Translation

Notice: This document has been translated from the Japanese original for reference purposes. In the event of any discrepancy between this translated document and the Japanese original, the latter shall prevail.

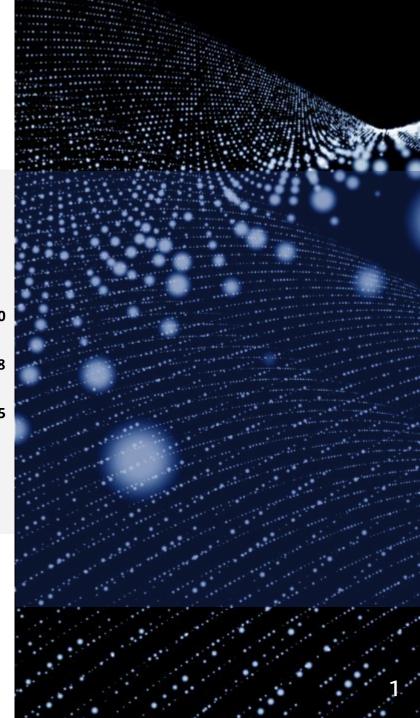




Kohoku Kogyo Co., Ltd. November 6, 2025

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Highlights of the First Nine Months of FY12/2025

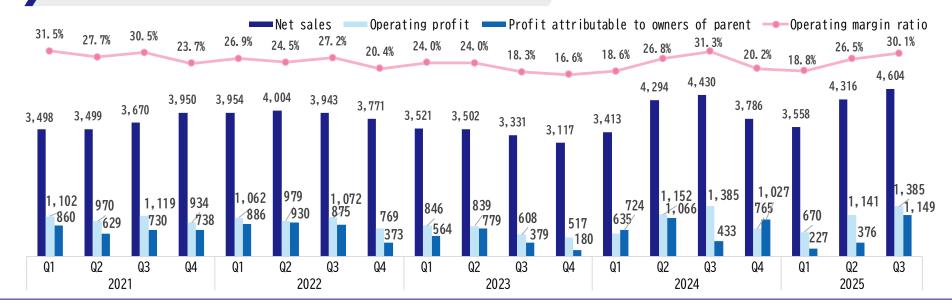
< Performance Summary >

- First Nine Months performance showed a year-on-year increase in sales +2.8% (342 million yen) and operating income of +0.8% (23 million yen). The steady performance will continue in Q3 onward as well.
- The sales in Q1 was not so high, but both main businesses have been on an improving trend after Q2. The profit improvements in lead terminals continued while the market recovery trend was gradual. Sales of optical components and devices continued to increase.
- Due to foreign exchange losses, etc., net profit decreased by 21.1% (469 million yen) compared to the same period last year.

< Business Environment >

- The submarine cable market experienced some adjustments in the first quarter due to individual factors, but subsequently recovered, strong demand for cable projects continued to drive solid orders.
- In the information and communications infrastructure market, the generative AI and data center markets are performing well, which is having a positive impact on both businesses.
- Due to the difficult conditions in the consumer electronics market and stagnation in the automotive-related market, the aluminum electrolytic capacitor market is on a recovery trend but only saw a slight increase.

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



Income Statement (First Nine Months) Summary

Main business secured increased revenue and profits.

Ordinary income and net income decreased due to the impact of foreign exchange losses (negative 413 million yen).

	<yoy></yoy>	/oY>			<QoQ $>$		(Million yen)		
	FY12/2024		FY12/2025				FY12/2025		
	Q3 Cumulative (Jan-Sep)	Q3 Cumulative (Jan–Sep)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	QoQ change	QoQ change (%)
Net sales	12,137	12,480	+342	+2.8%	3,558	4,316	4,604	+288	+6.7%
Lead Terminals Business	6,285	6,359	+74	+1.2%	1,978	2,171	2,209	+38	+1.8%
Optical Components and Devices Business	5,852	6,120	+267	+4.6%	1,580	2,144	2,395	+250	+11.7%
Gross profit	5,281	5,370	+88	+1.7%	1,398	1,854	2,116	+262	+14.1%
Selling, general and administrative expenses	2,107	2,171	+64	+3.1%	728	712	731	+18	+2.6%
Operating profit	3,174	3,198	+23	+0.8%	670	1,141	1,385	+243	+21.4%
Operating margin ratio	26.2%	25.6%	△0.5pt		18.8%	26.5%	30.1%	+3.6pt	_
Lead Terminals Business	296	555	+259	+87.5%	114	228	212	-15	-6.7%
Optical Components and Devices Business	2,878	2,642	-235	-8.2%	555	913	1,172	+259	+28.4%
Ordinary profit	3,326	2,827	-499	-15.0%	301	996	1,529	+533	+53.5%
Profit attributable to owners of parent	2,224	1,754	-469	-21.1%	227	376	1,149	+772	+205.1%
Exchange rate (average for the period)	151.45yen/\$	148.09yen/\$			152.56yen/\$	144.60yen/\$	147.46yen/\$		

Factors of Increase/Decrease in Operating Profit (First Nine Months)

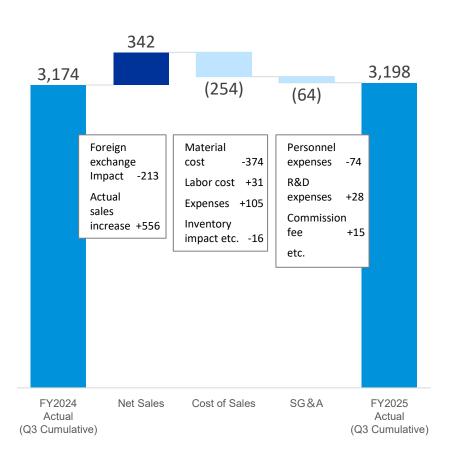
Year-on-year comparison (Million yen)

