COMPANY RESEARCH AND ANALYSIS REPORT

SUN-WA TECHNOS CORPORATION

8137

Tokyo Stock Exchange Prime Market

15-Jul.-2026

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Summary

Results enter a high-growth phase driven by the expansion of AI-related capital investment

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 38 business locations in Japan and 40 overseas, and has more than 3,100 client companies on a standalone basis.

1. Overview of FY03/26 results

In the consolidated results for FY03/26, the Company posted increases in both sales and profit for the first time in three fiscal years, with net sales increasing 6.3% year on year (YoY) to ¥148,329mn and operating profit rising 15.7% to ¥4,058mn. Amid the expansion of AI-related capital investment, demand increased for related parts, such as electronic components for the FA industry and motors for the mounter industry. Additionally, the gross profit margin also improved due to the promotion of sales activities focused on profitability, and the operating profit margin increased from 2.5% in FY03/25 to 2.7%. Orders received turned to an increase for the first time in four fiscal years, increasing 19.0% to ¥158,142mn mainly in the Japanese market. The pace of growth accelerated particularly in 4Q FY03/26 (January–March 2026), increasing 36.7% to ¥48,679mn.

2. FY03/27 forecasts

In the consolidated results for FY03/27, double-digit growth in both sales and profit is expected, as net sales increase 16.6% YoY to ¥173,000mn and operating profit increases 47.8% to ¥6,000mn. Order momentum from 4Q of the previous fiscal year continues, and AI-related capital investment will drive results. Sales are expected to grow mainly for manufacturers of semiconductor production equipment, robots, and FA equipment. Sales to China, which had been sluggish due to a decrease in capital investment in the solar power-related industry, have bottomed out, covered by growth for the semiconductor production equipment and automotive-related industries. Given the assumed exchange rate of ¥148.0 to the US dollar*, FISCO thinks there is room for the financial forecasts to exceed expectations.

* The effects of a change of ¥1.0 to the US dollar on business results translates to ¥499mn in net sales and ¥53mn in operating profit (assuming other currencies move at the same rate as the US dollar).

3. Progress of the "SUN-WA Growth Plan 2027" medium-term management plan

Under the "SUN-WA Growth Plan 2027" three-year medium-term management plan extending through FY03/28, 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 (products strategy, customer segments 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 particular, under the customer segments strategy*, the Company assigns sales personnel well-versed in the industry and promotes sales activities with high solution capabilities, such as making product proposals mindful of the latest technology trends. The Company focuses on cultivating excellent new customers and deepening business with existing customers, aiming for an annual gross profit growth rate of 12–15%. Results are gradually beginning to emerge, such as in the number of business negotiations and securing orders, and it is drawing attention as an initiative to achieve future earnings growth.

* The Company has identified eight fields: semiconductor production equipment, robots, machine tools, medical equipment, social infrastructure, in-vehicle components, FA components, and specialized equipment, and approaches customers by formulating sales strategies for each. These eight fields combined account for approximately 70% of net sales.

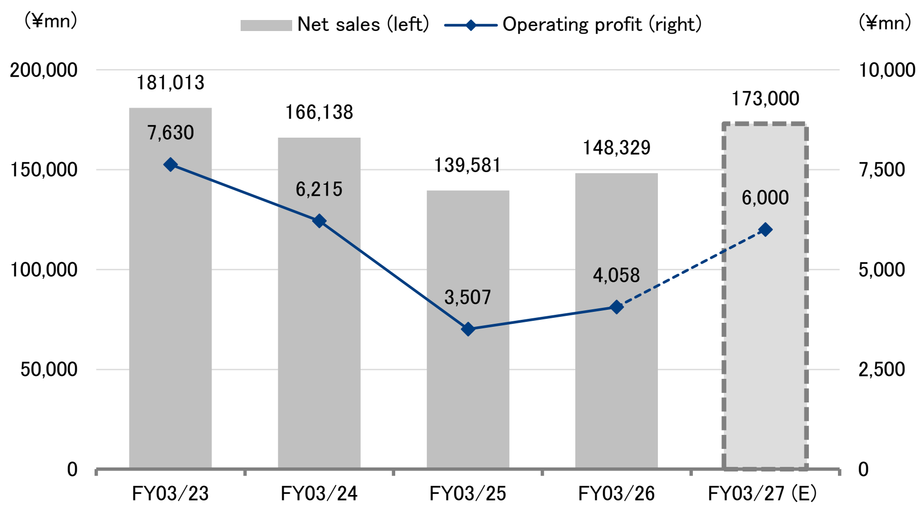
4. Shareholder return policy

The Company has been actively working on shareholder return as one of the measures to achieve PBR of over 1.0 times. Regarding dividends, under its policy of paying stable and continuous dividends targeting DOE (dividend on equity) of 4.0% or more, the Company plans to continuously increase dividends, offering a dividend per share of ¥122.0 (DOE of 4.27%), an increase of ¥2.0 YoY, for FY03/26, and ¥130.0 (DOE of 4.38%), an increase of ¥8.0, for FY03/27. The Company has also introduced a shareholder benefits scheme, providing digital gifts to shareholders at the end of March each year according to the number of shares held (a digital gift worth ¥2,000 for 100 shares). Previously, the Company provided QUO cards to the shareholders, but has switched to digital gifts to enhance convenience for shareholders. As a result of these proactive shareholder return initiatives, the recent PBR is at a level exceeding 1.0 times, and the Company aims to firmly establish PBR of over 1.0 times and improve it further through the improvement of ROE going forward.

Key Points

- In FY03/26, both sales and profit increased for the first time in three fiscal years, driven by the expansion of AI-related capital investment
- In FY03/27, growth is expected to accelerate with double-digit increases in both sales and profit as the Asian market also recovers
- Aims for operating profit of over ¥8.0bn, ROE of more than 10.0%, and PBR of more than 1.0 times in FY03/28
- Pays dividends targeting DOE of 4.0% or more and provides digital gifts as shareholder benefits

Results trends



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

Results trends

In FY03/26, both sales and profit increased for the first time in three fiscal years, driven by the expansion of AI-related capital investment

1. Overview of FY03/26 results

In the consolidated results for FY03/26, the Company posted increases in both sales and profit for the first time in three fiscal years, recording net sales of ¥148,329mn (up 6.3% YoY), operating profit of ¥4,058mn (up 15.7%), ordinary profit of ¥4,776mn (up 25.2%), and profit attributable to owners of parent of ¥3,265mn (up 33.7%). In addition to customer order adjustments having run their course, demand from related industries such as semiconductors and robotics increased in 2H of FY03/26, backed by expanding AI-related capital investment, resulting in higher sales and profits. Compared to the Company's plan, although net sales were mostly in line with forecasts, the gross profit margin improved due to the penetration of sales activities focused on profitability, resulting in profits at all levels exceeding the plan.

