



August 26, 2024

To whom it may concern

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**(Correction) Partial Correction of “Financial Results Materials Second Quarter (First Six Months) of FY12/2024”**

We hereby announce that some of the statements in the "Financial Results Materials Second Quarter (First Six Months) of FY12/2024" announced on August 9, 2024 (The original Japanese version disclosed on August 8, 2024), were incorrect, as described below. Corrections are underlined.

• Details of Correction

〈P.20〉 Changes in Shareholder Returns

(Before correction)

For shareholder returns, the Company will strive to enhance shareholder returns aiming for “a consolidated dividend payout ratio of 30% and DOE 30% or more” in the medium to long term.

(After Correction)

For shareholder returns, the Company will strive to enhance shareholder returns aiming for “a consolidated dividend payout ratio of 30% and DOE 3% or more” in the medium to long term.

The background of the slide is a dark blue field filled with a complex, glowing pattern of particles and lines. The particles are arranged in a way that suggests a dynamic, flowing structure, possibly representing a molecular or atomic model, or a data visualization. The colors range from deep blue to bright cyan, with some particles appearing as larger, more intense spheres.

**World-Class Manufacturing**

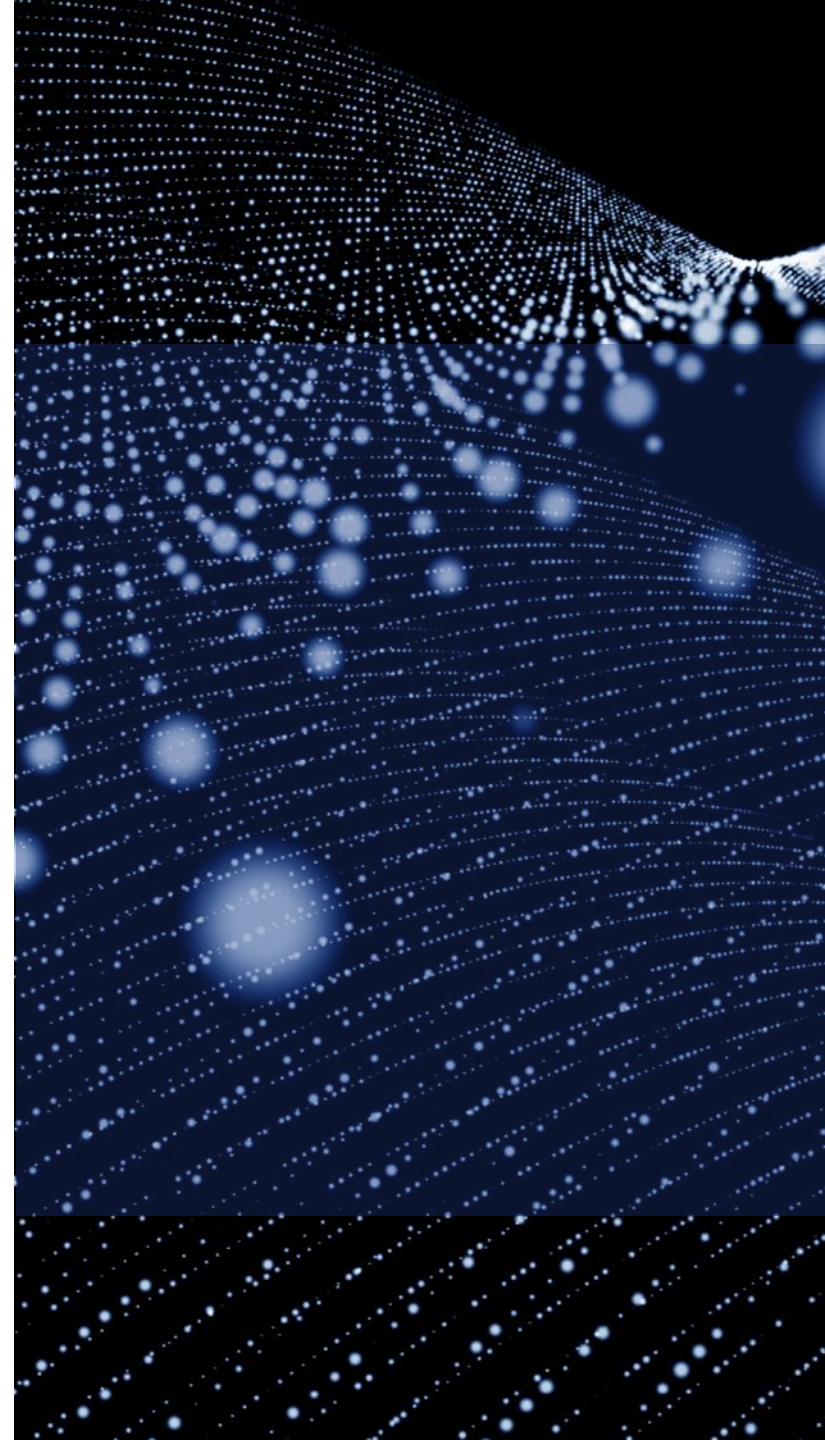
# **Financial Results Materials Second Quarter (First Six Months) of FY12/2024**

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

**Kohoku Kogyo Co., Ltd.**  
**August 8, 2024**

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**I . Financial Summary for the First Six Months of FY12/2024**  
**Financial Forecast for FY12/2024**

# Highlights of the First Six Months of FY12/2024

- Market adjustments in the two mainstay businesses were completed and sales were on a trend of recovery, with sales and profits exceeding the plan.
- Lead terminal business sales increased 7.8% year on year (10.4% increase vs. plan) due to a recovery in orders from the automotive market.
- In the Optical Components and Devices Business, sales increased 12.0% year on year due to the completion of inventory adjustment and resumption of investment in the submarine cable market. Orders are expected to improve further in the second half of the year, and a significant increase in operating profit is expected for the full year.

## ● Business Environment

- The automotive electronics market has seen the spread of environmentally friendly vehicles and the advancement of functionality, as exemplified by ADAS. Orders are on a recovery trend as hybrid capacitor production is expected to increase significantly from this summer onwards.
- In the information and telecommunications equipment market, the adjustment phase has shifted to positive growth due to the expansion of IT demand among companies, but the recovery is still weak.
- The outlook for the submarine cable market is improving, with new submarine cable projects being announced, and orders are showing a recovery that exceeds the expectations.

## ● Performance(First Six Months)

- Sales increased 9.7% (683 million yen) year on year, exceeding the plan by 13.3% (907 million yen).
- Operating profit increased 6.1% (102 million yen) year on year, exceeding the plan by 25.3% (361 million yen).

# Income Statement (First Six Months) Summary

Both of the two main businesses have bottomed out and are now in a recovery phase, with sales and operating profit increasing 9.7% and 6.1% respectively year on year.

(Millions of yen)

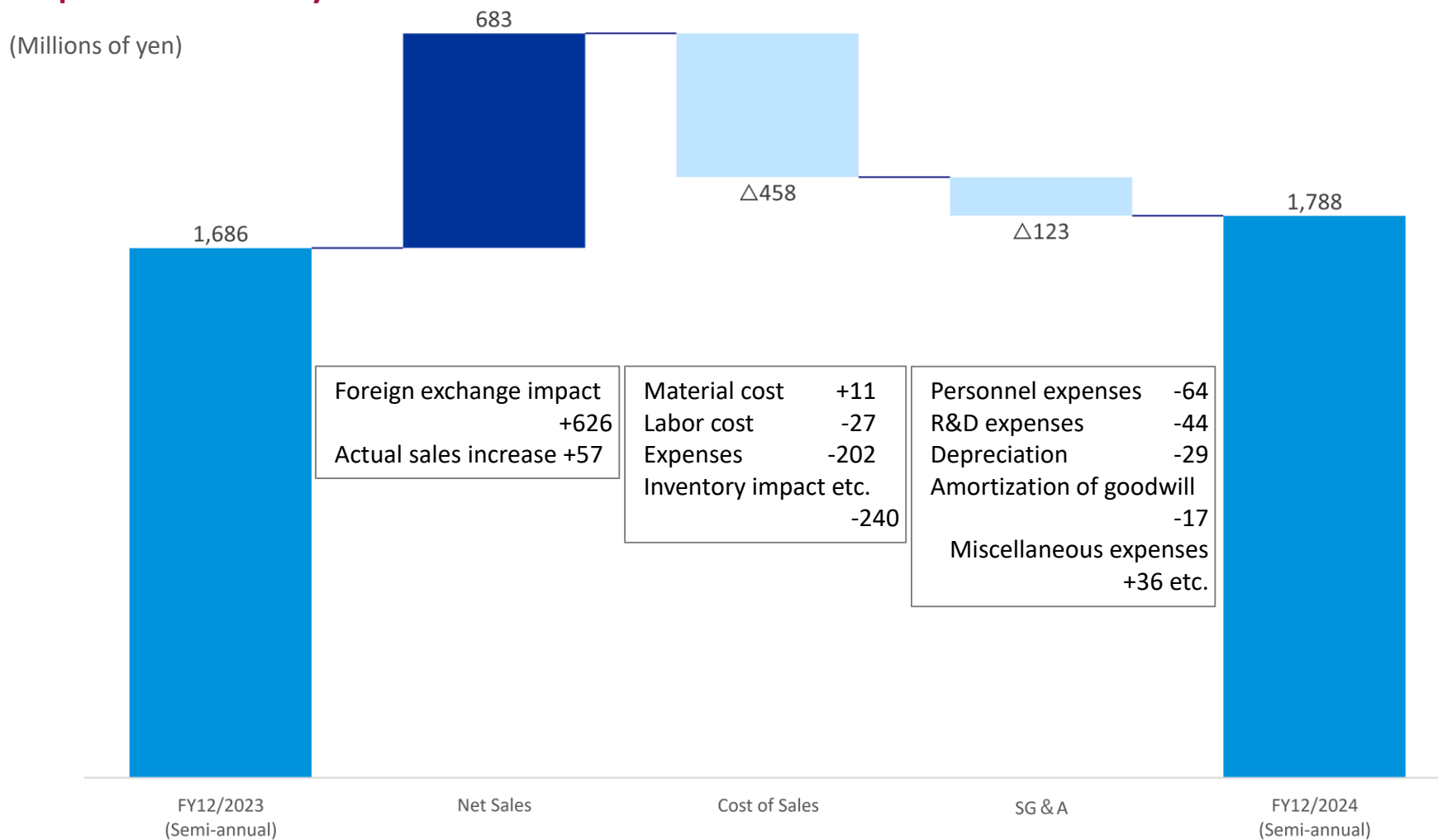
	FY12/2023	FY12/2024		FY12/2024			
	Semi-annual (Jan–Jun)	Semi-annual (Jan–Jun)	YoY change (%)	Q1 (Jan–Mar)	Q2 (Apr–Jun)	QoQ change (%)	
Net sales	7,023	7,707	+683 +9.7%	3,413	4,294	+880	+25.8%
Lead Terminals Business	3,789	4,086	+297 +7.8%	1,929	2,157	+228	+11.8%
Optical Components and Devices Business	3,234	3,621	+386 +12.0%	1,484	2,136	+652	+43.9%
Operating profit	1,686	1,788	+102 +6.1%	635	1,152	+516	+81.3%
<i>Operating profit ratio</i>	24.0%	23.2%	-0.8pt	18.6%	26.8%	+8.2pt	—
Lead Terminals Business	157	119	-38 -24.3%	-13	132	+146	—
Optical Components and Devices Business	1,528	1,669	+140 +9.2%	649	1,020	+370	+57.1%
Ordinary profit	2,185	2,753	+568 +26.0%	1,130	1,622	+492	+43.5%
Profit attributable to owners of parent	1,344	1,791	+447 +33.3%	724	1,066	+341	+47.1%
Exchange rate (average for the period)	134.99yen/\$	152.36yen/\$		148.62yen/\$	155.86yen/\$		

- The recovery was stronger than expected. Supported by the depreciation of the yen, net sales and operating profit exceeded initial plan by 13.3% and 25.3%, respectively.

# Operating Profit (First Six Months)

## Increase/Decrease Factors (YoY basis)

Operating profit increased by only 6.1% year on year as inventory reduction offsets the effect of the depreciation of the yen.

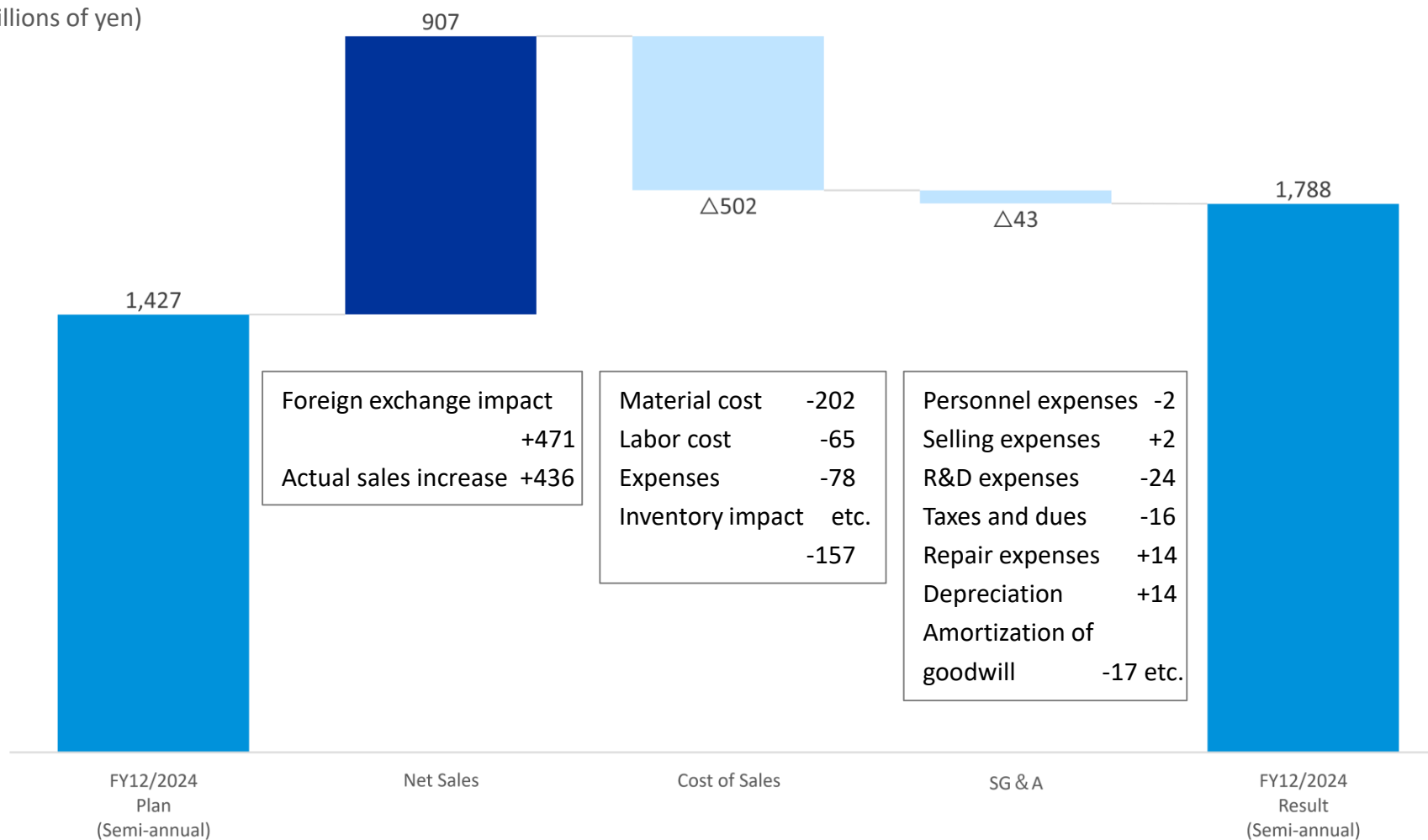


# Operating Profit (First Six Months)

## Increase/Decrease Factors (vs. Plan)

The market recovery trend for the two main businesses became clearer than at the beginning of the fiscal year, and the depreciation of the yen has also supported profit growth.