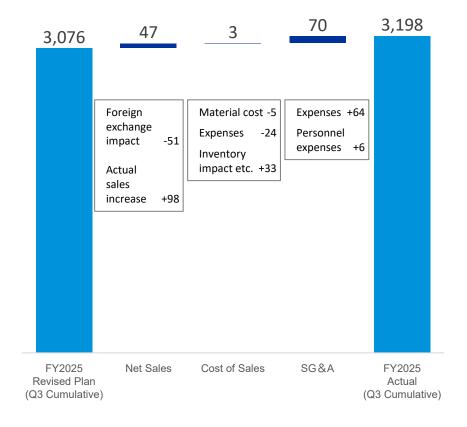
Compared to the plan

(Million yen)

Increased sales offset cost increases, resulting in a slight profit increase.

Overall, operating profit was generally as planned.





Summary of Balance Sheet (Q3)

(Million Yen)

Balance Sheet	End of FY12/2024	End of Q3 FY12/2025	Increase /decrease	Major changes
Current assets	18,331	15,315	(3,015)	Cash and deposits -2,056, Notes and accounts receivable - trade, and contract assets +721, Securities -1,400, etc.
Non-current assets	10,353	10,449	+96	Investment securities +813, Machinery, equipment and vehicles, net -239, Leased assets, net -205, Goodwill -291, etc.
Total assets	28,684	25,765	(2,919)	
Current liabilities	2,945	1,942	(1,003)	Income taxes payable -975 , Current portion of long-term borrowings -208, etc.
Non-current liabilities	2,309	2,150	(158)	Leased obligation -159, etc.
Total liabilities	5,254	4,092	(1,161)	
Total net assets	23,430	21,672	(1,757)	Capital surplus -2,261, Retained earnings +945, Foreign currency translation adjustment -288, Treasury shares -211, etc.
Total liabilities and net assets	28,684	25,765	(2,919)	



Financial Forecast for FY12/2025

Sales will continue to recover and profit improvements also will continue. Sales and operating income are expected to reach record highs.

					(
< Exchange Rate Sensitivity>	FY12/2024	FY12/2025 (plan)					
Net Sales 80 million yen/1 yen Operating profit 30 million yen/1 yen	Actual	Initial Forecast	Revised Full-year forecast (August)	YoY change	YoY change (%)		
Net sales	15,924	17,919	17,360	+1,436	+9.0%		
Lead Terminals Business	8,403	9,298	8,822	+419	+5.0%		
Optical Components and Devices Business	7,520	8,621	8,537	+1,016	+13.5%		
Operating profit	3,939	4,586	4,644	+704	+17.9%		
Operating margin ratio	24.7%	25.6%	26.8%	+2.0pt	-		
Lead Terminals Business	403	746	878	+475	+117.8%		
Optical Components and Devices Business	3,536	3,839	3,765	+228	+6.5%		
Ordinary profit	4,856	4,474	4,216	-640	-13.2%		
Profit attributable to owners of parent	3,252	3,006	2,538	-714	-22.0%		
Net income per share (yen)	120.50	115.30	97.31				
Exchange rate (average for the period)	151.69yen/\$	150.00yen/\$	150.00yen/\$				

 $[\]times$ <Exchange rate sensitivity> is an estimated value if a fluctuation of 1 yen against 1 US dollar continues for one year.

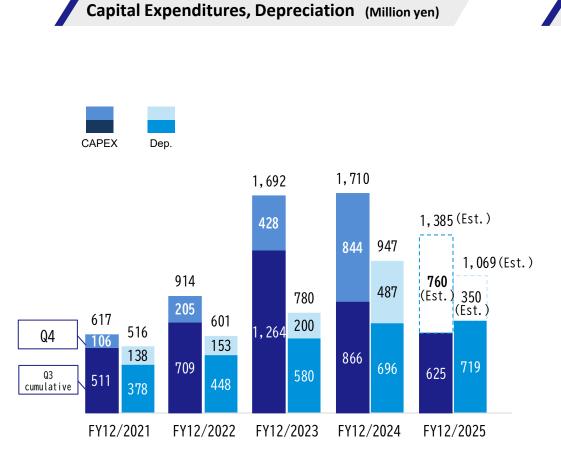
[•] For the optical components and devices business, orders for submarine cables will continuously increase, and sales of Faraday rotators will also continuously increase by expanding the production capacity.



[•] For the lead terminals business, sales will continue to be a moderate recovery.

Capital Expenditures, Depreciation (First Nine Months)

Focusing investment on new products and technologies such as Faraday rotators.