FY03/26 consolidated results

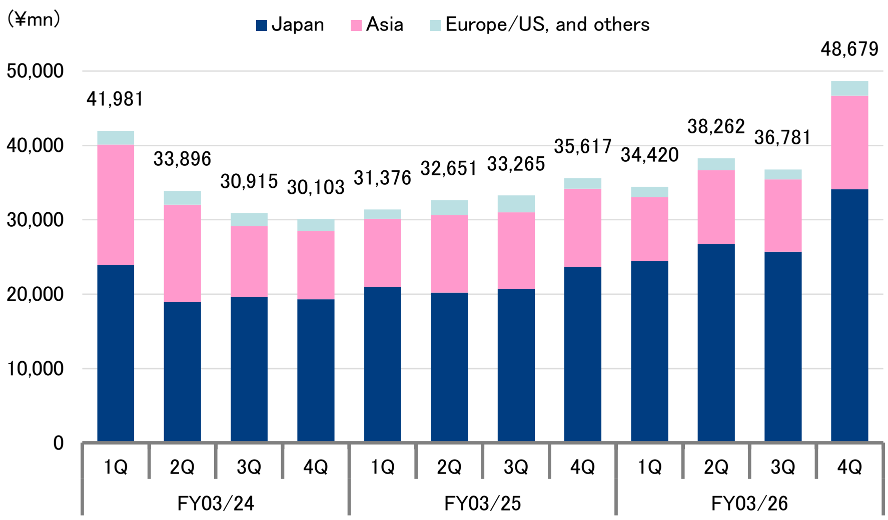
(¥mn)

	FY03/25		FY03/26				
	Results	% of net sales	Company forecast	Results	% of net sales	YoY	vs. forecast
Net sales	139,581	-	150,000	148,329	-	6.3%	-1.1%
Gross profit	19,148	13.7%	-	20,879	14.1%	9.0%	-
SG&A expenses	15,640	11.2%	-	16,820	11.3%	7.5%	-
Operating profit	3,507	2.5%	3,700	4,058	2.7%	15.7%	9.7%
Ordinary profit	3,815	2.7%	4,500	4,776	3.2%	25.2%	6.1%
Profit attributable to owners of parent	2,443	1.8%	3,000	3,265	2.2%	33.7%	8.9%
Orders received	132,909	-	-	158,142	-	19.0%	-
Order backlog	45,692	-	-	55,506	-	21.5%	-
Exchange rate (¥/U.S. dollar)	151.58	-	149.71	149.71	-	-	-

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

Orders received, a leading indicator of net sales, turned to an increase for the first time in four fiscal years, increasing 19.0% YoY to ¥158,142mn, and the order backlog also increased 21.5% to ¥55,506mn. By region, while Japan grew significantly, increasing 29.9% to ¥111,005mn, Asia increased 0.8% to ¥40,863mn, and Europe, the US, and others decreased 8.8% to ¥6,273mn, making the Japanese market the driving force behind the recovery. Regarding Asia, although orders received for semiconductor production equipment and from some FA manufacturers in China increased, a decrease in capital investment in the Chinese solar power-related industry, a major customer, acted as a drag. Looking at trends in orders received on a quarterly basis, they grew significantly in 4Q, increasing 36.7% to ¥48,679mn. This suggests that the booming AI market has begun to have a positive impact not only on the semiconductor industry but also on various industries such as robots and FA equipment, with the Japanese market in particular showing remarkable growth, increasing 44.2% to ¥34,101mn.

Orders received by region (quarterly trends)



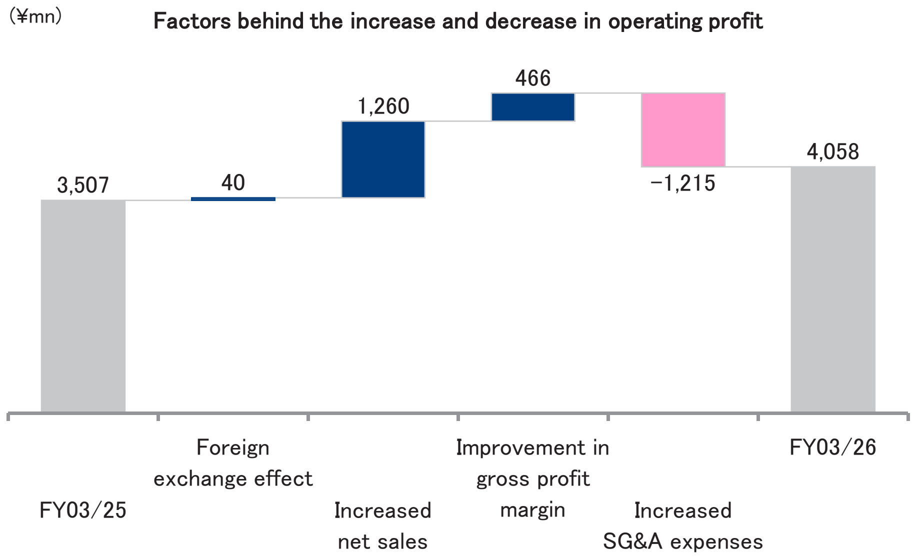
Source: Prepared by FISCO from the Company's financial results

Looking at the factors behind the changes in operating profit in FY03/26, the profit increase factors were ¥1,260mn from the effect of higher net sales, ¥466mn from improvement in the gross profit margin (up 0.4 percentage points (pp) YoY), and ¥40mn from foreign exchange rate fluctuations*1, absorbing an increase of ¥1,215mn in SG&A expenses. The main factor behind the improvement in the gross profit margin was the promotion of sales activities focused on profitability. The Company changed one of its key goal indicators (KGIs) from net sales to operating profit starting in FY03/23, and has been working to improve the gross profit margin. In fact, the gross profit margin has risen steadily from 12.2% in FY03/22 to 14.1% in FY03/26. Since FY03/24, lower net sales have increased the SG&A expenses ratio and declined operating profit, making the effects difficult to see. In FY03/26, net sales turned to an increase, making the results of the initiatives apparent. Approximately half of the increase in SG&A expenses was due to higher personnel expenses, and other factors were the recording of approximately ¥100mn in expenses related to conducting two M&A*2 transactions and ¥64mn in amortization of goodwill. In addition, non-operating income and expenses improved ¥410mn. The main factors were a ¥139mn improvement in financial income and expenses and a ¥162mn improvement in foreign exchange losses and gains.