(Millions of yen)





# Summary of Balance Sheet/Cash Flow Statement (Q2)

(Millions of yen)

Balance Sheet	End of FY12/2023	End of Q2 FY12/2024	Increase /decrease	Major changes
Current assets	16,735	18,345	+1,610	Notes and accounts receivable - trade +1,166 Cash and deposits +162
Non-current assets	8,237	9,274	+1,036	Machinery, equipment and vehicles +279 Intangible assets etc. +133      Goodwill +325
Total assets	24,973	27,620	+2,647	
Current liabilities	2,522	3,155	+632	Accounts payable - trade +278      Income taxes payable +622 Short-term borrowings -162
Non-current liabilities	2,391	2,405	+14	Lease liabilities +134      Deferred tax liabilities +27 Long-term borrowings -156
Total liabilities	4,913	5,561	+647	
Total net assets	20,059	22,059	+1,999	Retained earnings +1,251 Foreign currency translation adjustment +742
Total liabilities and net assets	24,973	27,620	+2,647	

Cash Flow Statement	FY12/2023 Semi-annual	FY12/2024 Semi-annual	Major items for first six months of FY12/2024
Operating cash flow <sup>(注)</sup>	1,510	1,710	Semi-annual profit before income taxes +2,753 Depreciation +459      Increase in trade receivables -1,131
Investing cash flow <sup>(注)</sup>	166	-311	Proceeds from withdrawal of time deposits +301 Purchase of intangible assets -137 Purchase of property, plant and equipment -404
Free cash flow	1,676	1,399	
Financing cash flow <sup>(注)</sup>	-1,044	-1,276	Dividends paid -539      Repayments of long-term borrowings -369
Net increase (decrease) in cash and cash equivalent	776	426	
Cash and cash equivalent at the end of semi-annual period	10,139	10,865	

# Financial Forecast for FY12/2024 (Revised forecast)

In addition to the upside in the first half, the Company has upwardly revised its outlook for the second half and now forecasts a 21.6% increase in sales and a 45.7% increase in operating profit for the full year.

(Millions of yen)

<Exchange Rate Sensitivity> Net Sales 80 million yen/yen Operating profit 30 million yen/yen	FY12/2023	FY12/2024 (full-year)			
	Actual	Initial forecast	Revised forecast	YoY change	YoY change (%)
Net sales	13,472	14,536	16,376	+2,904	+21.6%
Lead Terminals Business	7,400	7,868	8,456	+1,055	+14.3%
Optical Components and Devices Business	6,071	6,667	7,920	+1,848	+30.4%
Operating profit	2,812	3,243	4,098	+1,286	+45.7%
<i>Operating profit ratio</i>	20.9%	22.3%	25.0%	+4.1pt	—
Lead Terminals Business	44	257	272	+228	+508.4%
Optical Components and Devices Business	2,767	2,986	3,825	+1,058	+38.2%
Ordinary profit	3,152	3,284	4,637	+1,484	+47.1%
Profit attributable to owners of parent	1,904	2,136	3,045	+1,141	+60.0%
Basic earnings per share (yen)	*70.55	79.17	112.8	*The exchange rate forecast (150 yen) is an assumed rate for the second half of the fiscal year.	
Exchange rate (average for the period)	140.66yen/\$	140.00yen/\$	150.00yen/\$		

\*The Company conducted a 1:3 stock split in April 2024. The figures for FY12/2023 have been calculated assuming that such stock split was carried out.

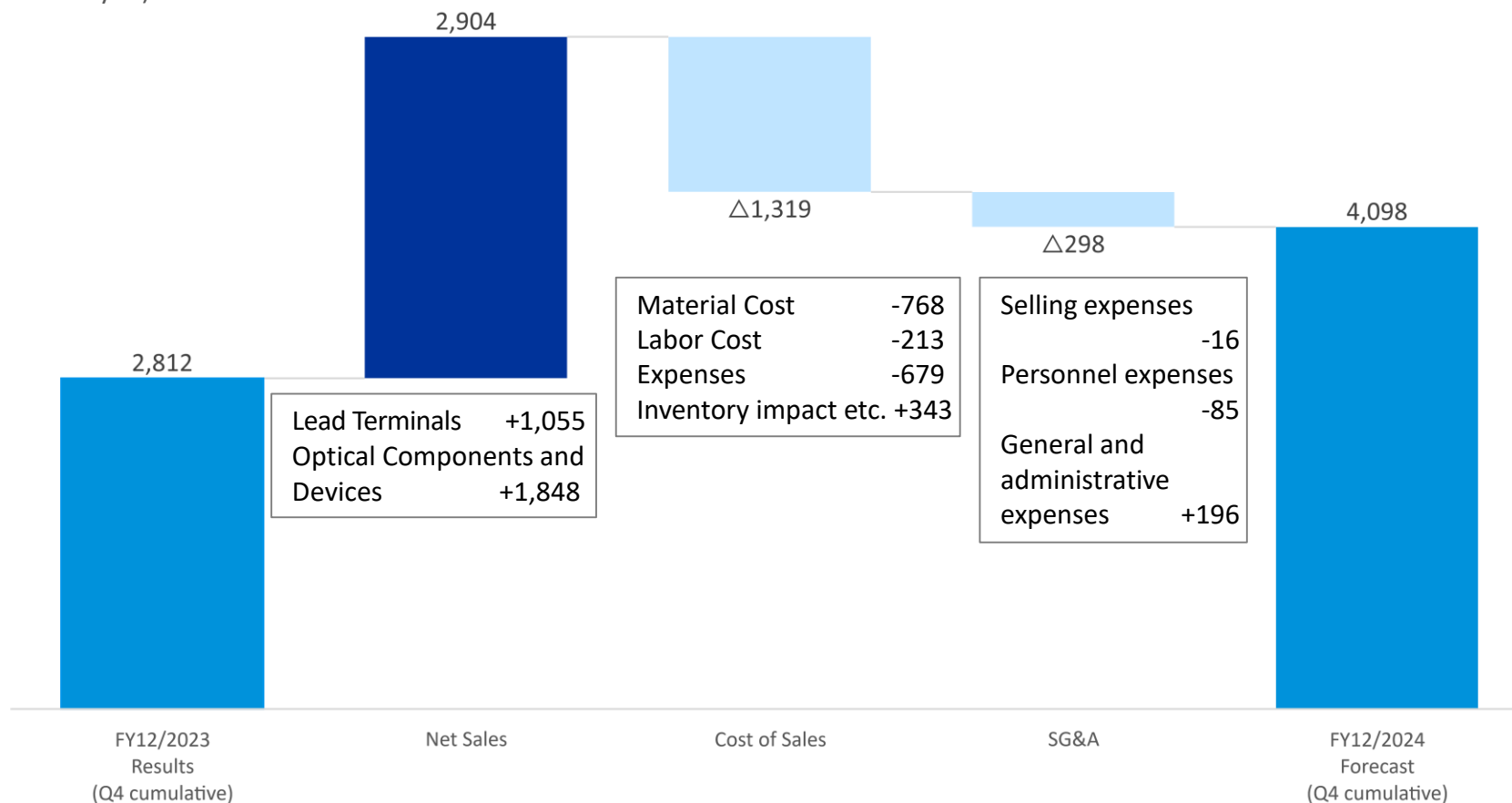
## Current Status → Key Points of the Revision

- Lead Terminal Business : The market recovery is gradual, but has improved a little from initial expectations. Although sales of high-performance lead terminals such as for hybrid capacitors are expected to increase, a significant recovery in the second half of the year is not expected due to macro trends.
- Optical Components and Devices Business : Orders from some customers recovered more than expected. Sales are expected to far exceed initial forecasts.

# Factors of Increase/Decrease in Operating profit (FY12/2024 Forecast)

Operating profit is expected to increase due to the recovery of profits in the Optical Components and Devices Business in the second half of 2024.

(Millions of yen)



# Capital Expenditures, Depreciation, and R&D Expenses (First Six Months)

Research and development expenses progressed almost in line with the initial plan.

Capital investment was lower than initially planned due to a delay in the investment plan for the Optical Components and Devices Business segment.

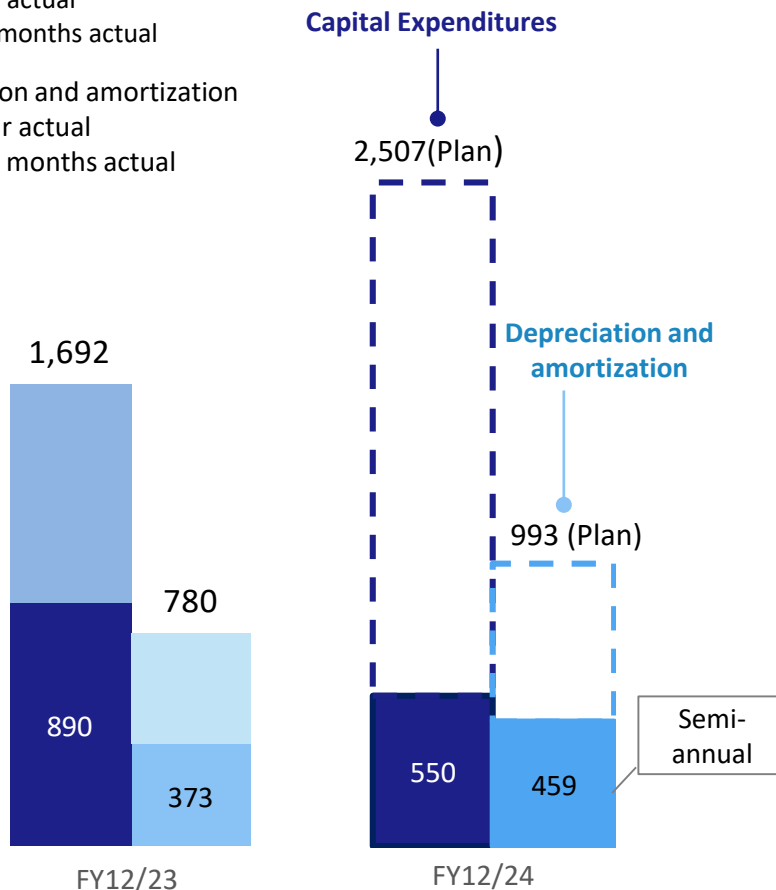
Capital expenditures and depreciation (Millions of yen)

Capital Expenditures

- Full year actual
- First six months actual

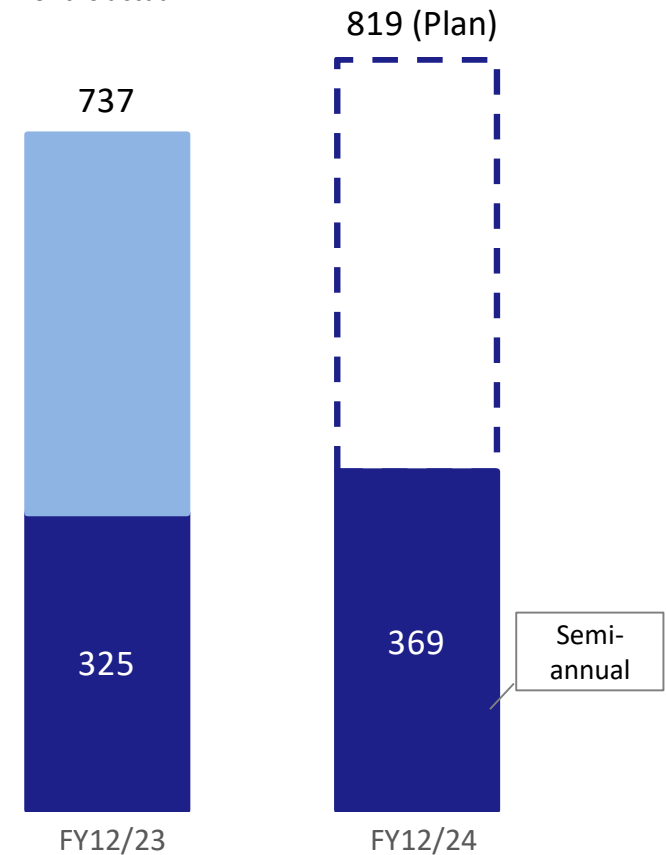
Depreciation and amortization

- Full year actual
- First six months actual



R&D expenses (Millions of yen)

- Full year actual
- First six months actual





## **II . Situation by Segment in the First Six Months of FY12/2024**



# Results by Segment (First Six Months) - Lead Terminals

Operating profit ratio for the second quarter (Apr-Jun) improved significantly, and the results for the first six months were better than planned for both sales and profit.

(Millions of yen)

	FY12/2023	FY12/2024			FY12/2024			
	Semi-annual (Jan-Jun)	Semi-annual (Jan-Jun)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	QoQ change	QoQ change (%)
Net sales	3,789	4,086	+297	+7.8%	1,929	2,157	+228	+11.8%
Operating profit	157	119	-38	-24.3%	-13	132	+146	—
<i>Operating profit ratio</i>	4.2%	2.9%	-1.2pt	—	-0.7%	6.2%	+6.9pt	—

## Overview of FY12/2024 (First six months)

### ● Orders are recovering as adjustments phase turn into positive growth

- The market as a whole bottomed out by March, but the situation varies from manufacturer to manufacturer depending on the region and application. In the automotive market, orders for products for hybrid capacitors are showing a recovery trend as customers plan to increase production of hybrid capacitors from this summer onwards.
- Products for the information and telecommunications equipment market continued to undergo adjustments, but there were signs of a shift to positive growth due to factors such as expanding IT demand within companies.