Main investments

Optical Components and Devices Business

- Enhancement of optical device back-end process capabilities
- Enhancement of Faraday rotator capacity
- Automation investment in Sri Lanka

Lead Terminals Business

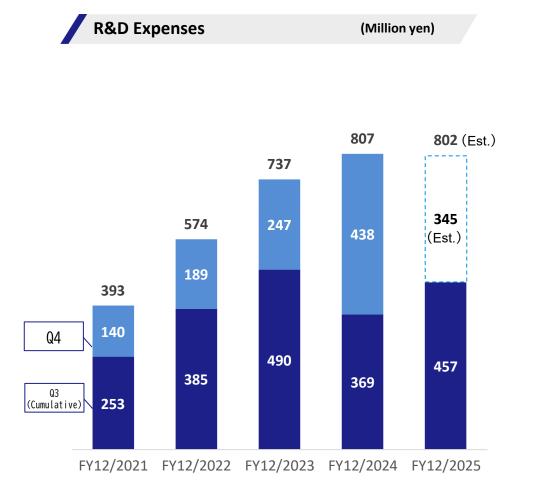
- Laser welding mass production trial
- Increasing production capacity for high valueadded products

Common Division

Information system-related

R&D Expenses (First Nine Months)

In addition to developing devices for submarine cables, focusing on developing future technologies such as satellite communications and next-generation optical devices.



Main R&D Activities

- Development and prototyping of optical modules for submarine cables.
- Development of next-generation Faraday rotators for generative AI and data centers.
- Development of various optical devices for low earth orbit (LEO) satellite communications.
- Development of high-power optical modules for use in space.
- Development of SSG® products and mass production technologies for semiconductor manufacturing equipment and other application.
- Development of laser welding technologies for next-generation high-reliability, highperformance lead terminals.



Results by Segment (First Nine Months) - Lead Terminals

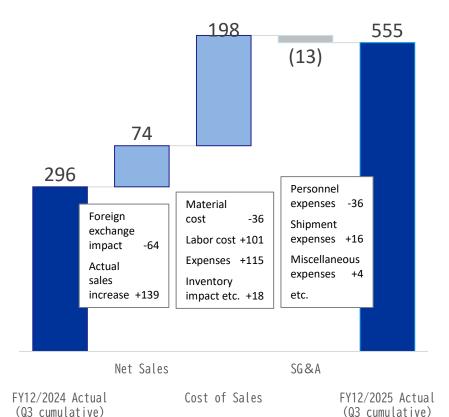
- The adjustment in the European automobile market since the second half of 2024 ended, and it has been on a recovery trend since spring, but the recovery remains weak.
- Profitability improved due to the restructuring of production systems and efforts to improve production efficiency since the year before last.

	< YoY >				< QoQ >			(Million yen)	
	FY12/2024		FY12/2025			FY12/2025				
	Q3 cumulative (Jan-Sep)	Q3 cumulative (Jan–Sep)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	QoQ change	QoQ change (%)	
Net sales	6,285	6,359	+74	+1.2%	1,978	2,171	2,209	+38	+1.8%	
Operating profit	296	555	+259	+87.5%	114	228	212	-15	-6.7%	
Operatin margin rat	4.7%	8.7%	+4.0pt	_	5.8%	10.5%	9.6%	-0.9pt	_	



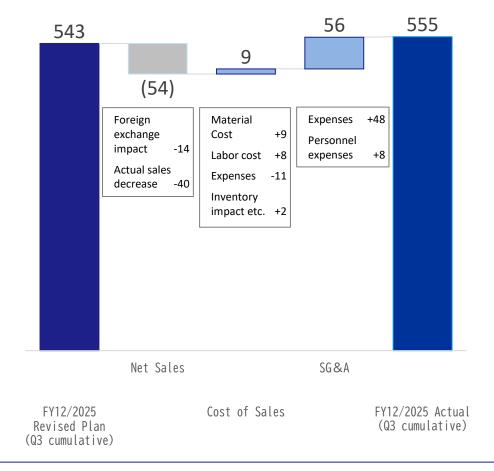
Factors of Increase/Decrease in Operating Profit (First Nine Months)

Year-on-year comparison (Million yen)
Sales recovery is slow, but profits have improved



Compared to the plan (Million yen)

Improved profitability outweighed the decline in sales due to improved yields, etc.



Outlook for Lead Terminals Business

Sales are expected to continue recovering, albeit slowly, generally on track, and proceeding as forecasted in August.

In terms of profits, cost reductions ahead of plan are continuing in the second half, resulting in profits exceeding the initial plan.

(Million yen)

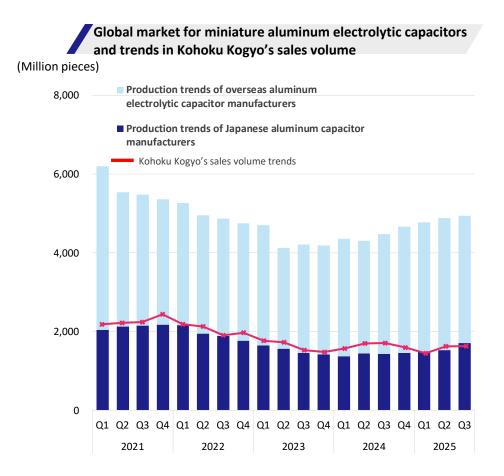
		FY12/2024	FY12/2025 (full-year)				
		Actual	Initial Forecast	Revised Full-year forecast (August)	YoY change	YoY change (%)	
Net sa	les	8,403	9,298	8,822	+419	+5.0%	
Opera	ting profit	403	746	878	+475	+117.8%	
	Operating margin ratio	4.8%	8.0%	10.0%	+5.2pt	_	

<Outlook for Q4 of FY12/2025>

- The generative AI and data center markets are strong. In line with the expansion of the lineup of high-performance aluminum electrolytic capacitors, we expect an increase in sales of high-value-added lead terminals.
- The automotive market, which is the main driver of our sales, is on a recovery trend, but the recovery will remain weak due to effects of U.S. trade policies, etc.
- Due to improvements in production efficiency, etc., profitability continues to improve in the second half of the year, aiming to achieve 10% of operating margin ratio.

Business environment for FY12/2025 (Q3)

The aluminum electrolytic capacitors market has been on a recovery trend, but the recovery remains weak.



Market trends and sales strategies

<Automotive-related market>

- The adjustment that occurred in the second half of 2024 has been completed, and the domestic market is showing signs of recovery, so the overall market is on a recovery trend. However, the pace of the market recovery is slow due to the stagnation in EV market and the intensified competition.
- The inquires for lead terminals for hybrid capacitors for the automotive market are globally increasing.

<Generative AI/Data Center market>

- The inquiries for high-performance lead terminals in response to Japanese capacitor manufacturers' new products development for generative AI and DC are increasing.
- Demand for lead terminals with emphasis on leakage current characteristics and low ESR is increasing.

<Consumer Electronics market>

- The market remains tough due to the economic stagnation in China.
- <Strengthening global sales structure>
- Strengthening cooperation between headquarters and overseas production bases, enhancing customer support and marketing for high value-added lead terminals 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)

The Company's Situation and Efforts to Improve Earnings

Business Environment

	F12/2025 forecast (Initial comments)	2nd half forecast as of August 2025	Current Status and Forecast for FY12/2025 Onward
(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. 	 Continued expansion of Dongguan factory, with production ratio expected to increase to 50% by the end of the fiscal year. Further production efficiency and OEE improvements to strengthen profitability. 	 Continue expansion of Dongguan factory, with production ratio of over 40% as of September, expected to reach 50% by the end of the fiscal year. Continue measures to improve profitability at each location, such as yield improvement.
(2) Sales	Strengthen customer support and marketing for overseas automotive markets.	Strengthening sales structures in China and other overseas markets.	Sales for Japanese customers' overseas locations and Asian customers are steadily growing.
	Strengthen sales of high- performance lead terminals that contribute to reducing leakage	Continuing to focus on sales of high- performance lead terminals that contribute to reducing leakage current and low resistance, such as	Strengthen overseas sales support and technical proposals, Inquires are continuously increasing.
	current and low resistance, such as burr-free product.	burr-less terminals.	Some adjustments made by some customers will end in Q4. The number of new adoption is increasing on track.
(3) Technology	New laser welding technology: Development base transferred to headquarters for mass production	Sample shipment target for EDLC lead terminals by the end of 2025.	Work on expanding the range of items in response to laser welding.
	prototypes.		Plan to start shipping samples to some customers at the end of 2025.
	Develop lead terminals with reduced leakage current.		



Initiatives to Improve ROIC Indicators in the Lead Terminals business (Progress)

Improvements	Improvement Themes/KPIs	Implementation details and results				
Cost of sales and SG&A expense reduction	 Increasing the sales ratio of new products (value-added products) Yield improvement, Productivity improvement 	 New product sales ratio: 15.4% → 19.9% Leakage current reduction, resistance reduction measure Burr-less product Improved yield and productivity (1) Defective rate: 50% reduction (halving) (2) OEE (Overall Equipment Effectiveness): 3 point improve (3) Manufacturing costs: reduced by 4 points 				
Improvement in working capital turnover ratio	Cash conversion cycle improvement	 Shortening of accounts receivable payment deadlines Japan: 120 days later ⇒ 60 days later Overseas (some regions): 90 days later ⇒ 60 days later Extension of purchase payables maturity Suppliers (some): 30 days later ⇒ 60 days later 	Plan to complete by the end of 2025			
Improvement in asset turnover ratio	Reduction of inventories	 Reduction of product and material inventory Product inventory: 1.3 months ⇒ 1.0 months Material inventory: 0.9 months ⇒ 0.6 months 				

Through ongoing efforts, we aim to exceed the operating profit margin target for 2027

Expansion of Business Scale Through Market Development

Although there are impacts on inventory adjustments for some customers, adoption of high-value-added products is progressing.

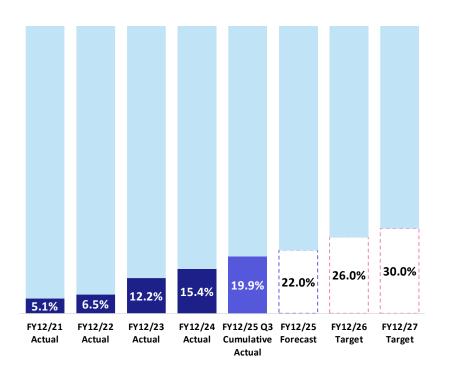
Sales ratio of high value-added products

