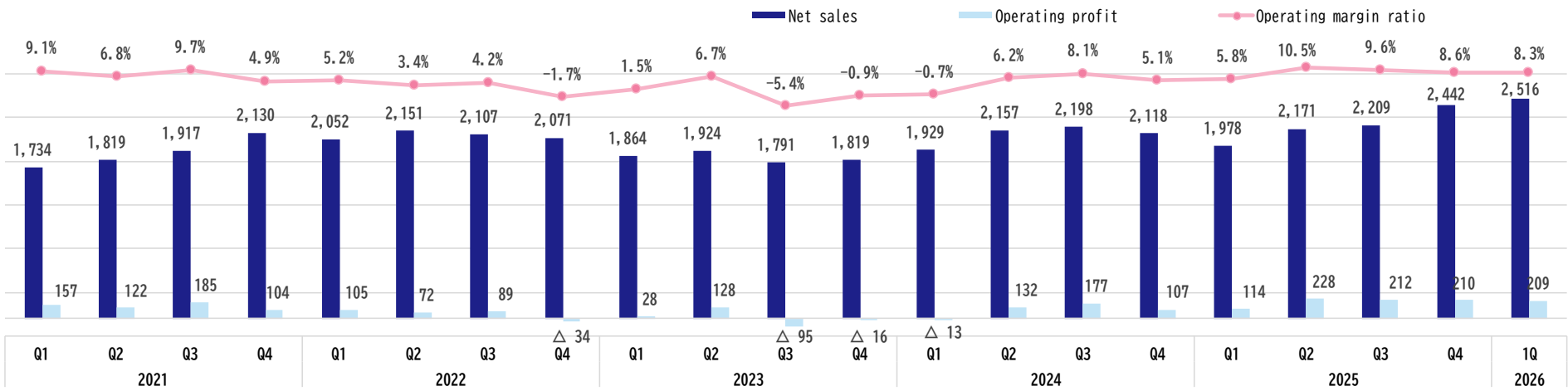
	FY12/2025 Q1 (Jan–Mar)	FY12/2026 Q1 (Jan–Mar)	FY12/2026 YoY change	FY12/2026 YoY change (%)
Net sales	1,978	2,516	+538	+27.2%
Operating profit	114	209	+94	+82.4%
Operating margin ratio	*5.8%*	*8.3%*	*+2.5pt*	—

< QoQ >

(Million yen)

	FY12/2025 Q4 (Oct–Dec)	FY12/2026 Q1 (Jan–Mar)	FY12/2026 QoQ change	FY12/2026 QoQ change (%)
Net sales	2,442	2,516	+73	+3.0%
Operating profit	210	209	-1	-0.8%
Operating margin ratio	*8.6%*	*8.3%*	*-0.3pt*	—

Sales revenue, operating profit, operating profit margin (million yen, %)



