SUN-WA TECHNOS CORPORATION

8137

Tokyo Stock Exchange Prime Market

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Contents

Summary

Release of new medium-term management plan targeting operating profit of over ¥8.0bn in FY3/28

SUN-WA TECHNOS CORPORATION <8137> (hereafter, also "the Company") is an independent technology driven trading company that handles equipment, devices and parts related to industrial electronics and mechatronics. The Company has steadily expanded its businesses by leveraging its distinctive two-way trade approach of engaging with partners who serve both as customers and suppliers. It operates 30 business locations in Japan and 39 overseas (as of March 31, 2025).

1. Decreased sales and profits in FY3/25, but profits ahead of Company forecast

In the consolidated results for FY3/25, there was a decline in both sales and profits as net sales decreased 16.0% year on year (YoY) to ¥139,581mn and operating profit fell 43.6% to ¥3,507mn. Sales decreased particularly those to the factory automation industry in Japan and overseas, as capital investment declined and procurement adjustments continued due to sluggish market conditions. That being said, net sales and operating profit exceeded the Company forecast (operating profit of ¥3,080mn), because the gross profit margin improved as a result of sales activities that prioritize profit, the yen was weaker than forecast against the dollar with an average exchange rate of ¥151.58 to the US dollar versus the assumed exchange rate for the period of ¥137.90 to the US dollar, and the Company worked on reducing expenses. Orders received declined 2.9% to ¥132,909mn, continuing a downward trend. However, orders received in Japan rose 4.6% for the first increase in three fiscal years, indicating that this trend is beginning to show signs of bottoming out in some industries.

2. Sales forecast to increase for the first time in three fiscal years in FY3/26, with profit to remain flat based on conservative projection

For the FY3/26 consolidated results, the Company is forecasting an increase in net sales of 11.0% YoY to ¥155,000mn and a decrease in operating profit of 0.2% to ¥3,500mn. The Company forecasts that net sales will rise for the first time in three fiscal years, driven by increased capital investment related to growing AI demand, as well as expanded investment in environmental initiatives and labor-saving solutions in response to workforce shortages. The Company has taken a conservative stance in keeping its operating profit forecast flat at the previous level amid lingering uncertainties over US tariff policy and economic developments in China. The assumed exchange rate is ¥144.00 to the US dollar*.

* The effects of a change of ¥1.0 to the US dollar on business results translates to ¥413mn in net sales and ¥26mn in operating profit (assuming other currencies move at the same rate as the US dollar).

3. Release of new medium-term management plan aiming for growth through restructuring and three growth strategies

The Company released its new "SUN-WA Growth Plan 2027" three-year medium-term management plan extending through FY3/28. Under the plan, the Company will take on initiatives aligned with the three basic policies of: "Restructure to adapt to changes in market environment," "Enhance profitability via three growth strategies (product strategy, customer segment strategy, area strategy)," and "Invest for growth and implement individual strategies," with the aims of achieving operating profit of over ¥8.0bn, ROE of more than 10.0%, and a price-to-book ratio (PBR) of more than 1.0 times. In addition, the Innovation Headquarters will focus on building high-added-value business through initiatives that include identifying key technological domains with commercialization potential and developing innovative solutions working with partner companies.

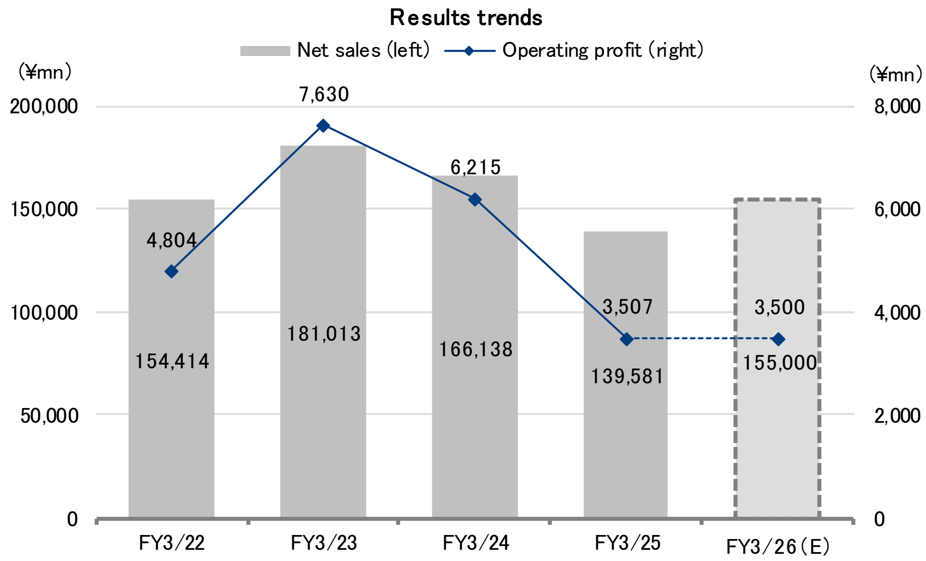
4. Enhancing shareholder return to quickly achieve a PBR of over 1.0 times

One of the initiatives being implemented by the Company as part of its strategy to quickly achieve PBR of over 1.0 times is to improve shareholder returns. Under its policy of paying stable and continuous dividends targeting dividend on equity (DOE) of 4.0% or more effective from FY3/25, the Company plans to offer a dividend of ¥120.0 per share (DOE of 4.30%) for FY3/26 (dividends for FY3/25 included a commemorative dividend of ¥10.0), the same amount as FY3/25. In addition, the Company has announced new enhancements to its shareholder benefits scheme. The Company awards QUO cards to shareholders on record as of March 31 of each year, with the value determined based on the number of shares held and the holding period. Effective from March 31, 2026, it has furthermore enhanced the benefits provided to shareholders with 200 shares or more*1. The annual investment yield, including shareholder benefits, is expected to reach a relatively high level of around 6%*2.

*1 Under the revised benefits scheme, shareholders who have held between 100 and 199 shares for a period of less than 2 years will receive a ¥1,000 card, while shareholders who have held the same number of shares for 2 years or more will receive a ¥2,000 card. Shareholders who have held 200 shares or more for a period of less than 2 years will receive a ¥3,000 card, while shareholders who have held the same number of shares for 2 years or more will receive a ¥5,000 card.
*2 Calculated based on the closing share price of ¥2,309 as of May 30.

Key Points

- Decreased sales and profits in FY3/25, but profit outperformed Company forecast across all levels
- Sales growth projected in FY3/26 for the first time in three fiscal years with the decline in orders having bottomed out
- Launch of new medium-term management plan targeting operating profit of over ¥8.0bn, ROE of more than 10.0%, and PBR of more than 1.0 times in FY3/28
- Payment of dividends targeting DOE of 4.0% or more and enhancements to shareholder benefits effective from March 31, 2026



Source: Prepared by FISCO from the Company's financial results

Results trends

Decreased sales and profits in FY3/25, but profit outperformed Company forecast across all levels

1. Overview of FY3/25 results

In FY3/25, the Company posted lower sales and profits; however, each profit line exceeded its forecast with net sales of ¥139,581mn (down 16.0% YoY), operating profit of ¥3,507mn (down 43.6%), ordinary profit of ¥3,815mn (down 42.5%) and profit attributable to owners of parent of ¥2,443mn (down 51.2%). Factors contributing to the stronger-than-expected performance include the yen trending weaker than forecast against the US dollar, with an average exchange rate of ¥151.58 to the dollar versus the assumed exchange rate for the period of ¥137.90 to the dollar, and the effects of gross profit margin improvement and expense reduction.

