SUMIDA CORPORATION (TYO: 6817)

Revenue remains on an upward trend, but the Company recorded product compensation provisions for certain products. It aims to make up ground in the second half.

◇Highlights of the results for the second quarter (first half) of FY12/2026: earnings deteriorated due to product compensation provisions

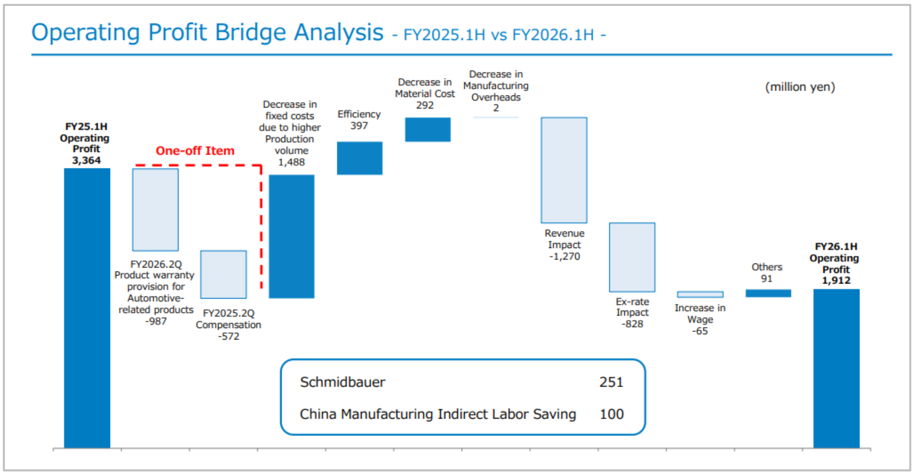
The results for the second quarter (first half) of FY12/2026 that SUMIDA CORPORATION (the "Company") announced on July 31, 2026, showed double-digit YoY growth in revenue. However, a quality issue occurred in certain products for automotive-related applications, and the Company took financial measures, including recording product compensation provisions of approximately 1.0 billion yen for amounts expected to arise in the future, resulting in a substantial decline in profit.

Revenue for the first half was 79.86 billion yen (up 12.2% YoY), operating profit was 1.91 billion yen (down 43.2% YoY), and interim profit before income taxes was 0.57 billion yen (down 73.7% YoY). Interim profit attributable to owners of the parent was 0.24 billion yen (down 85.6% YoY).

The key points of these results are as follows.

First, the quality issue appears to be limited to specific products, and from a financial perspective, the Company swiftly recorded provisions, including expected future amounts, related to inventory disposal and sorting. In light of this matter, the Company is fundamentally and comprehensively reviewing its quality assurance system and proceeding with improvements. Therefore, the risk that the foundation of the Company's business, namely contract manufacturing of custom products, will be shaken can be regarded as low.

Second, underlying operating profit was solid. As shown in the following chart, first-half operating profit of 1.91 billion yen increased by approximately 0.1 billion yen YoY on an underlying basis, excluding temporary factors. Improved capacity utilization driven by revenue growth and cost reductions steadily materialized, offsetting the delayed launch of mass production for acquired projects and the impact of a stronger Chinese yuan and weaker U.S. dollar. The performance of Schmidbauer, which the Company acquired in the previous fiscal year, is also solid.



Source: Company materials

Third, megatrends are driving the Company's revenue growth, namely growth in xEV-related areas in China and Europe and growth in data center-related areas in North America.

Inventory trends have remained stable. Inventory turnover days were 88 days in the most recent quarter and have been almost flat for three quarters. On the other hand, CCC was 93 days, a decrease (improvement) compared with the immediately preceding quarter.