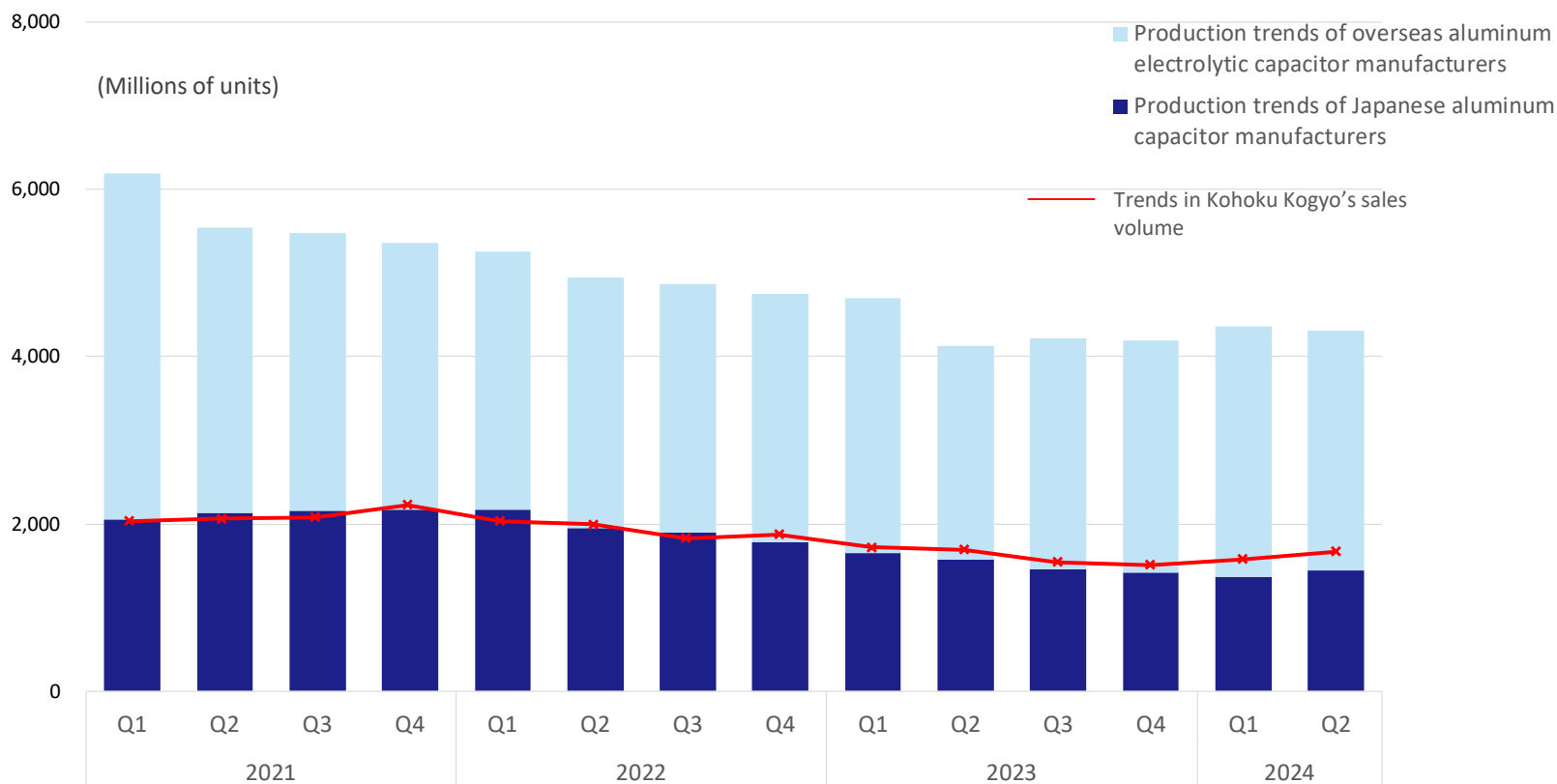
### ● Situation of the Company and efforts to improve profitability

- Building a flexible production system to keep pace with increasing orders.
- Continue efforts to improve efficiency, including optimization of ordering and receiving operations.

# Business Environment for FY12/2024 (Q2)

Market has bottomed out, but weak recovery continues.

## Global Market for Miniature Aluminum Electrolytic Capacitors and Trends in Kohoku Kogyo's Sales Volume



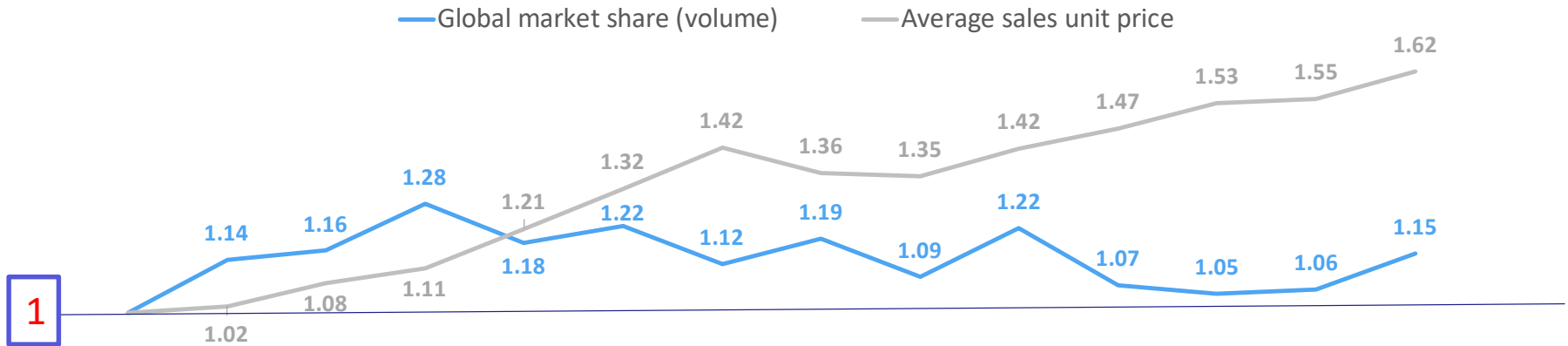
\*Since there are two lead terminals per capacitor, the number is converted into the number of capacitors.

\*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)

# Trends in Unit Sales Price and Market Share

Average sales unit price increased, market share unchanged.

Trends in Average Sales Unit Price and Market Share (volume basis) (2021,Q1="1")



## Factors behind the increase in average sales unit price

- ① Price increase in yen terms due to the trend of yen depreciation
- ② Reflecting rising material costs in sales prices
- ③ Price adjustments for unprofitable products

Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
2021				2022				2023				2024	

Global market share is an estimate by the Company.

# Outlook for Lead Terminals Business

Full-year forecasts for sales and profits revised upwards.

(Millions of yen)

	FY12/2023	FY12/2024 (full-year)			
	Actual	Initial forecast	Revised forecast	Revised full-year forecast vs. previous year's results	
Net sales	7,400	7,868	8,456	1,055	+14.3%
Operating profit	44	257	272	+228	+508.4%
<i>Operating profit ratio</i>	0.6%	3.3%	3.2%	+2.6pt	—

## Status for Q2 FY12/2024 and Current Forecast

- Although sales were slightly higher than the initial plan, the market recovery remains weak.
- In the second half of the year, the earnings outlook is more severe than initially expected due to the expansion of production capacity at the Malaysian and Dongguan factories in China, as well as a temporary increase in the burden of rising material procurement costs in dollar terms.

# Results by Segment (First Six Months)

## - Optical Components and Devices

Orders have recovered significantly since the second half of the previous year, and operating profit ratio has also improved.

(Millions of yen)

	FY12/2023	FY12/2024			FY12/2024			
	Semi-annual (Jan-Jun)	Semi-annual (Jan-Jun)	YoY change	YoY change (%)	Q1 (Jan-Mar)	Q2 (Apr-Jun)	QoQ change	QoQ change (%)
Net sales	3,234	3,621	+386	+12.0%	1,484	2,136	+652	+43.9%
Operating profit	1,528	1,669	+140	+9.2%	649	1,020	+370	+57.1%
<i>Operating profit ratio</i>	47.3%	46.1%	-1.2pt	—	43.7%	47.7%	+4.0pt	—

## Overview of FY12/2024 (First Six Months)

### ● Industry and Market Trends

- Adjustments due to the postponement of the submarine cable projects have been completed.
- For optical device products, the outlook has improved as projects are announced against the backdrop of the global trend to strengthen communications infrastructure over the medium to long term.

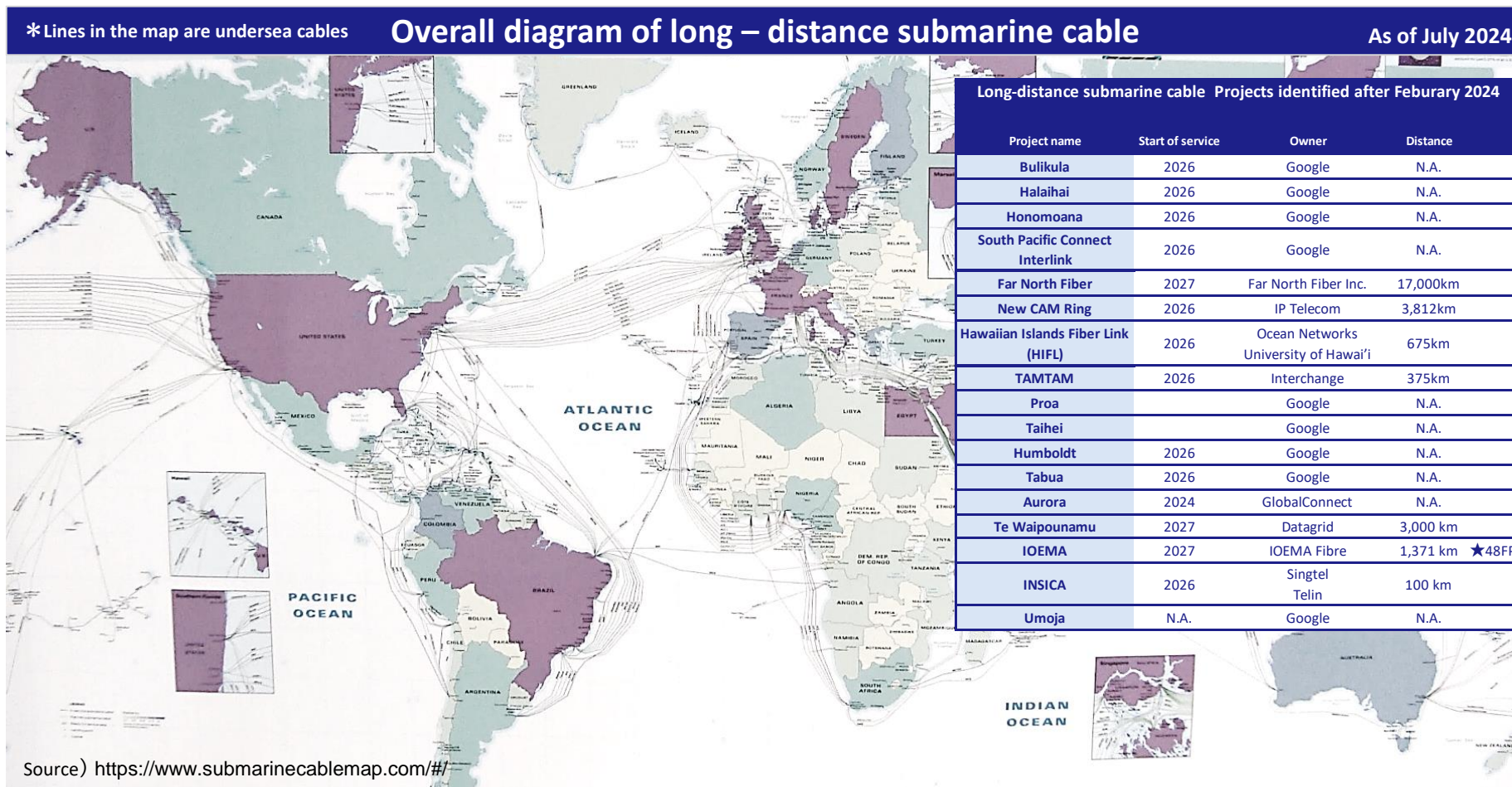
### ● Changes in the External Environment and their Handling

- Development of compact, hybrid products, and products for multicore fiber is progressing to meet growing needs for increasing number of fibers in submarine cables.
- For multicore fiber products, developed fan-in/fan-out products with built-in optical isolator functionality.
- In the High-purity Silica Glass Business, sample inquiries from semiconductor manufacturing-related manufacturers are increasing.



# New Submarine Cable Networks will Continue to be Laid After 2024

In addition to telecommunications carriers and GAFAM, projects from data centers are expected to increase.



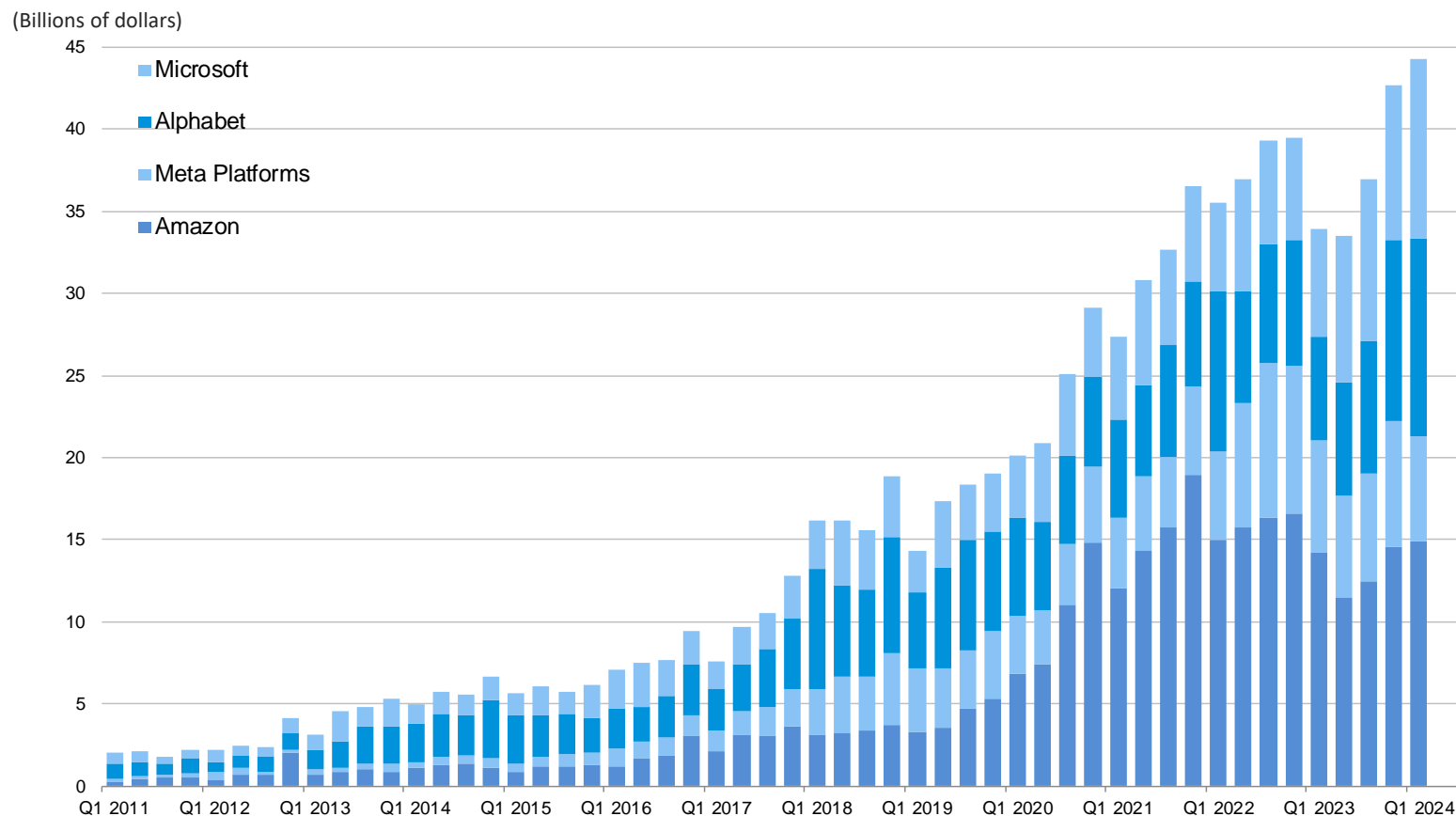
※Source) TeleGeography 「Submarine Cable Map」

\*Project updates are extrapolated from announced data.

# Business Environment until FY12/2024(Q2)

Capital expenditures by U.S. cloud providers have resumed.

## Capital Expenditures by U.S. cloud providers



(Source: Company data)

# Outlook for Optical Components and Devices Business

Submarine cable projects were booming, with both sales and profits exceeding initial plans, and the operating profit ratio also improved.

(Millions of yen)

	FY12/2023	FY12/2024 (full-year)			
	Actual	Initial forecast	Revised forecast	Revised full-year forecast vs. previous year's results	
Net sales	6,071	6,667	7,920	+1,848	+30.4%
Operating profit	2,767	2,986	3,825	+1,058	+38.2%
<i>Operating profit ratio</i>	45.6%	44.8%	48.3%	+2.7pt	—

## Status for Q2 FY12/2024 and Current Forecast

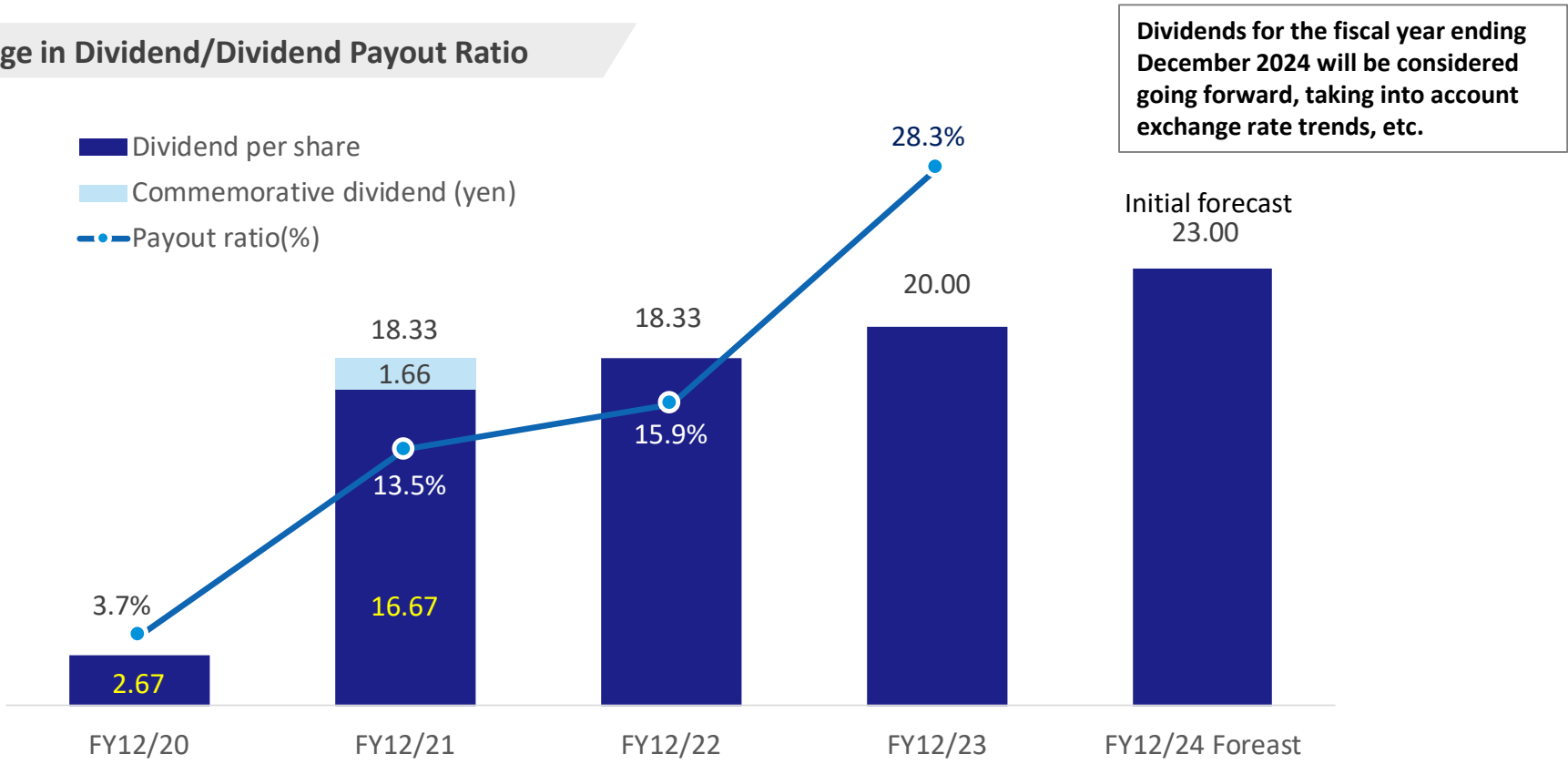
- In the semi-annual results, net sales were higher than the initial plan, the third quarter marks a positive start.
- In addition to optical isolators, orders for optical filters were also strong.

# Changes in Shareholder Returns

## < Shareholder Return Policy >

- In order to achieve sustainable growth, the Company will actively put money into capital expenditures, research and development, M&A, etc., and will also maintain a certain amount of internal reserves for the time being to strengthen the financial standing.
- For shareholder returns, the Company will strive to enhance shareholder returns aiming for “a consolidated dividend payout ratio of 30% and DOE 3% or more” in the medium to long term.

### Change in Dividend/Dividend Payout Ratio



Dividends for the fiscal year ending December 2024 will be considered going forward, taking into account exchange rate trends, etc.

\*Dividends for until the fiscal year ending December 2023 are converted to the amount after the stock split in April 2024.

# III. Topics



# <Third Pillar> Progress of the High-purity Silica Glass "SSG<sup>®</sup>" Business

The main target is the semiconductor-related market, and evaluation is progressing for adoption in mass production

## <SSG<sup>®</sup> Prototype Sample Evaluation Status>

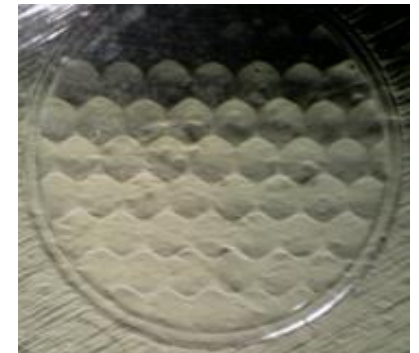
- ✓ Inquiries from semiconductor-related manufacturers are increasing, and the product is expected to contribute to the improvement of functionality and energy conservation of semiconductor-related equipment
- ✓ Evaluation in the laser field is also underway
- ✓ Plans to expand sales to fields other than semiconductors, such as medical equipment

**"Increase in sample shipments for semiconductor-related equipment"**

<Examples of silica parts produced using SSG<sup>®</sup>>



Large molded article for semiconductor manufacturing equipment



Fine lens



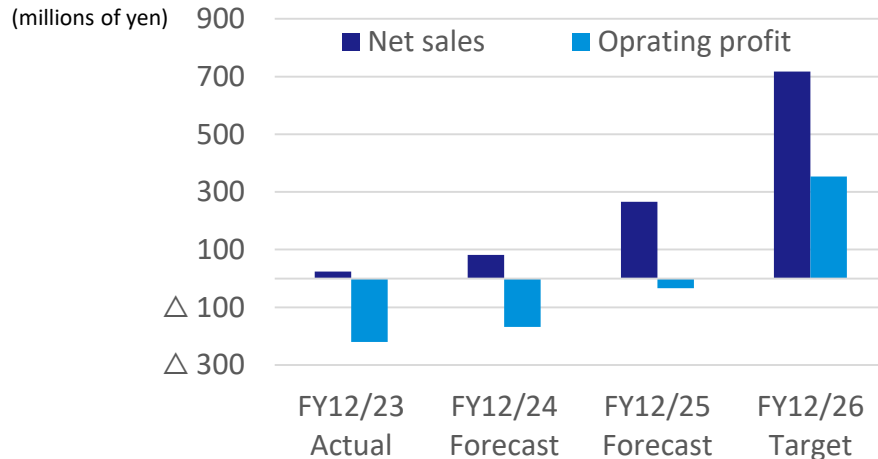
Glass preforms



Glass nozzle

'24 12/11~12/13 Scheduled to exhibit at SEMICON Japan 2024

## Mid-term plan for High-purity Silica Glass Business



# Strengthening growth and next-generation businesses through M&A and capital participation

The Company is acquiring elemental technologies that will contribute to the growth of the next generation.

## 1. Acquisition of shares of EpiPhotonics Co., Ltd. (making it a subsidiary) (Headquarters: Kanagawa prefecture, Research base: USA)

**EpiPhotonics**

PLZT (Ferroelectrics) thin-film formation technology



**KOHOKU**

Crystal element technology for optical devices

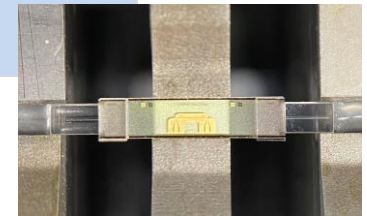
Purpose of the acquisition: Strengthening product lineup for next-generation information and telecommunications infrastructure

### < Overview of the company >

- Established in December 2007
- Business content: Research and development, manufacturing and sales, and contract development of ultra-fast optical switches, wavelength selective switches, optical modulators, etc.

### < Proprietary technology >

- PLZT optical switches
- PLZT optical modulators
- Wavelength selective switches



PLZT optical modulator chip

## 2. Decision made to invest in ARIEL Photonics Assembly Limited (Israel) (currently under review by the Foreign Exchange Act)

Acquired 14.61% of all shares for \$4,57million (approximately 700 million yen)



Development technology for laser modules, etc.



**KOHOKU**

Technologies for specialty optical fibers and highly reliable optical device

Purpose of capital investment: Exploring new fields such as space communications, developing next-generation welding technology

### < Overview of the company >

- Established in November 2007
- Business content: Development, manufacture and service of electronic and electrical engineering systems

### < Proprietary technology >

- Lasers, optical sensors and other optical element
- Drive circuit design technology
- Laser control software technology
- Module/subsystem design technology



Next-generation welding system prototype

# Sustainability

A Sustainability Committee was established and each working group began its activities.

	Theme	Committee Activities	Actions and Results	Future Activities
E	Environmental	<ul style="list-style-type: none"> <li>• Sub-WGs were established for each business division.</li> <li>• WG meetings were held (twice)</li> </ul>	<ul style="list-style-type: none"> <li>• Organized and shared information on current activities and local regulations at the head office, and each factory in Suzhou, Dongguan, and Malaysia</li> </ul>	<ul style="list-style-type: none"> <li>• Hold Group-wide Sustainability Committee twice a year</li> <li>• Meetings for each WG and sub-WG are scheduled to be held approximately once a month</li> </ul>
S	Social	<ul style="list-style-type: none"> <li>• WG meetings were held (twice)</li> </ul>	<ul style="list-style-type: none"> <li>• Organized activities at the head office and each factory</li> </ul>	
G	Governance	<ul style="list-style-type: none"> <li>• WG meetings were held (twice)</li> </ul>	<ul style="list-style-type: none"> <li>• Evaluation of the effectiveness of directors and development of internal regulations have begun</li> </ul>	

## < Activity Examples: Environment >

Head Office and Head Office Factory

**Head office factory achieved 100% renewable energy.**

	2023		From August 2024
Non-renewable energy	63%	→	<b>0%</b>
Renewable energy	31%		94%
Solar power generation	6%		6%
Biomass Power Generation	0%		within 1%



Head Office Factory



Biomass Power Plant  
(Ibuki Green Energy Co., Ltd.)