Comparison between Assumption at Beginning of the FY and Now － Lead Terminals

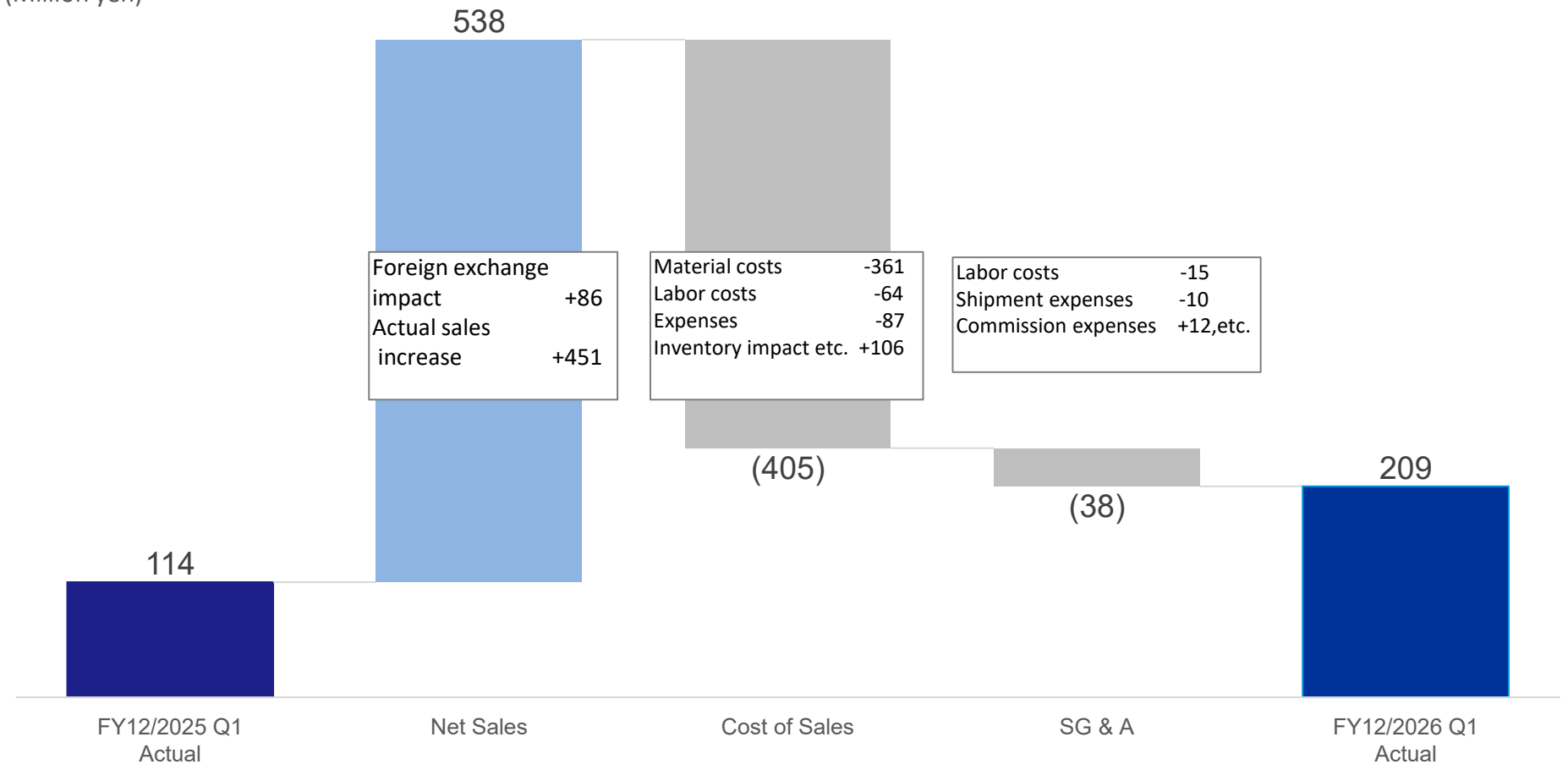
Business environment

	Comments made at the beginning of the fiscal year ending December 2026 (as of February)	Status for Q1 FY12/2026	Forecast for Q2 FY12/2026 Onward
(1) Production	● Promoting automation and labor-saving measures at the head office factory.	➢ In addition to automation and labor-saving measures at head office factory, improved yield and increased orders for high-value-added products have led to a rising utilization rate.	➢ Increasing production capacity for high value-added products
	● FY2026 OEE improvement target 87% ・Reducing adjustment errors - Strengthening horizontal deployment between overseas factories	➢ Q1 OEE was 82.9% (consolidated), and support activities between overseas factories were strengthened, resulting in 86% at the two factories in China.	➢ Continue improvement efforts to achieve annual targets.
(2) Sales	● Promoting an increase in orders globally	➢ Adoption in overseas markets is progressing smoothly. Due to rising material costs, the increase in orders has been somewhat slower.	➢ Orders are showing an increasing trend for the second quarter and beyond.
	● Strengthening mass production orders for high value-added products	➢ Orders have increased significantly, mainly for hybrid capacitors and conductive polymer capacitors used in automotive and AI servers.	➢ In addition to growth in the automotive sector, rapid growth is expected in the AI server market.
(3) Technology	● In February 2026, sample shipments of customer-spec nickel-plated types will begin.	➢ We have identified key development priorities at headquarters factory and are steadily advancing initiatives to address them.	➢ Sample shipments of customer-use nickel-plated types have been delayed until June.
	● Expanding sample items and establishing a mass production system.	➢ Increased sample supply, mainly for in-vehicle and AI servers.	➢ Sales of high-value-added products, primarily hybrid capacitors for AI servers and data centers and solid-state capacitors, are expected to grow steadily.
	● Sales expansion of resin coatings and specialty chemical products focused on automotive and AI applications.		

Factors of Increase/Decrease in Operating profit by Segment for Q1 (YoY) - Lead Terminals

The recovery in sales and the reduction in the fixed cost ratio due to improved production efficiency absorbed the upfront burden of material costs, resulting in increased profits.

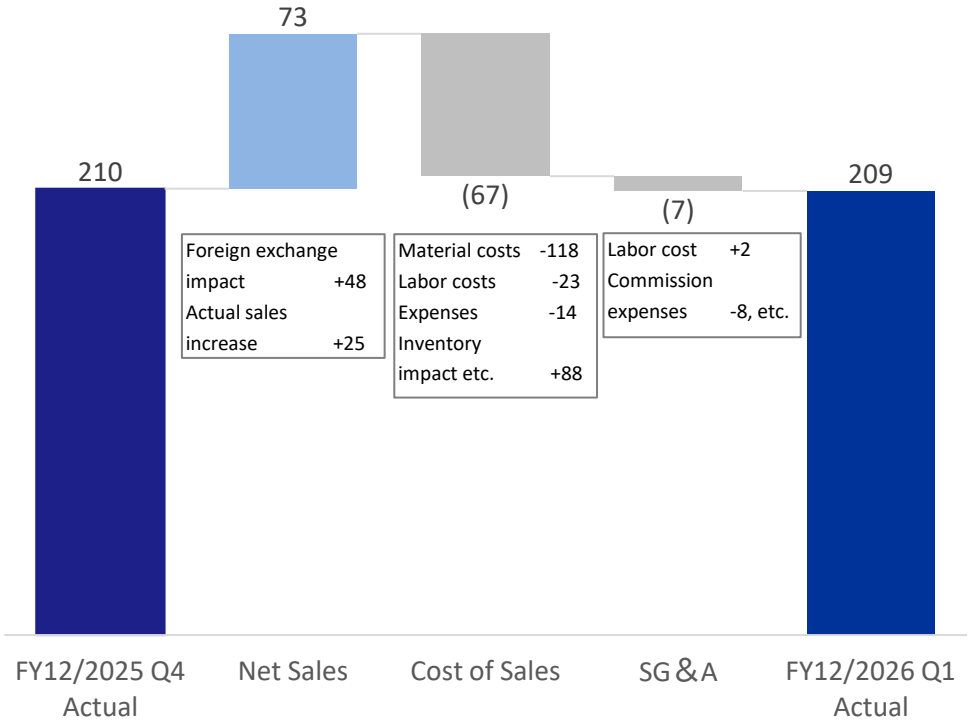
(Million yen)



Factors of Increase/Decrease in Operating profit by Segment for Q1 - Lead Terminals

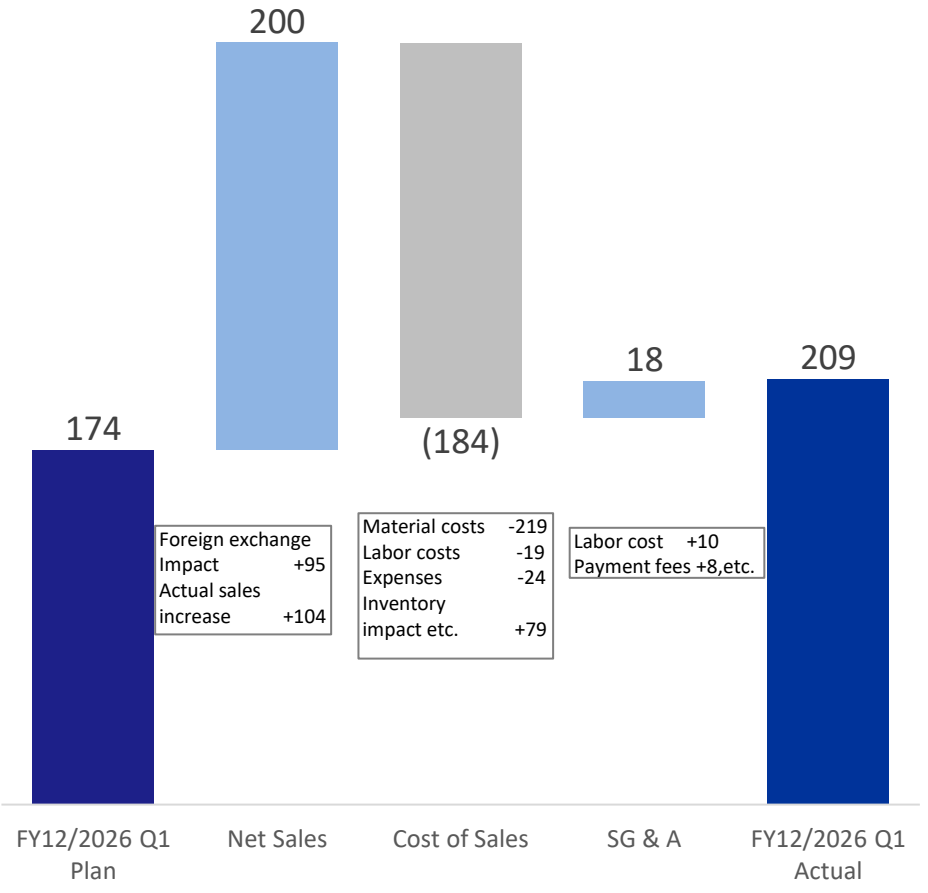
Quarter-on-Quater comparison (Million yen)

Sales increased, but profits remained flat due to rising material costs such as aluminum.