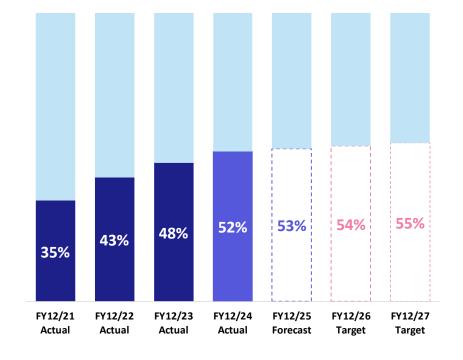


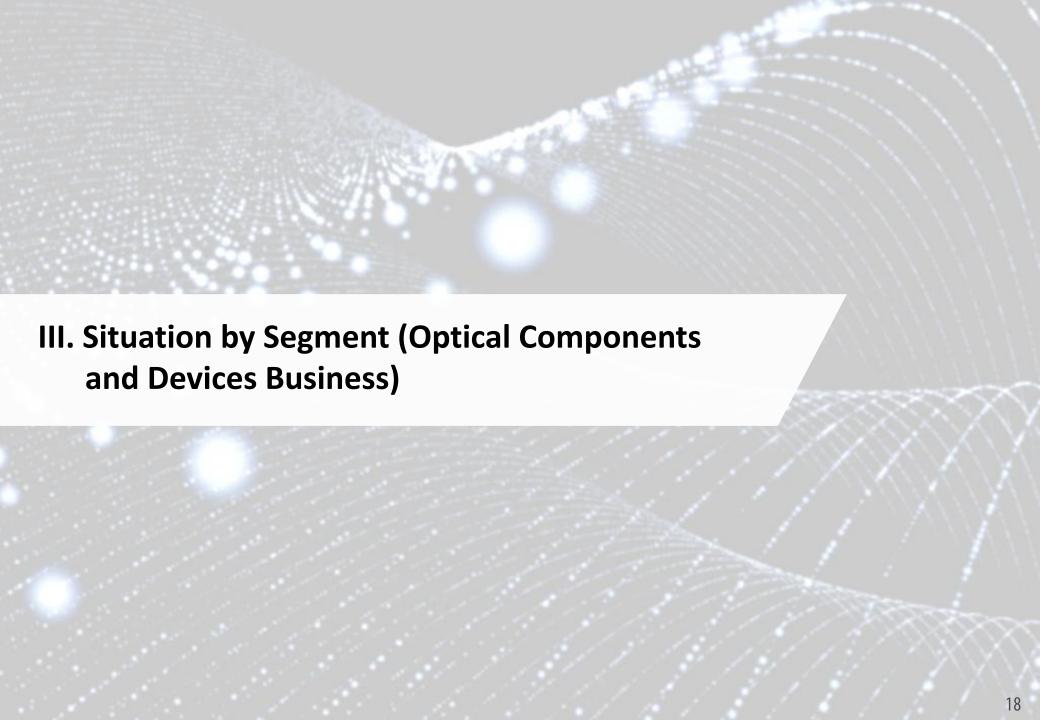
- Sales ratio is gradually increasing
- · Increased sales of Burr-less, EDLC, etc. items
- High-performance capacitor with enhanced leakage current countermeasures

Ratio of sales to the automotive market (estimated)

- · Maintaining a 95% global market share in the automotive market
- · Promoting expansion in the overseas automotive market





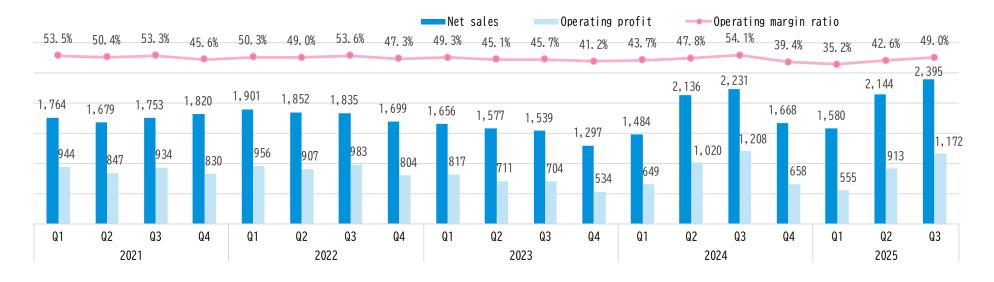


Results by Segment (First Nine Months) - Optical Components and Devices

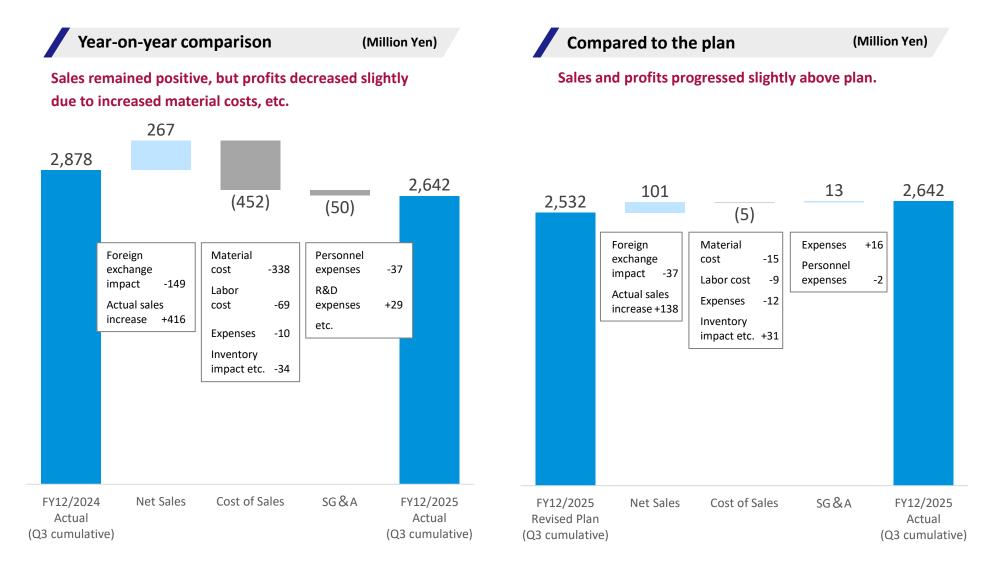
Sales increased year on year, but profits decreased due to changes in product mix and exchange rate fluctuations. The adjustments at the beginning of the fiscal year settled and sales have been on an upward trend since Q2. Sales in Q3 exceeded the forecast as of August.