Dongguan Factory

	2023		From August 2024
Non-renewable energy	100%	→	92%
Solar power generation	0%		8%



Dongguan Factory  
Solar Power Generation

## < Activity Examples: Other Social Contributions >

Timing	Theme	Contents
Continuing from 2020	Nature conservation	Donations to "THE FOREST OF YAMAKADO WATER SOURCE CONSERVATION GROUP"
September-October 2025	Contribution to local communities	Sponsorship of "2025 Wata SHIGA Shining Country Sports/Para-Sports"
August 2024	Contribution to local communities	Sponsorship of "The 3rd Ototo no Kakehashi Concert"

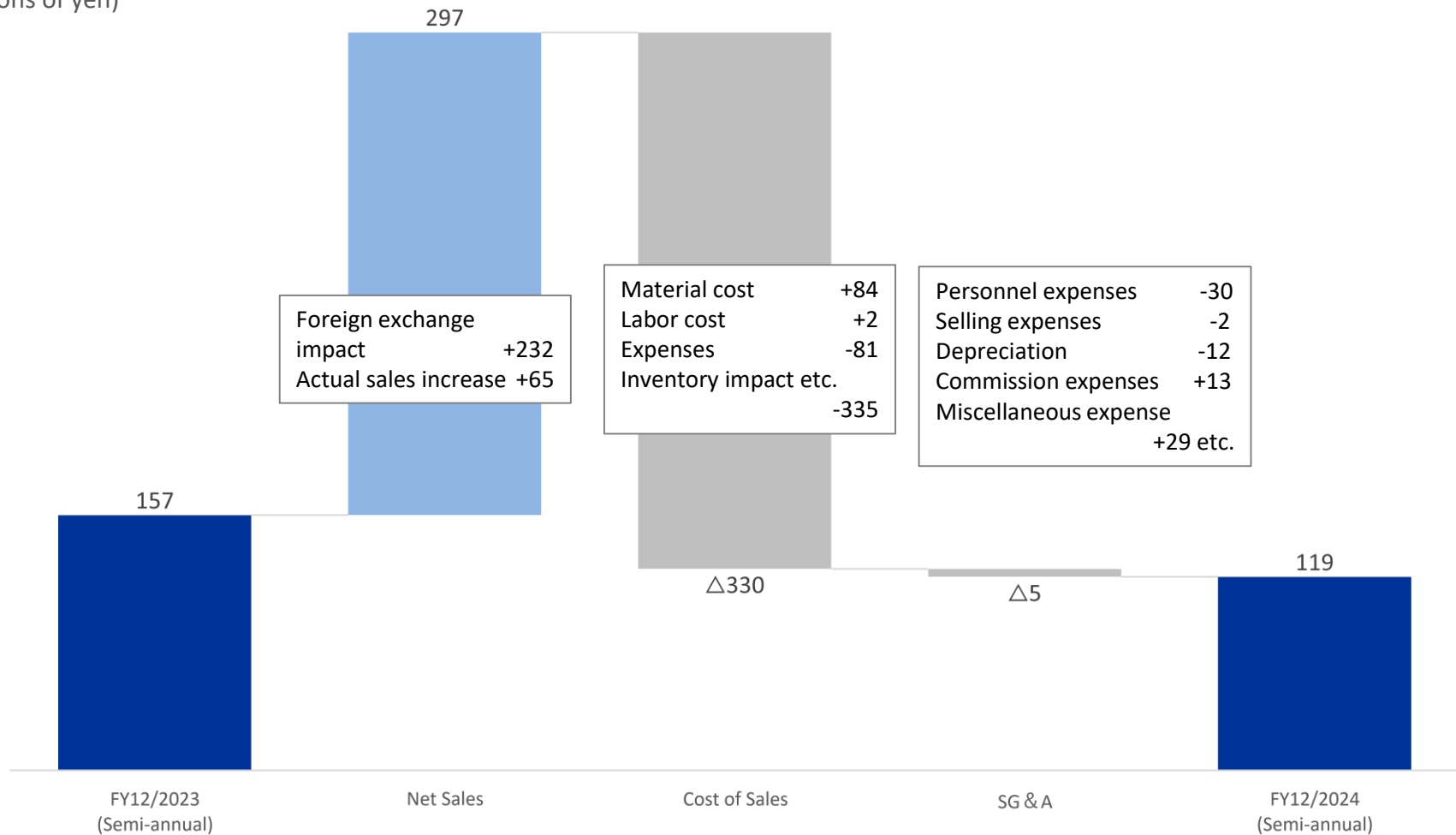


## **IV. Reference Information**

# Factors of Increase/Decrease in Operating Profit (First Six Months) by Segment (YoY) - Lead Terminals

Profit decreased by 24.3% year on year due to the significant impact of inventory decline.

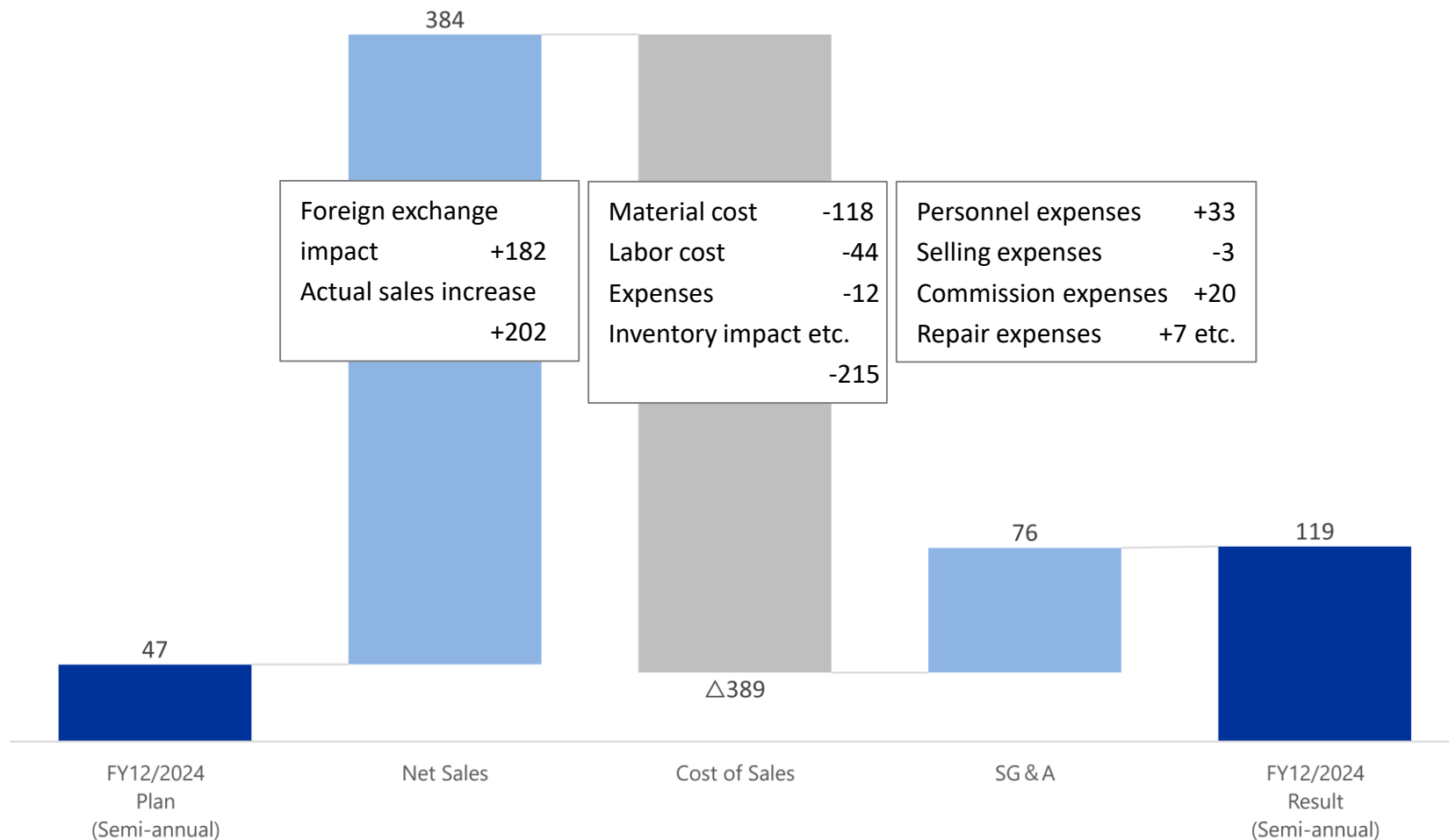
(Millions of yen)



# Factors of Increase/Decrease in Operating Profit (First Six Months) by Segment (vs. Plan) - Lead Terminals

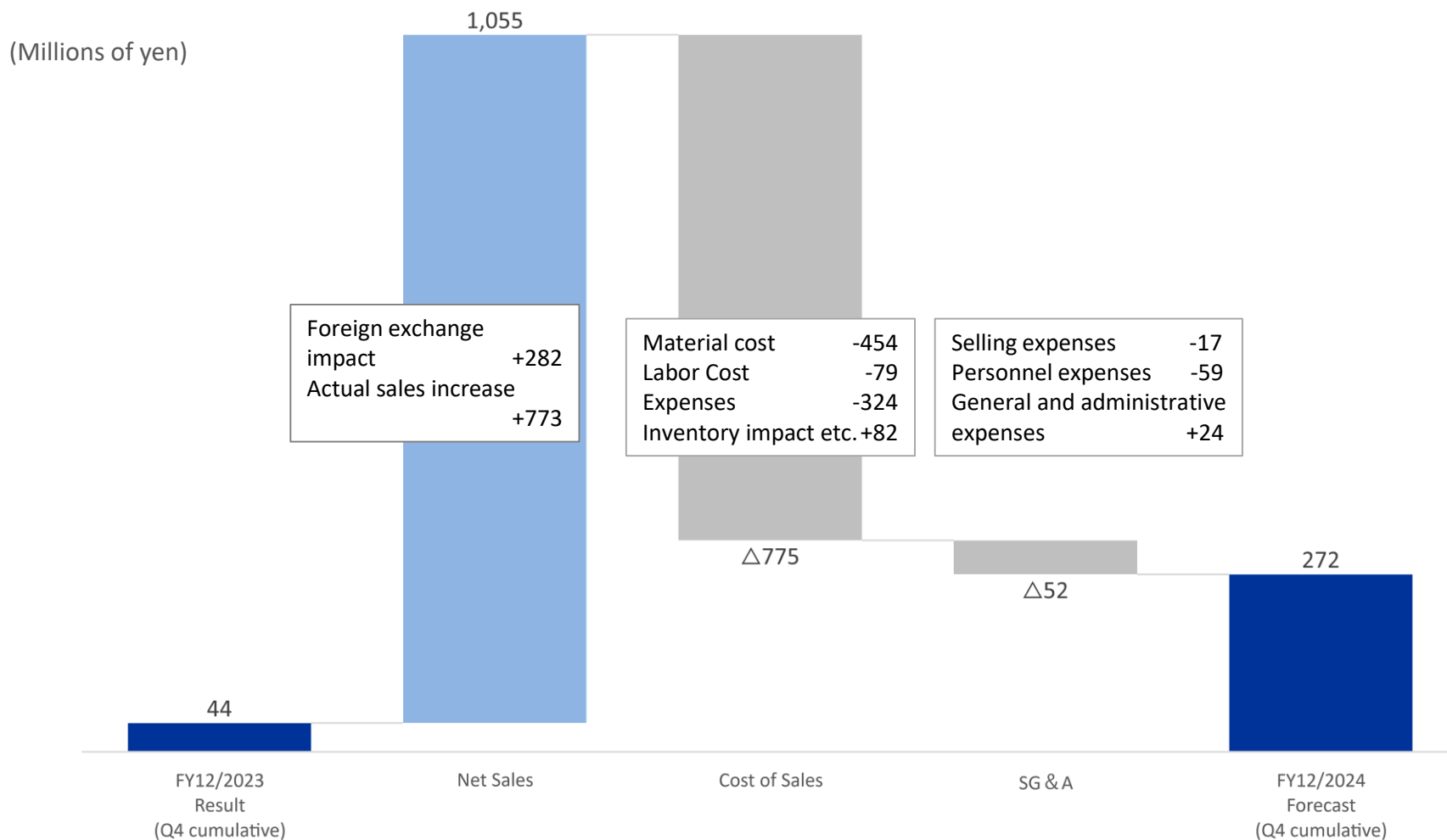
The increase in profit vs. plan is small compared to the increase in sales, due to the impact of inventory reductions and fixed cost increases.

(Millions of yen)



# Factors of Increase/Decrease in Operating profit by Segment (Forecast for FY12/2024) – Lead Terminals

Due to rising labor costs, rising material costs from yen depreciation, and other factors, the increase in profit is expected to be small compared to the increase in sales.



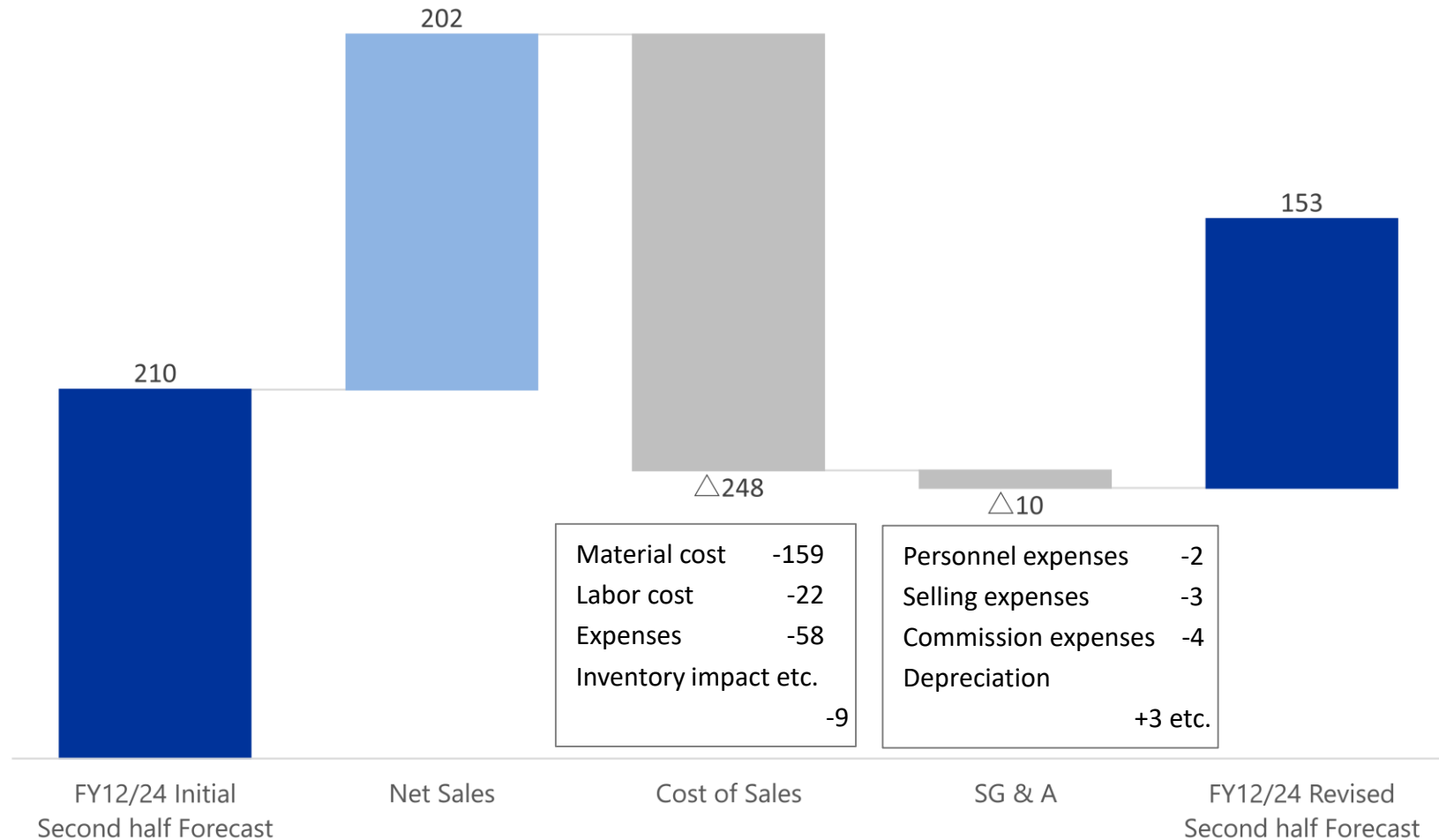


# Initial Second Half Forecast vs Revised Forecast

## -Lead Terminals

Sales volume is slightly lower than initially planned, taking into account temporary costs associated with expanding overseas factories.