Results trends

FY3/25 consolidated results

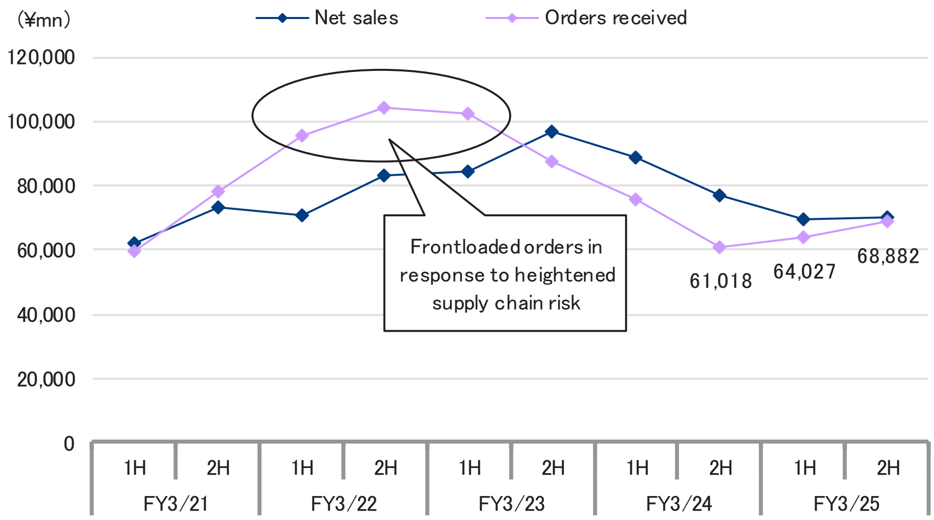
(¥mn)

	FY3/24		FY3/25				
	Results	% of net sales	Company's forecast	Results	% of net sales	YoY	vs. forecast
Net sales	166,138	-	155,070	139,581	-	-16.0%	-10.0%
Gross profit	21,778	13.1%	-	19,148	13.7%	-12.1%	-
SG&A expenses	15,562	9.4%	-	15,640	11.2%	0.5%	-
Operating profit	6,215	3.7%	3,080	3,507	2.5%	-43.6%	13.9%
Ordinary profit	6,631	4.0%	3,220	3,815	2.7%	-42.5%	18.5%
Extraordinary income/losses	710	-	-	-27	-	-	-
Profit attributable to owners of parent	5,007	3.0%	2,410	2,443	1.8%	-51.2%	1.4%
Orders received	136,895	-	-	132,909	-	-2.9%	-
Orders backlog	52,364	-	-	45,692	-	-12.7%	-
Exchange rate (¥/US dollar)	140.56		137.90	151.58			

Source: Prepared by FISCO from the Company's financial results and results briefing materials

As the industrial electronics and mechatronics industries, which is the Company's business area, experienced a decrease in facilities investment and ongoing parts procurement adjustment amid weak market prices, sales of control equipment, electrical machinery, electronic parts, and facilities equipment declined overall. Orders received, a leading indicator of net sales, continued to trend downward, decreasing 2.9% YoY to ¥132,909mn. On a half-yearly basis, however, orders received bottomed out in 2H FY3/24 at ¥61,018mn and began to recover, rising 12.9% to ¥68,882mn in 2H FY3/25. This seems to suggest that order volume has bottomed out. Looking at full-year orders received by region, Japan increased 4.6% to ¥85,480mn, while Asia declined 15.6% to ¥40,547mn and Europe and the US fell 4.6% to ¥5,972mn. Japan has led the recovery with a return to growth in orders received. In Asia, the sharp rate of decline reflects the impact of demand peaking and leveling off in China's solar power-related industry after having been robust through 2023. In 2H alone, orders received recovered to ¥20,869mn, up 11.3%.

Net sales and orders received by half fiscal year

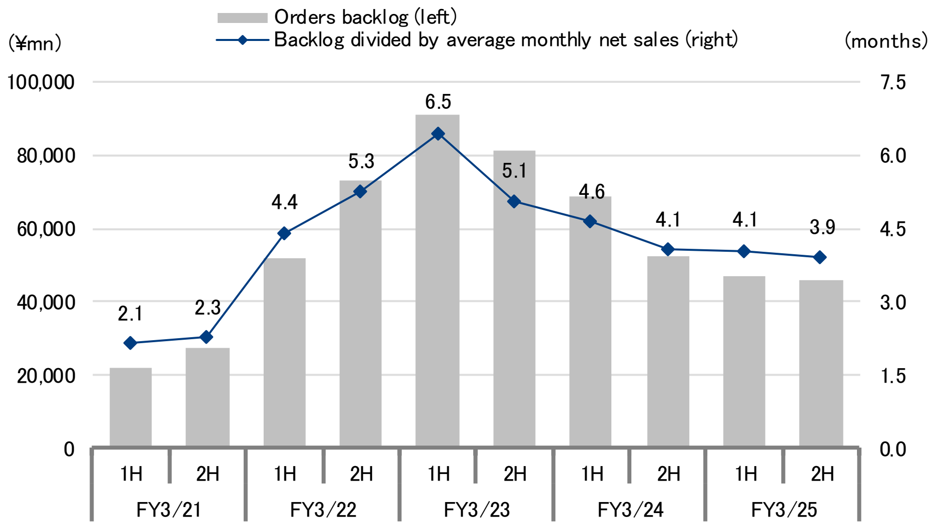


Source: Prepared by FISCO from the Company's financial results

Looking at the trend in orders backlog, orders with extended lead times from customers increased in part due to semiconductor shortages persisting since FY3/22, causing build-up of the orders backlog to ¥90,967mn in 1H FY3/23. However, the backlog has been declining since subsequently entering an order adjustment phase. However, the orders backlog appears to be leveling off as orders received in 2H FY3/25 were at roughly equal to net sales and aligned with actual demand. The backlog is equivalent to 3.9 months of sales*, which remains elevated relative to the level of 2 to 3 months prior to 2020. However, FISCO thinks this is partly attributable to supply chain risk countermeasures (decrease in the ratio of orders with short delivery times) that reflect experiences of the COVID-19 pandemic, and that order adjustments persisting since the latter half of 2023 have run their course.

* Year-end orders backlog divided by 2H FY3/25 (October 2024–March 2025) average monthly sales

Orders backlog trends

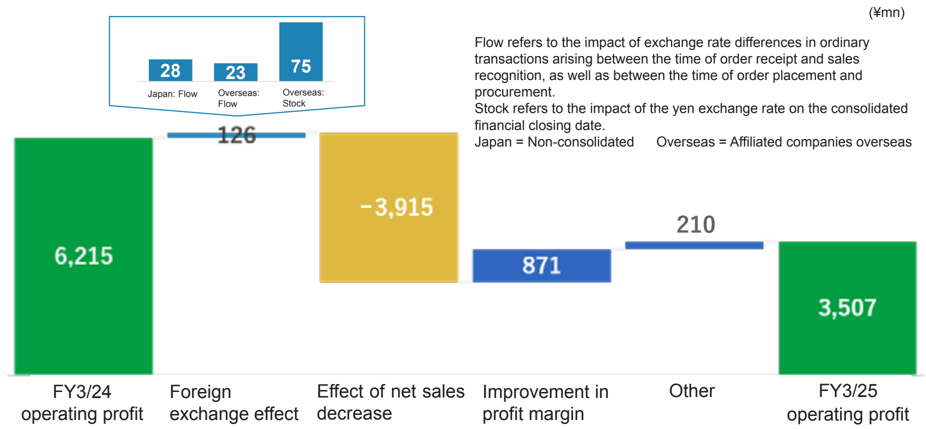


Note: Average monthly sales = Total net sales for the six-month period divided by 6
Source: Prepared by FISCO from the Company's financial results

Looking at the reasons behind the increase and decrease factors in operating profit in FY3/25, positive contributions of ¥871mn from an improved gross profit margin (up 0.6 percentage points (pp) YoY), ¥126mn from exchange rate fluctuations*, and ¥210mn from a decrease in other expenses were not enough to absorb the ¥3,915mn decline in operating profit due to lower net sales. Factors contributing to the gross profit margin improvement include engaging in sales activities that prioritize profit and the end of a large solar power generation-related project in Asia, which had relatively low profit margins.

* The average exchange rate was ¥151.58 to the US dollar. The yen has accordingly weakened by about ¥11 to the US dollar compared to the previous fiscal year, when it stood at ¥140.56. This has resulted in a ¥28mn increase in profits for the Company's Japanese business companies. Stocking and selling transactions resulted in a ¥23mn increase in profits for the Company's overseas business companies and the difference in the year-end exchange rate resulted in a ¥75mn increase in profits.

Analysis of changes in operating profit



Source: The Company's results briefing materials

Sales growth attributable to electronic parts for the automobile-related industry and electrical machinery for the mounter industry

2. Segment and regional trends

The Company discloses net sales after breaking them down into the three business segments of electrical machinery, electronics equipment, and general machinery, according to the products handled. In addition, the Company discloses net sales and operating profit as segment information by region.

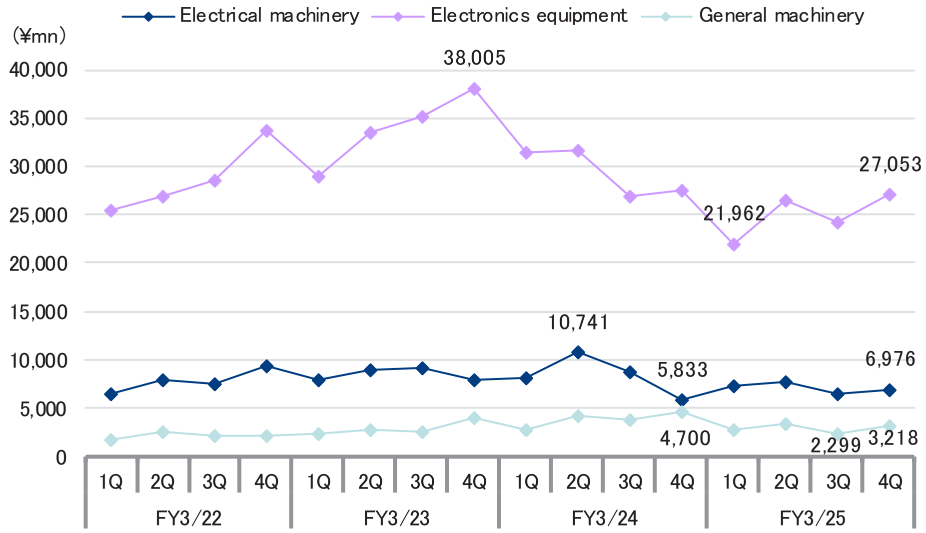
(1) Trends in net sales by business segment

Main products in the electrical machinery segment are servo motors, motion controllers, inverters, machine controllers and power conditioners. The Company primarily handles products from YASKAWA <6506>. Main customers include SCREEN Holdings <7735>, KOKUSAI ELECTRIC <6525>, Panasonic <6752>, NIKON <7731>, and Daifuku <6383>. Net sales declined 15.0% YoY to ¥28,346mn, despite an increase in sales of electrical machinery for the mounter industry, due to decreases in sales of electrical machinery to the semiconductor production equipment and solar power-related industries, as well as lower sales of control equipment to the factory automation industry.

The main products in the electronics equipment segment are wide-ranging, including general electronic parts such as capacitors, connectors, relays, and switches, as well as fan motors, stepping motors, LEDs, and power supply equipment. Main customers include DENSO <6902>, YASKAWA Electric, Mitsubishi Electric <6503>, OMRON <6645>, and FUJI ELECTRIC <6504>. Net sales decreased by 15.2% YoY to ¥99,582mn due to a decline in sales of electronic devices to the social infrastructure industry and electronic parts (cables, connectors, etc.) to the factory automation industry, although sales of electronic parts (optical units) to the automobile-related industry increased. Weak demand for facilities investment-related equipment and the continuation of inventory adjustments of parts and materials by customers were negative factors for net sales. FISCO thinks that sales have bottomed for now on a quarterly basis, marking a trough of ¥21,962mn in 1Q FY3/25 and increasing to ¥27,053mn in 4Q FY3/25.

The main products in the general machinery segment include robots from YASKAWA Electric, as well as transfer devices and reduction gears. Main customers include DENSO, Subaru <7270>, FUJIFILM Holdings <4901>, AGC <5201>, and SUMCO <3436>. Net sales declined 24.0% to ¥11,652mn, despite an increase in sales of industrial robots for the automobile-related and semiconductor production equipment industries, due to decreases in sales of facilities equipment (vibration isolation tables) to the semiconductor production equipment industry.

Net sales by business segment (quarterly)



Source: Prepared by FISCO from the Company's financial results

(2) Trends in sales and profits by segment

In the Japanese business, net sales decreased 11.2% to ¥101,715mn and operating profit declined 40.3% to ¥2,172mn. Sales and profit decreased, despite increases in sales of electronic parts to the automobile-related industry, electrical machinery to the to the mounter industry, and industrial robots to the semiconductor production equipment industry, primarily due to declines in sales of control equipment and electronic parts to the factory automation industry, as well as electrical machinery and facilities equipment to the semiconductor production equipment industry.

In the Asian business, net sales decreased 23.4% to ¥46,880mn and operating profit decreased 52.0% to ¥1,125mn. There were declines in sales of electrical machinery to the solar power-related industry, which significantly contributed to net sales in the same period of the previous fiscal year. In addition, sales also decreased for electronic parts and electronic machinery to the factory automation industry, and electronic devices to the semiconductor production equipment industry. The Company entered India in FY3/24. Sales to India (where the Company started selling to Japanese infrastructure companies based there) appear to have made a solid start. The Indian government has announced a policy of fostering its own electronics (including semiconductors) as well as automotive industries. The Company therefore positions India as a focus market going forward.

In Europe and the US, net sales decreased 8.6% YoY to ¥6,374mn, and operating profit declined 68.8% to ¥46mn. Sales of electronic parts to the factory automation industry decreased.

Net sales and operating profit by segment

(¥mn)

Net sales	FY3/22	FY3/23	FY3/24	FY3/25	YoY
Japan	115,811	133,712	114,550	101,715	-11.2%
Asia	52,216	64,364	61,194	46,880	-23.4%
Europe/US	6,214	7,112	6,970	6,374	-8.6%
Other	748	846	773	863	11.6%
Adjustment	-20,575	-25,022	-17,350	-16,251	-
Total	154,414	181,013	166,138	139,581	-16.0%

Operating profit	FY3/22	FY3/23	FY3/24	FY3/25	YoY
Japan	3,049	5,354	3,638	2,172	-40.3%
Asia	1,924	2,581	2,344	1,125	-52.0%
Europe/US	-108	-48	147	46	-68.8%
Other	-16	-3	-10	10	-
Adjustment	-44	-253	95	153	-
Total	4,804	7,630	6,215	3,507	-43.6%

Source: Prepared by FISCO from the Company's financial results

Sales growth projected in FY3/26 for the first time in three fiscal years with the decline in orders having bottomed out

3. FY3/26 forecasts

In terms of the outlook for FY3/26 consolidated results, the Company forecasts increased sales for the first time in three fiscal years along with largely unchanged results for operating profit and ordinary profit, with net sales of ¥155,000mn (up 11.0% YoY), operating profit of ¥3,500mn (down 0.2%), ordinary profit of ¥3,760mn (down 1.5%), and profit attributable to owners of parent of ¥2,610mn (up 6.8%).

FY3/26 consolidated results forecast

(¥mn)

	FY3/25		FY3/26				
	Full year results	% of net sales	1H forecast	YoY	Full year forecast	% of net sales	YoY
Net sales	139,581	-	71,700	3.3%	155,000	-	11.0%
Operating profit	3,507	2.5%	1,080	-34.6%	3,500	2.3%	-0.2%
Ordinary profit	3,815	2.7%	1,220	-27.4%	3,760	2.4%	-1.5%
Profit attributable to owners of parent	2,443	1.8%	845	-33.6%	2,610	1.7%	6.8%
Earnings per share (¥)	161.15		55.67		171.94		
Exchange rate (¥/US dollar)	151.58		144.00		144.00		

Source: Prepared by FISCO from the Company's financial results and results briefing materials

Currently, trends regarding orders vary between regions. Whereas orders are beginning to recover in Japan, uncertainty persists overseas, including the markets of China, Europe and the US. However, there has been no apparent impact from US tariff policy thus far, as the decline in orders seems to have bottomed out overall and the orders backlog, a leading indicator of sales, is rising upon having turned upward in March. Although weakening end-user demand in sectors such as automobiles and mobile phones poses a downside risk by dampening appetite for facilities investment in related industries, this is expected to be offset by expanding investment related to data centers driven by mounting AI demand, investment in environmental initiatives aimed at decarbonization, and investment in labor-saving solutions in response to workforce shortages. On a half-yearly basis, the Company's sales plan forecasts increases of sales of 3.3% YoY in 1H and 18.7% in 2H, reflecting expectations for recovery at an accelerated pace beginning in 2H.

On the profit front, while earnings are likely to increase if net sales grow as planned, the Company does not anticipate a significant increase in expenses given that it has apparently adopted a conservative stance in maintaining a flat profit forecast due to ongoing uncertainties surrounding US tariff policy and economic developments in China. The assumed exchange rate for the period is ¥144.00 to the US dollar. The effect of a change* of ¥1.0 to the US dollar translates to ¥413mn in net sales and ¥26mn in operating profit.

* Assuming a change of ¥1.0 to the US dollar and other currencies move at the same rate as the US dollar.

Long-term vision and medium-term management plan

"Make our customers' wants and needs possible" Aiming to be the best partner in manufacturing

1. Review of the long-term vision and previous medium-term management plan

The Group's Corporate Creed is "Develop Talents, Build Business, Contribute to Society." Guided by this creed, the Group utilizes its global network to provide its customers with the most up-to-date information, needs-oriented solutions, and the most reliable services, along with collaborating with partner companies. Through these efforts, the Group has helped to promote industrial development and to realize a sustainable society. In the past few years, there have been significant changes in global social conditions, and the market environment has been changing drastically. In this environment, to set an even clearer direction for the Group, it formulated "SUN-WA Vision 2030" as its long-term vision for 2030 (announced in May 2022). The long-term vision outlines the Group's Mission (Mission and Purpose), Vision (the Group's Ideals), and Values (Values for Fulfilling the Mission and Realizing the Vision), which are described below.

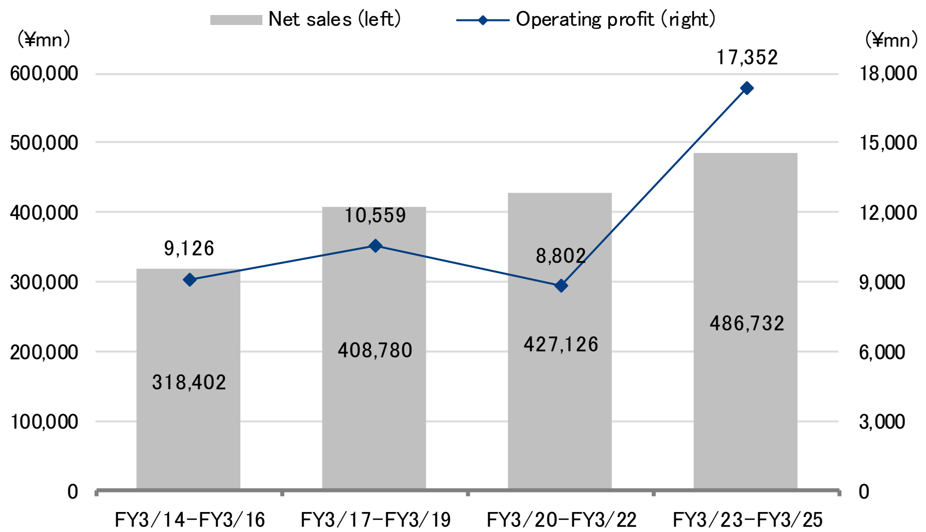
The Group has defined its Mission as follows: "We connect technologies in the world to create new value and support the development of a prosperous society." Leveraging its global network, the Group intends to contribute to the development of a sustainable society by offering the latest technology proposals and optimal products. Moreover, the Group has embraced the following as part of its Vision: "We are the best partner in manufacturing to make our customers' wants and needs possible."

The Group has identified the following three concepts as its Values to carry out its mission and achieve its Vision: "Customer First," "Spirit of Challenge," and "Teamwork and Communication." With "Customer First," the Group makes every effort to serve as a partner who has the best understanding of the customer—a partner who identifies true customer needs by always considering things from the customer's perspective and sharing values with customers. With "Spirit of Challenge," the Group sets high goals to drive its own growth, enhances its creativity and professionalism by tackling challenges positively without fearing change, and strives to boost the enterprise's energy and vitality. Finally, with "Teamwork and Communication," the Group creates new value by respecting others, understanding differences, and recognizing their value. In addition, the Group attaches importance to partner companies as it aims to improve its collective capabilities.

The Company is aiming to achieve operating profit of ¥10.0bn by fiscal 2030 as a performance target. To that end, the Company is implementing various initiatives under its three-year medium-term management plan, which has been formulated as an action plan for achieving that objective. In its 11th Medium-Term Management Plan encompassing FY3/23 through FY3/25, the Company changed its key goal indicator (KGI) from net sales to operating profit. It has also set a target of ¥7.0bn in operating profit to be achieved in FY3/25, the final year of the plan, along with a target for PBR of over 1.0 times to be achieved as quickly as possible.

As for operating profit, the Company exceeded its target with ¥7.6bn in the first year of the plan, but subsequently lost momentum with operating profit of ¥3.5bn in FY3/25 due to a deteriorating market environment. However, looking at cumulative results over three-year periods since FY3/14, net sales from FY3/23 to FY3/25 increased 14.0% compared to the previous three-year period, while operating profit surged 97.1%, constituting particularly remarkable growth in operating profit. Furthermore, the operating profit margin improved from 2.5% cumulatively over the nine years from FY3/14 to FY3/22 to 3.6% cumulatively over the three years through FY3/25. As such, we at FISCO deem this as a clear result of the company's focus on operating profit as a KGI. When it comes to enterprises involved in facilities investment, financial results tend to vary significantly due to facilities investment cycles. As such, evaluation of the medium-term management plan should be based on cumulative results across the plan's duration, rather than merely based on individual fiscal years. On the other hand, challenges remain in achieving the Company's goal of PBR exceeding 1.0 times, given that PBR remains at 0.7 times to date despite some progress made through shareholder return enhancements, such as the introduction of a shareholder benefits scheme and revision of the dividend policy.

Cumulative three-year results



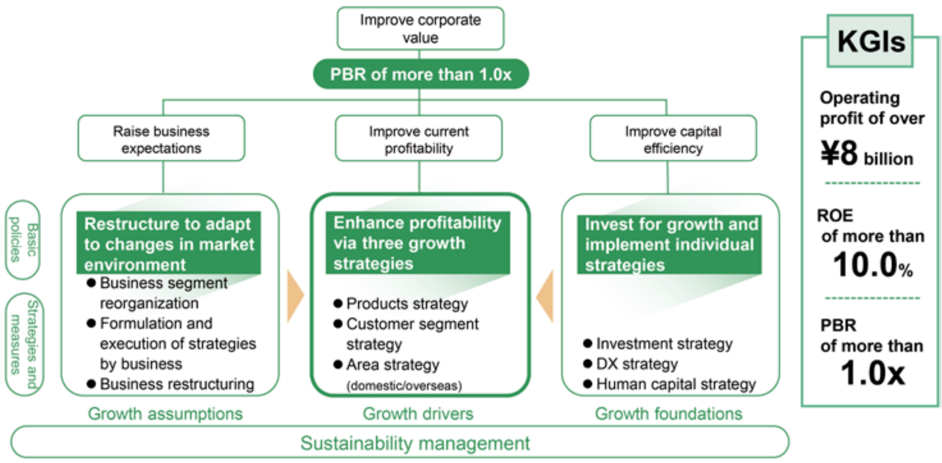
Source: Prepared by FISCO from the Company's financial results

Launch of new medium-term management plan targeting operating profit of over ¥8.0bn, ROE of more than 10.0%, and PBR of more than 1.0 times in FY3/28