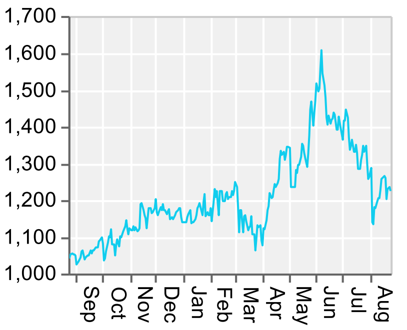
2Q update report

Electrical equipment

As of August 25, 2026

Share price (8/24)	**1,227 Yen**
52weeks high/low	¥1,626/1,028
Avg Vol (3 month)	311.0 thou shrs
Market Cap	¥40.67 bn
Enterprise Value	¥102.01 bn
PER (12/26 CE)	11.12 X
PBR (12/25 act)	0.64 X
Dividend Yield (12/26 CE)	4.3 %
ROE (12/25)	6.0 %
Operating margin (12/25)	5.1 %
Beta (5Y Monthly)	1.02
Shares Outstanding	33.148 mn shrs
Listed market	TSE Prime section

Share price performance



Points of interest

A global leader in coil products. The Company supplies a wide range of custom products to leading customers worldwide. Since 2026, the Company has been promoting its growth strategy under the "Mid-Term Business Plan 2026-2028." Building on its favorable cost structure, the Company plans to capture a broad range of megatrends as projects while laying the groundwork for product development aimed at becoming a niche-top player. Its commitment to improving capital efficiency is also clear.

The share price has maintained its long-term upward trend, and if ROE in the 8% range becomes visible, PBR exceeding 1x can be expected first.

This report (Basic report) has been prepared at the request of SUMIDA CORPORATION. For details, please refer to the Disclaimer on the last page.

Financial Results (Revenue by Region/Market)

Revenue growth was driven by megatrends.

(billion yen)

By region	FY26.2Q	YoY
Asia	16.7	+19.5%
North America	8.0	+9.8%
Europe	16.5	+15.3%
Total	41.4	+15.8%

By market	FY26.2Q	YoY
Automotive	23.6	+12.7%
Industrial	12.4	+39.2%
CE	5.3	-8.7%
Total	41.4	+15.8%

Megatrend-related Revenue	FY26.2Q	YoY
xEV	6.4	+43.4%
Data Center-related	2.0	+134.6%
Schmidbauer-related	1.0	N/A
Total	9.5	+78.0%

Asia	↗	• Automotive: 10.0 billion yen (YoY +22.8%)	Driven by xEV-related growth in China. Amid the intense price competition for local manufacturers, we select projects in consideration of profitability.
		• Industrial: 3.6 billion yen (YoY +36.7%)	Revenue growth in products for solar energy solutions in China and for medical equipment in the rest of Asia.
		• CE: 3.1 billion yen (YoY -2.9%)	The situation was stable without notable changes in China and the rest of Asia.
North America	↗	• Automotive: 2.8 billion yen (YoY +2.8%)	Overall xEV revenue expanded. With HVs and PHEVs increasingly serving as alternatives to BEVs, our products can be used in all vehicle types.
		• Industrial: 3.5 billion yen (YoY +37.7%)	Amid the rise in data center-related demand, revenue of products for solar energy and energy storage solutions grew.
		• CE: 1.7 billion yen (YoY -16.2%)	While there was a temporary decline due to inventory adjustments, demand for laptop remained solid.
Europe	↗	• Automotive: 10.7 billion yen (YoY +7.2%)	Due to rising energy prices and other factors, xEV-related demand rallied.
		• Industrial: 5.2 billion yen (YoY +42.0%)	In addition to Schmidbauer-related products acting as a factor for net increase, product demand for a wide range of industrial machinery expanded.
		• CE: 0.4 billion yen (YoY -15.0%)	Transactions are with a large number of small-lot customers. We will select projects in consideration of profitability.
Megatrend-related	↗	• In China and in Europe, xEV-related revenue expanded. In North America, data center-related revenue grew.	

Source: Company materials

◇FY12/2026 earnings forecast: unchanged. The Company aims to make up ground through the swift launch of mass production for acquired projects, price revisions, and cost control

The full-year earnings forecast remains unchanged. The forecasts are revenue of 156.00 billion yen (up 6.0% YoY), operating profit of 7.50 billion yen (up 0.8% YoY), profit before income taxes of 4.85 billion yen (up 0.4% YoY), and profit attributable to owners of the parent of 3.65 billion yen (up 0.9% YoY). Basic earnings per share remain unchanged at 110.40 yen, and the annual dividend per share is 53 yen.

