SUN-WA TECHNOS CORPORATION

8137

Tokyo Stock Exchange Prime Market

19-Jan.-2026

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Contents

Summary

Aiming for operating profit of over ¥8.0bn in FY3/28 through three growth strategies

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 40 overseas, and has more than 3,100 client companies on a standalone basis.

1. Overview of 1H FY3/26 results

In the consolidated results for 1H FY3/26, there was a decline in both net sales and operating profits as net sales decreased 0.1% year on year (YoY) to ¥69,380mn and operating profit fell 11.2% to ¥1,464mn. Although net sales were slightly below the initial plan (net sales: ¥71,700mn, operating profit: ¥1,080mn), the gross profit margin improved due to sales activities focused on profitability, and operating profit exceeded the initial plan as a result of continued reductions in selling, general and administrative (SG&A) expenses. