

Translation

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Securities code: 6524



World-Class Manufacturing

Financial Results Materials First Quarter of FY12/2025

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

Kohoku Kogyo Co., Ltd.
May 12, 2025

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I. Financial Summary for the First Quarter of FY 12/2025

Highlights of Q1 FY12/2025

- Both main businesses achieved increases in sales and profits year on year. Although sales were temporarily adjusted quarter on quarter, both businesses are showing signs of recovery heading into Q2.
- In the Lead Terminals Business, sales recovery is slow due to the adjustment in the European automobile market and the downturn in the Chinese real estate market, but profitability has improved.
- The Optical Components and Devices Business was affected by inventory adjustments by certain customers, but investment in submarine cables is brisk and customer forecasts show a recovery is expected in Q2.

● Macro Environment

- The global economy remained strong in U.S. and parts of Asia, but was in a state of chaos due to stagnation in China and Europe, persistently high energy prices, and changes in U.S. tariff policy.
- The domestic economy continued to recover thanks to inbound consumption and improved employment conditions.

● Business Environment

- The automotive electronics market continued to face difficult conditions due to factors such as stagnation in the European market.
- Although some parts of the information and telecommunications equipment market for generative AI and data centers are doing well, consumer equipment is sluggish due to the impact of the Chinese real estate downturn.
- New submarine cable projects are active, but the Company was affected by changes in project schedules and temporary order adjustments due to product replacement.

● Performance(Q1)

- Sales increased 4.3% (145 million yen) year on year (down 6.0% (227 million yen) quarter on quarter).
- Operating profit increased 5.5% (34 million yen) year on year (down 12.3% (94 million yen) quarter on quarter).

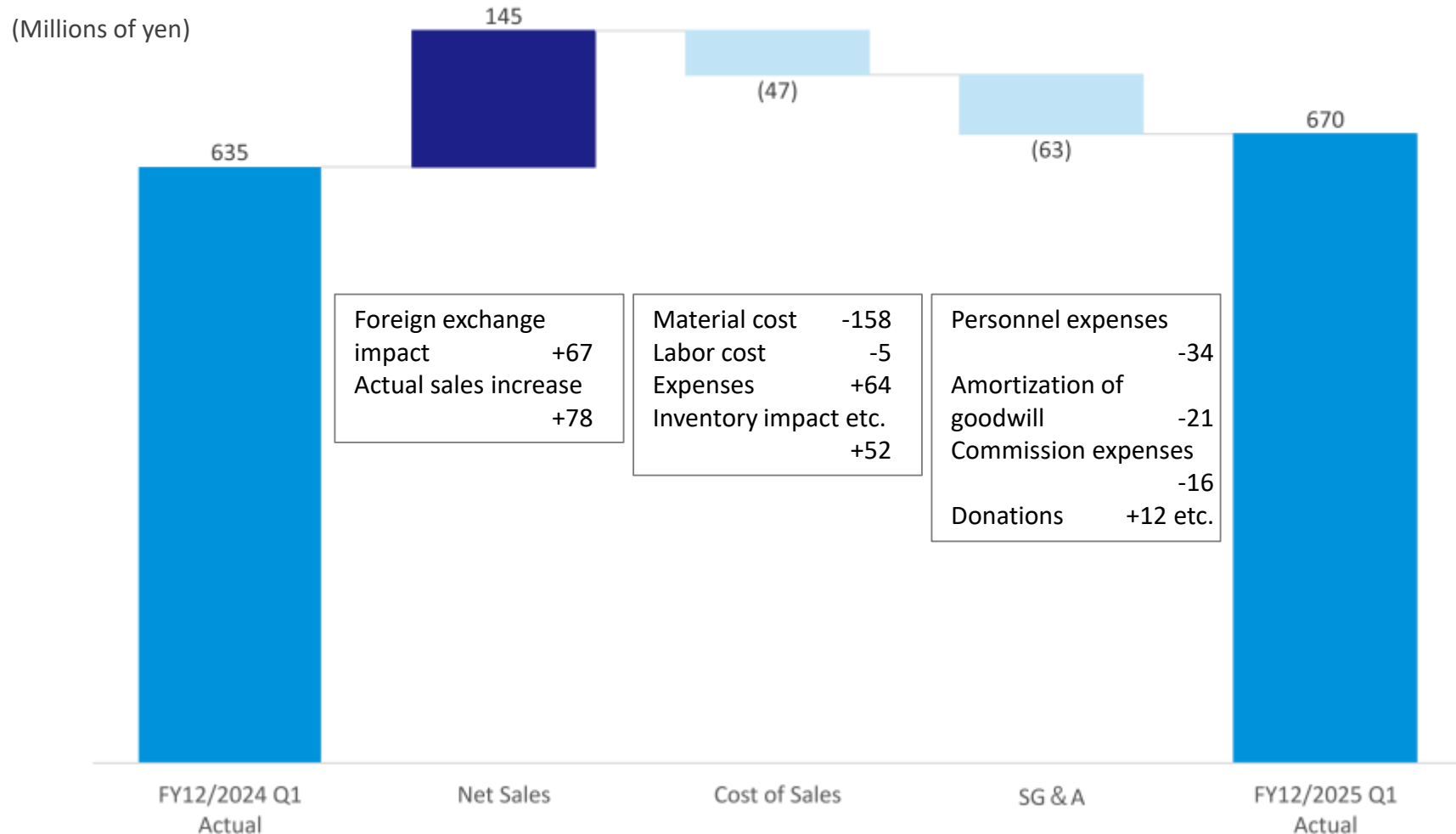
Income Statement (Q1) Summary

Although sales and profits increased year on year, ordinary profit and below decreased due to foreign exchange losses.

<YoY>					<QoQ>				(Millions of yen)
	FY12/2024	FY12/2025			FY12/2024	FY12/2025			
	Q1	Q1	YoY change	YoY change (%)	Q4	Q1	QoQ change	QoQ change (%)	
	(Jan–Mar)	(Jan–Mar)			(Oct–Dec)	(Jan–Mar)			
Net sales	3,413	3,558	+145	+4.3%	3,786	3,558	-227	-6.0%	
Lead Terminals Business	1,929	1,978	+49	+2.5%	2,118	1,978	-139	-6.6%	
Optical Components and Devices Business	1,484	1,580	+95	+6.5%	1,668	1,580	-87	-5.2%	
Operating profit	635	670	+34	+5.5%	765	670	-94	-12.3%	
<i>Operating margin ratio</i>	18.6%	18.8%	+0.2pt	—	20.2%	18.8%	-1.4pt	—	
Lead Terminals Business	-13	114	+128	—	107	114	+7	+7.1%	
Optical Components and Devices Business	649	555	-93	-14.4%	658	555	-102	-15.5%	
Ordinary profit	1,130	301	-829	-73.3%	1,530	301	-1,228	-80.3%	
Profit attributable to owners of parent	724	227	-497	-68.6%	1,027	227	-799	-77.8%	
Exchange rate (average for the period)	148.62yen/\$	152.56yen/\$			152.37yen/\$	152.56yen/\$			

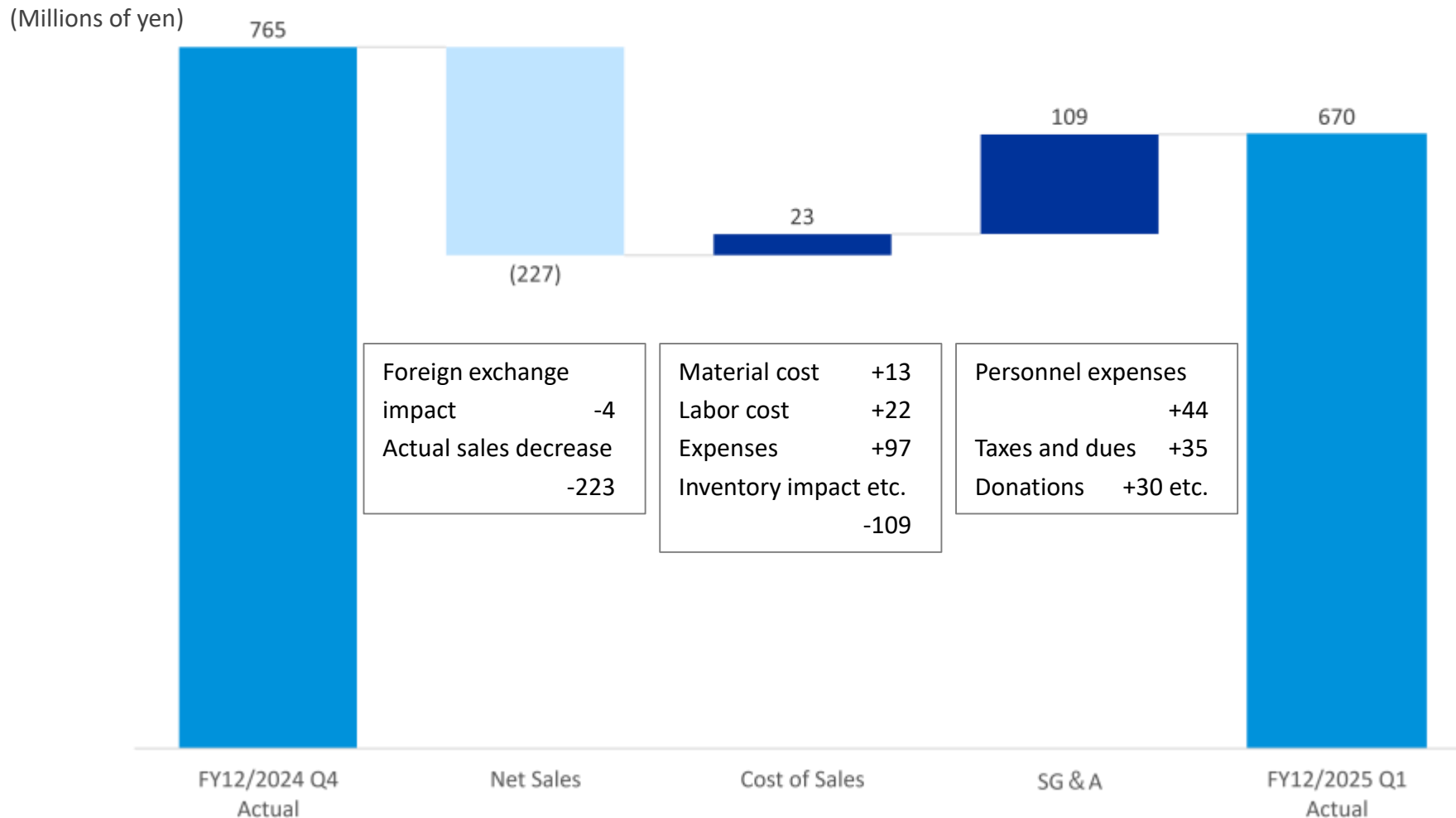
Factors of Increase/Decrease in Operating profit for Q1 (YoY)