The hurdle for this full-year plan is not low. Although the tailwinds from megatrends confirmed in the first half are expected to continue in the second half, factors such as foreign exchange, copper prices, and other cost increases are expected. For this reason, the Company aims to make up ground by swiftly launching mass production for acquired projects and improving its sales mix, proceeding with raw material price negotiations and reflecting them in selling prices, and continuing management efforts such as cost control.

Outlook for the Business Environment

In addition to exchange rate fluctuations, rising copper prices and increased expenses for petrochemical products, energy and logistics due to the situation in the Middle East remain headwinds. These environmental factors are expected to persist into the foreseeable future, and we will continue with management efforts to address them.

Outlook Regarding the Market Environment

Asia
- In China, price competition will intensify as domestic demand stagnates.
- Outside China, there are signs of demand recovery related to industrial machinery and medical devices.

North America
- The situation related to xEV will vary depending on each manufacturers.
- Business inquiries on data center-related projects will increase.

Europe
- Demand related to xEV will shift to a recovery trend.
- Business inquiries and new project acquisitions will start to increase again.

Items that Will Impact Profit and Loss from 3Q Onwards

- Fluctuations in USD/JPY, CNY/JPY and other exchange rates
- Increases in copper, petrochemical product, energy and logistics expenses

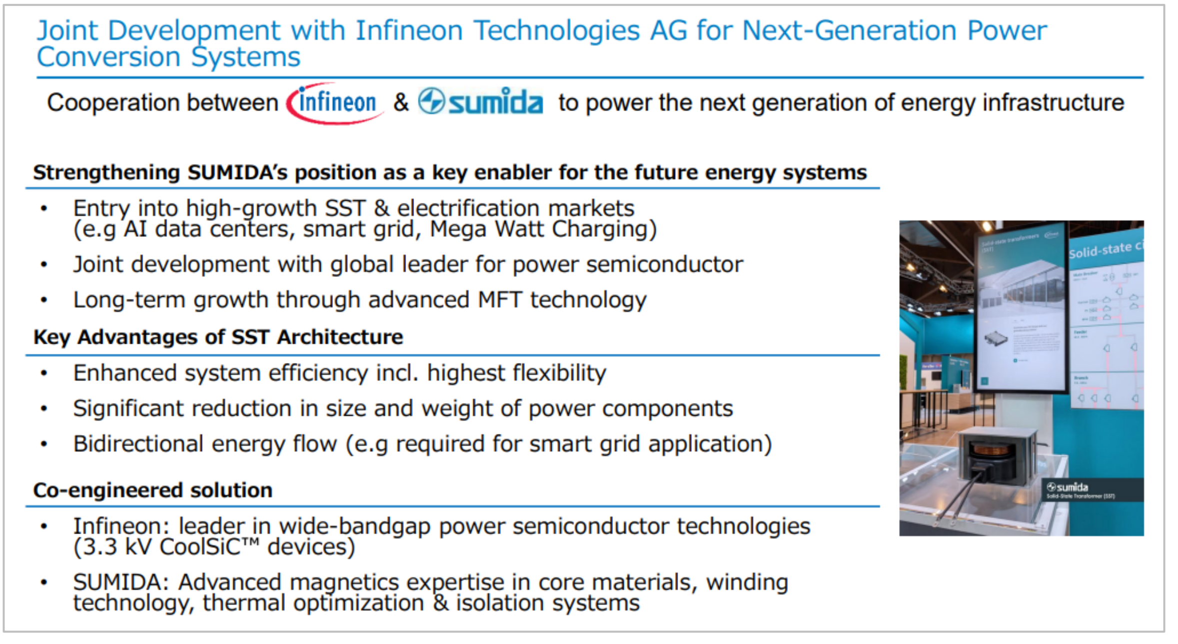
Our Initiatives

- Conduct price negotiations on raw materials, or reflect them in selling prices
- Strive efforts including expense reductions
- Swiftly ramp up to mass production for awarded projects