2. Overview of the “SUN-WA Growth Plan 2027” medium-term management plan

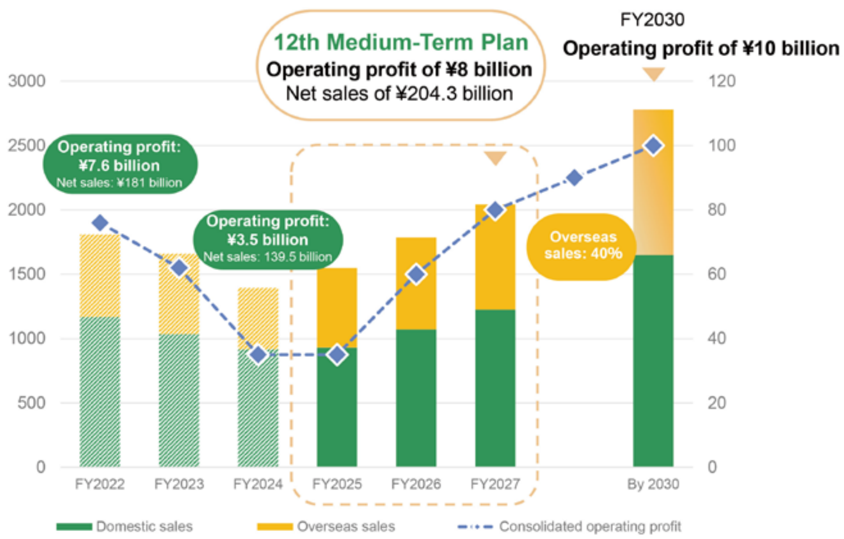
Having adopted the slogan, “enhancing our ability to make valuable proposals to support the future of manufacturing” under its three-year medium-term management plan, which began in FY3/26, the Company will take on initiatives aligned with the three basic policies of: “Restructure to adapt to changes in market environment,” “Enhance profitability via three growth strategies,” and “Invest for growth and implement individual strategies,” in seeking to quickly achieve PBR of more than 1.0 times. The Company has designated operating profit, ROE, and PBR as its KGIs, setting targets of over ¥8.0bn, more than 10.0%, and more than 1.0 times, respectively.

Basic policies and KGIs of the medium-term management plan



Source: The Company’s medium-term management plan materials

Positioning of the 12th Medium-Term Management Plan



Source: The Company’s medium-term management plan materials

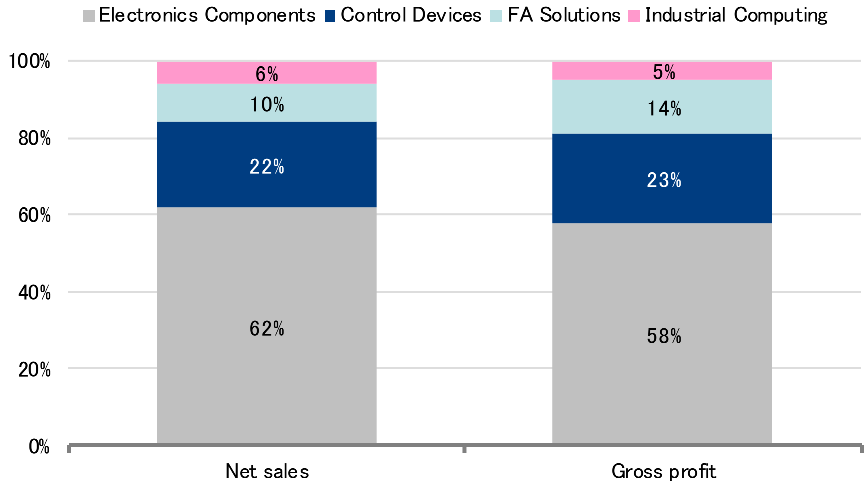
Aiming to increase earnings through restructuring and three growth strategies

3. Basic policies and strategies

(1) Restructure to adapt to changes in market environment

With respect to restructuring, the Company recognizes the challenge of clarifying distinctive characteristics of its businesses, and accordingly aims to disclose its business growth strategies in a way that is easier to visualize in seeking to foster investor expectations regarding earnings growth (PER improvement). To such ends, the Company has reorganized its operations into four business segments (Electronics Components, Control Devices, FA Solutions, Industrial Computing) to make the strategies and growth potential of each segment easier to visualize. The Company has also explicitly stated that Solution Development is to be a function of its Innovation Headquarters. Going forward, the company will formulate strategies for each business segment with the aim of achieving growth. In terms of the new business segments, the Electronic Components segment is expected to account for 62% of net sales and 58% of gross profit, followed by the Control Devices segment with 22% of net sales and 23% of gross profit in FY3/25 (non-consolidated). Together, these two businesses will comprise roughly 80% of total net sales.

Net sales and gross profit mix of the new business segments
(FY3/25, non-consolidated)



Source: Prepared by FISCO from the Company's medium-term management plan materials

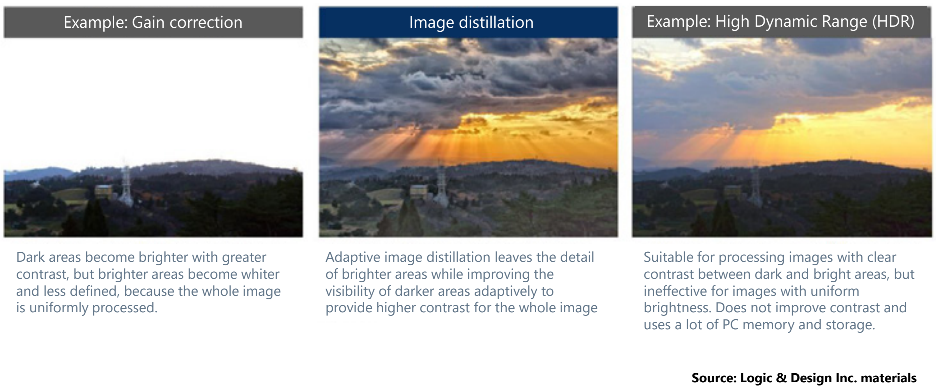
In Solution Development, positioned within the research and development domain, the Company will identify key technological domains that lead to commercialization while also developing solutions by combining optimal equipment and early-stage technologies from partner companies. These solutions will be packaged and deployed through the three growth strategies described later, thereby addressing sophisticated customer needs. Anticipating more opportunities to harness advanced technologies developed by startups and other partners, the Company aims to cultivate high value-added businesses by combining its sales and marketing strengths with their technological capabilities, while building win-win relationships.

As a specific example, the Company jointly developed the 3D Connect Series of robotics solution packages with systems developer MTEC CO., LTD., and began sales of the AR^2 System as the first product in the series in 2023. The AR^2 System uses a camera mounted onto a robot to read AR markers*, which serve as position references for target objects. Based on this, it corrects for relative position and selects operating conditions (the AR markers themselves contain embedded operating conditions that serve as recipes for behavior), issuing movement instructions to the robot. Usually, use of robots requires teaching data for a specific operation to be created and applied, but the addition of the AR^2 System makes it possible to perform this process with greater precision and efficiency. By lowering barriers to robot implementation, the system is expected to generate demand as a labor-saving solution. In addition, the same camera used for the AR^2 System can also support additional features such as pattern matching and other forms of image processing as well as conveyor tracking. Meanwhile, the Company is working to enhance its functionality further. Looking ahead, the Company is targeting ¥5.0bn in sales over the three years from FY3/25, and forecasts profitability exceeding that from sales of robots alone.

* AR markers are markers that display information in augmented reality (AR) by showing digital content in a virtual space. Various things, including images, faces, and buildings, can be used as AR markers.

In October 2024, the Company also entered into a business and capital alliance with Logic & Design Inc., with the aim of jointly developing new business models and solutions. Logic & Design is a startup founded in 2018 that develops its own algorithms for distilling images and videos. It sells image distillation devices and network cameras that use this technology as well as image distillation and resolution restoration software. Features of its technologies are as follows. 1) Enables real-time (delay of 0.004 second) image distillation using its own algorithms. 2) Instead of processing or estimation/correction, the algorithm achieves visibility refinement by capturing minute signal changes in pixels remaining in the image or video (non-AI process). 3) The cameras do not need to switch modes according to changes in the external environment (day/night, rain/fog, etc.). These features differentiate the technology from other image correction technologies such as gain correction and High Dynamic Range (HDR).