Compared to the plan (Million yen)

Increased sales absorbed rising material costs, resulting in increased profits.



Financial Forecast for FY12/2026 - Lead terminal business

Sales and profits are expected to continue their upward trend, driven by rapid revenue growth in the AI server segment, the passing on of rising material costs, and improvements in production efficiency and product mix.

(Million yen)

	FY12/2024	FY12/2025 (full-year)					
	Actual	Q1 (Jan-Mar) Actual	First half	Second half	Full-year forecast	YoY change	YoY change (%)
Net sales	8,802	2,516	4,911	5,445	10,356	+1,554	+17.7%
Operating profit	766	209	469	655	1,125	+358	+46.8%
Operating margin ratio	*8.7%*	*8.3%*	*9.6%*	*12.0%*	*10.9%*	*+2.2pt*	—

Outlook for FY12/2026

- **Q1 of the fiscal year ending December 2026 exceeded initial forecasts but was affected by rising material prices.**
- **In the first quarter, while the recovery of the European and Chinese automotive markets was slow, the market for AI servers and data centers expanded.**
- **In the second quarter, there are signs of improvement in the European automotive market, and expansion is expected to continue in AI servers and data center sectors.**
- **The market outlook is somewhat uncertain due to factors such as the situation in the Middle East. In terms of profitability, improvements are expected, partly due to price increases.**

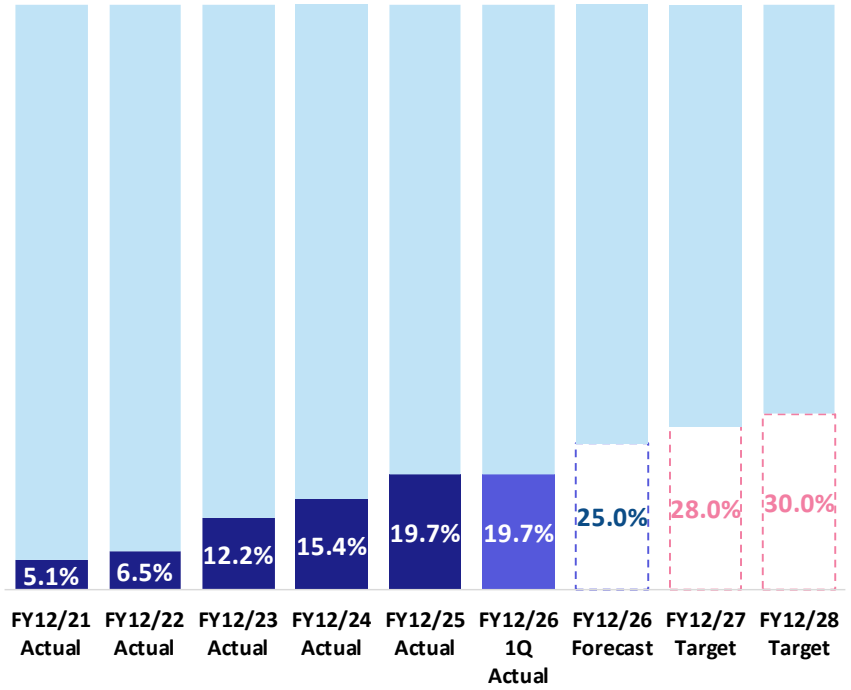
Expansion of Business Scale Through Market Development

Increased sales of high-value-added products for the automotive market and AI servers.

Sales ratio of high value-added products

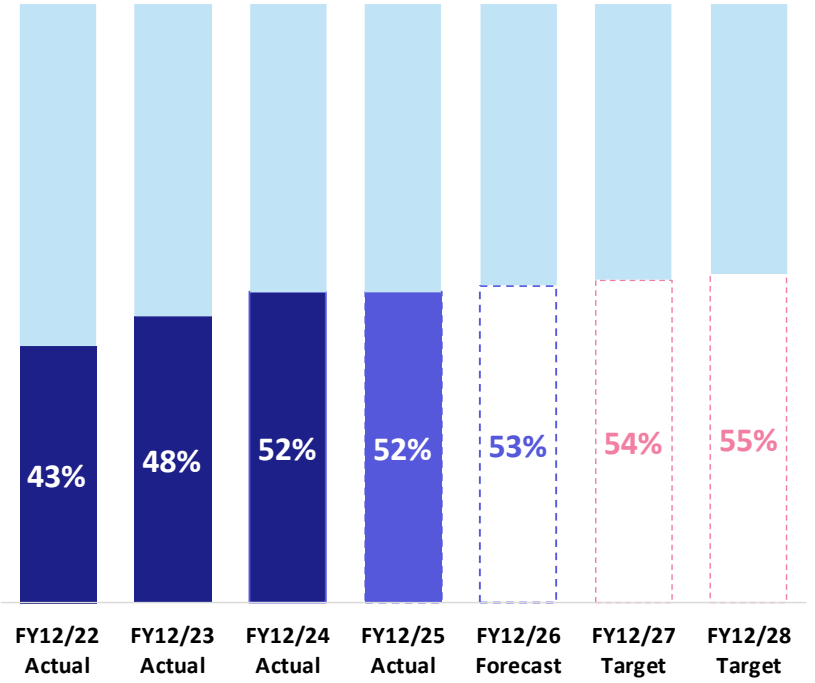


- Increased adoption of items for Burr-less and leakage current countermeasures.
- Strengthening the development of laser-welded products (nickel-plated products, etc.)