Source: Company materials

◇Topics: joint development of next-generation power conversion systems with Germany's Infineon

On July 31, 2026, the Company announced the joint development of next-generation power conversion systems with Germany's Infineon. By combining Infineon's power semiconductor technology with the Company's expertise in high-performance magnetic components, the two companies will jointly develop medium-frequency transformers (MFTs), core components of Solid-State Transformer (SST) systems expected to become next-generation power conversion technology. Compared with conventional transformers, this technology is expected to provide smaller size and lighter weight, reduced power loss, enhanced bidirectional power transmission capabilities (realizing efficient smart grids), and high flexibility, thereby responding to requirements such as AI data centers, ultra-fast charging infrastructure, and the modernization of power transmission and distribution grids. Future progress will attract attention.



Source: Company materials

◇Stock price trends and points to watch going forward

The Company's share price has followed a gradual long-term upward trend and hit a recent high of 1,626 yen on June 5, 2026. However, it subsequently turned downward, falling to 1,121 yen immediately after the announcement of these results, and has recently recovered to the 1,200-yen range. The long-term upward trend has been maintained. Given a PER based on the Company's forecast of 12x, a PBR of 0.69x, and a forecast dividend yield of 4.0%, downside risk for the share price is limited, and the current share price appears to be in a phase of waiting for an improvement in earnings and ROE.

Based on the above, the points to watch going forward are as follows.

- **Fundamental resolution of the quality issue:** the quality issue this time is conclusively resolved as an individual case and does not hinder the acquisition of strategic projects going forward.
- **A recovery toward achieving the FY12/2026 full-year forecast:** the swift launch of mass production for acquired projects and efforts to improve the sales mix, raw material price negotiations and their reflection in selling prices, and continued management efforts such as cost control will progress as the Company intends, leading to progress in the earnings recovery.
- **Continuous accumulation of acquired projects:** newly acquired projects, which are a leading indicator of the Company's medium-term earnings, should steadily accumulate in line with the Mid-Term Business Plan. Specifically, the status of project wins in xEV-related, solar power generation-related, and AI data center-related areas will attract attention. We would also like to see synergy effects with Schmidbauer.
- **Whether FY12/2027 earnings will begin to accelerate:** growth should accelerate toward the targets of the "Mid-Term Business Plan 2026-2028," namely revenue of 190.0 billion yen, operating profit of 13.5 billion yen, and ROE of 8.4% or higher. We would like to see this become a catalyst for the share price to move toward a PBR of 1x, adding momentum to its upward trend.

Attention must also be paid to fluctuations in exchange rates and in the prices of key raw materials, such as copper.

Company profile

Since its founding in 1950, the Company has been a global leader in designing and manufacturing coil-related components and modules for more than 75 years. Leveraging strengths such as advanced technical design capabilities, proprietary manufacturing know-how, broad application versatility, and a global production structure, the Company engages in contract manufacturing of custom-made coils for major customers worldwide under a Made in Market model. Its business is appropriately diversified across both geography and market segments.

In recent years, the Company has grown earnings in "green energy-related" fields, but as business uncertainty has increased, it experienced a temporary pause in earnings. However, it has moved quickly to improve its cost structure and has also made progress in capturing external growth through the acquisition of Schmidbauer, placing earnings on a recovery track.

In 2026, the Company announced that it would promote the Niche-Top Strategy over the long term and, for the time being, announced the Mid-Term Business Plan 2026-2028. Based on its favorable cost structure, the Company aims to translate a broad range of megatrends into projects, including green energy-related fields, power grids, means of transportation, data centers, healthcare, robotics, and other fields, and to lay the groundwork for product development aimed at becoming a niche-top player. Its commitment to improving capital efficiency is also clear.