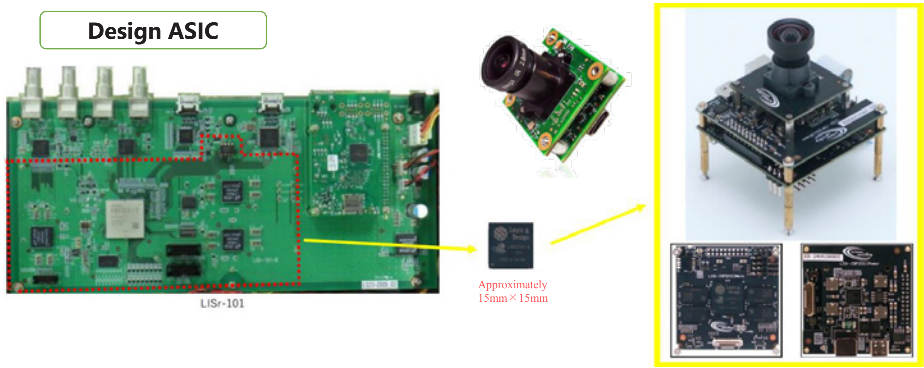
Differences between Logic & Design's technology and conventional image processing



Source: The Company's results briefing materials

Potential markets for this technology include security, healthcare, in-vehicle components, and public infrastructure such as river surveillance, as well as industrial equipment and machinery. To develop the business, the Company is working on jointly developing this technology into a compact chip (ASIC) to expand sales as a module product, with the aim of starting sales in 2026. The Company anticipates demand for use in automotive cameras, because the technology can provide real-time image sharpening at night and in wet and foggy conditions, as well as demand for visual inspection of cutting-edge semiconductors. It expects sales growth as a high-added-value product in the image solutions business.

Miniaturized (chip) ISP (ASIC)



Source: Logic & Design Inc. materials

Source: The Company's results briefing materials

(2) Enhance profitability via three growth strategies

The Company's growth strategies consist of its product strategy, customer segment strategy, and area strategy.

a) Product strategy

Under its product strategy, the Company has formulated strategic policies for each of its four business segments. In the Electronics Components business, the Company seeks to efficiently provide a wide range of products that meet diverse customer needs. This will involve strengthening its on-site responsiveness by building strategic partnerships with its major suppliers and expanding its product lineup to reflect customer needs and the latest technological trends.

In the Control Devices business, the Company seeks to offer products that contribute to strengthening the competitiveness of customers' equipment. This will involve promoting sales activities enlisting strategic products of its suppliers and employees equipped with expertise, and developing products that reflect customer needs in conjunction with its customer segment team.

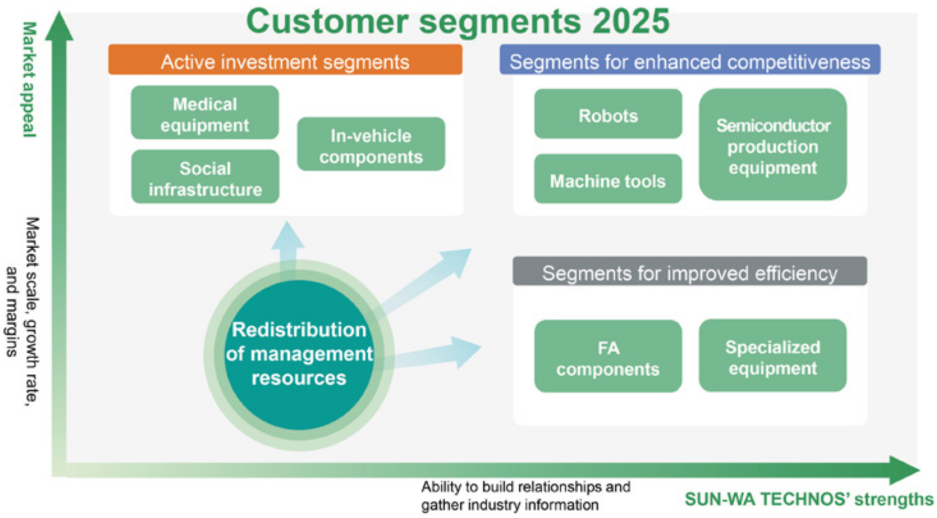
In the Industrial Computing business, the Company will offer products that realize advanced automation in conjunction with a wide range of industrial equipment. This will involve identifying areas where the Company has clear advantages and creating new business in those untapped fields, differentiating itself by providing high-added-value functions and services, and providing solutions that increase efficiency at manufacturing sites.

In the FA Solutions business, the Company will collaborate with system integrators to provide optimal solutions that resolve challenges faced by customers. This will involve analyzing customer challenges and needs, making optimal proposals with highly specialized system integrators, and strengthening onsite capabilities by developing sales strategies with major manufacturers based on industry analysis. This will also involve aiming to increase added value by working with major system integrators on products developed in-house.

b) Customer segment strategy

The customer segment strategy maintains and builds on strategies implemented under the Company's previous medium-term management plan. This encompasses a total of eight industry segments consisting of the two new segments of medical equipment and social infrastructure in addition to the previous six domains of semiconductor production equipment, robots, machine tools, in-vehicle components, FA components, and specialized equipment. The Company has grouped these industry segments based on market appeal and the Company's strengths into the three strategic customer segments: enhanced competitiveness, active investment, and improved efficiency. Whereas the previous medium-term management plan applied this strategy exclusively to the Japanese market, under the current plan the Company aims to expand the size of business by also implementing similar strategies overseas. The enhanced competitiveness customer segment consists of industries characterized by intense market competition where investment and initiatives are primarily aimed at strengthening competitiveness. The active investment customer segment consists of industries characterized by currently low revenues but in markets with high growth potential. These industries are positioned as future pillars of growth achieved through prioritized investment. The improved efficiency customer segment consists of industries that currently serve as revenue pillars, and are expected to continue generating sustained cash flow through ongoing improvements in business efficiency. The Company added the medical devices and social infrastructure with the aim of transitioning to a more stable revenue structure, as both are industries that are relatively resistant to economic volatility.

Customer Segment Strategy 2025



Source: The Company's medium-term management plan materials

The Company targets annual profit growth of 12–15% going forward in the enhanced competitiveness customer segment, which consists of semiconductor production equipment, robots, and machine tools. Semiconductor production equipment, which accounts for the largest share of profit at 13.5%, is a key area of focus. Future initiatives include identifying common themes that will lead to resolving issues faced by customers, proposing a range of units in collaboration with the Innovation Headquarters, and targeting module manufacturers in the semiconductor production equipment sector.

The Company targets annual profit growth of 12–15% going forward in the active investment customer segment, which consists of medical equipment, social infrastructure, and in-vehicle components. In-vehicle components, which accounts for the largest share of profit at 7.0%, is a key area of focus. Future initiatives include responding to needs for miniaturization, decarbonization, and cost reduction, expanding business with existing and new customers who are actively investing in fields related to the environment and safety, strengthening collaboration with manufacturers equipped with differentiable technologies, and promoting new business development by utilizing its organization specialized in the in-vehicle components industry and sales personnel equipped specialized knowledge of that industry.

The Company targets annual profit growth of 12% going forward in the improved efficiency customer segment, which consists of FA components and specialized equipment. FA components, which account for the largest share of profit at 25.3%, is a key area of focus. Future initiatives include providing efficient electronic component solutions based on an understanding of circuit configuration, creating strategic products centered on applications, and expanding sales specializing in energy, automation, and AI-related applications.