Estimated sales ratio to the automotive market

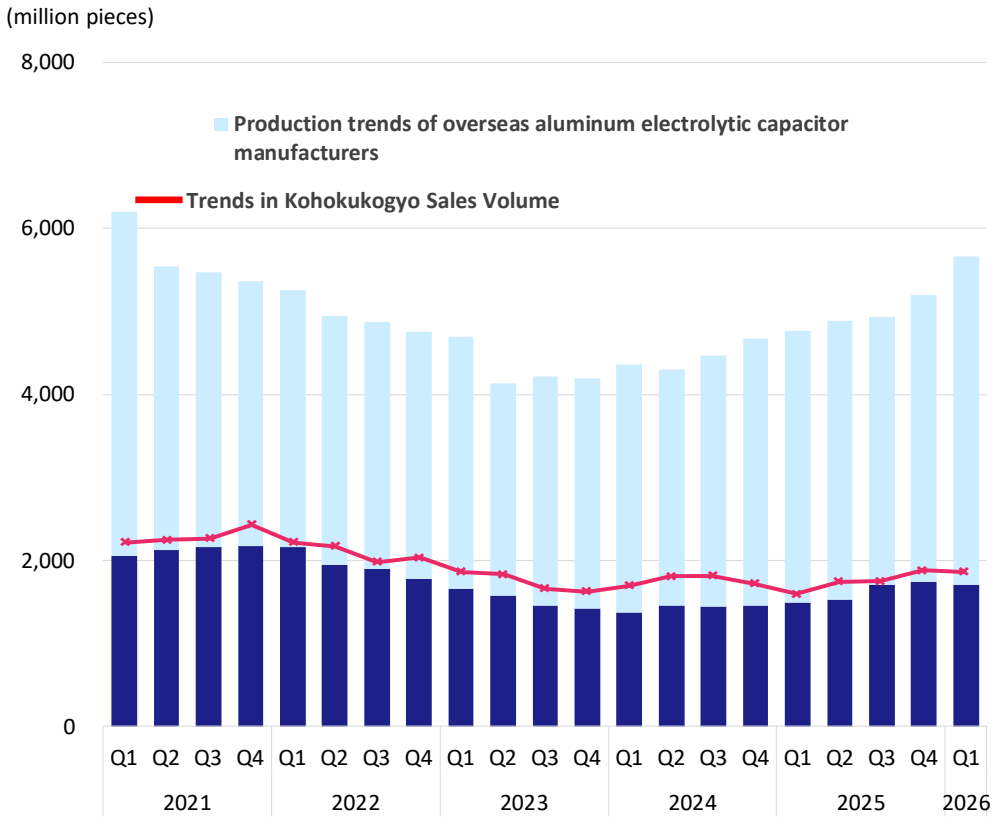
- Maintaining a 95% global market share in the automotive market (powertrain).
- Expand sales in overseas automotive markets and the AI servers and data center market.



Business environment

Aluminum electrolytic capacitors are continuing their recovery, driven by the rapid growth of the AI server market.

Global market trends and sales volume trends for small aluminum electrolytic capacitors.



Market Trends and Sales Strategies

<Automotive-related market>

- **In Q1, the European and Chinese markets were slow to recover, but in the second quarter, the European market finally showed signs of recovery.**
- **The overall situation remains uncertain due to fluctuations in crude oil prices caused by the situation in the Middle East.**
- **Production volume of high-performance capacitors, such as hybrid capacitors and solid-state capacitors, is increasing. The adoption of high value-added products is increasing in the global market.**

<AI servers /DC market>

- **In addition to orders from Japanese capacitor manufacturers, there is a growing trend of orders from overseas customers as well.**
- **Orders for lead terminals for new hybrid and solid capacitor products have increased significantly.**

<Consumer electronics market, etc.>

- **The situation remains difficult due to factors such as rising raw material prices and the economic slowdown in China.**

*Since each capacitor has two lead terminals, the number of leads is displayed in conversion to the number of capacitors.
*Aluminum electrolytic capacitor production volume is based on the final month's figures for each quarter, and lead terminal sales volume is the monthly average for each quarter (our estimate).

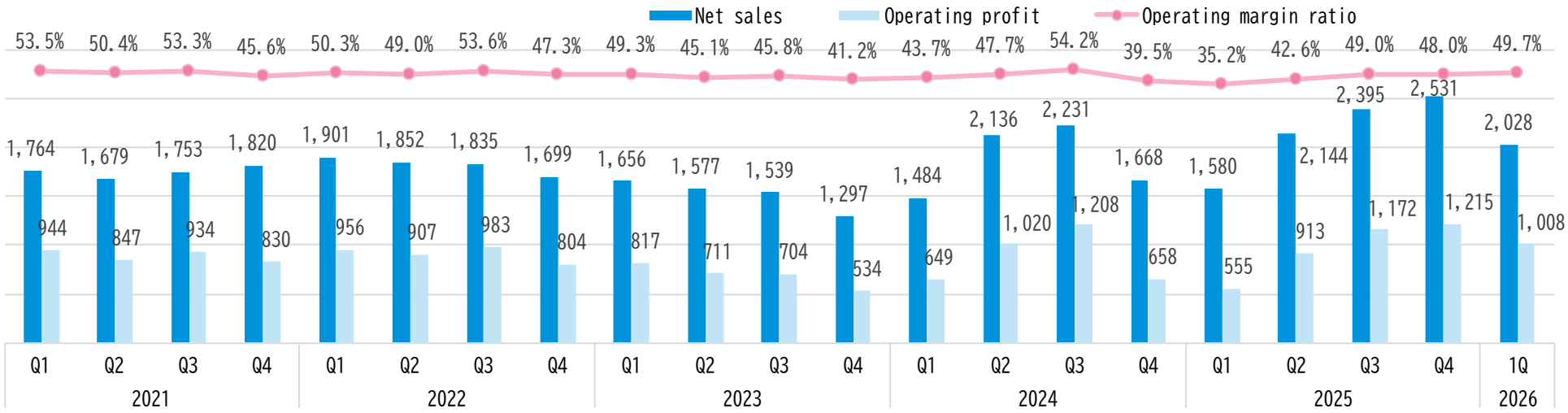
Results by Segment (Q1) - Optical components and devices

Sales decreased compared to the previous quarter due to temporary inventory adjustments by certain customers, but excluding this one-off factor, sales were on track.

(Million yen)

	<YoY>				<QoQ>			
	FY12/2024 Q1 (Jan–Mar)	FY12/2025 Q1 (Jan–Mar)	FY12/2025 YoY change	FY12/2025 YoY change (%)	FY12/2024 Q4 (Oct–Dec)	FY12/2025 Q1 (Jan–Mar)	FY12/2025 QoQ change	FY12/2025 QoQ change (%)
Net sales	1,580	2,028	+447	+28.3%	2,531	2,028	-502	-19.9%
Operating profit	555	1,008	+452	+81.4%	1,215	1,008	-206	-16.9%
Operating margin ratio	*35.2%*	*49.7%*	*+14.7pt*	—	*48.0%*	*49.7%*	*+1.7pt*	—

Sales revenue, operating profit, operating profit margin (million yen, %)