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



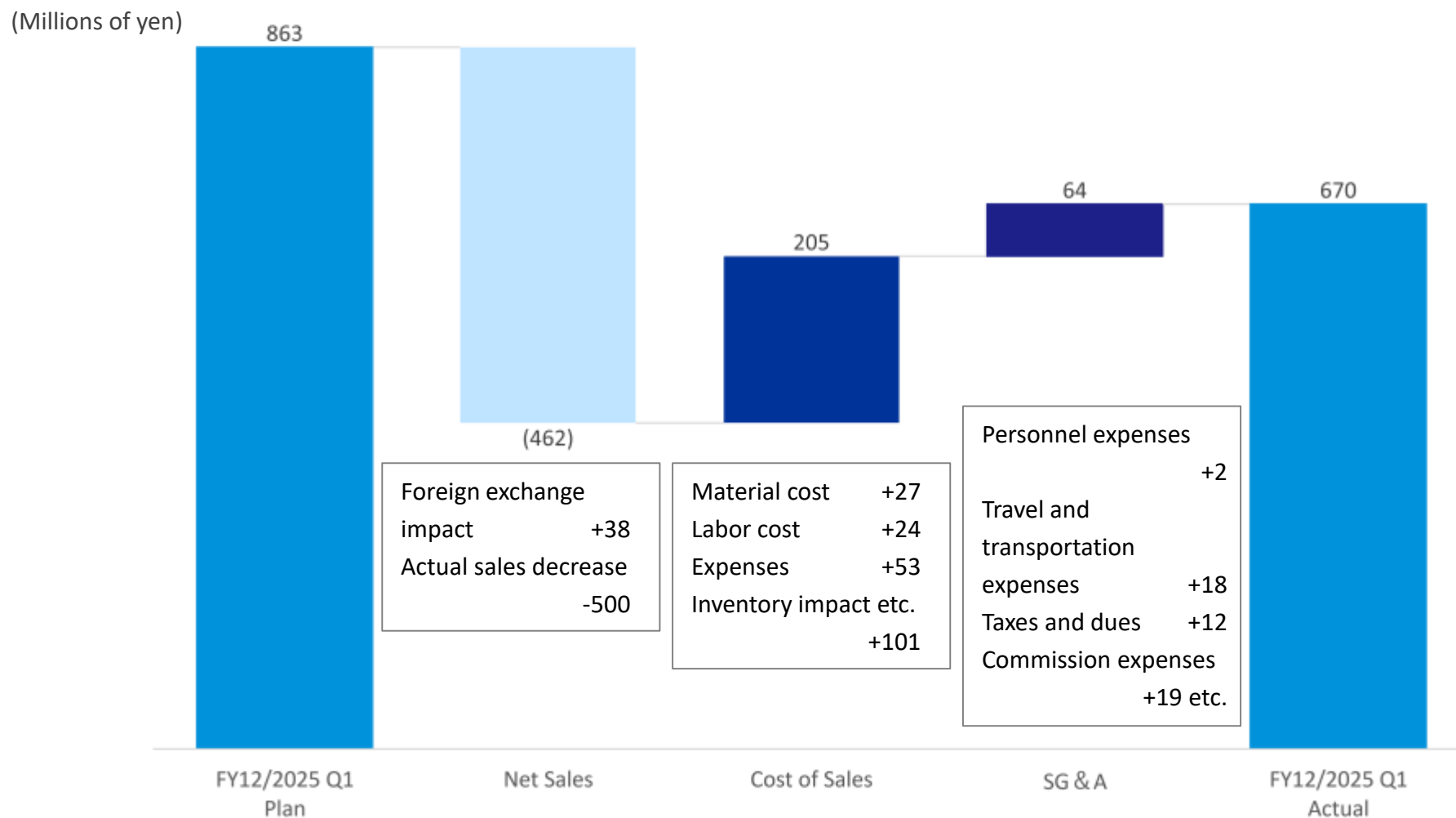
Factors of Increase/Decrease in Operating profit for Q1 (QoQ)

Both Lead Terminals Business and Optical Components and Devices Business were in a temporary adjustment phase, resulting in slight declines in sales and profits.



Factors of Increase/Decrease in Operating profit for Q1 (vs. Plan)

Sales and profits both fell short of plan.



Summary of Balance Sheet (Q1)

(Millions of yen)

Balance Sheet	End of FY12/2024	End of Q1 FY12/2025	Increase /decrease	Major changes
Current assets	18,331	13,184	-5,146	Cash and deposits -3,738 Securities -1,000 Notes and accounts receivable - trade, and contract -278 etc.
Non-current assets	10,353	10,830	+476	Investment securities +852 Machinery, equipment and vehicles, net -192 Leased assets, net -137 etc.
Total assets	28,684	24,014	-4,669	
Current liabilities	2,945	1,841	-1,103	Provision for bonuses +124 Income taxes payable -995 Current portion of long-term borrowings -127 Accounts payable - trade -103 etc.
Non-current liabilities	2,309	2,171	-137	Lease liabilities -127 etc.
Total liabilities	5,254	4,012	-1,241	
Total net assets	23,430	20,001	-3,428	Capital surplus -2,254 Retained earnings -581 Foreign currency translation adjustment -373 Treasury shares -235 etc.
Total liabilities and net assets	28,684	24,014	-4,669	

Financial Forecast for FY12/2025 (Current Progress)

Sales in both of two main businesses fell short of initial expectations in Q1, but are expected to recover from Q2 onward.

(Millions of yen)

<Exchange Rate Sensitivity> Net Sales 80 million yen/1 yen Operating profit 30 million yen/1 yen	FY12/2024	FY12/2025 (plan)					
	Actual	Q1 Actual (Jan-Mar)	First half forecast	Second half forecast	Full-year forecast	YoY change	YoY change (%)
Net sales	15,924	3,558	8,344	9,574	17,919	+1,995	+12.5%
Lead Terminals Business	8,403	1,978	4,498	4,799	9,298	+894	+10.6%
Optical Components and Devices Business	7,520	1,580	3,846	4,775	8,621	+1,100	+14.6%
Operating profit	3,939	670	1,920	2,665	4,586	+646	+16.4%
Operating margin ratio	24.7%	18.8%	23.0%	27.8%	25.6%	+0.9pt	-
Lead Terminals Business	403	114	326	420	746	+343	+85.1%
Optical Components and Devices Business	3,536	555	1,594	2,245	3,839	+303	+8.6%
Ordinary profit	4,856	301	1,623	2,850	4,474	-382	-7.9%
Profit attributable to owners of parent	3,252	227	1,082	1,924	3,006	-245	-7.6%
Net income per share (yen)	120.50	8.56	41.20	74.10	115.30		
Exchange rate (average for the period)	151.69yen/\$	152.56yen/\$	150.00yen/\$	150.00yen/\$	150.00yen/\$		

● Current Situation

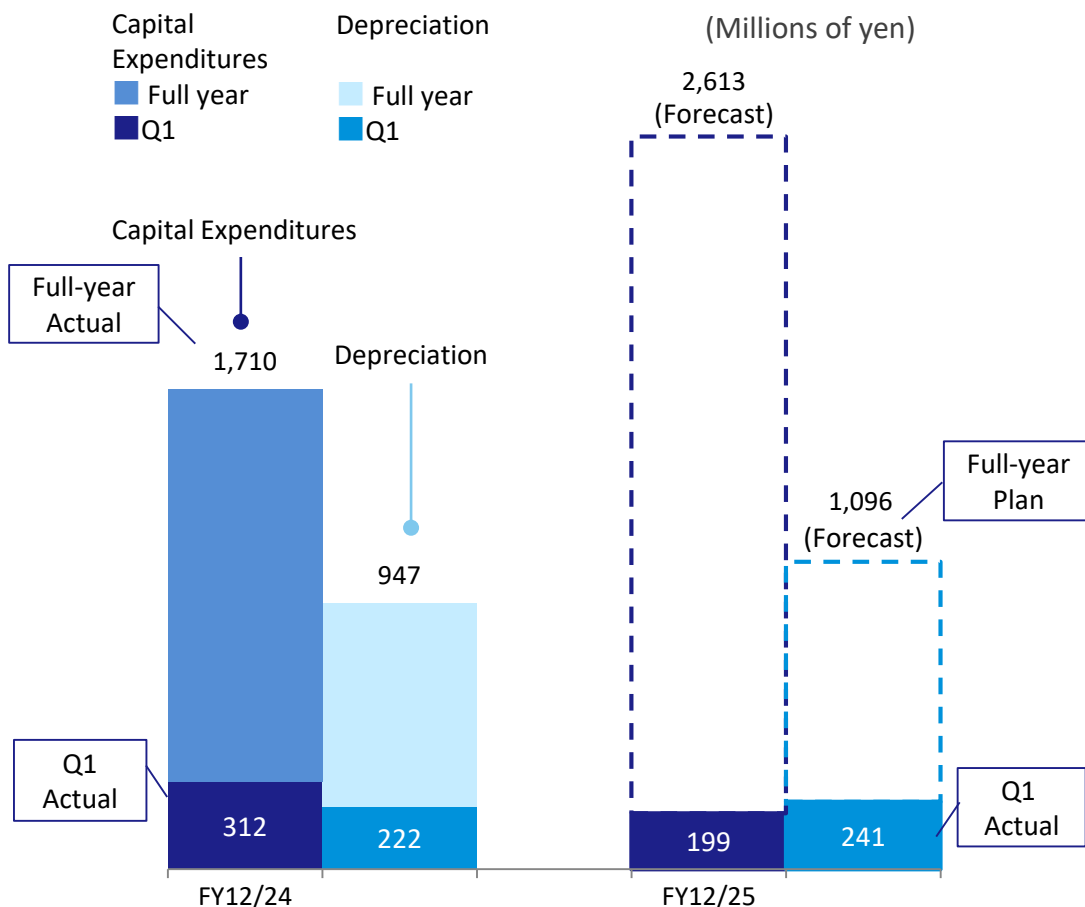
- Lead Terminals Business : The market remains sluggish and recovery remains weak. Profit improvement measures proved effective.
- Optical Components and Devices Business : Order adjustments in Q1 are expected to be resolved in Q2.