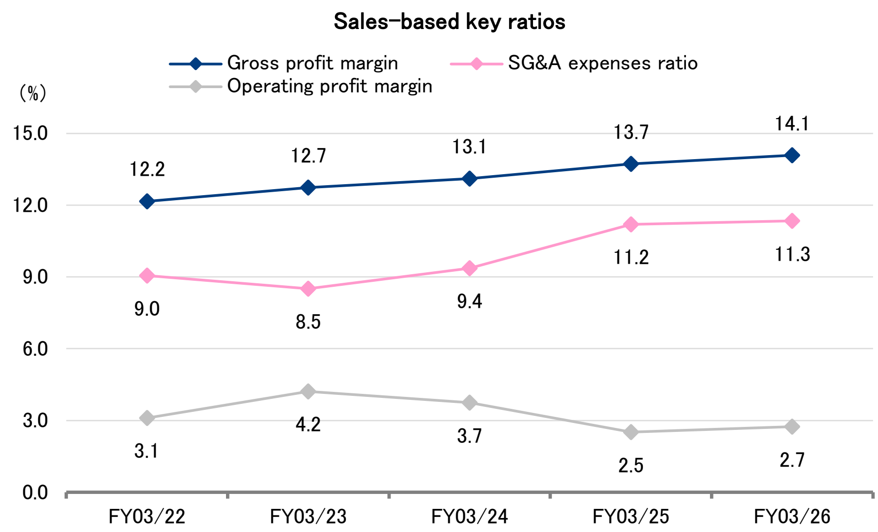
*1 The average exchange rate was ¥149.71 to the US dollar. The yen strengthened by about ¥2 to the US dollar compared to the previous fiscal year, when it stood at ¥151.58. This resulted in a ¥23mn increase in profit for the Company's Japanese business companies and a ¥24mn increase in profit for the Company's overseas business companies due to differences in exchange rates at the time of purchase and sales transactions. In addition, differences in the exchange rate at the end of the fiscal year resulted in a ¥7mn decrease in profit.

*2 At the end of September 2025, the Company made MTEC CO., LTD., developing robot systems, a subsidiary, and at the end of October of the same year, it made HTK Europe Ltd. (currently SUN-WA TECHNOS (UK) Connect Solutions Ltd.) that was a UK subsidiary of HONDA TSUSHIN KOGYO CO., LTD., a subsidiary. The business scales are small, and the impact on consolidated results is minimal.

Factors behind the increase and decrease in operating profit



Note: Factors behind the increase in net sales, improvement in the gross profit margin, and increase in SG&A expenses exclude the impact of foreign exchange.
Source: Prepared by FISCO from the Company's results briefing materials



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

By regional segment, sales in Japan returned to growth for the first time in three fiscal years

2. Segment and regional trends

With respect to restructuring, the Company has reorganized its business segments into four segments— Electronics Components, Control Devices, Industrial Computing, and FA Solution—starting in FY03/26, to adapt to changes in the market environment, and has also reorganized its Sales Headquarters into four divisions. Looking at the main products handled in each business, the Electronics Components segment mainly deals with power supplies and mechanical components (such as connectors, relays, and switches), as well as capacitors, sensors, and LEDs. The Control Devices segment mainly handles servo motors, inverters, programmable controllers, and power conditioners. The Industrial Computing segment mainly deals with industrial PCs, as well as peripheral devices and software such as network equipment and IoT gateways. The FA Solution segment mainly handles equipment such as industrial robots, mounters, and conveyor devices. The Company also discloses net sales and operating profit as segment information by region.

(1) Trends in net sales by segment

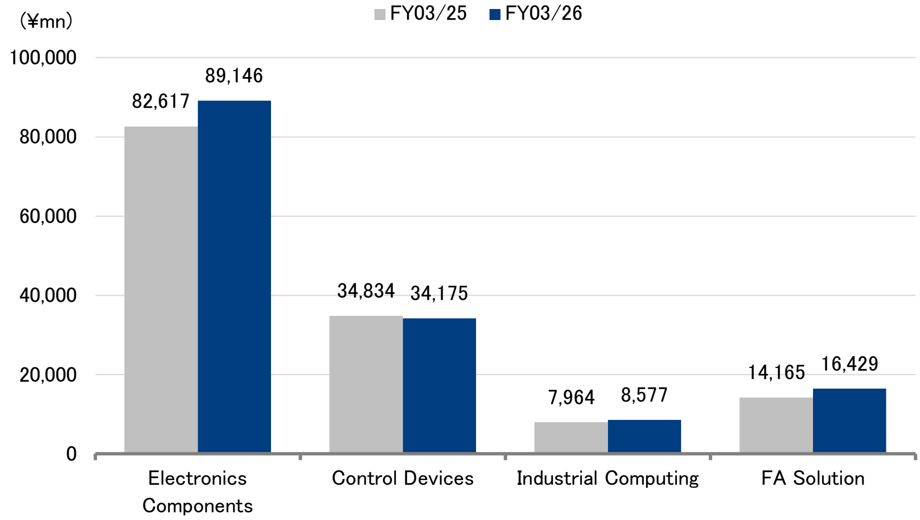
Net sales in the Electronics Components segment increased 7.9% YoY to ¥89,146mn. Sales of in-vehicle optical units and electronic components for the FA industry increased against the backdrop of increased production by major customers. Sales of liquid crystal displays for the social infrastructure industry (aircraft) also increased.

Net sales in the Control Devices segment decreased 1.9% YoY to ¥34,175mn. Sales of motors for the mounter industry increased against the backdrop of strong data center-related markets, and sales of power conditioners for storage batteries for the solar power-related industry increased due to the acquisition of new projects. Meanwhile, sales of servo motors and selective compliance assembly robot arm (SCARA) robots for the solar power-related industry decreased due to the impact of a decline in capital investment in the solar power-related industry in China.

Net sales in the Industrial Computing segment increased 7.7% to ¥8,577mn. Sales of industrial PCs for the semiconductor production equipment industry increased against the backdrop of the expansion of capital investment in the semiconductor industry, and sales of board computers for the FA industry also increased against the backdrop of an increase in automotive-related capital investment in China.

Net sales in the FA Solution segment increased 16.0% to ¥16,429mn. Sales of inspection equipment and conveyor devices for the semiconductor production equipment industry increased against the backdrop of the expansion of capital investment in the semiconductor industry.

Net sales by business segment



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

(2) Trends in sales and profits by segment

The Company posted increases in both sales and profit in Japan for the first time in three fiscal years, with net sales increasing 12.4% YoY to ¥114,365mn and operating profit rising 34.0% to ¥2,912mn. Sales increased for products such as industrial PCs for the semiconductor production equipment industry, inspection equipment and conveyor devices for the semiconductor-related industry, in-vehicle optical units, liquid crystal displays for the social infrastructure industry, motors for the mounter industry, power conditioners for storage batteries for the solar power-related industry, and electronic components for the FA industry.

In Asia, net sales decreased 1.3% YoY to ¥46,279mn and operating profit decreased 10.0% to ¥1,012mn, continuing the downward trend in both sales and profits. In the Company's main Chinese market, sales of board computers and electronic components for the FA industry, as well as electronic components and industrial PCs for the semiconductor production equipment industry, increased, but a decrease in sales of servo motors and SCARA robots for the solar power-related industry had a negative impact, resulting in lower sales and profits. Meanwhile, in India, where the Company entered the market from FY03/24, sales to FA and social infrastructure-related (railway signaling) companies operating locally increased steadily, and profitability was achieved on a single-month basis.

In Europe and the US, net sales increased 1.0% YoY to ¥6,437mn, and operating profit increased 8.7% to ¥50mn. An increase in sales of cables for the semiconductor production equipment industry in the US covered a decrease in sales of industrial robots for the automotive-related industry.

Results by segment

(¥mn)

Net sales	FY03/23	FY03/24	FY03/25	FY03/26	YoY
Japan	133,712	114,550	101,715	114,365	12.4%
Asia	64,364	61,194	46,880	46,279	-1.3%
Europe/US	7,112	6,970	6,374	6,437	1.0%
Other	846	773	863	854	-1.0%
Adjustment	-25,022	-17,350	-16,251	-19,608	-
Total	181,013	166,138	139,581	148,329	6.3%

Operating profit	FY03/23	FY03/24	FY03/25	FY03/26	YoY
Japan	5,354	3,638	2,172	2,912	34.0%
Asia	2,581	2,344	1,125	1,012	-10.0%
Europe/US	-48	147	46	50	8.7%
Other	-3	-10	10	32	192.1%
Adjustment	-253	95	153	52	-
Total	7,630	6,215	3,507	4,058	15.7%

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

In FY03/27, growth is expected to accelerate with double-digit increases in both sales and profit as the Asian market also recovers

3. FY03/27 forecasts

In the consolidated results for FY03/27, the Company forecasts net sales of ¥173,000mn (up 16.6% YoY), operating profit of ¥6,000mn (up 47.8%), ordinary profit of ¥6,200mn (up 29.8%), and profit attributable to owners of parent of ¥4,200mn (up 28.6%), expecting double-digit growth in both sales and profits. Although the outlook remains uncertain against the backdrop of high crude oil prices caused by turmoil in the Middle East, a favorable business environment will continue for the Company. Capital investment in related industries such as semiconductors and data centers will further expand due to the rapid growth of the AI market, while investments in the environment and energy fields aimed at realizing a decarbonized society and labor-saving and automation investments against the backdrop of labor shortages are expected to remain steady.

FY03/27 consolidated results forecast

(¥mn)

	FY03/26		FY03/27		
	Full year results	% of net sales	Full year forecast	% of net sales	YoY
Net sales	148,329	-	173,000	-	16.6%
Operating profit	4,058	2.7%	6,000	3.5%	47.8%
Ordinary profit	4,776	3.2%	6,200	3.6%	29.8%
Profit attributable to owners of parent	3,265	2.2%	4,200	2.4%	28.6%
Earnings per share (¥)	212.35	-	270.01	-	-
Exchange rate (¥/U.S. dollar)	149.71	-	148.00	-	-

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

Orders received in April 2026 also appeared strongly, and the Chinese market, which had been slumping, is turning upward due to an increase in orders received for the semiconductor production equipment industry and the automotive-related industry. In fact, the Company's results have obviously recovered, with orders received in Asia in the previous 4Q increasing 19.2% YoY to ¥12,570mn and increasing 29.4% quarter on quarter. Looking ahead, demand for renewable energy systems using solar panels and grid storage batteries is expected to expand in Japan and overseas against the backdrop of high crude oil prices, and strong sales of related products are anticipated.

In terms of profit, the improving trend of the gross profit margin is expected to continue in addition to the effect of higher net sales. Although personnel expenses will continue to increase, the Company expects to lower the SG&A expenses ratio by improving productivity in indirect departments using AI and curbing logistics costs through the introduction of smart logistics systems. As a result, the operating profit margin is expected to rise from 2.7% in the previous fiscal year to 3.5%. The Company expects non-operating income and expenses to worsen ¥518mn YoY. This is because it has set the assumed exchange rate at ¥148.0 to the US dollar, stronger than in the previous fiscal year, and therefore anticipates recording foreign exchange losses. However, the current exchange rate shows a weaker yen exceeding ¥150 to the US dollar, and if this level continues, it will be an upside factor for results. The Company estimates that a change of ¥1.0 to the US dollar would have an annual impact of ¥499mn on net sales and ¥53mn on 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. Long-term vision

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, in May 2022, it announced "SUN-WA Vision 2030" as its long-term vision for 2030. The Company changed one of the KGIs from net sales to operating profit, and set a target of ¥10.0bn in consolidated operating profit to be achieved in FY03/31. 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.

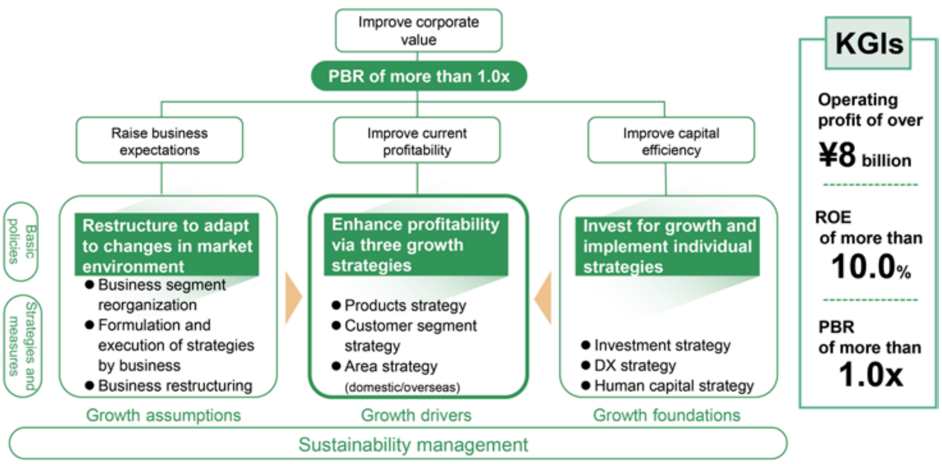
The Group has defined its Mission as follows: "We connect technologies in the world to create new value and support the development of a prosperous society." Leveraging its global network, the Group intends to contribute to the development of a sustainable society by offering the latest technology proposals 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. 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.