Comparison between Assumption at Beginning of the FY and Now - Lead Terminals

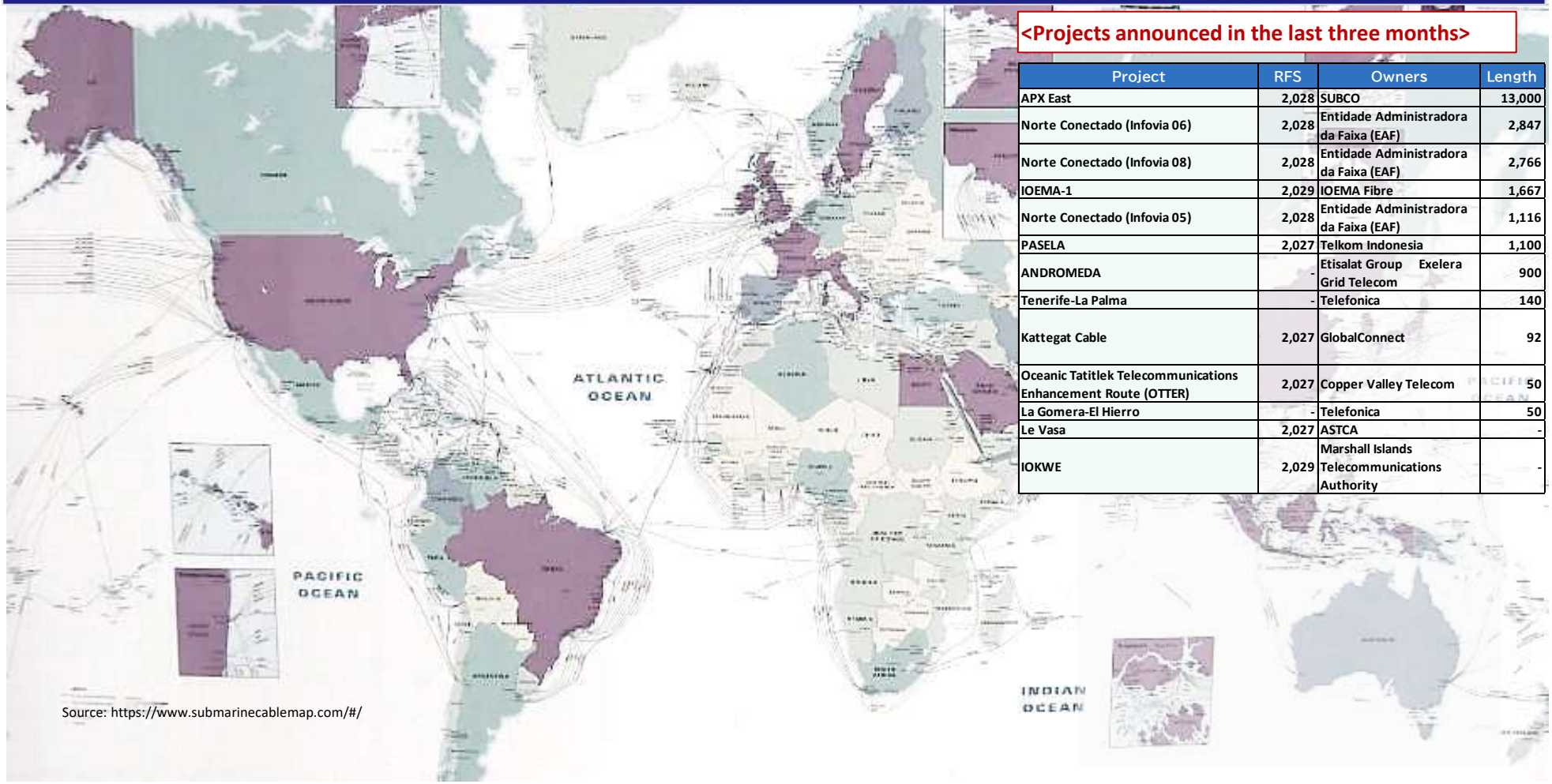
Business environment

	Comments made at the beginning of the fiscal year ending December 2014 (as of February)	Situation in Q1 of FY2026/12	Outlook for Q2/2026 and beyond
(1) Product Development	● Evaluation of composite and modular products is progressing, with mass production scheduled to begin in 2026.	➢ Demand for composite and modular products is increasing. ➢ Development of next-generation compact modules has begun.	➢ Sales of composite products will begin in Q2, while modular products will undergo life testing until Q4, after which mass production will commence.
		➢ Development of devices for multicore fiber is progressing.	➢ Prototype production line for FIFO devices for multicore fibers launched, accelerating development towards mass production in 2027.
	● Sales ratio of small isolators is rising, and their adoption is expanding in line with the need for multi-core designs.	➢ The ratio of small isolators has decreased to 80%, while conventional types have fallen to 20%.	➢ While small isolators are expected to become mainstream, conventional types are likely to remain to some extent due to customer demand.
	● Development of high-speed optical switches using PLZT is progressing.	➢ PLZT thin single-crystal wafers now available for sale.	➢ We plan to move our US front-end processing operations to head office in September.
(2) Productivity and other	● Improve production efficiency and expand production capacity by utilizing semi-automated equipment.	➢ Increasing staff at our Sri Lanka plant to meet the current surge in orders. ➢ Preparing to install additional semi-automatic equipment to accommodate further increases in production.	➢ Semi-Automatic Machine No. 3 is scheduled to begin operations in 2027, further enhancing production capacity.
	● Increased production capacity for optical components for data centers, leading to increased sales.	➢ Capacity enhancements are progressing due to improved yield in the front-end processes of optical components.	➢ We are investing in increasing capacity in the front-end processing of optical components, and we expect further sales growth in 2027.
	● Increased sales of high-purity quartz glass (SSG®) products	➢ Demand for semiconductor manufacturing equipment and special optical fiber preforms continues to increase. ➢ We are increasing our supply capacity by adding more large sintering furnaces.	➢ We will continue to expand sales of our high-purity quartz glass (SSG®) products, including at the Photonics Exhibition in May.

The submarine cable network is becoming longer and higher capacity.

*Each line in the diagram represents a submarine cable.

Overall diagram of a long-distance submarine cable system



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

<Projects announced in the last three months>

Project	RFS	Owners	Length
APX East	2,028	SUBCO	13,000
Norte Conectado (Infovia 06)	2,028	Entidade Administradora da Faixa (EAF)	2,847
Norte Conectado (Infovia 08)	2,028	Entidade Administradora da Faixa (EAF)	2,766
IOEMA-1	2,029	IOEMA Fibre	1,667
Norte Conectado (Infovia 05)	2,028	Entidade Administradora da Faixa (EAF)	1,116
PASELA	2,027	Telkom Indonesia	1,100
ANDROMEDA	-	Etisalat Group Exelera Grid Telecom	900
Tenerife-La Palma	-	Telefonica	140
Kattegat Cable	2,027	GlobalConnect	92
Oceanic Tatitlek Telecommunications Enhancement Route (OTTER)	2,027	Copper Valley Telecom	50
La Gomera-El Hierro	-	Telefonica	50
Le Vasa	2,027	ASTCA	-
IOKWE	2,029	Marshall Islands Telecommunications Authority	-