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

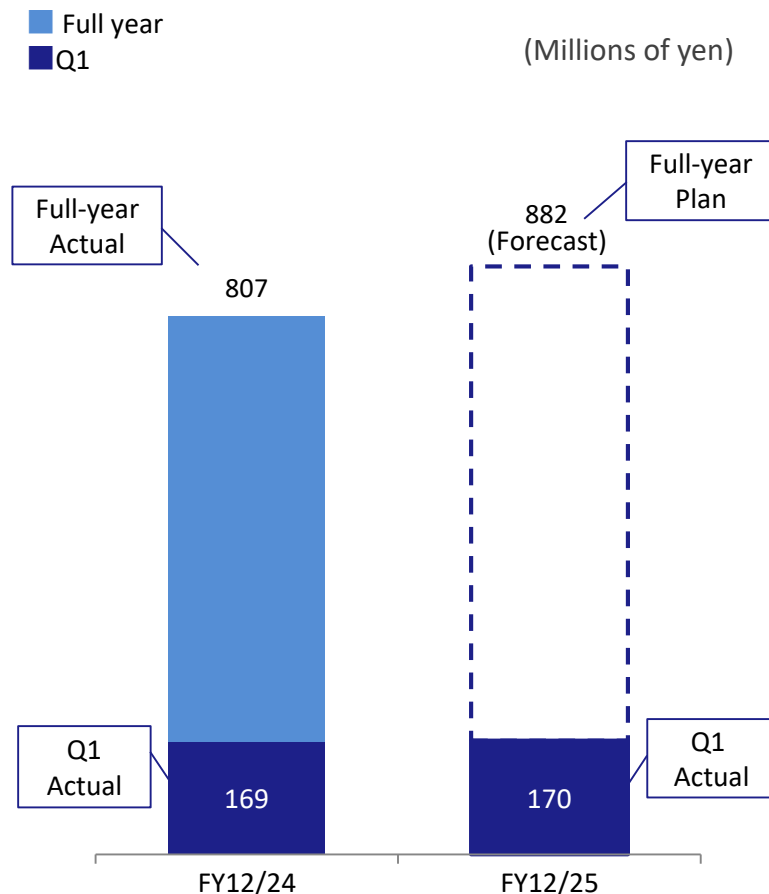
Capital Expenditures, Depreciation, and R&D Expenses (Q1)

Capital expenditure is less than initially planned.

Capital expenditures and depreciation



R&D expenses





II . Situation by Segment

Results by Segment (Q1) - Lead Terminals

Despite the tough market conditions, sales and profits increased year on year due to the effect of improving product mix and correcting transactions.

< YoY >					< QoQ >				(Millions of yen)
	FY12/2024	Q1	FY12/2025		FY12/2024	Q1	FY12/2025		
	Q1		YoY change	YoY change (%)	Q4		QoQ change	QoQ change (%)	
	(Jan–Mar)	(Jan–Mar)			(Oct–Dec)	(Jan–Mar)			
Net sales	1,929	1,978	+49	+2.5%	2,118	1,978	-139	-6.6%	
Operating profit	-13	114	+128	—	107	114	+7	+7.1%	
Operating margin ratio	-0.7%	5.8%	+6.5pt	—	5.1%	5.8%	+0.7pt	—	

Overview of FY12/2025 (Q1)

- **The business environment remained tough and market adjustments continued**
 - Sales increased year on year, but declined quarter on quarter due to the continued slump in the European automotive market and the Chinese New Year in Asia.
 - Markets for generative AI and data centers are strong.
- **The Company's situation and efforts to improve profitability**
 - By reviewing small-lot orders and improving yields, marginal profit ratios and overall equipment effectiveness (OEE) improved.
 - "Burr-free" and other high-value-added products are seeing increased inquiries for high-performance capacitors, and their adoption is likely to expand.

Comparison between Assumption at Beginning of the FY and Now

– Lead Terminals


1. Perception based on information from customers, market research firms, and other sources

	FY12/2025 Forecast (Comments as of February)	Status for Q1 FY12/2025	Forecast for Q2 FY12/2025 Onward
(1) Overall aluminum electrolytic capacitor market (mainly Japanese customers)	<ul style="list-style-type: none"> Sales to the European automotive market are patchy, but are expected to recover from April onwards. 	<ul style="list-style-type: none"> Uncertainty over the future due to U.S. tariff policies put downward pressure on the market. Increased sales of high value-added products and price adjustments to unprofitable products led to a year-on-year increase in monetary terms. 	<ul style="list-style-type: none"> Order recovery is slower than initially expected, but the Chinese PHV/EV market is strong, and although there is a negative impact from US tariff policies, the overall outlook is for a recovery from 2Q onward. Adoption of high-value-added products is expected to continue to increase for high-performance capacitors.
(2) Trends by application	<ul style="list-style-type: none"> In addition to the bottoming out of European automotive markets, production at Toyota is also recovering, so it is expected to maintain strong performance from Q1 onwards. The market for aluminum electrolytic capacitors for generative AI and data centers is expected to grow steadily. (double-digit growth expected year-on-year) The industrial machinery and general consumer sectors are expected to continue to face difficult conditions. 	<ul style="list-style-type: none"> The adjustments in the European automobile market that began in the second half of last year continued, and the situation remained tough. The information and telecommunications equipment market performed well due to the expansion of IT demand, particularly for AI servers, among companies. Consumption was sluggish due to the slump in Chinese real estate market. The industrial equipment market also continued to show no signs of recovery. 	<ul style="list-style-type: none"> In addition to the steady Chinese EV market, there are signs of recovery in the European automotive market. The market for aluminum electrolytic capacitors for AI and data centers is expected to remain strong. Although the situation remains uncertain, there are signs of recovery in the industrial equipment market and other areas.

Comparison between Assumption at Beginning of the FY and Now

- Lead Terminals

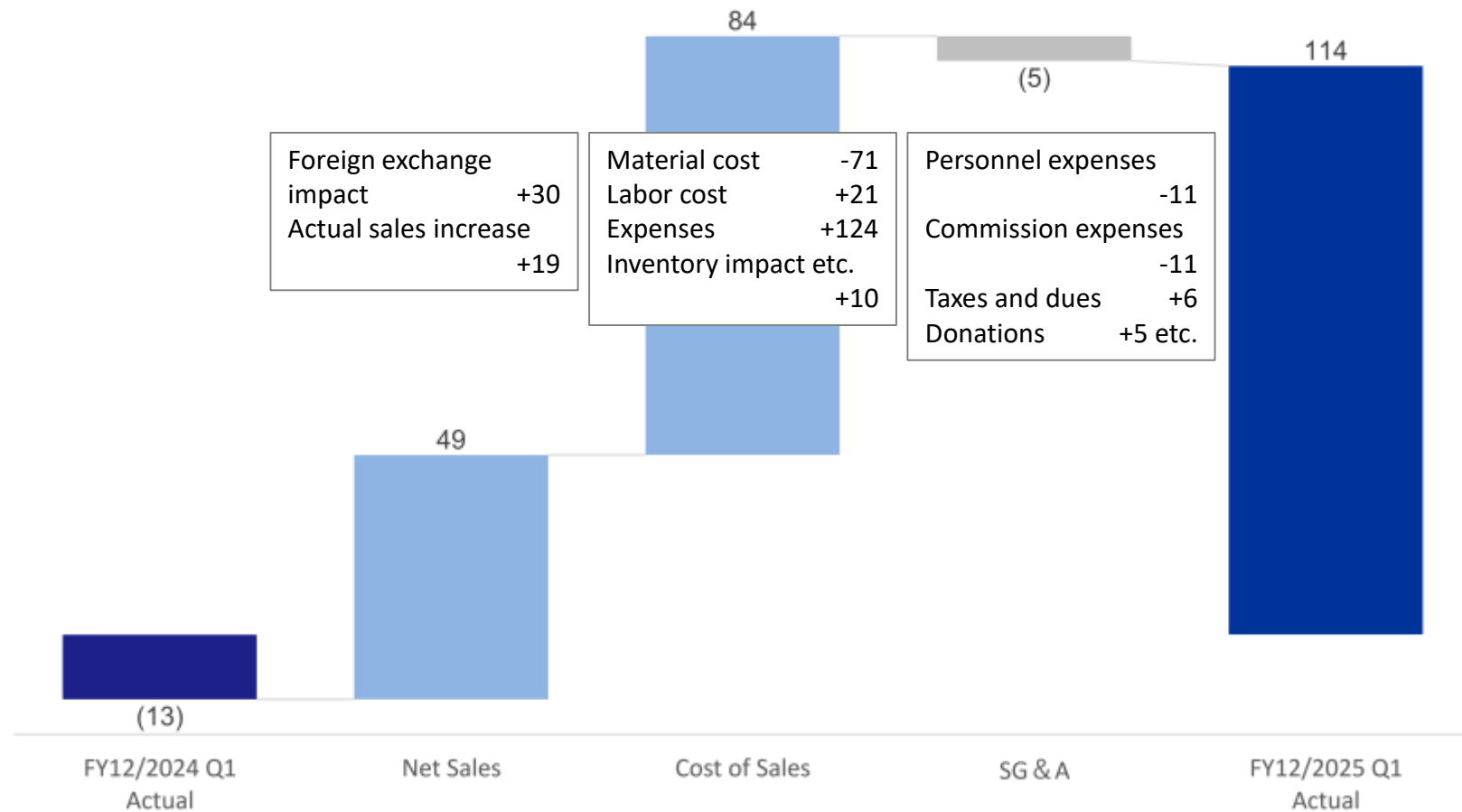
2. Business Environment surrounding the Company

	FY12/2025 Forecast (Comments as of February)	Status for Q1 FY12/2025	Forecast for Q2 FY12/2025 Onward
(1) Production	<ul style="list-style-type: none"> ● Further expand Dongguan and improve profitability (annual production ratio in 2025: Dongguan 50%, Suzhou 30%, Malaysia 20%). ● Continue to improve yield and operation rate, and reduce changeover losses. 	<ul style="list-style-type: none"> ➤ Continued expansion of production capacity in Dongguan factory. ➤ KPIs related to production efficiency improved at three overseas factories, and marginal profit ratio improved and fixed costs were reduced more than expected. 	<ul style="list-style-type: none"> ➤ Continue to expand Dongguan factory and increase its production ratio to 50% by the end of the fiscal year. ➤ By utilizing ROIC indicators to further accelerate improvements in profitability.
(2) Sales	<ul style="list-style-type: none"> ● 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. 	<ul style="list-style-type: none"> ➤ Sales of the new product "Burr-free" did not reach the target, but evaluations by Japanese customers progressed. ➤ Sales of other high value-added products also increased for high-performance capacitors such as hybrid capacitors and EDLCs. 	<ul style="list-style-type: none"> ➤ Establish a new project to strengthen overseas sales structure and strengthen support systems in China and other overseas countries. ➤ Continue to focus on sales of burr-free products and other high-performance lead terminals that contribute to reducing leakage current and low resistance.
(3) Technology	<ul style="list-style-type: none"> ● Development base transfer to headquarters for mass production prototypes. ● Develop lead terminals with reduced leakage current. <p>(Laser welding machine currently under development)</p> 	<ul style="list-style-type: none"> ➤ The development center for laser welding technology has been transferred from ARIEL Photonics Assembly Limited to the head office, and strengthened development schedule management for mass production. 	<ul style="list-style-type: none"> ➤ Scheduled to start shipping samples of lead terminals for EDLCs by the end of 2025.