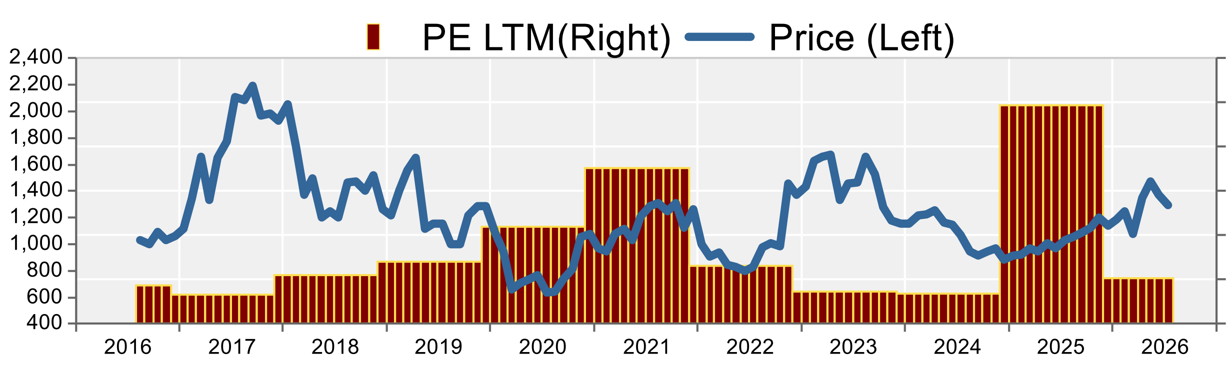
The share price has maintained its long-term upward trend, and if ROE in the 8% range becomes visible, PBR exceeding 1x can be expected first.

Key financial data

Unit: million yen	2021	2022	2023	2024	2025	2026 CE
Sales	104,920	138,600	147,672	143,978	147,194	156,000
EBIT (Operating Income)	5,669	7,983	8,829	5,633	7,951	
Pretax Income	3,898	6,534	5,856	1,295	4,830	4,850
Net Profit Attributable to Owner of Parent	2,629	5,099	5,064	590	3,618	3,650
Cash & Short-Term Investments	4,237	2,944	3,107	4,286	6,129	
Total assets	117,725	134,846	142,786	147,766	163,656	
Total Debt	54,763	58,546	57,198	57,975	64,023	
Net Debt	50,526	55,602	54,091	53,689	57,894	
Total liabilities	77,622	85,966	85,471	86,849	98,298	
Total Shareholders' Equity	38,338	46,829	55,056	58,648	62,008	
Net Operating Cash Flow	600	10,566	18,343	14,928	16,457	
Capital Expenditure	6,737	9,174	10,914	9,005	7,347	
Net Investing Cash Flow	-6,712	-8,174	-10,702	-8,834	-12,886	
Net Financing Cash Flow	4,751	-4,130	-7,782	-5,268	-1,958	
Free Cash Flow	-5,212	2,362	8,539	7,068	10,224	
ROA (%)	2.44	4.04	3.65	0.41	2.32	
ROE (%)	7.37	11.98	9.94	1.04	6.00	
EPS (Yen)	96.7	187.5	167.4	17.9	109.4	110.4
BPS (Yen)	1,409.8	1,722.1	1,687.4	1,774.6	1,875.5	
Dividend per Share (Yen)	28.00	47.00	51.00	53.00	53.00	53.00
Shares Outstanding (Million shares)	27.44	27.44	32.88	33.10	33.11	

Source: Calculated by Omega Investment based on FactSet's standard criteria, rounded to the nearest whole number.