Strategies in each customer segment

Customer segment	Industry	Strategic policy	Measures	Target profit CAGR	Profit share
Enhanced competitiveness	Semiconductor production equipment	Contribute to the industry with the Company's proprietary technical proposal capabilities and customer base	• Identify common themes that will lead to resolving issues faced by customers • Propose a range of units in collaboration with the Innovation Headquarters • Target module manufacturers in the semiconductor production equipment sector	15.0%	13.5%
	Robots	Demonstrate the Company's strengths through market expansion and technological evolution	• Propose products that resonate with the market in collaboration with the Innovation Headquarters • Expand coverage to include the semiconductor, logistics, and food industries, encompassing a wide range of industries that use industrial robots • Make proposals of peripheral equipment (transport carts, robotic hands, imaging, etc.)	15.0%	4.0%
	Machine tools	Grow through high-performance applications, automation, and digitalization of mother machines	• Propose components and solutions that contribute to process consolidation, automation, and digital and green transformation • Expand target customer base from Japanese to global • Discover new products globally	12.0%	4.4%
Active investment	Medical equipment	Expand business scale against a backdrop of technological innovation and changing social needs	• Propose specialized products in cooperation with suppliers' medical teams • Classify various medical devices and propose PC solutions related to the Company's strengths • Supply components that match medical standards and medical device classes	15.0%	2.7%
	Social infra-structure	Work toward providing common, optimal proposals for each infrastructure scenario	• Aggregate and propose information specialized for transportation, communications, and electricity, gas, and water meters • Propose optimal power products for the grid storage battery industry where aggressive investment is planned • Approach the public sector, where public subsidies are being invested • Make digitalization proposals regarding aging power facilities	12.0%	4.6%
	In-vehicle components	Strengthen fundamental technologies in the environmental and safety fields to support the evolution of mobility	• Respond to needs for miniaturization, decarbonization, and cost reduction • Expand business with existing and new customers who are actively investing in fields related to the environment and safety • Strengthen collaboration with manufacturers equipped with differentiable technologies • Promote new business development by utilizing the Company's organization specialized in the automotive industry and personnel equipped with specialized knowledge of that industry	12.0%	7.0%
Improved efficiency	FA components	Offer a wide product lineup to a broad range of customers	• Provide efficient electronic component solutions based on an understanding of circuit configuration • Create and develop strategic products centered on applications • Expand sales specializing in energy, automation, and AI-related applications	12.0%	25.3%
	Specialized equipment	Work toward providing common, optimal proposals for each infrastructure scenario	• Propose products with system configuration blocks based on applications • Provide added value by proposing units that correspond to industry trends • Introduce products that are competitive in the global market	12.0%	9.2%

Source: Prepared by FISCO from the Company's medium-term management plan materials

c) Area strategy

The Company has established three strategic policies for Japan, such that it will conduct sales activities swiftly in close alignment with customers by delegating responsibility and authority to the Company's five branch offices, enhance customer contact by adding more smart sales offices*1, and improve customer service and satisfaction by implementing smart logistics*2. Aiming to invigorate sales activities by fostering a sense of competition among its branch offices, the Company began delegating authority and responsibility to five branches in FY3/25, while also clarifying area development goals and reviewing the branch evaluation system. Similarly, the Company's smart sales office initiative launched several years ago has been very cost effective because it involves assigning two or three salespeople per location to cover the surrounding area. As such, the Company intends to open more such offices in areas where demand is expected.

*1 Smart sales offices serve as the best partner situated close to customers, with salespeople stationed at various customer locations to provide sales services. These sales offices do not require administrative staff because their business operations are remotely supported by sales departments.

*2 The term "smart logistics" refers to a logistics system that uses a visualization system to optimize logistics hubs and operate them with a high degree of precision, while providing flexible services that meet customer needs with the expectation of improving overall service quality.

As for overseas markets, meanwhile, the Company is advancing its global strategy by internationally deploying its customer segment strategy, focusing growth strategies in Southeast Asia and India, and delegating responsibility and authority to regional headquarters. Under its local strategies, the Company aims to deepen business with local companies in China, which account for approximately 50% of net sales in the region. It is also working on development of local suppliers. With respect to its suppliers, whereas the Company previously mainly focused on procuring low-cost processed aluminum products and molded plastic products, it now intends to focus on developing suppliers of high-added-value products such as conveyor systems and automated guided vehicles (AGVs). In Southeast Asia, the Company had previously provided global SCM solution services to Japanese-affiliated companies, but going forward it aims to prompt evolution of its business model by adding technical support to those SCM solutions and expand business with local companies. In Europe and the US, the Company will focus on offering proprietary product capabilities and added value in aiming to expand the size of its business while developing local sales partners and discovering new products. The Company has set a target of raising its proportion of overseas net sales to 40%, compared to the recent three-year average of 35.9%.

(3) Invest for growth and implement individual strategies

a) Investment strategy

Regarding its investment strategy, the Company promotes strategic investment based on a business collaboration approach that positions internal and external growth as mutually complementary. For investment funds, the Company plans to use cash on hand and treasury shares, and will invest approximately ¥10.0bn over three years taking an approach that involves flexibly considering optimal financing methods as necessary. The Company plans to pursue internal growth investment in areas such as infrastructure, digital transformation (DX), technology, and human capital, while engaging in external growth investment that involves considering M&As and alliances in fields offering potential synergies with its existing businesses.

b) DX strategy

Under its DX strategy, the Company is shifting from a defensive approach to DX to an offensive approach to DX, aiming to accelerate growth through data and technology. Specifically, it has started preparing to introduce a next-generation core system for achieving greater operational efficiency, standardization, and streamlining. The Company is also striving to accelerate global management decision-making by collecting and using domestic and international management and operational data. It is also seeking to enhance sales strategies through AI and data analysis of sales and marketing information. In addition, the Company is also working to improve customer satisfaction by optimizing logistics hubs and achieving high-precision operations through a smart logistics visualization system. It is also strengthening organizational capabilities by fostering and leveraging DX talent equipped for cutting-edge technologies.

c) Human capital strategy

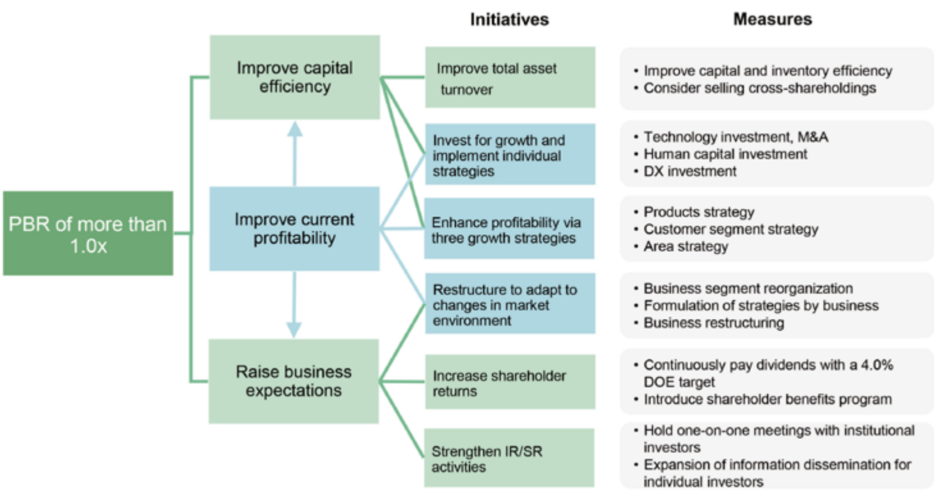
Under its human capital strategy, the Company works to build systems and organizations that enable every employee to thrive, thereby supporting achievement of its medium-term management plan and enhancing corporate value. Key measures include reviewing the performance evaluation and remuneration systems to better reflect individual skills, as well as strengthening the sales force, developing specialists, and optimizing the structure of internal sales operations. In addition, the Company plans to promote diversity, foster next-generation leaders, reskill employees, enhance employee engagement, and advance employee well-being.

Aiming to achieve consolidated operating profit of over ¥8.0bn, ROE of more than 10.0%, and PBR of more than 1.0 times

4. Efforts to practice management that is conscious of capital cost and share price

The Company is engaging in various initiatives upon having set targets of over ¥8.0bn in operating profit and more than 10.0% in ROE to achieve PBR of over 1.0 times. With respect to its initiatives to achieve operating profit of over ¥8.0bn, the Company intends to promote three growth strategies, as mentioned earlier. Whereas ROE fell to 5.0% in FY3/25, it remained above the 10% level previously, at 13.3% in FY3/23 and 10.8% in FY3/24, suggesting that the Company may achieve its ROE target if earnings recover. To increase ROE, the Company also plans to improve total asset turnover in addition to seeking higher earnings. Specifically, the Company is considering measures that include enhancing capital efficiency and inventory turnover, and selling cross-shareholdings.