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

Although sales recovery was small, profits improved.

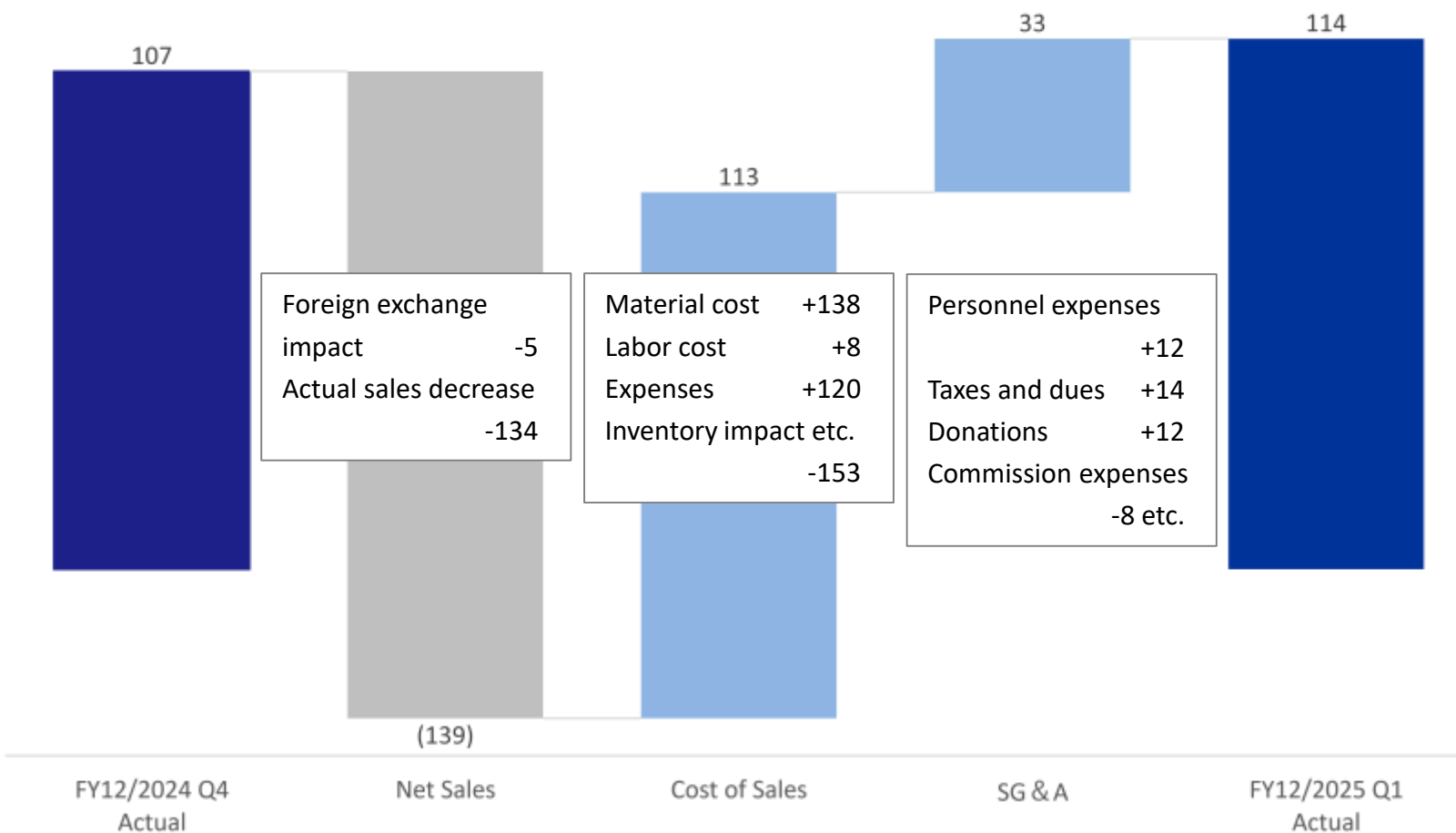
(Millions of yen)



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

Although sales decreased, operating profit increased slightly due to reductions in fixed and variable costs.

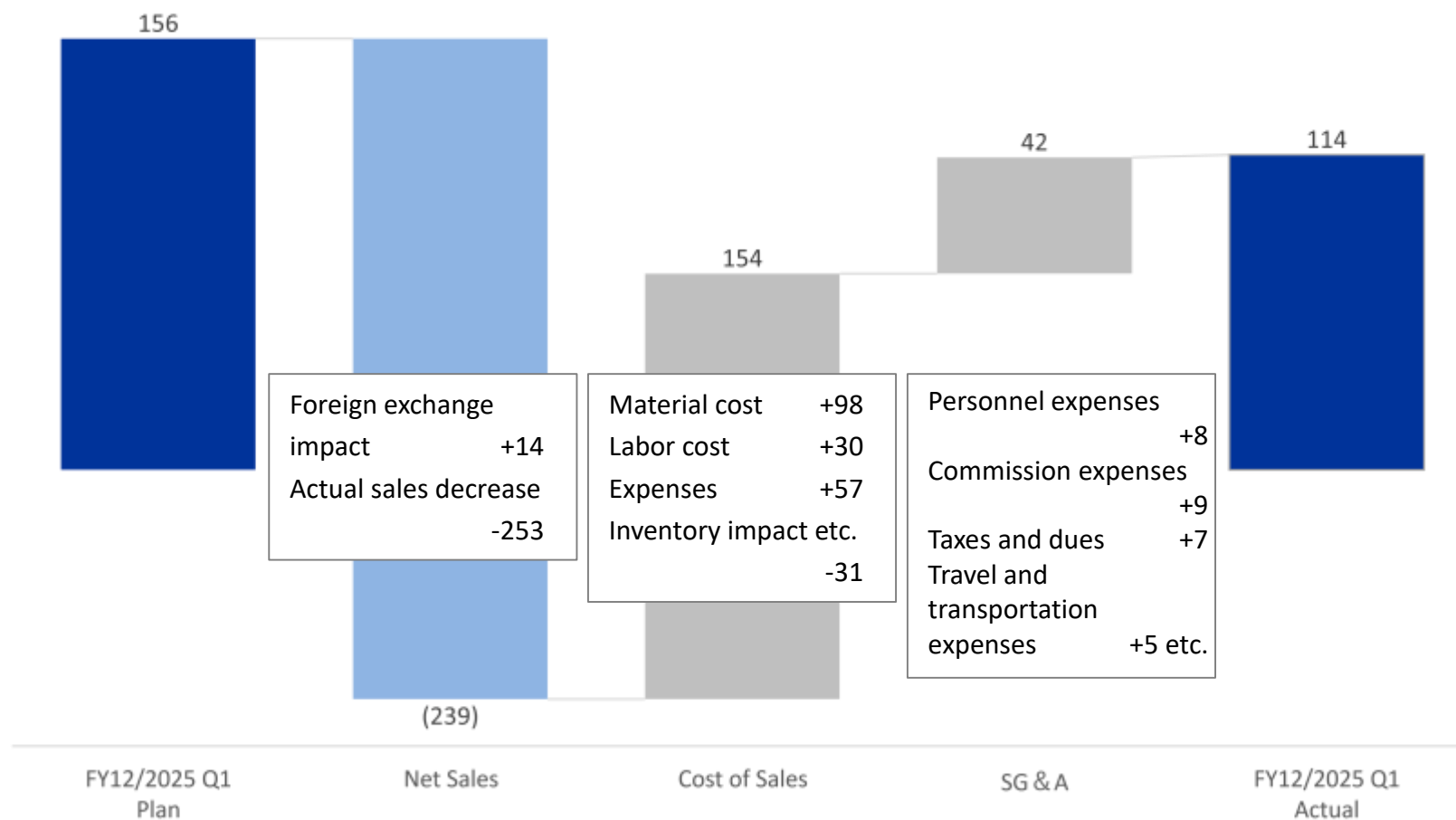
(Millions of yen)



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

Although sales fell short of the plan, the decline in profits was reduced due to cost reductions such as improved yields.

(Millions of yen)



Forecast for FY12/2025 - Lead Terminals

Sales and profits are expected to recover from Q2 onward due to market recovery and improvements in production efficiency and product mix.

(Millions of yen)

	FY12/2024	FY12/2025 (full-year)				YoY change	YoY change (%)
	Actual	Q1 (Jan-Mar) Actual	First half forecast	Second half forecast	Full-year forecast		
Net sales	8,403	1,978	4,498	4,799	9,298	+894	+10.6%
Operating profit	403	114	326	420	746	+343	+85.1%
<i>Operating margin ratio</i>	4.8%	5.8%	7.2%	8.8%	8.0%	+3.2pt	—

Status for Q1 FY12/2025 and Current Forecast

- Progress in Q1 FY2025 was below initial forecast.
- While the European automotive market remains sluggish, sales for generated AI and data centers are strong.
- The market adjustment bottomed out in Q1, a recovery is expected from Q2 onwards. Combined with the effect of improving production efficiency, the performance is expected to improve.

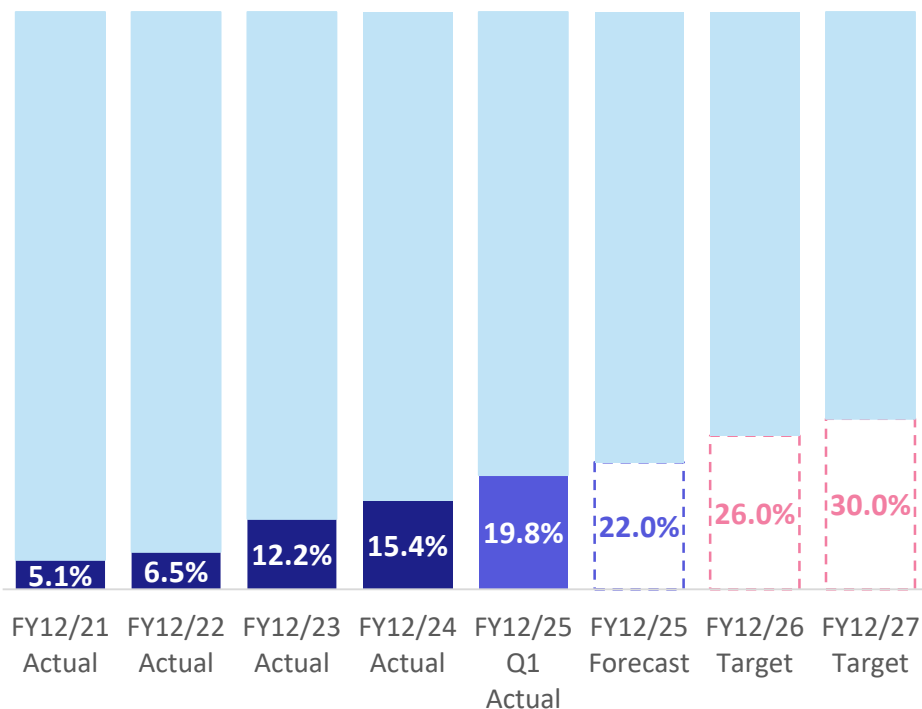
Expansion of Business Scale Through Market Development

Improve sales ratio of high value-added products and strengthen sales to the automotive market.