		< YoY >				< QoQ >				(Million yen)
		FY12/2024		FY12/2025				FY12/2025		
		Q3 cumulative (Jan-Sep)	Q3 cumulative (Jan–Sep)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	Q3 (Jul-Sep)	QoQ change	QoQ change (%)
Net sales		5,852	6,120	+267	+4.6%	1,580	2,144	2,395	+250	+11.7%
Operating	g profit	2,878	2,642	-235	-8.2%	555	913	1,172	+259	+28.4%
•	erating gin ratio	49.2%	43.2%	-5.9pt	_	35.2%	42.6%	49.0%	+6.4pt	_





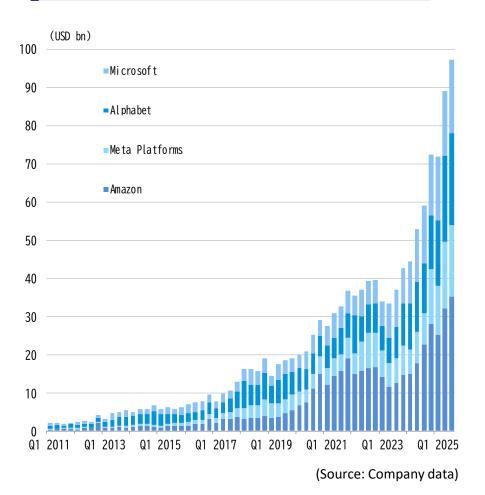
Factors of Increase/Decrease in Operating Profit (First Nine Months)



Business Environment for FY12/2025 (Q3)

Active investment continues due to expansion of generative AI and DC demand.

Capital Expenditures by Cloud Providers



Market Trends

- > Some unplanned orders were taken and investments in submarine cable projects remain strong.
- ➤ Order adjustments by certain customers in the first half of the year completed, and the situation has returned to normal. The recovery trend continues onward.
- ➤ Sales ratio of small optical isolators exceeds 50% in response to the increase in the number of Fiber Pairs.
- > Demand for optical components for data centers remains strong.
- ➤ New submarine cable projects will be continuously released after 2028.
- ➤ Demand for the new products in response to the increase in the number of Fiber Pairs, multi-core fibers and multiple wavelengths is expected to become apparent in 2027.

Outlook for Optical Components and Devices Business

As demand for data transmission capacity expands, some customers placed additional orders. Progress is proceeding smoothly compared to the forecast as of August.

(Million Yen)

	FY12/2024				
	Actual	Initial Forecast	Revised Full-year forecast (August)	YoY change	YoY change (%)
Net sales	7,520	8,621	8,537	+1,016	+13.5%
Operating profit	3,536	3,839	3,765	+228	+6.5%
Operating margin ratio	47.0%	44.5%	44.1%	-2.9pt	

<Outlook for Q4 of FY12/2025>

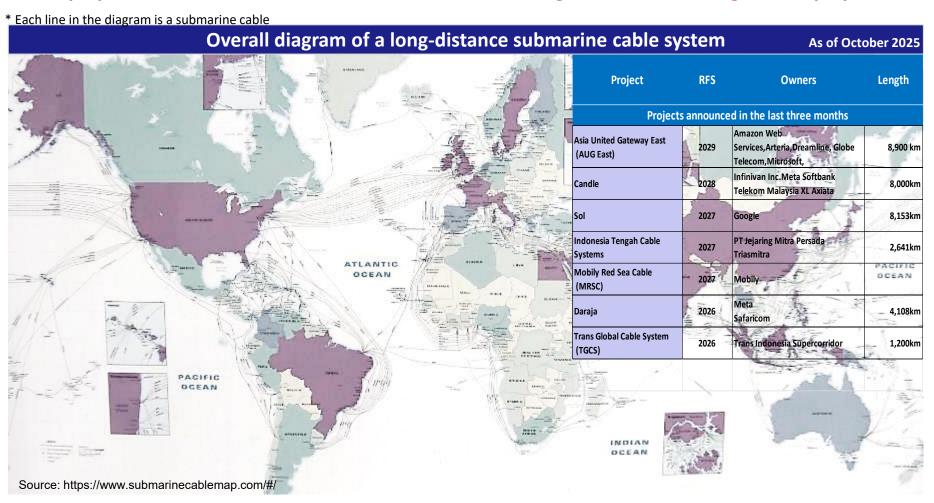
- The number of new submarine cable projects, their distance and communication capacity are on the rise, and sales in each region of Europe, the U.S. and Japan are strong.
- The shipment of samples for modularization and muti-core fibers in addition to miniaturization has increased.
 Preparation is progressing to aim for the sales expansion after 2027.
- The impact of rising prices of rare earth elements and other materials is expected to be minimal, and profits are expected to improve as sales increase.