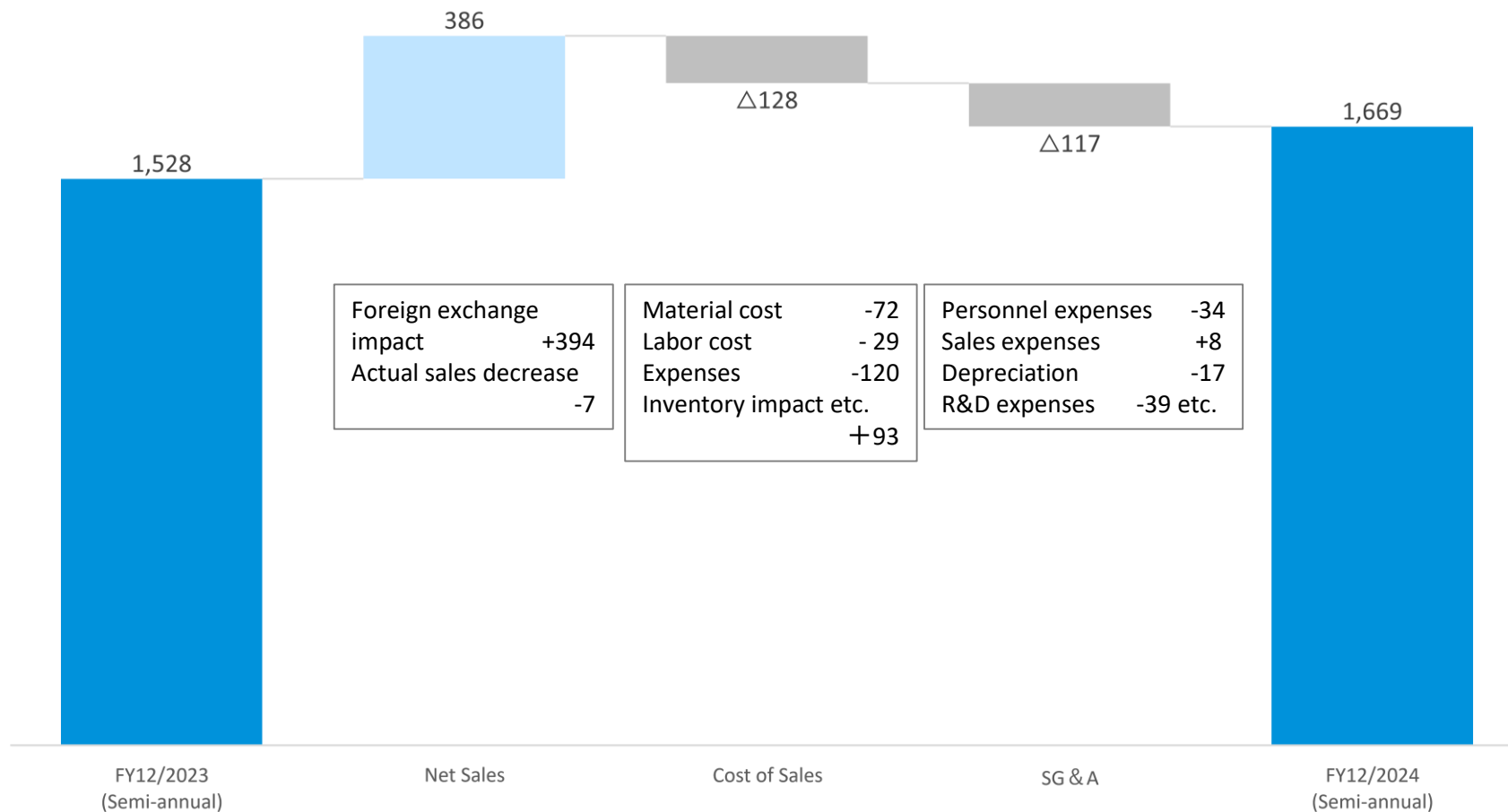
(Millions of yen)



## Factors of Increase/Decrease in Operating profit (First Six Months) by Segment (YoY) - Optical Components and Devices

Profits increased 9.2% year on year due to the effect of yen depreciation.

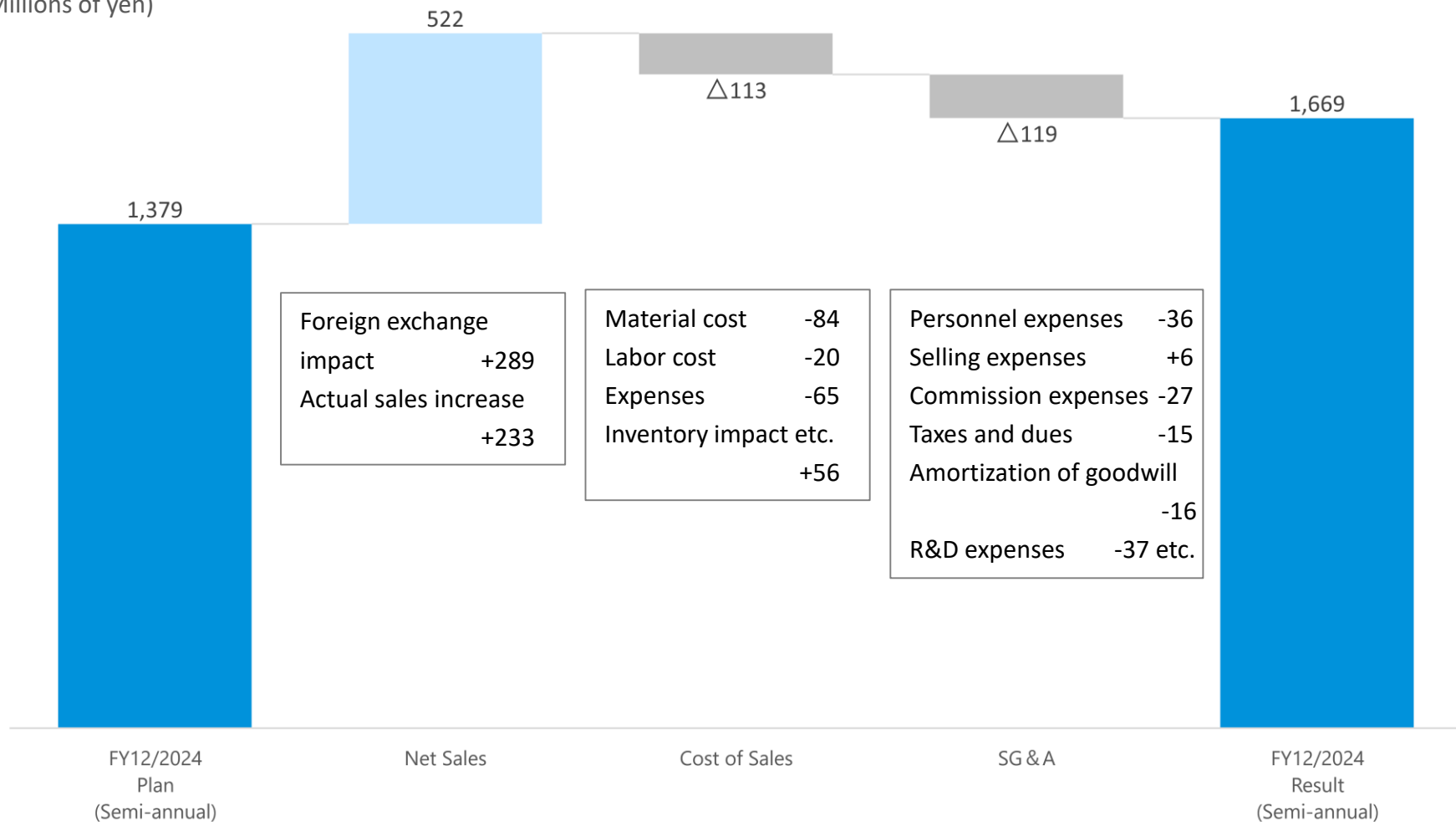
(Millions of yen)



## Factors of Increase/Decrease in Operating profit (First Six Months) by Segment (vs. Plan) - Optical Components and Devices

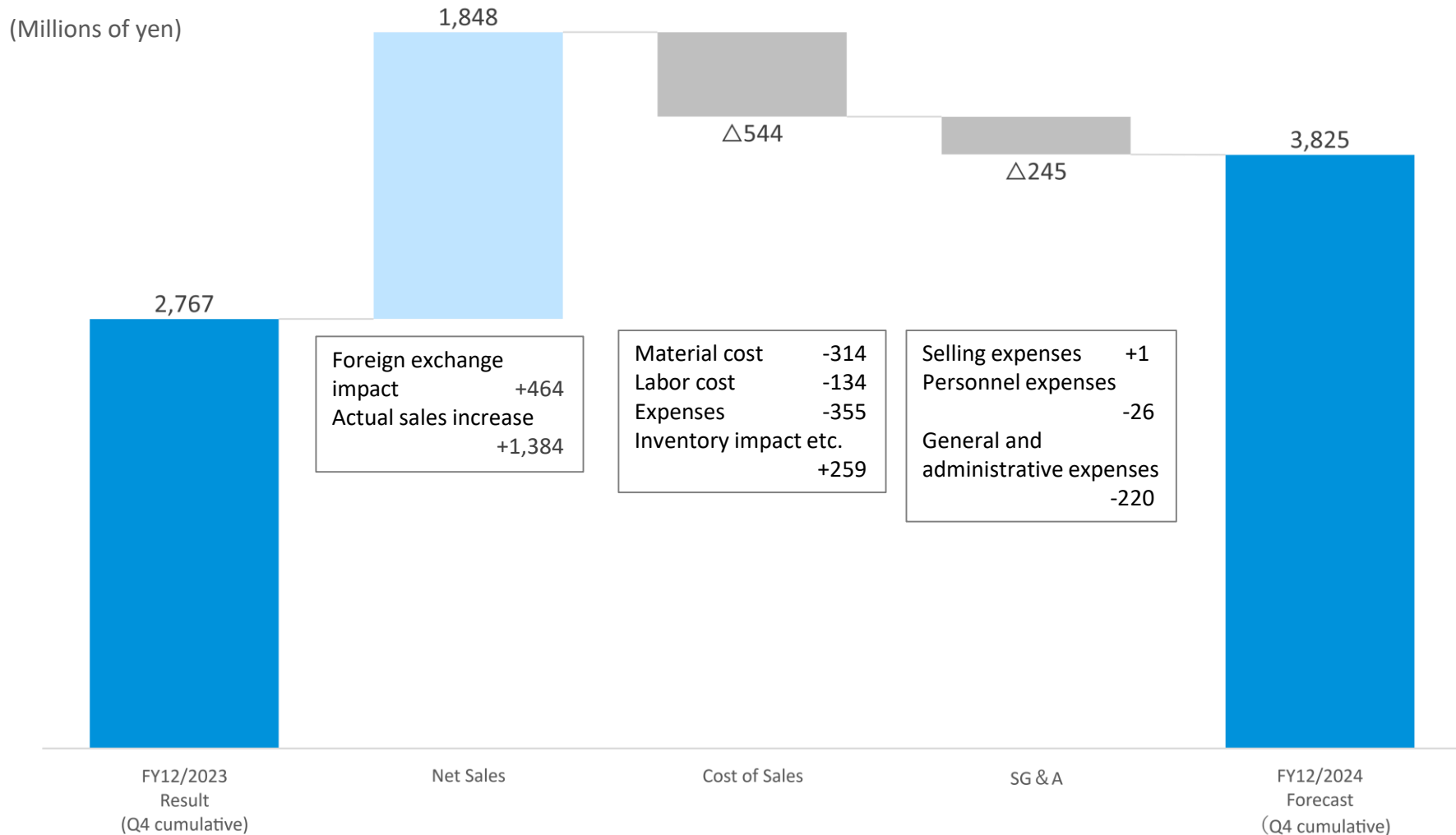
Sales has recovered more than planned, and operating profits exceeded the plan.