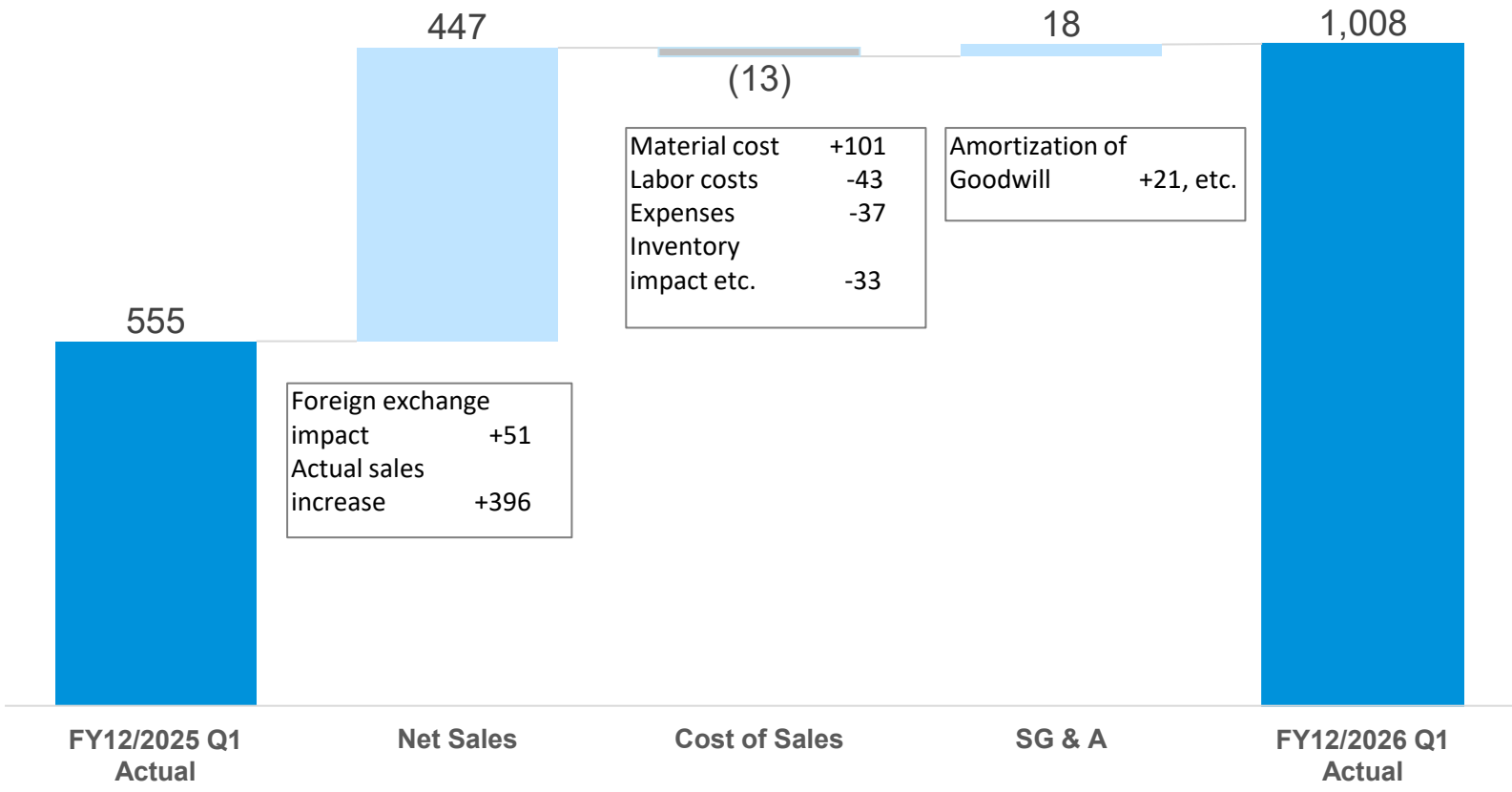
*Source: TeleGeography "Submarine Cable Map"

*Project update information is estimated from publicly available data.

Factors of Increase/Decrease in Operating profit by Segment for Q1 (YoY)
- Optical components and devices

Some customers adjusted inventory levels for certain products, resulting in a temporary improvement in the product mix and a significant increase in profits.

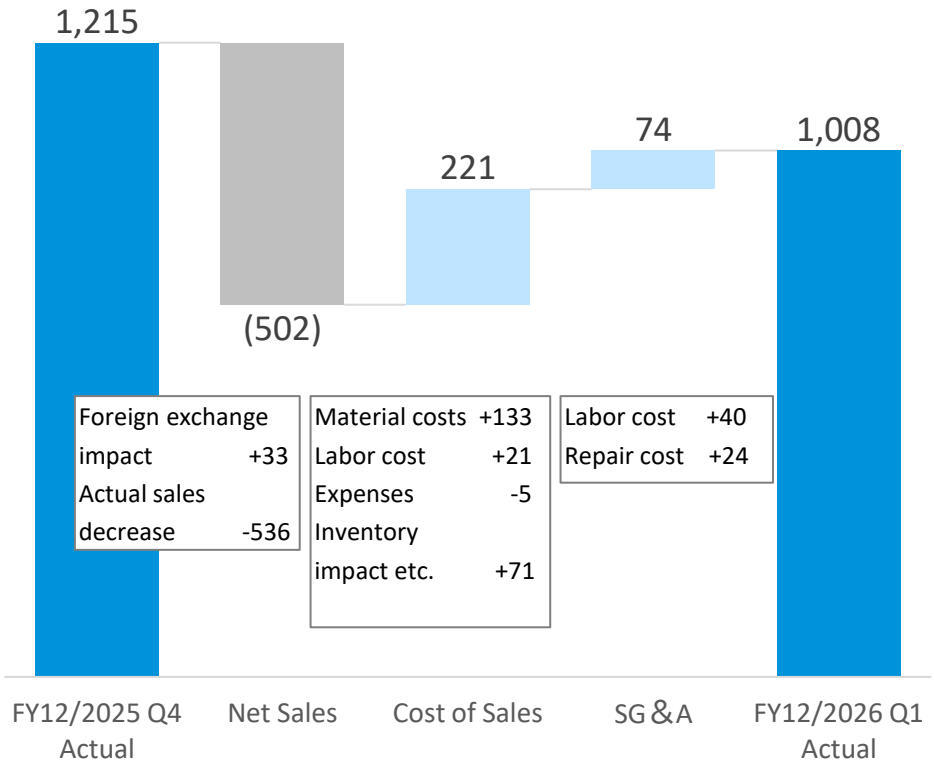
(Million yen)



Factors of Increase/Decrease in Operating profit by Segment for Q1
- Optical components and devices