The Company's Situation and Efforts to Improve Earnings

	F12/2025 forecast (Initial comments)		2nd half forecast as of August 2025		Current Status and Forecast for FY12/2025 Onward
(1) Product development	Evaluation of composite and module products is planned to proceed, mass production is scheduled to start in 2026.	>	Development and life testing are scheduled to be completed in the H2 of 2026. Full-scale sales are expected to begin in 2027.	>	Evaluations of design samples are ongoing. Samples for life testing have shipped for mass production in 2027.
	 Sales ratio of small isolators is expected to increase, and their adoption is 	>	Enhance production of small isolators.		Increase sales ratio of small isolators, increase workers in the Sri Lanka factory.
	expected to expand with the trend toward multiple fiber cable.	>	Improve development speed by strengthening resources in U.S.	>	Enhance marketing for satellite communications, etc. by joining
	Development of high-speed optical switches using PLZT is planned to proceed.	>	Expand marketing and respond to inquiries for highly reliable optical devices for satellite communications.		overseas exhibitions and other ways.
(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.	>	Expansion of production with semi- automatic equipment at the Sri Lanka factory, expansion of items	>	Setup for semi-automatic equipment completed. Approximately 70% of the target process have been automized.
	 Increase production capacity and sales of optical components for data center. 	>	Sales of FR products are expected to more than triple this fiscal year	>	Production capacity significantly expanded by facility enhancement, cumulative sales for the first nine
	Sales of high-purity silica glass (SSG®) products is expected to increase.	>	Continue preparations for expanding production capacity in the next fiscal year and beyond		months of FR products increased triple YoY. Further enhance production capacity by improving yield.
				>	Start the expansion of the sintering furnace area at the head office's factory

New Submarine Cable Networks are Continuing

New project investments continue to be announced, showing a trend toward larger-scale projects.



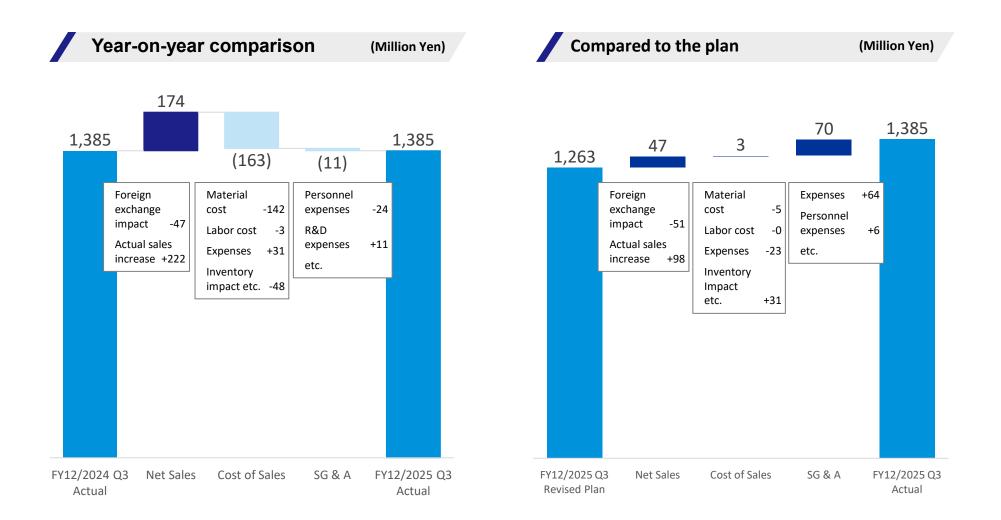
^{*} Source: TeleGeography "Submarine Cable Map"



^{*} Project update information is estimated from publicly available data.

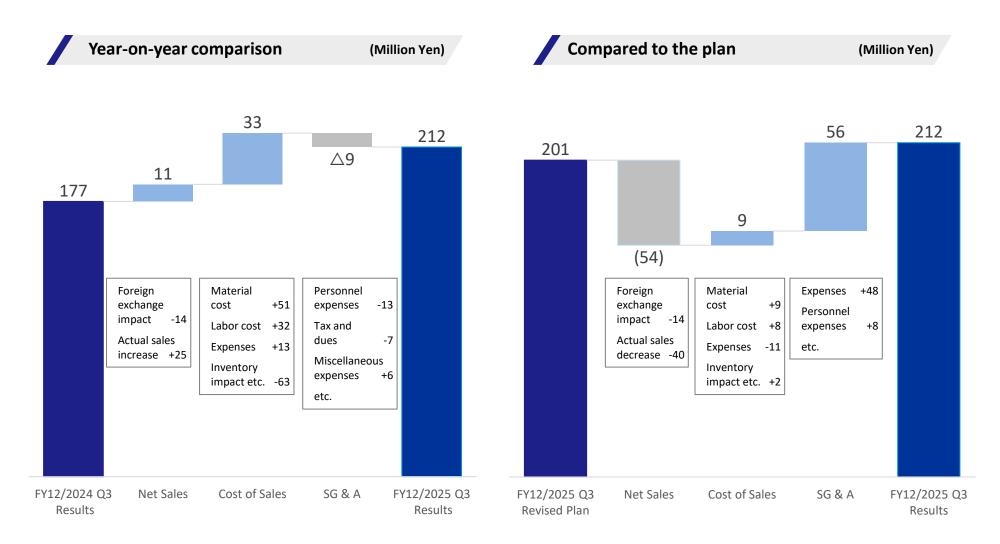


Factors of Increase/Decrease in Operating Profit (Q3) (July-September)