Aims for operating profit of over ¥8.0bn, ROE of more than 10.0%, and PBR of more than 1.0 times in FY03/28

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 FY03/26, the Company is taking 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 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. Regarding PBR, partly due to the effects of strengthening its shareholder return policy and IR/SR activities, the Company has achieved its target, reaching approximately 1.1 times based on the closing price (¥3,805) on May 25, 2026.

Basic policies and KGIs of the medium-term management plan



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

Potential to exceed medium-term performance targets, driven by the expansion of AI-related capital investment

3. Progress of basic policies and strategies

(1) Restructure to adapt to changes in market environment

As part of restructure, the Company has reorganized its business segments into four segments—Electronics Components, Control Devices, Industrial Computing, and FA Solution—starting in FY03/26, and is formulating strategies and implementing measures for each business. The Company has already begun implementation, such as by reorganizing the Sales Headquarters into four divisions as well. In addition, solution development, which is positioned within the research and development domain, has been incorporated into the Innovation Headquarters. The Company identifies key technology areas that will lead to future commercialization, develops solutions combining optimal equipment and technological seeds from partner companies, packages these solutions, and deploys 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. MTEC, which the Company made a consolidated subsidiary in September 2025, is also an example of this strategy.

(2) Enhance profitability via three growth strategies

The Company aims to enhance profitability by promoting its products strategy, customer segments strategy, and area strategy as its growth strategies.

a) Product strategy

Under its product strategy, the Company has formulated strategic policies for each of its four business segments. In the Electronics Components segment, the Company efficiently provides a wide range of products that meet diverse customer needs. The Company is strengthening its on-site responsiveness by building strategic partnerships with its major suppliers*, and expanding its product lineup through the collection of customer needs and the latest technology trends.

* Main suppliers include OMRON Corporation <6645>, MinebeaMitsumi Inc. <6479>, TDK-Lambda Corporation, NICHICON CORPORATION <6996>, KEL CORPORATION <6919>, and STANLEY ELECTRIC CO., LTD. <6923>

In the Control Devices segment, the Company offers products that contribute to strengthening the competitiveness of customers' equipment. This involves promoting sales activities enlisting strategic products of its suppliers and employees equipped with expertise, and developing products that reflect customer needs through collaboration with its customer segment team.

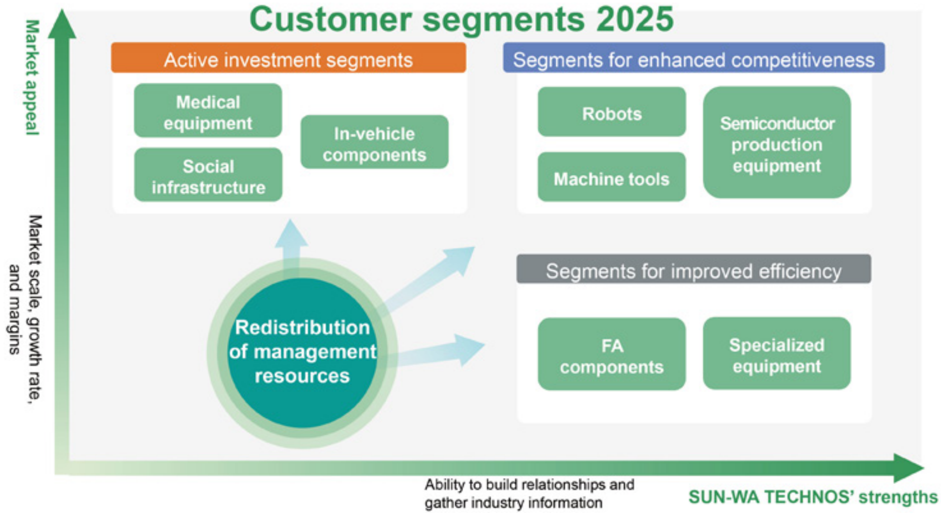
In the Industrial Computing segment, the Company offers products that realize advanced automation in conjunction with a wide range of industrial equipment. This involves identifying areas where the Company has clear advantages and creating new business in those untapped fields, differentiating itself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

In the FA Solution segment, the Company collaborates with system integrators to provide optimal solutions that resolve challenges faced by customers. This involves 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 also involves aiming to increase added value by working with major system integrators on products developed in-house.

b) Customer segments strategy

In its customer segments strategy, the Company builds strong relationships with customers and aims to cultivate new customers and deepen business with existing customers by assigning personnel with industry expertise to each segment. The Company identified eight fields as focus areas: semiconductor production equipment, robots, machine tools, medical equipment, social infrastructure, in-vehicle components, FA components, and specialized equipment, and classified them into three segments—the competitiveness enhancement segment, the proactive investment segment, and the high-efficiency segment—according to market attractiveness and the Company's strengths. Through this initiative, the Company pursue similar strategies not only in the domestic market but also in overseas markets, aiming to expand its business scale. 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 cash through ongoing improvements in business efficiency. The eight fields combined account for approximately 70% of total net sales. FA components account for the highest share at approximately 20%, followed by in-vehicle components and semiconductor production equipment at slightly over 10% each, and specialized equipment at slightly under 10%.

Customer Segments Strategy 2025



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

The Company targets annual gross profit growth of 12–15% going forward in the enhanced competitiveness customer segment, which consists of semiconductor production equipment, robots, and machine tools. Of these, the gross profit growth rate in the semiconductor production equipment field in the first year (FY03/26) decreased 1.8% compared to the single-year average gross profit during the previous medium-term management plan period (FY03/23–FY03/25), but it turned to a recovery, increasing 6.6% YoY. In FY03/27, double-digit profit growth is expected, driven by the expansion of AI-related semiconductor capital investment. In FY03/26, the Company promoted joint development with major customers centered on next-generation technology, advanced the formation of strategic partnerships in specific fields, and worked to create high value-added projects. Note that next-generation technology refers to a next-generation packaging technology called Chip on Panel on Substrate (COPOS), which is planned to be adopted in cutting-edge AI semiconductors in the future. TSMC is proceeding with development of COPOS for manufacturing cutting-edge semiconductors, aiming to start full-scale mass production around 2028. Conventionally, semiconductor chips were packaged by mounting them on silicon interposers, but COPOS uses glass, which offers superior cost efficiency and thermal stability, instead of silicon. The Company's major customers, in developing COPOS-compatible next-generation equipment, adopted the Company's solutions that combine servo motors and robots for use in the drive units of those systems. This is attracting attention as an initiative that will contribute to market share expansion in the cutting-edge semiconductor production equipment field and to medium- to long-term results going forward.