Sales Ratio of High Value-Added Products

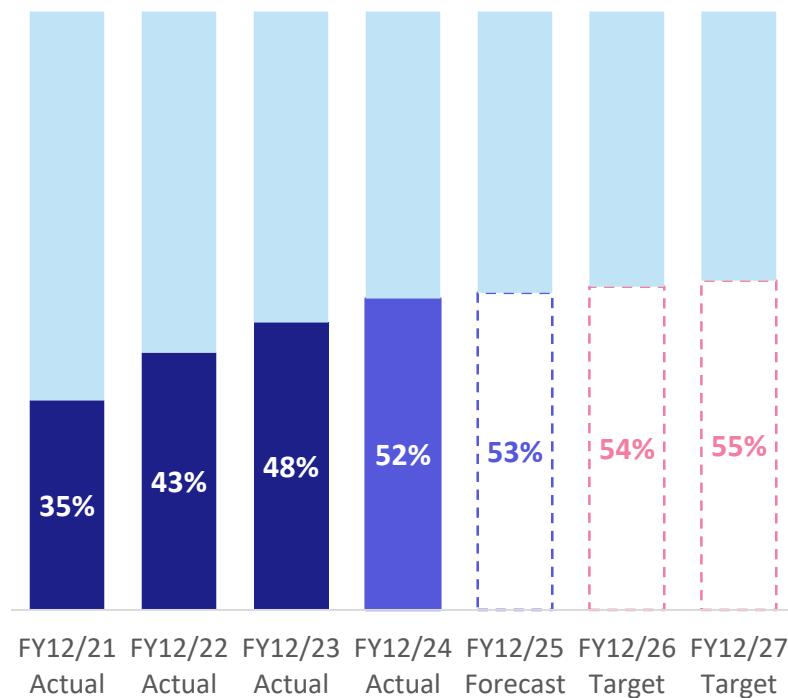


- High value-added product sales ratio gradually increasing
- Burr-free product is being evaluated for hybrid capacitors
- Strengthen lineup for EDLCs, including for lithium-ion capacitors



Ratio of Sales to the Automotive Market (Estimated)

- Maintain global market share of 95% for the automotive market
- Sales expansion in overseas automotive market

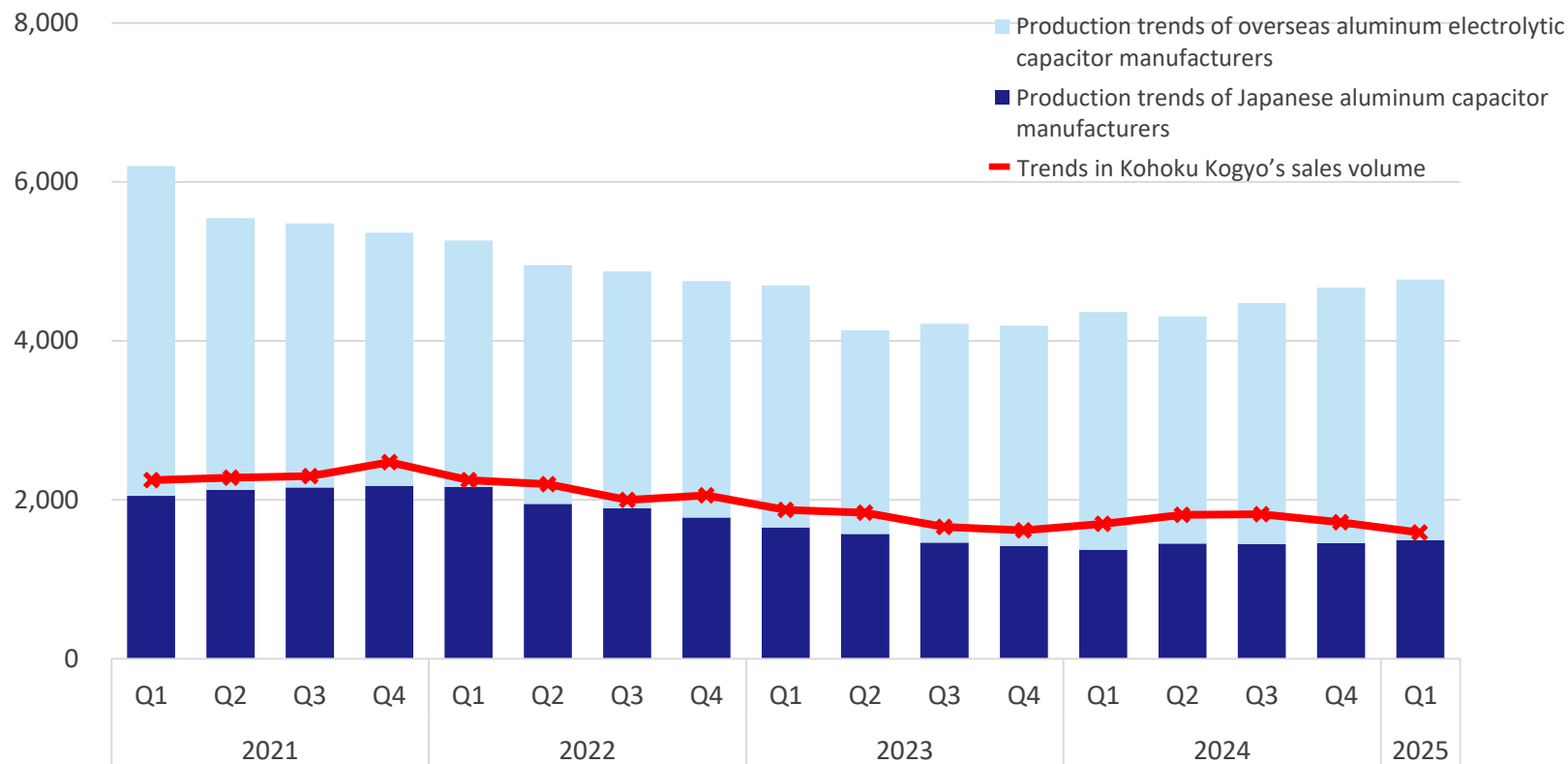


Business Environment in FY12/2025 (1Q)

The adjustments in global aluminum electrolytic capacitor production have ended, and entered the recovery trend.

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

(Million pieces)



*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)

Results by Segment (Q1) – Optical Components and Devices

Sales increased 6.5% year on year, but progress fell short of initial plan due to short-term adjustment.

	< YoY >				< QoQ >				(Millions of yen)
	FY12/2024 Q1 (Jan–Mar)	FY12/2025 Q1 (Jan–Mar)	YoY change	YoY change (%)	FY12/2024 Q4 (Oct–Dec)	FY12/2025 Q1 (Jan–Mar)	QoQ change	QoQ change (%)	
Net sales	1,484	1,580	+95	+6.5%	1,668	1,580	-87	-5.2%	
Operating profit	649	555	-93	-14.4%	658	555	-102	-15.5%	
Operating margin ratio	43.7%	35.2%	-8.5pt	—	39.5%	35.2%	-4.3pt	—	

Overview of Q1 FY12/2025

● Industry and Market Trends

- The submarine cable market saw short-term adjustments, such as schedule changes for some projects and inventory adjustments for conventional products in response to a switch to smaller products.
- Optical components market remains strong due to booming investment in generative AI and data centers.

● Changes in the External Environment and their Handling

- Sales of optical components and devices for submarine cables are expected to increase from Q2 onwards.
- As demand for faraday rotators is increasing, strengthen supply system by increasing production capacity.
- Promote the development of hybrid and module products to meet the expanding needs of information and telecommunications.

Comparison between Assumption at Beginning of the FY 2025 and Now

- Optical Components and Devices

1. Market environment and order trends

	F12/2025 Forecast (Comments as of February)	Status for Q1 FY12/2025	Forecast for Q2 FY12/2025 Onward
(1)Market trends	<ul style="list-style-type: none"> ➤ Strong sales of isolators and filters for submarine cables are expected to continue. ➤ Submarine cable projects expected to grow as data centers grow. ➤ Supply and demand for optical components for data centers is expected to remain tight. 	<ul style="list-style-type: none"> ➤ Investment in submarine cable projects remains strong. ➤ Sales fell short of plan due to a rebound from excessive orders from some customers. ➤ Demand for optical components for data centers remains strong. 	<ul style="list-style-type: none"> ➤ Temporary adjustments are expected to be over, and sales are expected to recover from Q2 onwards. ➤ Inquiries for submarine cable products for new submarine cable projects towards 2026 is increasing. ➤ Demand for optical components for data centers is expected to remain strong.

2. Business Environment surrounding the Company

	F12/2025 Forecast (Comments as of February)	Status for Q1 FY12/2025	Forecast for Q2 FY12/2025 Onward
(1) Product development	<ul style="list-style-type: none"> ● Evaluation of hybrid and module products is planned to proceed, mass production is scheduled to start in 2026. ● Sales ratio of small isolators is expected to increase, and their adoption is expected to expand with the trend toward multiple fiber cable. ● Development of high-speed optical switches using PLZT is planned to proceed. 	<ul style="list-style-type: none"> ➤ Progressing development of hybrid and module products, and responding to customer evaluations and feedback. ➤ Renewed PLZT-related prototype equipment. 	<ul style="list-style-type: none"> ➤ Continue to develop toward mass production in 2026, and improve detailed specifications in line with customer requests. ➤ The switch to small isolators, which was scheduled for mid-year, has been delayed slightly, and sales of the conventional product will continue in parallel for the time being.
(2) Productivity, etc.	<ul style="list-style-type: none"> ● The second semi-automatic equipment will be launched in May, and its 80% will be automated by the end of the fiscal year. ● Increase production capacity and sales of optical components for data center. ● Sales of high-purity silica glass (SSG®) products is expected to increase. 	<ul style="list-style-type: none"> ➤ The size of the substrate in the front-end process for optical components for data centers has been increased. ➤ Begun a major expansion of production capacity for high-purity silica glass products. 	<ul style="list-style-type: none"> ➤ Launch of the second semi-automatic equipment is scheduled in Q2. ➤ Increase production capacity of optical components for data centers. Sales are expected to increase. ➤ Exhibit at the Photonix Exhibition in May (plan). Continue to expand sales of high-purity silica glass (SSG®) products.