(Millions of yen)



# Factors of Increase/Decrease in Operating profit by Segment (Forecast for FY12/2024) - Optical Components and Devices

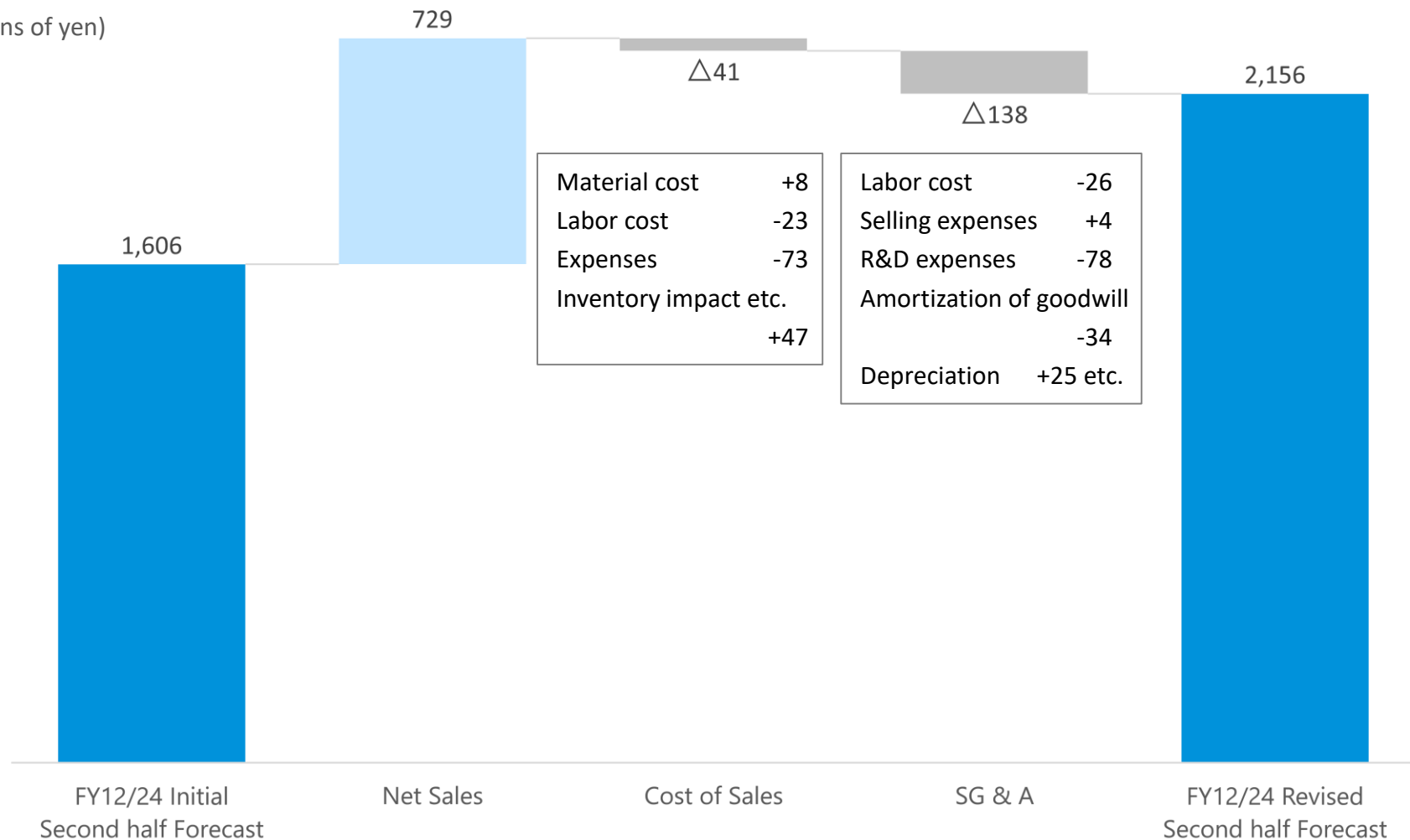
A significant increase in profits is expected as sales recover.



# Initial Second Half Forecast vs Revised Forecast -Optical Components and Devices

**Demand for products for submarine cables was strong. Operating profit has been revised upwards.**

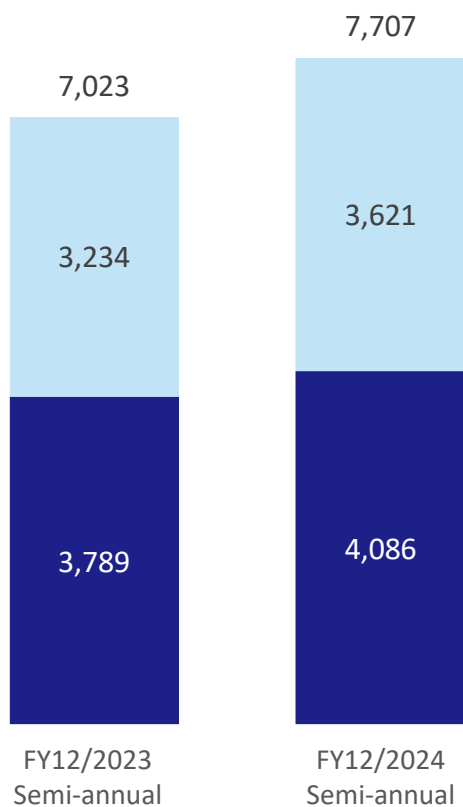
(Millions of yen)



# Results by Segment and Ratio of Domestic and Overseas Sales (First Six Months)

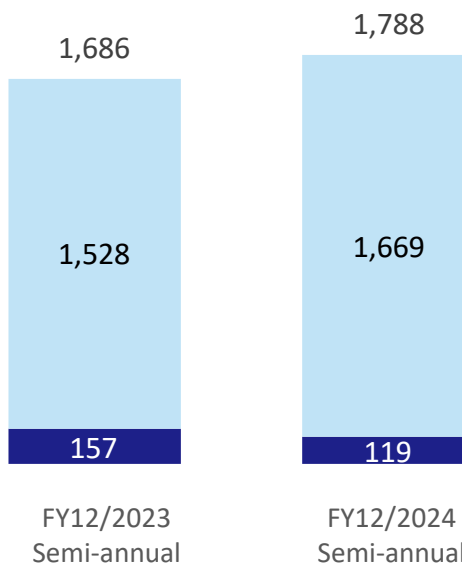
Net Sales (Millions of Yen)

- Optical Components and Devices Business
- Lead Terminals Business



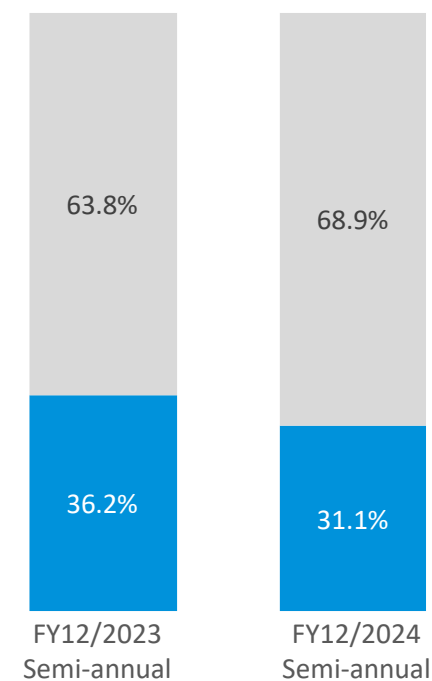
Operating profit (Millions of Yen)

- Optical Components and Devices Business
- Lead Terminals Business



Domestic and overseas sales ratio(%)

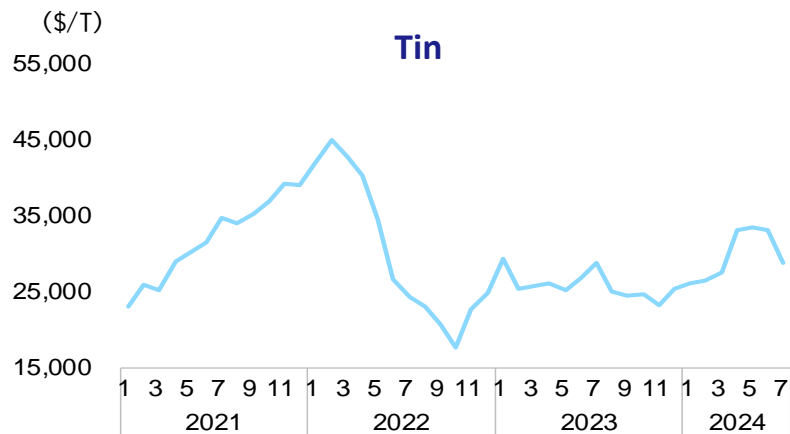
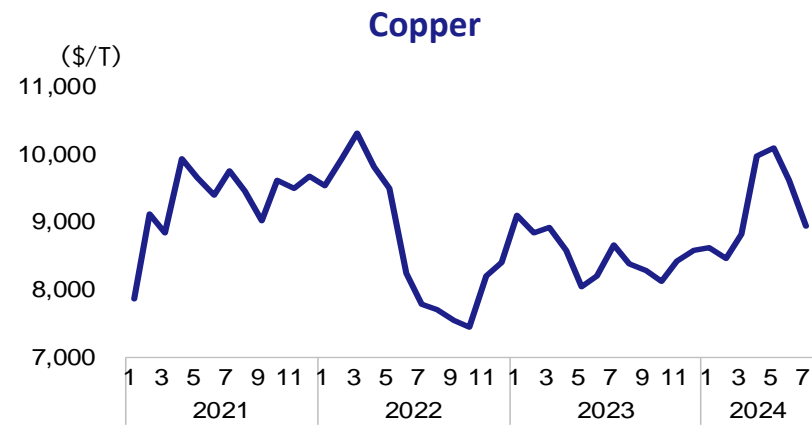
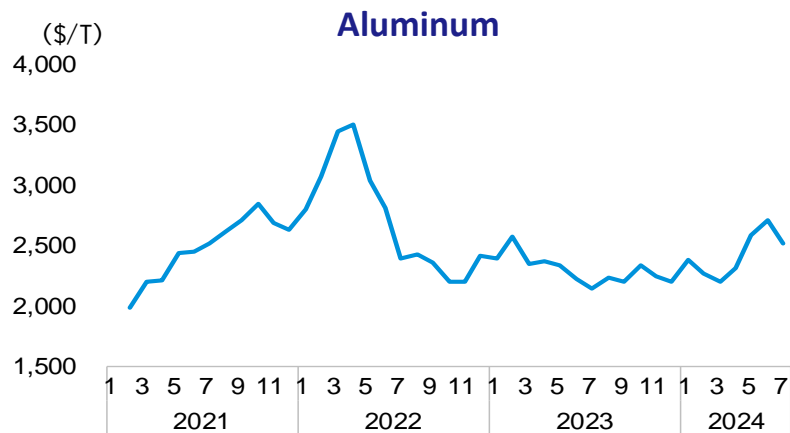
- Domestic Sales
- Overseas Sales



# External Environment – Non-ferrous Metals Market Trends

Market prices of non-ferrous metals reversed from the downward trend in 2022 and aluminum, copper and tin prices are fluctuated since then.

## Non-Ferrous Metals Market (LME)

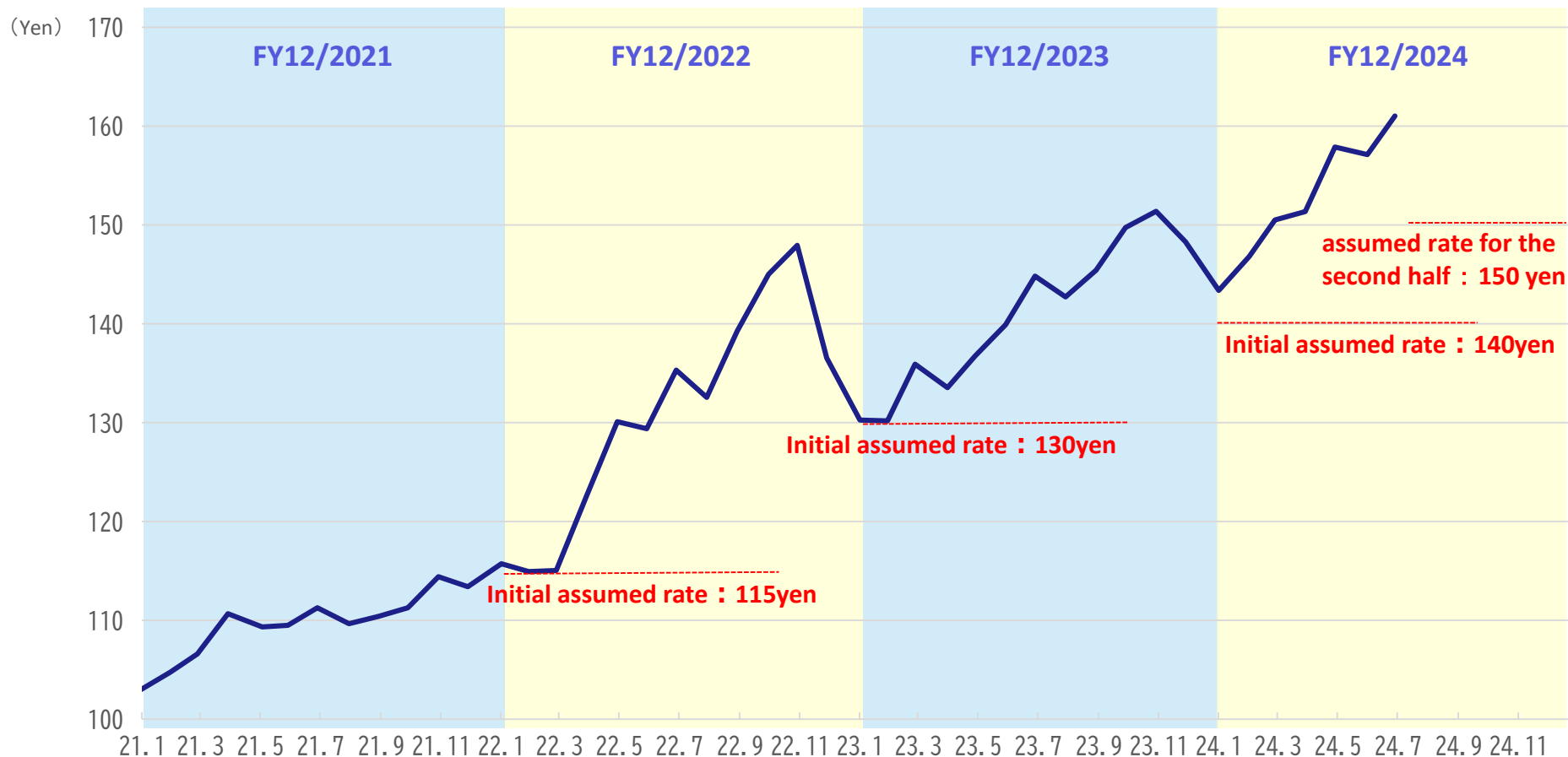




# Business Environment for FY12/2024 (First Six Months)

The average exchange rate for the period from January to June was 152.36 yen/USD, which was weaker than the assumed exchange rate.