In the robots field, the gross profit growth rate in the first fiscal year was 25.2%, and gross profit increased a significant 74.8% YoY, getting off to a strong start. As a major initiative, the Company strengthened its proposals in the security and remote maintenance fields, which are expanding market areas. Also, in the machine tools field, the gross profit growth rate in the first fiscal year was 7.5%, and gross profit increased 0.9%. The Company promoted solution proposals centered on process integration and automation, leading to project acquisition.

The Company targets annual gross profit growth of 12–15% going forward in the active investment customer segment, which consists of medical equipment, social infrastructure, and in-vehicle components. Of these, the gross profit growth rate in the first year for the in-vehicle components field was 18.6%, a significant increase of 39.1% YoY. In addition to a rebound from the drop in net sales in the previous fiscal year caused by temporary production suspensions due to improper inspection issues at automobile manufacturers, optical units for ADAS grew significantly. In the in-vehicle components field, the Company is advancing product proposals that meet electrification needs in addition to ADAS-related products, and double-digit growth is expected over the medium term. For medical equipment, the gross profit growth rate in the first year was 5.5%, an increase of 27.2%. The Company identified eight priority categories expected to grow, focusing on diagnostic imaging equipment and specimen analyzing equipment, which require drive mechanism parts where the Company can leverage its strengths, such as servo motors, and worked to strengthen product proposals and create projects. The gross profit growth rate for the first year in the social infrastructure field was 10.6%, up 20.3% YoY. The Company identified growth fields related to EV chargers and renewable energy as priority areas, and promoted the cultivation of new customers and new projects.

The Company targets annual gross profit growth of 12% going forward in the improved efficiency customer segment, which consists of FA components and specialized equipment. The gross profit growth rate for the first year in FA components decreased 21.2%, down 7.8% YoY, making a sluggish start. Although affected by continued inventory adjustments at customers until the middle of FY03/26, inventory adjustments have recently run their course and orders are picking up. In addition to strengthening collaboration with supplier manufacturers and working to cultivate major next-generation customers, the Company strengthened its sales and proposal capabilities through participation in exhibitions and other events. The gross profit growth rate for specialized equipment in the first period decreased 0.2%, and increased 13.4%. In addition to working to deepen business with existing customers through collaboration with suppliers and system integrators, the Company worked to create proposal opportunities utilizing exhibitions.

Strategies by customer segment and results for the first fiscal year (FY03/26)

Segment		Strategic policies	Main initiatives	Target gross profit growth rate (CAGR)*	Growth rate for the first fiscal year (CAGR)*	YoY % change
Enhanced competitiveness	Semiconductor production equipment	Contribute to the industry with the Company's proprietary technical proposal capabilities and customer base	• Promote joint development with major customers centered on next-generation technology • Advance strategic partnerships in specific fields and continued to create high value-added projects	15%	-1.8%	6.6%
	Robots	Demonstrate the Company's strengths through market expansion and technological evolution	• Strengthen its proposals in the security and remote maintenance fields, which are expanding market areas • Accelerate project acquisition through value-added proposals originating from network equipment	15%	25.2%	74.8%
	Machine tools	Grow through high-performance applications, automation, and digitalization of mother machines	• Promote solution proposals centered on process consolidation and automation • Strengthen proposal capabilities combining industrial PCs and mechanical products to build a foundation for future growth	12%	7.5%	0.9%
Active investment	Medical equipment	Expand business scale against the backdrop of technological innovation and changing social needs	• Identify eight priority categories expected to grow, centered on "diagnostic imaging equipment" and "specimen analyzing equipment," where the Company can leverage its strengths • Strengthen proposal capabilities for excellent companies to promote project creation through collaboration with major manufacturers	15%	5.5%	27.2%
	Social infrastructure	Work toward providing common, optimal proposals for each infrastructure scenario	• Identify growth fields related to EV chargers and renewable energy as priority areas to realize a decarbonized society • Promote the cultivation of new customers and new projects in priority areas	12%	10.6%	20.3%
	In-vehicle components	Aim to strengthen fundamental technologies in the environmental and safety fields to support the evolution of mobility	• Strengthen entry and initiatives in fields supporting mobility evolution, such as ADAS, HMI, and infrastructure collaboration • Promote expansion of contact points with existing and new customers and improvement of customer satisfaction through product proposals that meet electrification needs	12%	18.6%	39.1%
Improved efficiency	FA components	Offer a wide product lineup to a broad range of customers	• Promote deep cultivation of next-generation major customers through collaboration with major manufacturers • Strengthened sales and proposal capabilities through participation in exhibitions and technical exchanges, in addition to sales expansion activities with suppliers, discovery of new products, and information sharing using SFA	12%	-21.2%	-7.8%
	Specialized equipment	Work toward providing common, optimal proposals for each infrastructure scenario	• Capture automation needs for specialized equipment from an application perspective and promote the creation of proposal opportunities • Strengthen efforts to deepen relationships with existing customers through proposal activities centered on robots in collaboration with suppliers and system integrators • Provide high value-added FA solutions by creating and expanding proposal opportunities utilizing exhibitions	12%	-0.2%	13.4%

* Compound annual growth rate based on gross profit for FY03/23–FY03/25
Source: Prepared by FISCO from the Company's results briefing materials

c) Area strategy

The Company has established three strategic policies for Japan: it will 1) conduct sales activities swiftly in close alignment with customers by delegating responsibility and authority to the Company's five branch offices, 2) enhance customer contact by adding more smart sales offices*1, and 3) improve customer service and satisfaction by implementing smart logistics*2. The Company established a structure to delegate responsibility and authority to its five branch offices from FY03/25, and also clarified area development goals and reviewed the branch evaluation system. The Company aims to invigorate sales activities by fostering a sense of competition among its branch offices. 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 aim to be 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 the sales headquarters.

*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 segments strategy, focusing growth strategies in ASEAN and India, and delegating responsibility and authority to regional headquarters. Additionally, as a local strategy in the China region, the Company is working to deepen business with local companies, which account for about 50% of net sales, and is developing suppliers. In FY03/26, orders received from local companies in the semiconductor production equipment and automotive-related industries increased. In ASEAN, the Company had previously provided global SCM solutions 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 cultivate customers in local companies. In Europe and the US, the Company will focus on offering proprietary product capabilities and added value in expanding the size of its business while developing local sales partners and discovering new products.

(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 promoting M&As and alliances as external growth investments, targeting companies with manufacturing functions that can be expected to generate synergies with existing businesses or companies that can expand its service area.