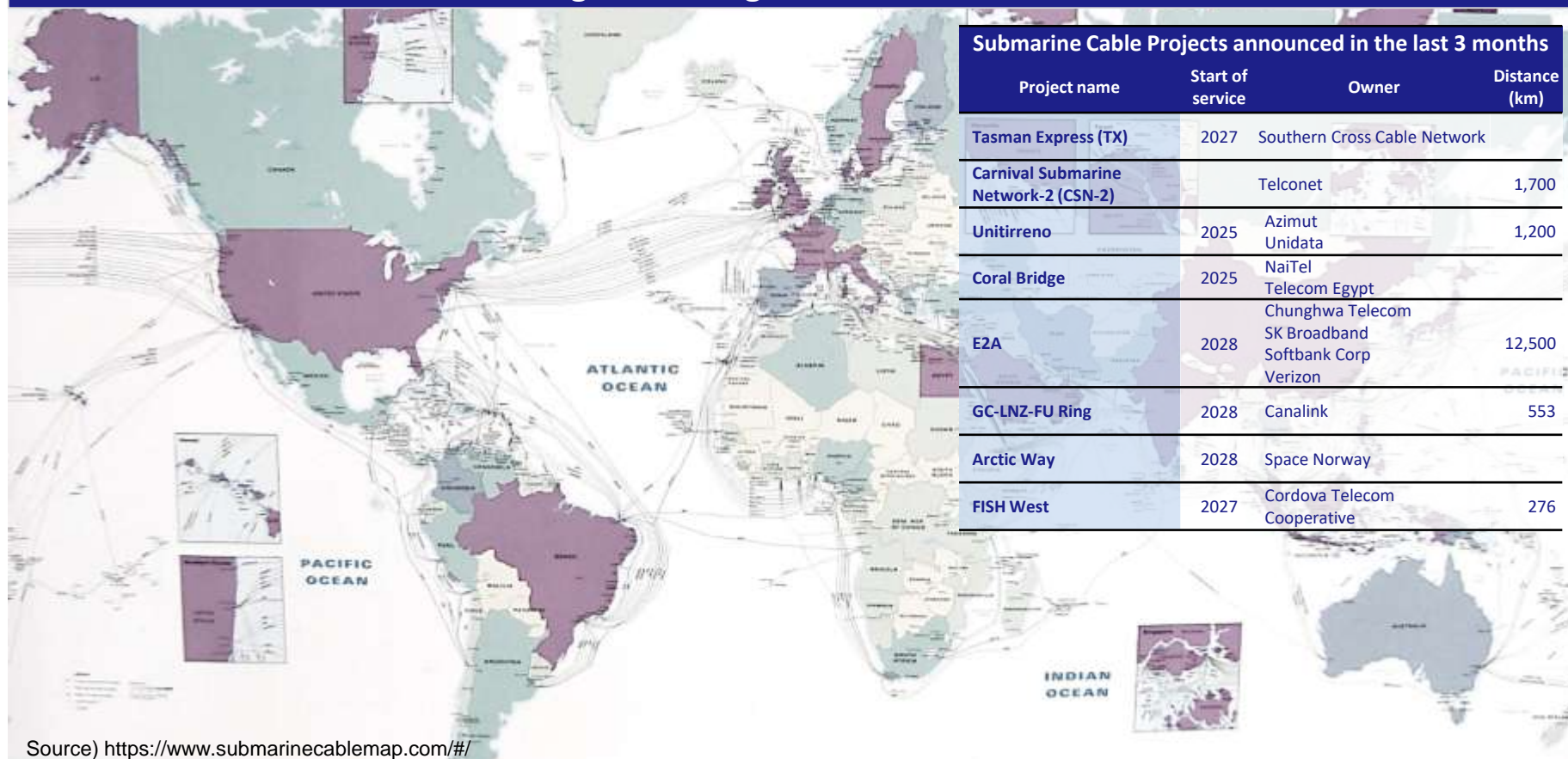
New submarine cable networks continue to be laid

In addition to telecommunications carriers and GAFAM, new projects from data centers continue to increase.

* Lines in the map are undersea cables

Overall diagram of long – distance submarine cable

As of April, 2025



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

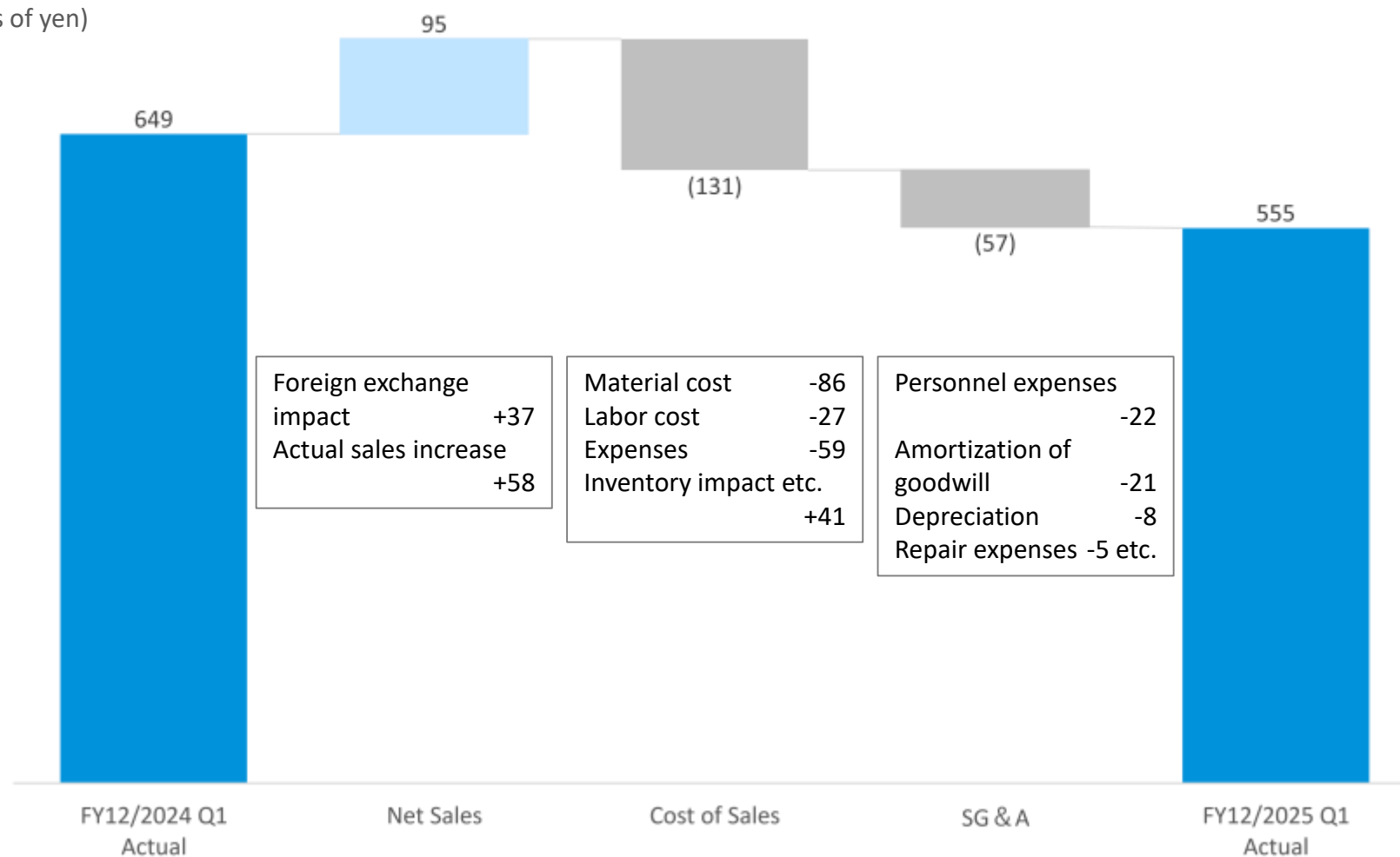
* Source) TeleGeography “Submarine Cable Map”

* Project updates are extrapolated from announced data.

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

Sales increased, but profits decreased slightly due to changes in product mix and the impact of production in preparation for Q2 onwards.

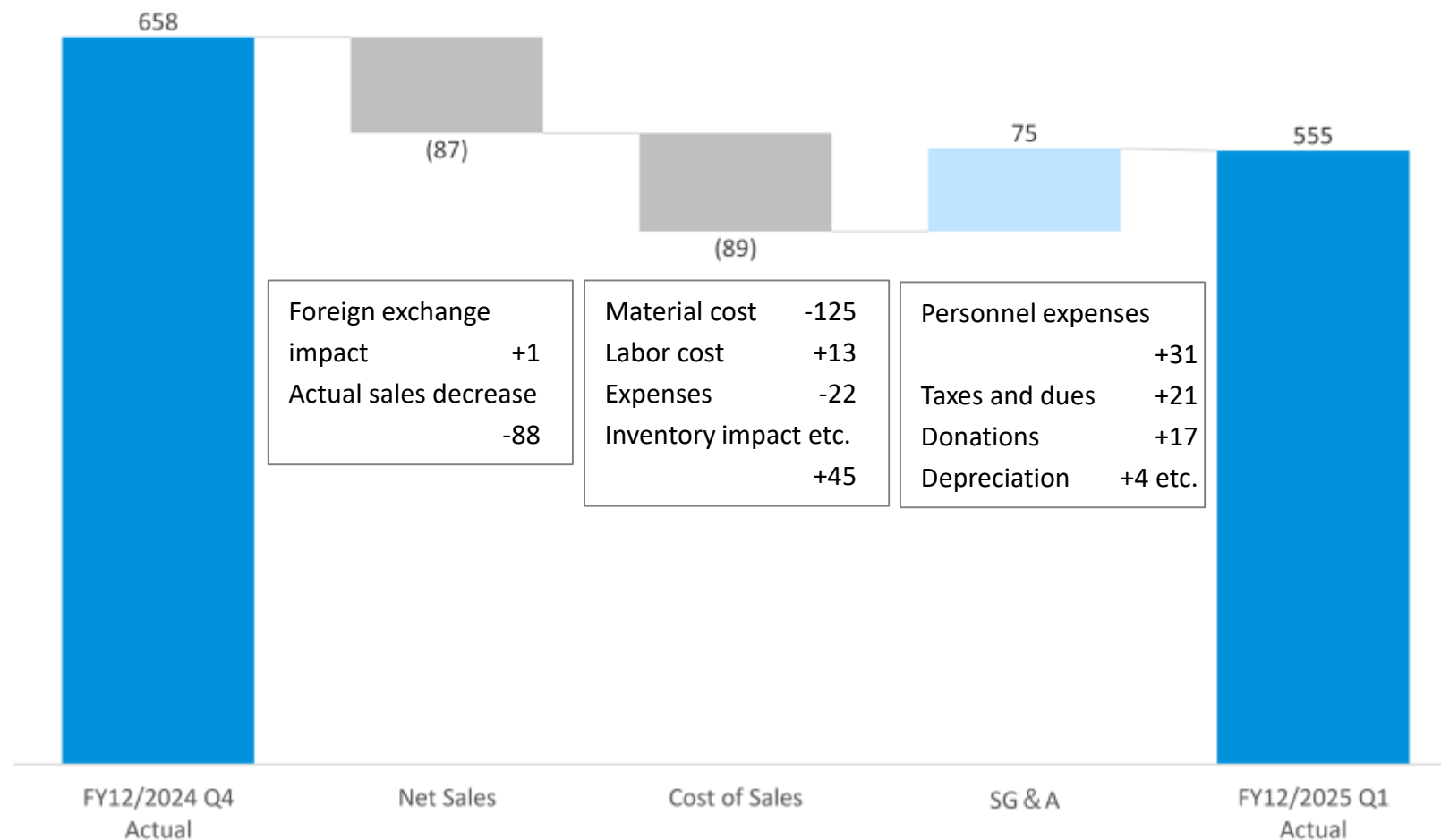
(Millions of yen)



Factors of Increase/Decrease in Operating profit by Segment for Q1 (QoQ) - Optical Components and Devices

Profits fell slightly due to a decrease in sales and an increase in material costs caused by production in preparation for an increase in orders from Q2 onwards.