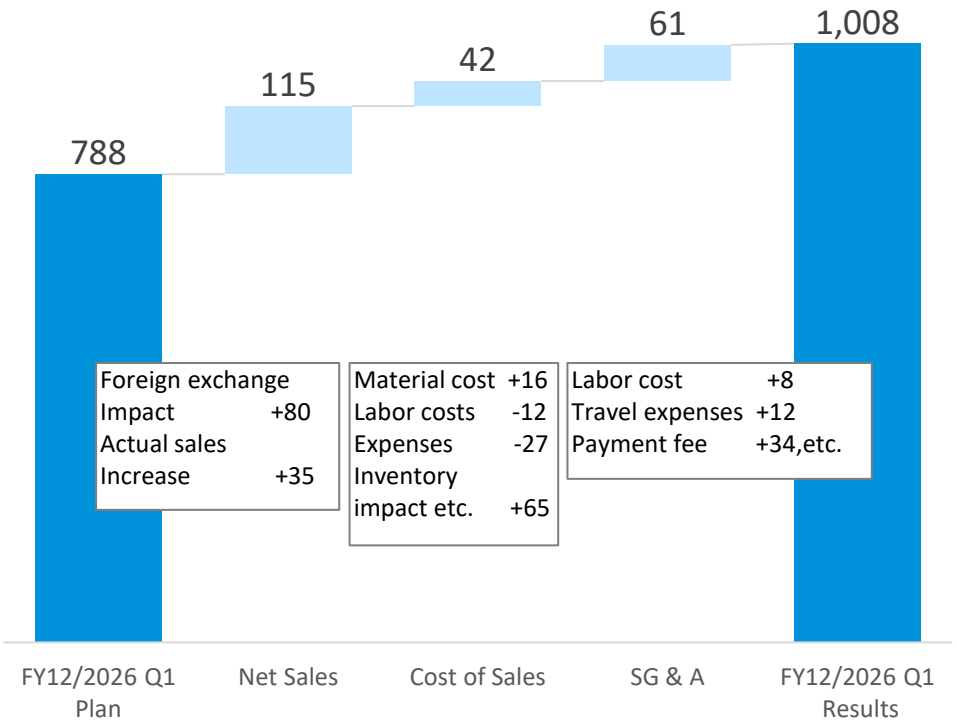
Quarter-on-Quater comparison (Million yen)

A temporary decline in sales due to transient factors was absorbed by a temporary improvement in product output, resulting in a small decrease in profits.



Compared to the plan (Million yen)

Sales and profits both exceeded plans.



Financial Forecast for FY12/2026 - Optical Components and Devices Business

The temporary inventory adjustment is complete. Sales are expected to improve in the second quarter.

(Million yen)

	FY12/2025	FY12/2026 (full-year)					
	Actual	Q1 (Jan-Mar) Actual	First half	Second half	Full-year forecast	YoY change	YoY change (%)
Net sales	8,651	2,028	4,364	4,892	9,257	605	7.0%
Operating profit	3,857	1,008	1,996	2,282	4,279	421	+10.9%
Operating margin ratio	*44.6%*	*49.7%*	*45.7%*	*46.7%*	*46.2%*	*+1.6pt*	—

Outlook for FY12/2026

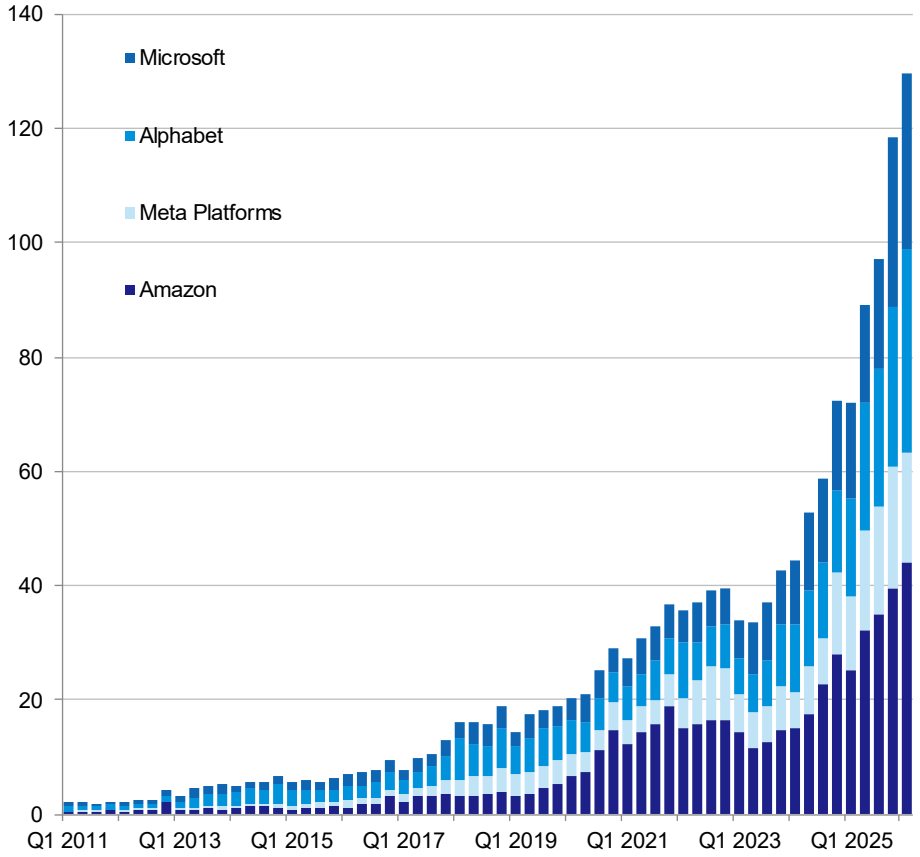
- **Sales are expected to remain steady starting in the second quarter.**
- **Investment in submarine cable projects continues to be strong.**
- **Faraday Rotator will continue to strengthen its production capacity, and sales are expected to increase.**

Business environment

Active investment continues in generational AI and data centers, and progress is being made towards increasing the capacity of submarine cables.