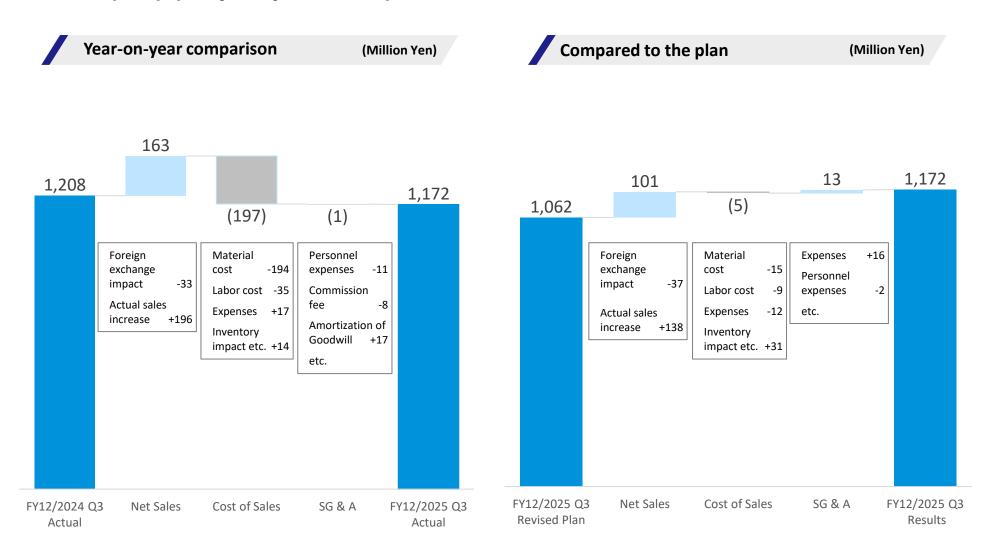




Factors of Increase/Decrease in Operating Profit – Lead terminals Business (Q3) (July-September)

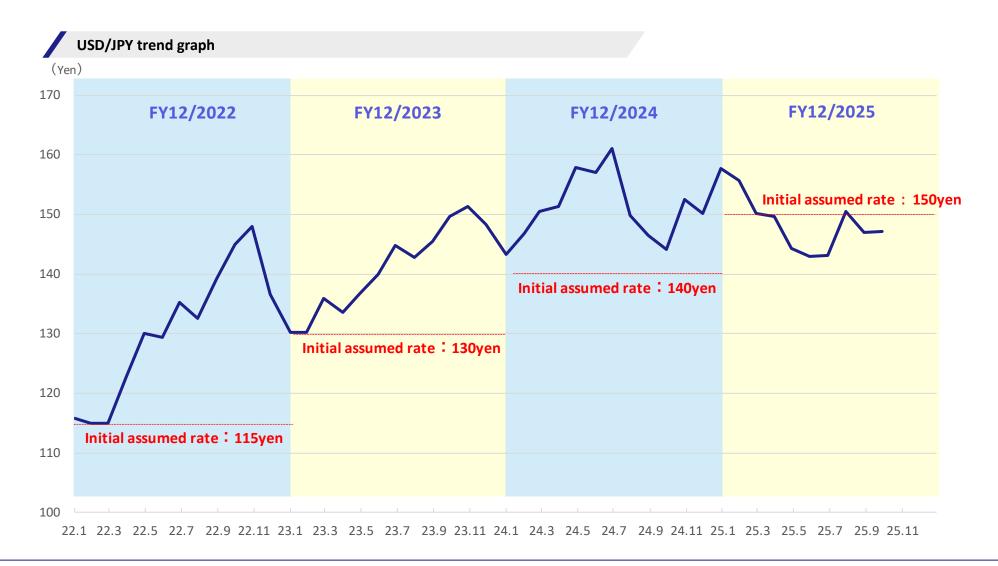


Factors of Increase/Decrease in Operating Profit – Optical Components & Devices (Q3) (July-September)



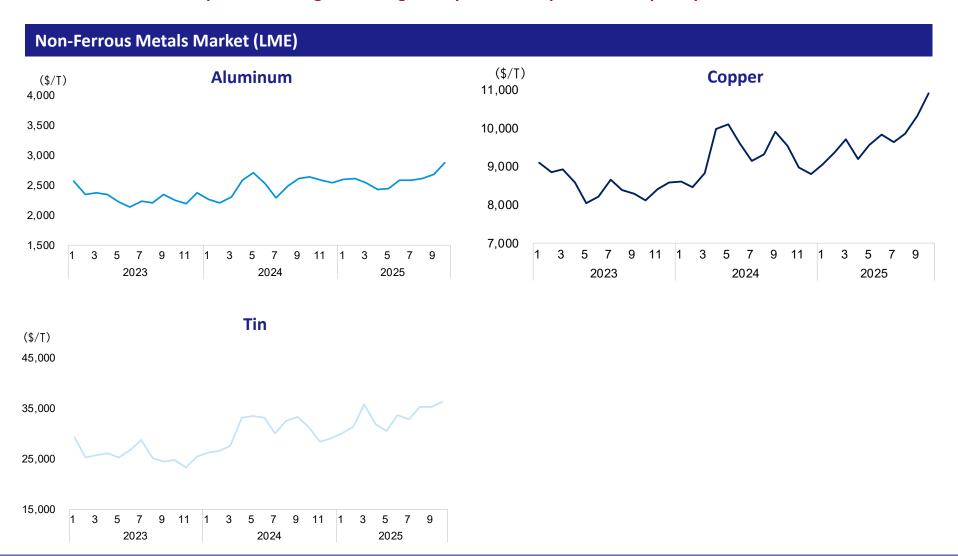
Business Environment for FY12/2025 (Q3)

The average exchange rate for the period from January to September was 148.09yen/USD, which was yen appreciation trend from 158.17yen/USD at the end of last year.



External Environment – Non-ferrous Metals Market Trends

Non-ferrous metal market prices show signs of rising, with prices to be passed on in principle after three months.



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.

IR Team, Kohoku Kogyo Co., Ltd.

E-mail: ir@kohokukogyo.co.jp

Phone: +81-749-85-3211 FAX: +81-749-85-3217