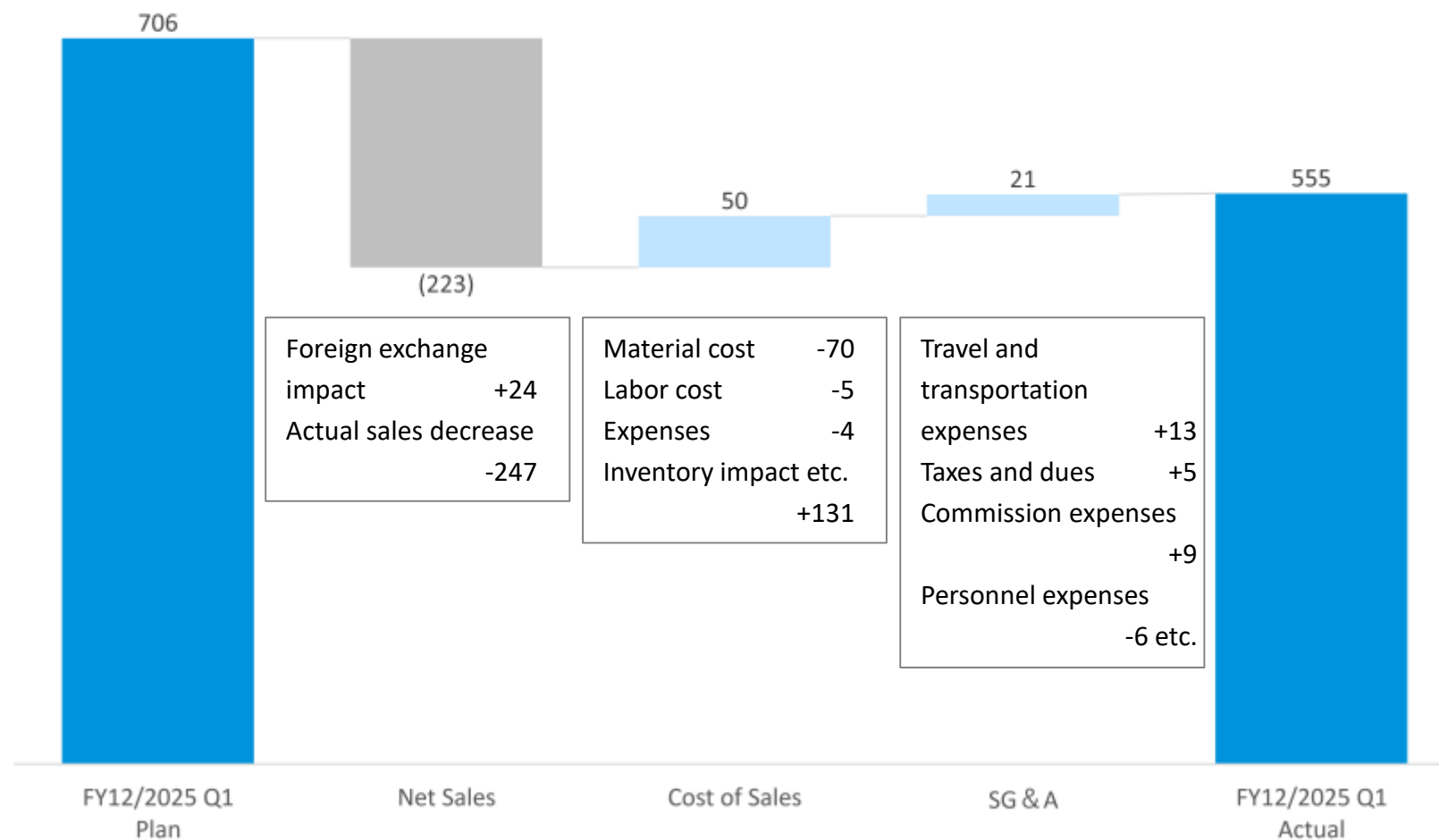
(Millions of yen)



Factors of Increase/Decrease in Operating profit by Segment for Q1 (vs. Plan) - Optical Components and Devices

Profit also fell short of plan as sales declined.

(Millions of yen)



Forecast for FY12/2025

– Optical Components and Devices

Results for Q1 fell short of initial plan, recovery expected from 2Q onwards.

(Millions of yen)

	FY12/2024	FY12/2025 (full-year)				YoY change	YoY change (%)
	Actual	Q1 (Jan-Mar) Actual	First half forecast	Second half forecast	Full-year forecast		
Net sales	7,520	1,580	3,846	4,775	8,621	+1,100	+14.6%
Operating profit	3,536	555	1,594	2,245	3,839	+303	+8.6%
Operating margin ratio	47.0%	35.2%	41.5%	47.0%	44.5%	-2.5pt	—

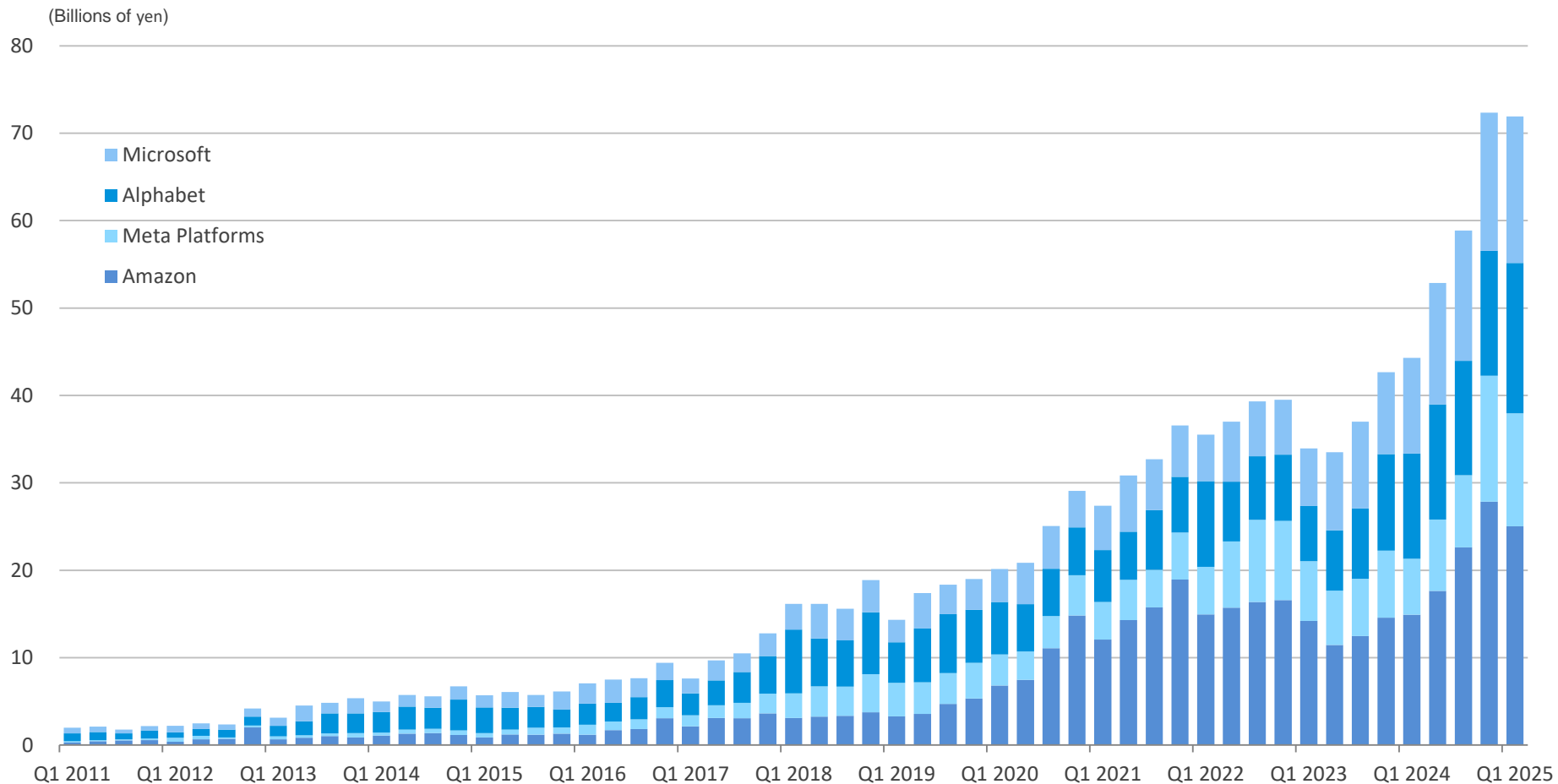
Status for Q1 FY12/2025 and Current Forecast

- Results for Q1 fell short of initial plans, but sales are expected to recover from Q2 onwards.
- Investment in submarine cable projects remains strong.
- As sales of faraday rotators are expected to grow, continue to increase production capacity.

Business Environment until Q1 FY12/2025

Capital expenditures by U.S. cloud providers remain robust.