As internal growth investments for FY03/26, the Company promoted the development of packaged products for the palletizing robot system jointly developed with MTEC, the reorganization of logistics bases (deployment of smart logistics), and SUN-WA Digital Transformation (SDX). In addition, the Company plans to relocate its head office and Tokyo office in the summer of 2026. Meanwhile, as external growth investments, the Company conducted M&As of MTEC and HTK Europe (currently SUN-WA TECHNOS (UK) Connect Solutions), making each of them a subsidiary.

MTEC is a development-oriented company with manufacturing functions (technology and product development capabilities). The Company entered into a business alliance contract with MTEC in 2023 and has jointly developed robot solutions. However, the Company acquired 50.5% of MTEC's shares through share delivery*1. The purpose of making it a subsidiary is to accelerate the development of solutions that meet customer needs by acquiring manufacturing functions, and to strengthen the Company's product lineup in the robots and FA components fields. MTEC possesses proprietary motion control technology that leverages sensor information, enabling the design and development of flexible automation systems capable of handling complex robot operations. In addition, it has the capability to quickly design optimal production processes and equipment specifications using 3D analysis technology, providing solutions that reduce implementation costs and shorten lead times when manufacturers build production lines incorporating industrial robots. The Company aims to expand orders received for robot solutions by integrating MTEC's technological capabilities with its own sales capabilities. Although MTEC's net sales are around ¥200mn and its impact on results is still minor, the Company aims for early profitability by promoting sales of "SPP1 AR^2," a packaged product of the jointly developed palletizing robot system. This product has the following three features: 1) even companies that have not introduced robots can create a loading movement program for roll cages simply by entering box dimensions and loading conditions into a tablet app, 2) by incorporating an elevating lifter, a robot with a 10kg payload capacity can compensate for the loading height, and 3) using the AR^2 System*2 eliminates the need to position roll cages, thereby improving the operating rate and productivity. As a solution that helps resolve labor shortages, it is generating high interest among small and medium-sized enterprises and mid-tier companies, and the Company is holding a large number of business negotiations. Although it takes time to close deals, it is drawing attention as an initiative that will contribute to earnings over the medium to long term.

*1 Goodwill of ¥647mn will be amortized evenly over five years.
*2 A system capable of transferring robot teaching data to AR markers By reading AR markers, robots can perform position correction using a camera for misalignments and errors.

SUN-WA TECHNOS (UK) Connect Solutions was originally the UK manufacturing and sales subsidiary of HONDA TSUSHIN KOGYO, a mid-sized connector manufacturer, but the Company acquired all of its shares and made it a subsidiary. The UK factory assembles and processes products such as wire harnesses and control panels, but the sales scale is small. Since local European companies tend to prioritize the ability to provide local design and support when selecting suppliers, it is difficult for enterprises like the Company to cultivate customers in Europe with only its trading company functions. To resolve this issue, the Company acquired a local company with manufacturing functions as a subsidiary. The subsidiary has established a manufacturing and quality control system that complies with strict European safety standards, and its strength lies in its ability to custom-produce harnesses and control panels according to customer equipment specifications. Going forward, the Company's strategy is to fully leverage the manufacturing functions of its subsidiary to cultivate high-quality local customers and aim to expand its business in the European market, where growth has been sluggish. In FY03/27, the Company will also strengthen sales functions and have this subsidiary handle UK customers, previously managed by the German subsidiary, to improve sales efficiency, enhance customer satisfaction, and deepen business.

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 particular, the Company recognizes the transfer of sales skills as a key management issue, and is working to enhance sales skills by utilizing AI for human resource development, thereby accelerating the early development of personnel and improving sales productivity. The next-generation core system is expected to commence operations during the period of the next medium-term management plan starting from FY03/29. The Company is also aiming 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

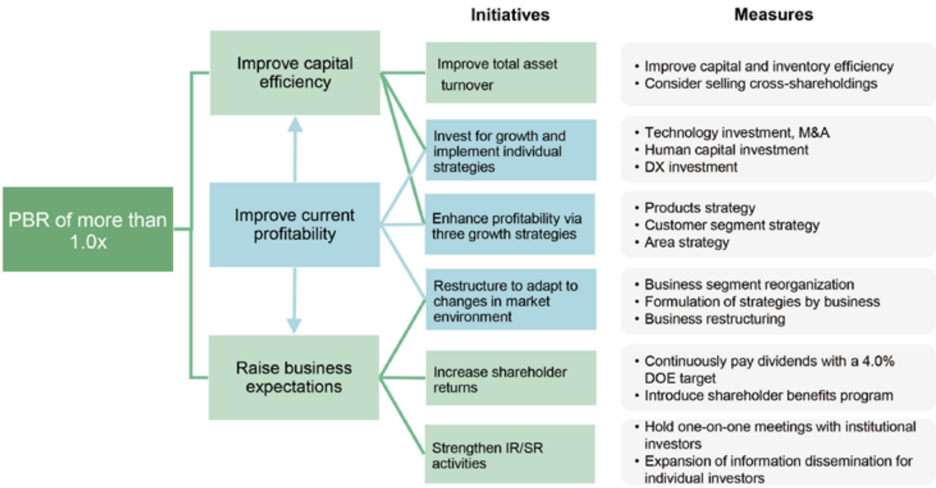
Under its human capital strategy, the Company works to build systems and organizations that enable every employee to thrive, thereby supporting achievement of its medium-term management plan and enhancing corporate value. Key measures include considering the introduction of evaluation and remuneration systems that reflect individual skills and results, 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 and ROE of more than 10.0% in FY03/28

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

The Company is pursuing various initiatives to achieve PBR of over 1.0 times in FY03/28, with the KGIs of over ¥8.0bn in operating profit and over 10.0% in ROE. The Company intends to achieve operating profit of over ¥8.0bn by promoting three basic policies. ROE can be considered achievable, even though it is at the 6.4% level in FY03/26, because it exceeded 10% in the past, reaching 13.3% in FY03/23 and 10.8% in FY03/24. To increase ROE, the Company also plans to improve total asset turnover in addition to seeking higher earnings. Specifically, the Company is promoting measures that include enhancing capital efficiency and inventory turnover, and selling cross-shareholdings. Regarding capital efficiency, the Company introduced SUN-WA-style ROIC, revising its evaluation system from one that focused solely on profit indicators to one that also emphasizes capital efficiency. In addition, the Company is working to improve its recognition by strengthening shareholder returns and enhancing IR/SR activities as part of its efforts to increase PER. Net assets per share for FY03/26 are in the ¥3,397 range, and PBR is approximately 1.1 times (based on the closing price on May 25), exceeding 1.0 times. The Company will continue these initiatives to firmly establish PBR consistently above 1.0 times.