Initiatives to achieve PBR of more than 1.0 times



Source: The Company's medium-term management plan materials

Shareholder return policy

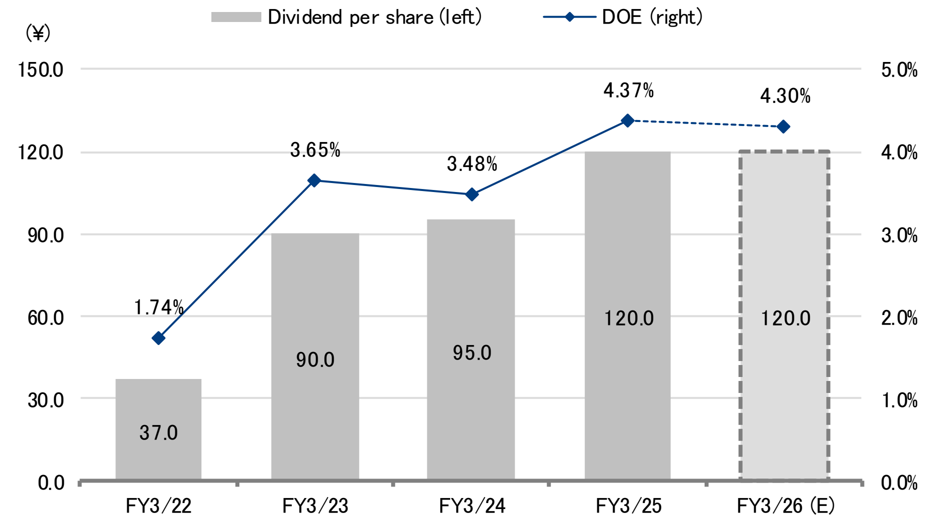
Dividend payment targeting DOE of 4.0% or more; shareholder benefit program to be expanded from the end of FY3/26

The Company announced an improved shareholder return policy as one of the steps to achieve quickly a PBR of over 1.0 times. Starting in FY3/25, its dividend policy will aim to pay stable and continuous dividends based on DOE of 4.0% or more. Furthermore, the Company decided to pay a commemorative dividend of ¥10.0 for the 75th anniversary of its establishment in FY3/25, bringing the total dividend to ¥120.0 yen (DOE 4.37%) along with the ordinary dividend. For FY3/26, although the commemorative dividend will be discontinued, the Company plans to increase the ordinary dividend by an equivalent amount, maintaining the dividend at ¥120.0 (DOE 4.30%), the same level as the previous fiscal year.

The Company also introduced a shareholder benefits scheme effective from FY3/25. Under the plan, the Company awards QUO cards to shareholders with holdings of 100 shares or more as of March 31 of each year, with the value determined based on the number of shares held and the holding period. It has furthermore announced that it has enhanced the benefits provided to shareholders with 200 shares or more effective from March 31, 2026. In the previous fiscal year, shareholders with holdings of between 100 and 499 shares for a period of less than 2 years received a ¥1,000 QUO card, while shareholders with the same number for 2 years or more were given an additional special long-term holding benefit* (equivalent to ¥1,000), thereby receiving a ¥2,000 QUO card. Shareholders with holdings of 500 shares or more for less than 2 years received a ¥2,000 QUO card, while shareholders with the same number for 2 years or more received a ¥3,000 QUO card. Effective from the record date of March 31, 2026, shareholders with holdings of 200 shares or more for less than 2 years will receive a ¥3,000 QUO card, while those with the same number for 2 years or more will be given an additional ¥2,000 long-term holding benefit. A rough calculation of the investment yield of the dividend and shareholder benefits combined, based on the share price for May 30 (¥2,309) results in about 6% yield for investors holding 100 or 200 shares, which could be considered to be an attractive return for investors looking to make income gains. In addition, the Company intends to consider the option of buying back shares on a flexible basis depending on timing and financial conditions with the aim of enhancing shareholder returns and capital efficiency.

* On condition that the shareholder has been recorded in the shareholder registry as having held the same numbered shares for at least five consecutive record dates, with the record dates being March 31 and September 30 each year. Shareholders who have held shares consecutively since March 31, 2023, will be the first to earn the right to a special long-term holding benefit.

Dividend per share and dividend payout ratio



Source: Prepared by FISCO from the Company's financial results

Description of shareholder benefits (effective from March 31, 2026)

	Shareholding period of under 2 years	Shareholding period of 2 years or more
100 to 199 shares	¥1,000	Additional ¥1,000
200 shares or more	¥3,000	Additional ¥2,000

Source: Prepared by FISCO from the Company's results briefing materials

Simplified income statement and main indicators

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25	FY3/26 (E)
Net sales	154,414	181,013	166,138	139,581	155,000
YoY	14.6%	17.2%	-8.2%	-16.0%	11.0%
Gross profit	18,772	23,039	21,778	19,148	-
Gross profit margin	12.2%	12.7%	13.1%	13.7%	-
SG&A expenses	13,967	15,408	15,562	15,640	-
SG&A expenses ratio	9.0%	8.5%	9.4%	11.2%	-
Operating profit	4,804	7,630	6,215	3,507	3,500
YoY	123.2%	58.8%	-18.5%	-43.6%	-0.2%
Operating profit margin	3.1%	4.2%	3.7%	2.5%	2.3%
Ordinary profit	5,195	7,675	6,631	3,815	3,760
YoY	102.4%	47.7%	-13.6%	-42.5%	-1.5%
Profit attributable to owners of parent	3,577	5,493	5,007	2,443	2,610
YoY	100.3%	53.6%	-8.8%	-51.2%	6.8%
EPS (¥)	228.33	355.08	329.87	161.15	171.94
Dividend (¥)	37.0	90.0	95.0	120.0	120.0

Source: Prepared by FISCO from the Company's financial results

Simplified balance sheets

(¥mn)

	End of FY3/22	End of FY3/23	End of FY3/24	End of FY3/25	Change amount
Current assets	82,209	94,263	86,350	82,875	-3,475
Cash and deposits	14,049	14,145	19,081	23,371	4,290
Trade receivables and contract assets	51,997	58,922	47,417	44,056	-3,361
Non-current assets	10,868	12,318	12,356	10,203	-2,153
Property, plant and equipment	2,230	2,272	2,256	2,192	-64
Intangible assets	226	221	166	153	-13
Investments and other assets	8,411	9,824	9,933	7,857	-2,076
Total assets	93,078	106,581	98,707	93,078	-5,629
Current liabilities	52,797	59,870	45,124	39,133	-5,991
Payment obligations	40,676	45,335	32,589	30,054	-2,535
Non-current liabilities	2,257	2,227	5,615	4,832	-783
Total liabilities	55,054	62,097	50,740	43,966	-6,774
Interest-bearing debt	7,805	9,557	12,007	8,447	-3,560
Shareholders' equity	33,277	38,202	40,620	41,703	1,083
Accumulated other comprehensive income	4,746	6,282	7,346	7,409	63
Total net assets	38,023	44,484	47,966	49,112	1,146

Source: Prepared by FISCO from the Company's financial results

Status of cash flows

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25
Cash flows from operating activities	792	-545	4,226	9,095
Cash flows from investing activities	244	-731	883	-389
Cash flows from financing activities	-580	906	-608	-5,222
Cash and cash equivalents at end of period	13,565	13,661	18,597	22,869

Source: Prepared by FISCO from the Company's financial results

Management indicators

(¥mn)

	FY3/22	FY3/23	FY3/24	FY3/25
Equity ratio	40.9%	41.7%	48.6%	52.8%
Interest-bearing debt ratio	20.5%	21.5%	25.0%	17.2%
ROE	9.8%	13.3%	10.8%	5.0%
Net cash	6,244	4,588	7,074	14,924

Source: Prepared by FISCO from the Company's financial results

Disclaimer

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