Share price



Financial data (quarterly basis)

Unit: million yen	2024/12			2025/12				2026/12	
	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q
(Income Statement)									
Sales	36,752	36,470	34,442	35,390	35,780	36,906	39,118	38,428	41,430
Year-on-year	-2.4%	-3.3%	-6.3%	-2.5%	-2.6%	1.2%	13.6%	8.6%	15.8%
Cost of Goods Sold (COGS)	32,263	31,656	30,037	31,007	30,524	31,618	33,121	33,501	36,218
Gross Income	4,489	4,814	4,405	4,383	5,256	5,288	5,997	4,927	5,212
Gross Income Margin	12.2%	13.2%	12.8%	12.4%	14.7%	14.3%	15.3%	12.8%	12.6%
SG&A Expense	3,353	3,091	2,713	3,151	3,059	3,154	3,476	3,472	3,728
EBIT (Operating Income)	1,136	1,723	1,692	1,232	2,197	2,134	2,521	1,455	1,484
Year-on-year	-56.2%	-40.1%	47.3%	14.0%	93.4%	23.9%	49.0%	18.1%	-32.5%
Operating Income Margin	3.1%	4.7%	4.9%	3.5%	6.1%	5.8%	6.4%	3.8%	3.6%
EBITDA	3,956	4,552	4,439	3,809	5,618	4,662	5,876	4,328	4,405
Pretax Income	268	951	-389	802	1,372	1,455	1,201	900	-329
Consolidated Net Income	114	710	-703	580	1,053	965	984	743	-478
Minority Interest	-23	-46	-52	-5	-29	-45	44	16	9
Net Income ATOP	137	756	-652	585	1,082	1,010	941	726	-486
Year-on-year	-93.3%	-30.2%	-192.9%	68.1%	689.8%	33.6%	-244.3%	24.1%	-144.9%
Net Income Margin	0.4%	2.1%	-1.9%	1.7%	3.0%	2.7%	2.4%	1.9%	-1.2%
(Balance Sheet)									
Cash & Short-Term Investments	5,156	4,750	4,286	6,087	5,429	12,256	6,129	6,527	6,027
Total assets	159,600	143,335	147,766	144,110	142,062	151,308	163,656	164,914	169,005
Total Debt	65,509	58,303	57,975	58,367	57,039	62,193	64,023	67,548	66,991
Net Debt	60,353	53,553	53,689	52,280	51,610	49,937	57,894	61,021	60,964
Total liabilities	95,474	85,403	86,849	85,709	83,098	90,181	98,298	100,941	104,162
Total Shareholders' Equity	61,653	55,751	58,648	56,205	56,801	58,947	62,008	62,757	63,606
(Profitability %)									
ROA	1.46	1.33	0.41	0.56	1.17	1.38	2.32	2.43	1.41
ROE	3.74	3.32	1.04	1.45	2.99	3.53	6.00	6.32	3.64
(Per-share) Unit: JPY									
EPS	4.2	22.9	-19.7	17.7	32.7	30.6	28.5	21.9	-14.7
BPS	1,867.5	1,687.0	1,774.6	1,700.6	1,718.1	1,783.0	1,875.5	1,896.0	1,921.6
Dividend per Share	26.00	0.00	27.00	0.00	26.00	0.00	27.00	0.00	26.00
Shares Outstanding (million shares)	33.04	33.10	33.10	33.10	33.11	33.11	33.11	33.15	33.15

Source: Calculated by Omega Investment based on FactSet's standard criteria, rounded to the nearest whole number.

Financial data (full-year basis)