Initiatives to achieve PBR of more than 1.0 times



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

Shareholder return policy

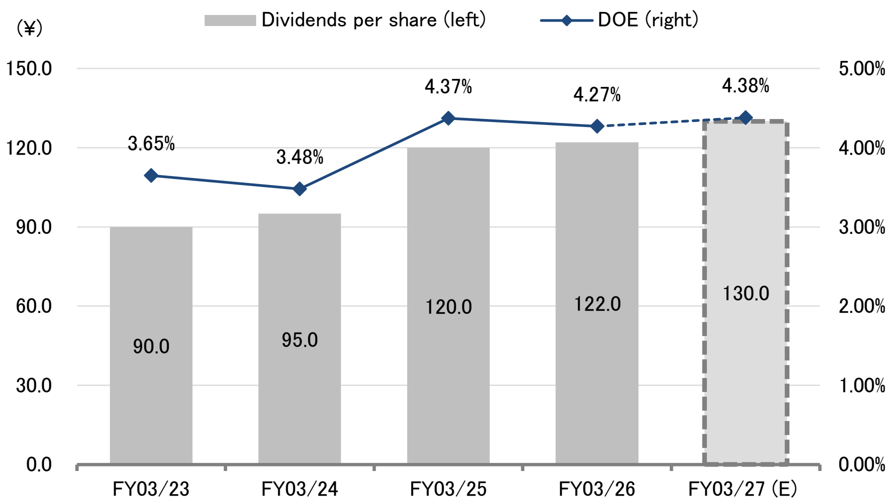
Pays dividends targeting DOE of 4.0% or more and provides digital gifts as shareholder benefits

The Company's basic policy is to maintain stable dividends while providing profit returns in line with consolidated results from a medium- to long-term perspective, taking into account a balance between proactive business development for sustainable growth and enhancement of corporate value, and financial soundness to prepare for various risks. The Company aims to pay stable and continuous dividends targeting DOE of 4.0% or more starting from FY03/25. For FY03/26, it has set the dividend per share at ¥122.0 (DOE of 4.27%), an increase of ¥2.0 YoY. Note that dividends for FY03/25 included a commemorative dividend of ¥10.0 for the 75th anniversary of its establishment, resulting in an increase of ¥12.0 in the ordinary dividend. For FY03/27, the Company plans to pay a dividend of ¥130.0, an increase of ¥8.0 YoY (DOE of 4.38%), marking the sixth consecutive fiscal year of dividend increases.

In addition, with the aim of acquiring individual shareholders, the Company has also introduced a shareholder benefits scheme, and in October 2025, it announced the expansion of benefits and a change in benefit items. Previously, the Company provided QUO cards to the 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. However, from the perspective of improving liquidity, it abolished the long-term holding benefit scheme (for holdings of two years or more) and revised the categories for the number of shares held. At the same time, it changed the benefit item from the QUO card to a digital gift* to enhance convenience for shareholders. Specifically, shareholders holding 100–199 shares will receive a ¥2,000 digital gift, those holding 200–399 shares will receive a ¥5,000 digital gift, those holding 400–799 shares will receive a ¥10,000 digital gift, and those holding 800 shares or more will receive a ¥20,000 digital gift. A rough calculation of the investment yield of dividends and shareholder benefits combined, based on the share price as of May 25 (¥3,805), results in a 3.9% yield for a shareholder holding 100 shares. In addition, the Company intends to flexibly consider acquiring treasury shares depending on timing and financial positions with the aim of enhancing shareholder return and capital efficiency.

* Major digital gifts include PayPay Points, d Points, au PAY Points, Rakuten Points, Amazon Gift Cards, QUO card Pay, and V Points, and it is also possible to select multiple digital gifts.

Trends in dividends per share and DOE



Note: Dividends for FY03/25 include a commemorative dividend of ¥10.0.
Source: Prepared by FISCO from the Company's financial results and results briefing materials

Simplified income statement and main indicators

(¥mn)

	FY03/23	FY03/24	FY03/25	FY03/26	FY03/27 (E)
Net sales	181,013	166,138	139,581	148,329	173,000
YoY	17.2%	-8.2%	-16.0%	6.3%	16.6%
Gross profit	23,039	21,778	19,148	20,879	-
Gross profit margin	12.7%	13.1%	13.7%	14.1%	-
SG&A expenses	15,408	15,562	15,640	16,820	-
SG&A expenses ratio	8.5%	9.4%	11.2%	11.3%	-
Operating profit	7,630	6,215	3,507	4,058	6,000
YoY	58.8%	-18.5%	-43.6%	15.7%	47.8%
Operating profit margin	4.2%	3.7%	2.5%	2.7%	3.5%
Ordinary profit	7,675	6,631	3,815	4,776	6,200
YoY	47.7%	-13.6%	-42.5%	25.2%	29.8%
Profit attributable to owners of parent	5,493	5,007	2,443	3,265	4,200
YoY	53.6%	-8.8%	-51.2%	33.7%	28.6%
EPS (¥)	355.08	329.87	161.15	212.35	270.01
Dividend (¥)	90.0	95.0	120.0	122.0	130.0

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

Simplified balance sheet

(¥mn)

	End of FY03/23	End of FY03/24	End of FY03/25	End of FY03/26	Change
Current assets	94,263	86,350	82,875	88,703	5,828
Cash and deposits	14,145	19,081	23,371	24,591	1,220
Trade receivables and contract assets	58,922	47,417	44,056	46,200	2,144
Non-current assets	12,318	12,356	10,203	12,682	2,479
Property, plant and equipment	2,272	2,256	2,192	2,306	114
Intangible assets	221	166	153	722	569
Investments and other assets	9,824	9,933	7,857	9,652	1,795
Total assets	106,581	98,707	93,078	101,386	8,307
Current liabilities	59,870	45,124	39,133	43,207	4,074
Payment obligations	45,335	32,589	30,054	33,870	3,816
Non-current liabilities	2,227	5,615	4,832	5,054	222
Total liabilities	62,097	50,740	43,966	48,262	4,296
Interest-bearing debt	9,557	12,007	8,447	7,751	-696
Shareholders' equity	38,202	40,620	41,703	43,975	2,272
Accumulated other comprehensive income	6,282	7,346	7,409	8,880	1,471
Total net assets	44,484	47,966	49,112	53,124	4,011

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

Management indicators

	FY03/22	FY03/23	FY03/24	FY03/25	FY03/26
Equity ratio	40.9%	41.7%	48.6%	52.8%	52.1%
Interest-bearing debt ratio	20.5%	21.5%	25.0%	17.2%	14.7%
ROE	9.8%	13.3%	10.8%	5.0%	6.4%
Net cash (¥mn)	6,244	4,588	7,074	14,924	16,840

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

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