Capital investment by US cloud providers

(Unit: billion dollars)



(Source: Company documents)

market trends

- **Investment in submarine cables is on the rise due to an increase in projects and an increase in the number of cable-laying vessels.**
- **With the increase in the number of cores, conventional isolators are decreasing, and there is a growing trend towards miniaturization, as well as integration and modularization.**
- **Transition to composite products, wideband-standard-supporting products, and modules is planned for 2027. Demand for multi-core cables is increasing.**
- **Development of multicore fiber-compatible products will be accelerated in anticipation of increased demand from 2027 onwards.**
- **Demand for optical components for AI server optical transceivers continues to increase, and the market is expected to continue expanding.**

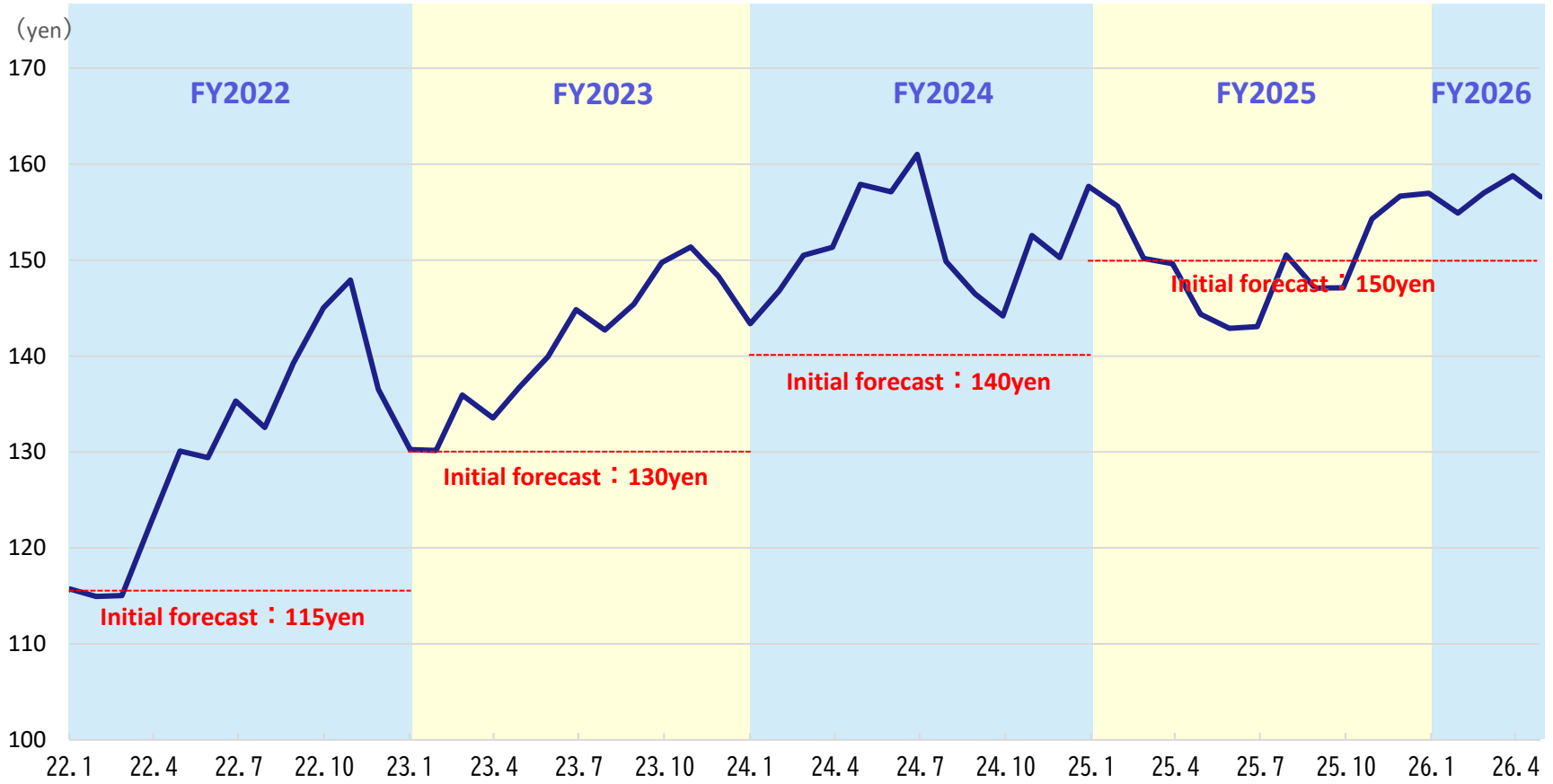
III. Reference information

Excel link provided

Business environment for the fiscal year ending December 2026 (Q1)

The yen has been trending weaker compared to the assumed exchange rate for the start of 2026 (150 yen per USD)

USD/JPY Trend Chart



External Environment – Trends in Nonferrous Metal Market Prices

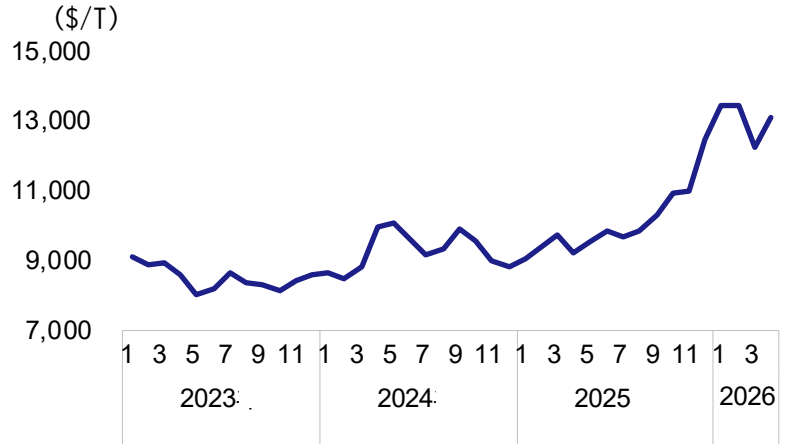
Market prices for non-ferrous metals are on an upward trend; price increases are generally passed on after three months

Trends in Nonferrous Metals Prices (LME)

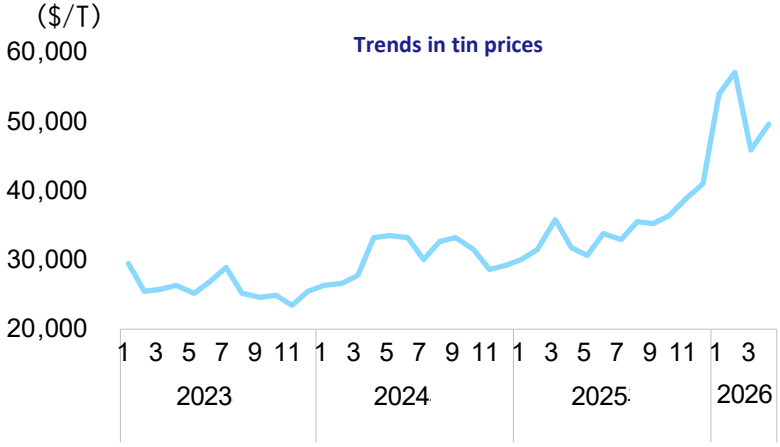
Trends in aluminum prices



Trends in copper prices



Trends in tin prices



This document includes our current plans and performance forecasts. These future plans and projected figures are based on information available to our company and are our own plans and forecasts. Actual results may differ from these plans and forecasts due to various conditions and factors. This document does not guarantee or promise that this will be realized.

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