USD/JPY trend graph



# Comparison between Assumption at Beginning of the FY and Now

## – Lead Terminals

### 1. Our perception based on information from customers, market research firms, and other sources.

	F12/2024 forecast (Initial comments)	Status for Q2 FY12/2024	Forecast for Q3 FY12/2024 Onward
(1) Overall aluminum electrolytic capacitor market (mainly Japanese customers)	<ul style="list-style-type: none"> <li>➤ Inventory adjustments are expected to be completed by spring, followed by a recovery.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inventory adjustments are almost over, orders have reversed, and the market has bottomed out, but the recovery is weak.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Inventory adjustments will continue in the industrial machinery market as a whole, automotive market, and some parts of the ICT market, and recovery is expected to remain weak for the time being.</li> </ul>
(2) Trends by application	<ul style="list-style-type: none"> <li>➤ In the automobile market, inventory adjustments were almost complete as of the beginning of the fiscal year. A recovery is expected from spring onwards.</li> <li>➤ Sales of lead terminals for hybrid capacitors for automobiles are expected to triple year on year.</li> <li>➤ The market is expected to head towards recovery in the second half of the year, driven by the ICT market, generative AI market etc.</li> <li>➤ Other information and telecommunications equipment market and the consumer market are expected to recover from inventory adjustments, but demand is expected to remain sluggish.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Automotive-related products were affected by quality problems of automakers, but are recovering thanks to electrification and the increasing functionality of ADAS, etc.</li> <li>➤ Hybrid capacitor production is increasing at some capacitor manufacturers, and local Chinese manufacturers are also starting the production.</li> <li>➤ The information and telecommunications market is recovering faster than expected.</li> <li>➤ Inventory adjustments have ended, and products for information and telecommunications devices are recovering.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Gradual recovery is expected, but a major recovery is unlikely due to some inventory adjustments and economic factors.</li> <li>➤ Both Japanese and overseas customers are increasing production, but there is variation depending on the customer.</li> <li>➤ The information and telecommunications equipment market is expected to remain strong against the backdrop of the spread of generative AI.</li> <li>➤ The Company expects the information and telecommunications equipment market to continue to recover, but a full recovery is unlikely due to macro factors.</li> </ul>

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

## 2. Business Environment surrounding the Company

	F12/2024 forecast (Initial comments)	Status for Q2 FY12/2024	Forecast for Q3 FY12/2024 Onward
(1) Growing field	<p>➤ Sales forecast of Lead Terminals for High - performance capacitors</p> <p>(Billions of yen)</p> <p>1.6 times</p> <p>15 10 5 0</p> <p>2023 2024 (Forecast)</p> <ul style="list-style-type: none"> <li>■ Solid Capacitors</li> <li>■ Hybrid type</li> <li>■ EDLC Capacitors</li> <li>■ liquid Capacitors</li> </ul>	<p>➤ There has been a significant increase in sales for EDLC. Use for Chinese smart meters and in-vehicle braking systems expanded.</p> <p>➤ Strengthen efforts globally for products for the automotive market.</p>	<p>➤ Demand for EDLC is increasing globally, led by in-vehicle and smart meter applications.</p> <p>➤ Supporting global production for Japanese customers, etc.</p>
(2) Production	<p>➤ Strengthen profitability and improve quality by improving production efficiency at the Suzhou, Dongguan and Malaysia bases.</p> <p>➤ Target of OEE 85%</p>	<p>➤ Improved functionality of standard products to accommodate increasingly sophisticated capacitors.</p> <p>➤ Negative impact of the mismatch between inventory and orders that occurred in the first quarter due to start-up losses at the Suzhou factory has recovered in the second quarter.</p> <p>➤ As of June, OEE average for each site was 80%.</p>	<p>➤ Consolidate small-lot production items from the head office factory to overseas factories for bulk production.</p> <p>➤ Strengthen production capacity at its Dongguan factory. Strengthen profit-making structure towards 2025.</p> <p>➤ With the evolution of production facilities, aim to achieve 85% of the target within this fiscal year.</p>
(3) Technology	<p>➤ Target of OEE 85%</p> <p>➤ Start of shipments sample products using laser welding machine.</p>	<p>➤ Continuous development underway. Through joint development with Ariel, the strength and shape of laser welding have been significantly improved compared to current welding.</p> <p>➤ In addition to the above development, system design including the pressing process has begun.</p>	<p>➤ Development and testing for laser welders for mass production.</p> <p>➤ Target sample shipments during FY2024.</p>

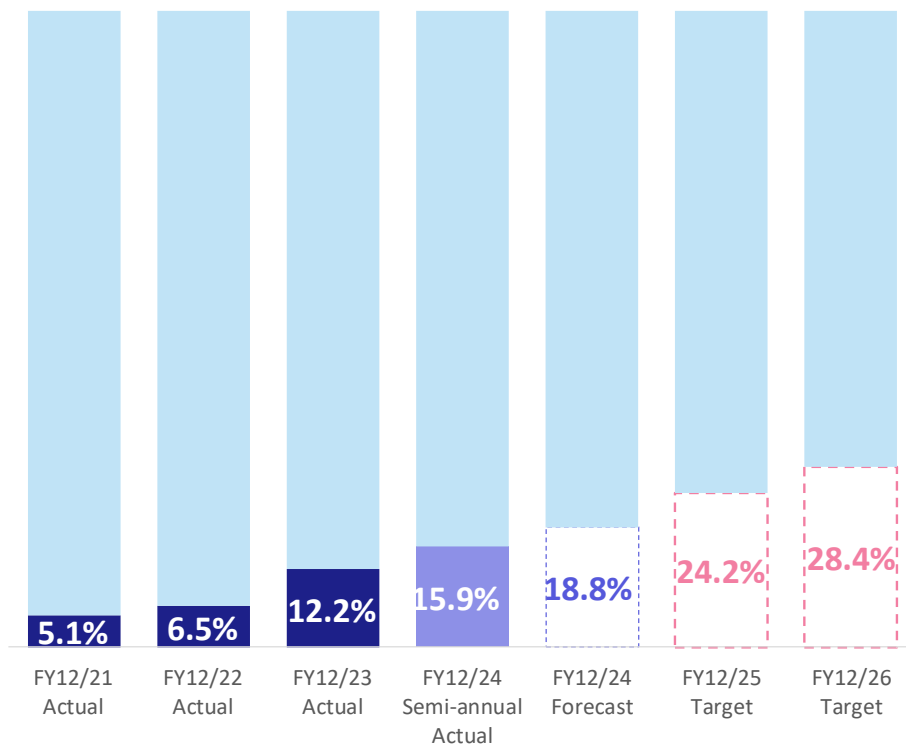
# Expansion of Business Scale Through Market Development

Improve the sales ratio of new products and strengthen sales to the automobile market.

## Sales Ratio of New Products

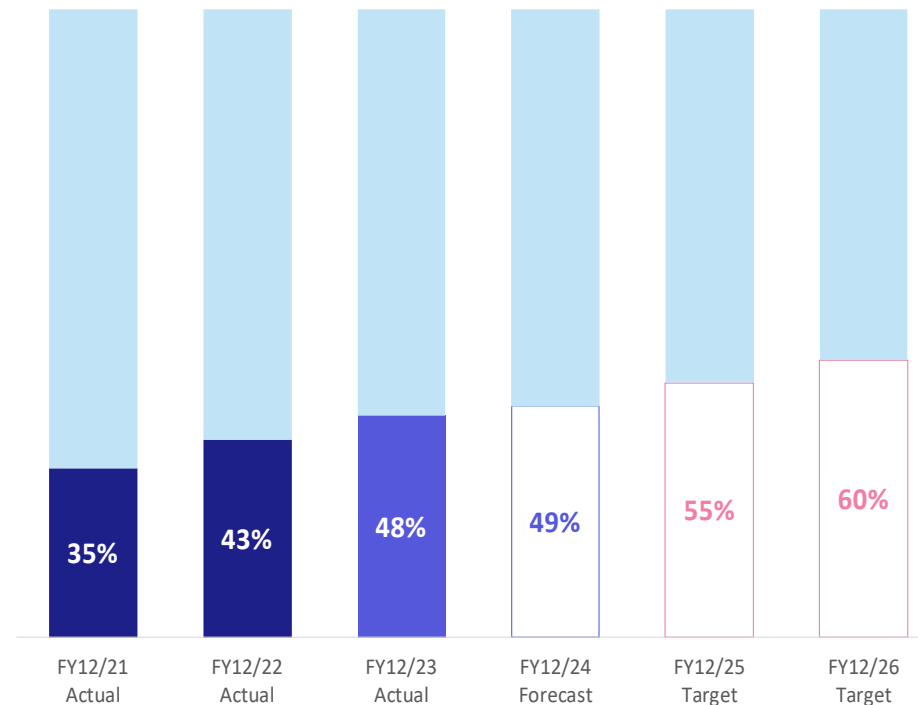


- New product sales ratio increased gradually.
- Significant sales growth for EDLC.



## Ratio of Sales to the Automotive Market (Estimated)

- Maintain global market share of 95% for Automotive market.
- Sales expansion in overseas Automotive market.



# Market and Business Environment - Optical Components and Devices

## 1. Market environment and order trends

	F12/2024 forecast (Initial comments)	Status for Q2 FY12/2024	Forecast for Q3 FY12/2024 Onward
(1)Market trends	<ul style="list-style-type: none"> <li>➤ Optical isolators are expected to remain strong.</li> <li>➤ Optical filters are expected to recover from mid-year.</li> <li>➤ A recovery is expected in the second half due to long-term perspective submarine cable projects.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sales of optical devices for submarine cables recovered more than expected.</li> <li>➤ Sales of optical filters also increased.</li> <li>➤ Orders for submarine cables continue to increase.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Sales of optical isolators and optical filters are expected to increase further.</li> <li>➤ Orders expected to increase toward 2025.</li> </ul>

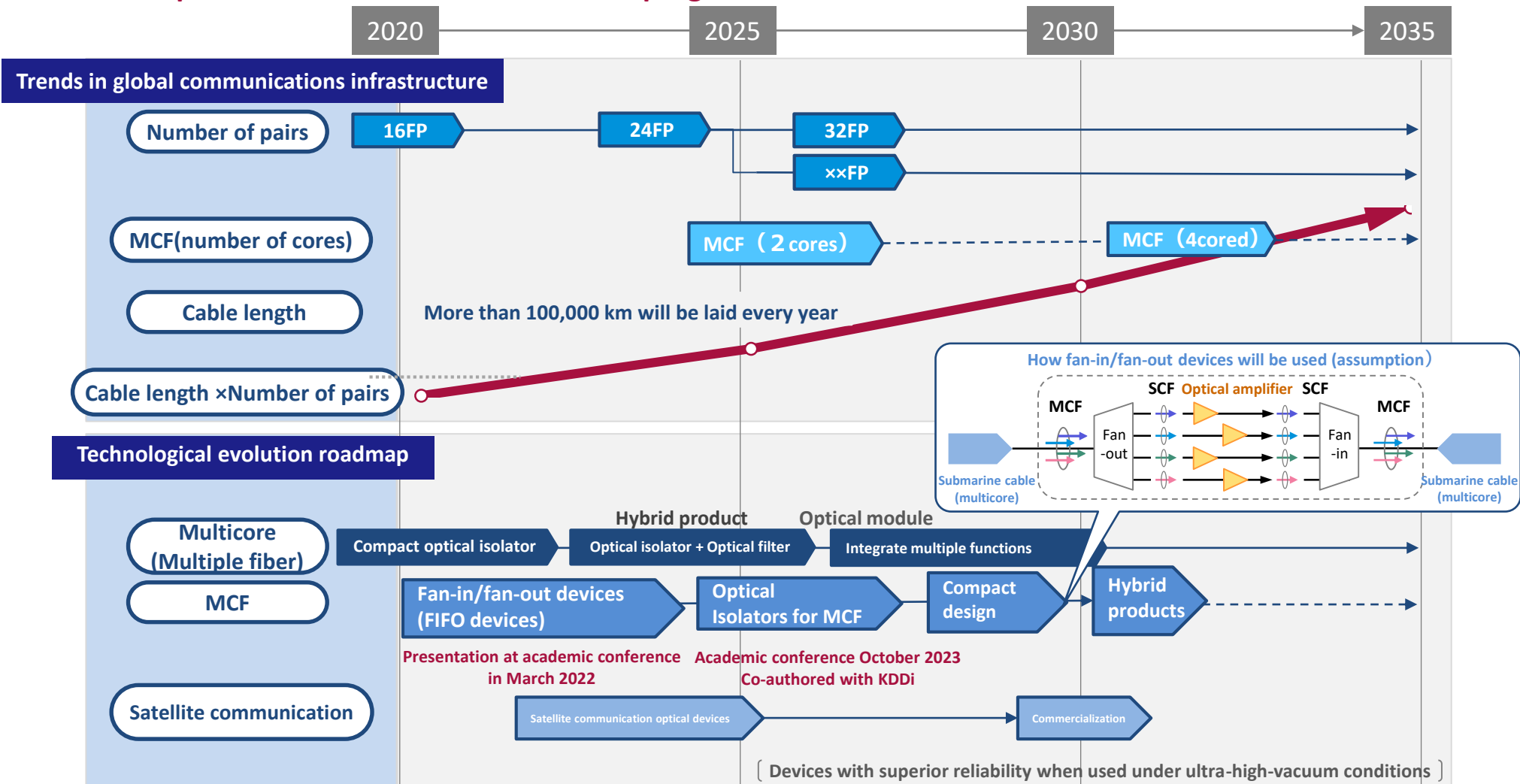
## 2. Our Business Environment

	F12/2024 forecast (Initial comments)	Status for Q2 FY12/2024	Forecast for Q3 FY12/2024 Onward
(1) Product development	<ul style="list-style-type: none"> <li>➤ New hybrid device products. Shipments of mass production samples in the second half of 2024. These are expected to contribute to sales in 2025.</li> <li>➤ Transition from conventional seed development to next-generation technology and platform development.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Design review completed.</li> <li>➤ Shipment of samples of optical devices for multicore fibers has begun.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Start customer evaluation of hybrid devices.</li> <li>➤ Expand sales of highly reliable optical devices for satellite communications, etc., and respond to inquiries.</li> </ul>
(2) Productivity, etc.	<ul style="list-style-type: none"> <li>➤ Expand semi-automated production equipment and production capacity in Sri Lanka.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Significantly increased staff in Sri Lanka to handle future increase in orders.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Expand semi-automated production equipment and increase the number of items that can be produced in Sri Lanka.</li> </ul>

# Expansion of business scale through market development

## (Optical Components and Devices Business)

Sample supply of hybrid products is scheduled to start in the second half of the year, and development for multicore fiber is also in progress.



# Achievement

## — Progress in Mid-term Management Plan Announced Last Year (Summary)

### • Strengthen profitability of core business (lead terminals)

- Promoting efficiency in ordering and receiving by adjusting prices of unprofitable items and consolidating small-lot orders, etc.
- The new product sales ratio was 15.9% at the end of the second quarter. Although adoption of "burr-less" is delayed, sales of high-performance products for EDLC are increasing.

### • Increase market share in growth businesses and develop new products (optical components and devices)

- A design review of a hybrid device to accommodate the increasing number of fibers in submarine cables has been completed.
- Developed a next-generation connection component (fan-in/fan-out device) for multicore fiber and demonstrated long-distance fiber transmission over 18,000 km.

### • Develop next-generation businesses utilizing core technologies

- Mass production of aspheric lenses for ultraviolet rays began in July 2023.
- Sample shipments to semiconductor-related equipment and other customers. Initial evaluation is underway.
- The number of business negotiations from sample-provided customers increased. Aiming for sales of 700 million yen or more in the final year of the mid-term plan.

### • Strengthen corporate governance and build a strong profit structure

- Established a Sustainability Committee and enhanced non-financial activities.
- Bolstered internal control systems, including reconfiguration of core IT systems and response to cyber attacks.
- Secured a business site in front of Maibara Station for future expansion of the technical base.



**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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