Unit: million yen	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
(Income Statement)										
Sales	81,052	90,153	97,538	94,283	84,417	104,920	138,600	147,672	143,978	147,194
Year-on-year	-6.0%	11.2%	8.2%	-3.3%	-10.5%	24.3%	32.1%	6.5%	-2.5%	2.2%
Cost of Goods Sold	66,191	75,019	82,192	81,414	73,319	89,563	119,298	126,561	125,970	126,270
Gross Income	14,861	15,134	15,346	12,869	11,098	15,357	19,302	21,111	18,008	20,924
Gross Income Margin	18.3%	16.8%	15.7%	13.6%	13.1%	14.6%	13.9%	14.3%	12.5%	14.2%
SG&A Expense	8,507	8,837	9,694	9,330	8,798	9,688	11,319	12,282	12,375	12,840
EBIT (Operating Income)	6,354	6,297	5,652	3,539	2,300	5,669	7,983	8,829	5,633	7,951
Year-on-year	50.0%	-0.9%	-10.2%	-37.4%	-35.0%	146.5%	40.8%	10.6%	-36.2%	41.2%
Operating Income Margin	7.8%	7.0%	5.8%	3.8%	2.7%	5.4%	5.8%	6.0%	3.9%	5.4%
EBITDA	9,251	9,574	9,660	8,848	8,247	12,337	16,103	18,190	16,655	19,832
Pretax Income	5,469	5,697	4,061	2,184	1,470	3,898	6,534	5,856	1,295	4,830
Consolidated Net Income	3,844	4,628	2,531	1,596	839	2,695	5,168	5,102	434	3,582
Minority Interest	178	123	110	13	11	66	68	37	-156	-35
Net Income ATOP	3,666	4,504	2,420	1,582	828	2,629	5,099	5,064	590	3,618
Year-on-year	80.4%	22.9%	-46.3%	-34.6%	-47.7%	217.5%	94.0%	-0.7%	-88.3%	513.2%
Net Income Margin	4.5%	5.0%	2.5%	1.7%	1.0%	2.5%	3.7%	3.4%	0.4%	2.5%
(Balance Sheet)										
Cash & Short-Term Investments	3,546	5,375	4,098	3,286	5,237	4,237	2,944	3,107	4,286	6,129
Total assets	69,007	84,366	94,277	96,561	98,063	117,725	134,846	142,786	147,766	163,656
Total Debt	30,611	35,836	40,206	43,646	44,586	54,763	58,546	57,198	57,975	64,023
Net Debt	27,065	30,461	36,108	40,360	39,349	50,526	55,602	54,091	53,689	57,894
Total liabilities	46,982	54,242	58,835	61,963	63,503	77,622	85,966	85,471	86,849	98,298
Total Shareholders' Equity	20,629	28,570	33,829	33,013	32,990	38,338	46,829	55,056	58,648	62,008
(Cash Flow)										
Net Operating Cash Flow	8,291	3,658	4,672	8,732	9,107	600	10,566	18,343	14,928	16,457
Capital Expenditure	5,024	9,511	9,610	8,302	6,765	6,737	9,174	10,914	9,005	7,347
Net Investing Cash Flow	-4,961	-9,254	-15,153	-8,133	-6,669	-6,712	-8,174	-10,702	-8,834	-12,886
Net Financing Cash Flow	-3,016	7,389	9,477	-1,261	-447	4,751	-4,130	-7,782	-5,268	-1,958
Free Cash Flow	3,941	-5,173	-3,769	1,379	3,118	-5,212	2,362	8,539	7,068	10,224
(Profitability)										
ROA (%)	5.36	5.87	2.71	1.66	0.85	2.44	4.04	3.65	0.41	2.32
ROE (%)	19.27	18.31	7.76	4.74	2.51	7.37	11.98	9.94	1.04	6.00
Net Margin (%)	4.52	5.00	2.48	1.68	0.98	2.51	3.68	3.43	0.41	2.46
Asset Turn	1.18	1.18	1.09	0.99	0.87	0.97	1.10	1.06	0.99	0.95
Assets/Equity	3.60	3.12	2.86	2.86	2.95	3.03	2.97	2.72	2.56	2.58
(Per-share) Unit: JPY										
EPS	157.9	176.4	90.2	58.3	30.5	96.7	187.5	167.4	17.9	109.4
BPS	888.8	1,069.6	1,250.0	1,216.1	1,213.7	1,409.8	1,722.1	1,687.4	1,774.6	1,875.5
Dividend per Share	34.00	45.00	27.00	24.00	9.00	28.00	47.00	51.00	53.00	53.00
Shares Outstanding (million shares)	23.94	27.44	27.44	27.44	27.44	27.44	27.44	32.88	33.10	33.11

Source: Calculated by Omega Investment based on FactSet's standard criteria, rounded to the nearest whole number.

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