Capital Expenditures by Cloud Providers



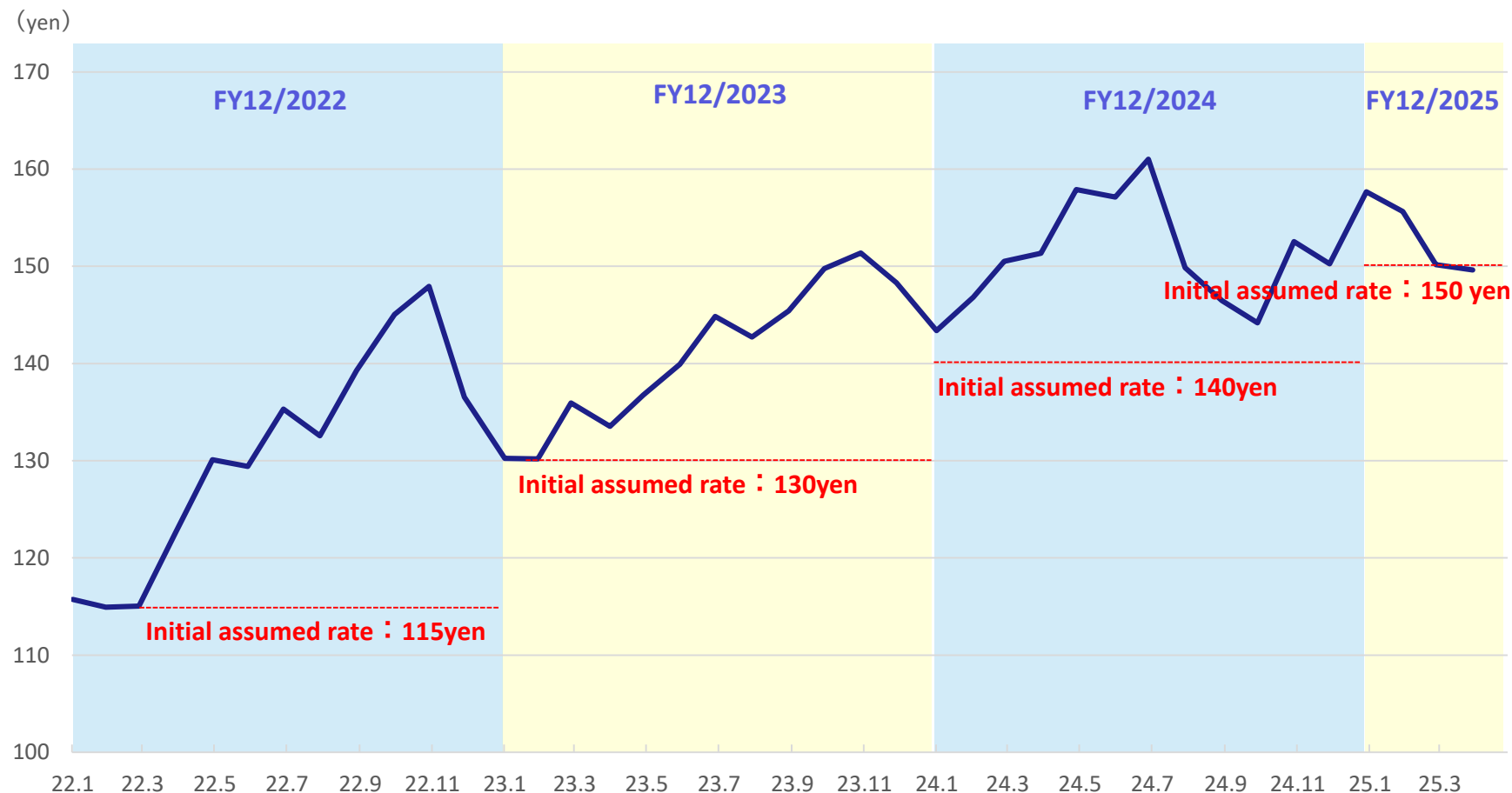
(Source: Company data)

III. Reference Information

Business Environment for Q1 FY12/2025

The average exchange rate for the period from January to March was 152.56 yen/USD, a trend of yen appreciation from 158.17 yen/USD at the end of the previous period.

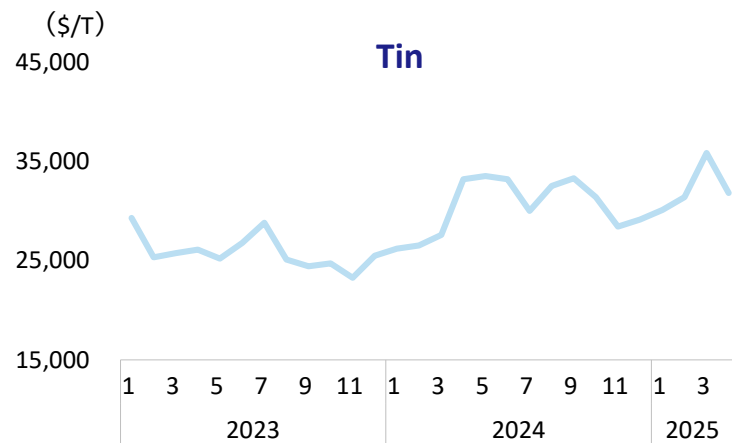
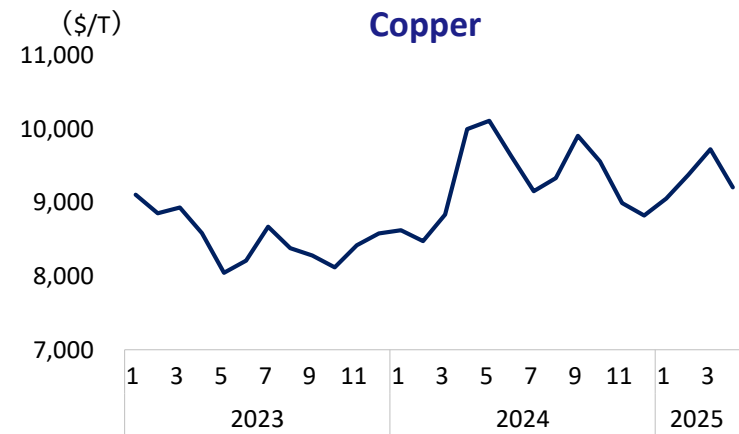
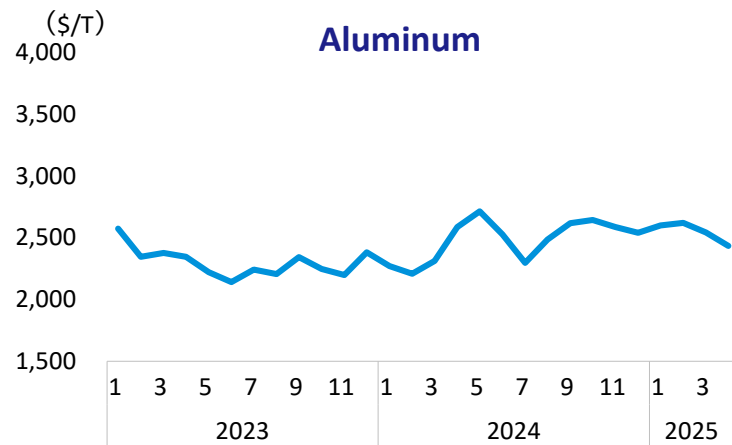
USD/JPY trend graph



External Environment –Non-Ferrous Metals Market Trends

There was no significant change in the market price of non-ferrous metals, but it may be affected by future exchange rate trends and global inflation.

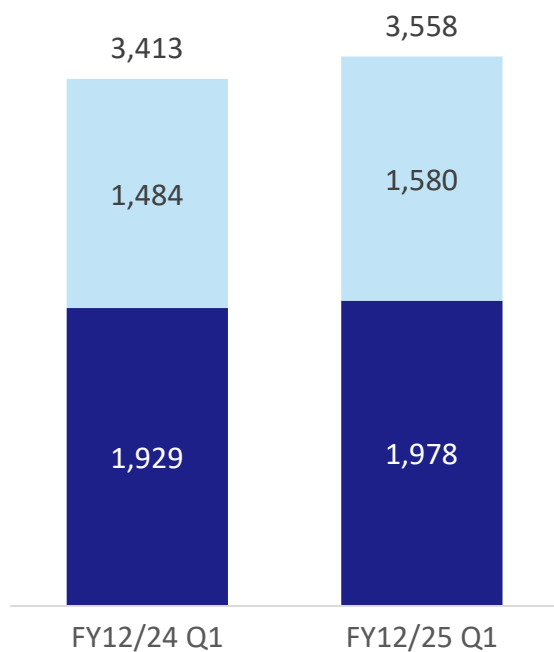
Non-Ferrous Metals Market (LME)



Results by Segment and Ratio of Domestic and Overseas Sales (Q1)

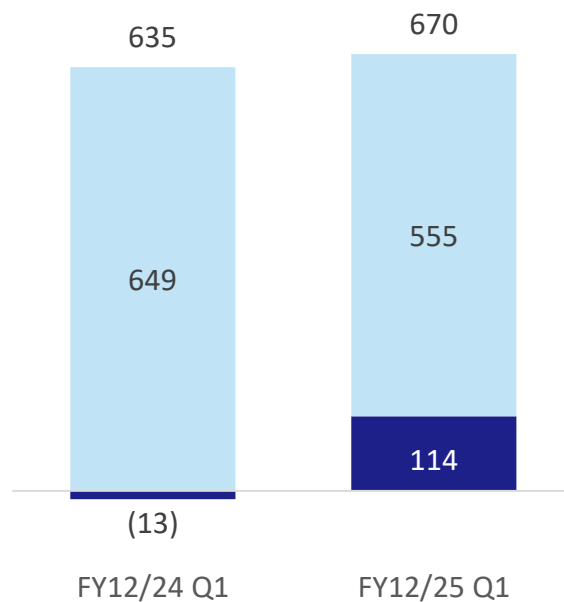
Net Sales (Millions of yen)

Optical Components and Devices
Lead Terminals Business



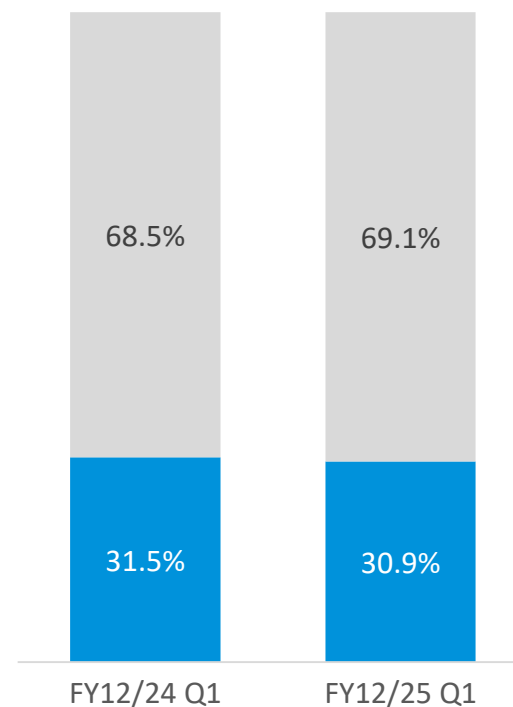
Operating profit (Millions of yen, %)

Optical Components and Devices
Lead Terminals Business



Domestic and overseas sales ratio

Overseas Sales
Domestic Sales



**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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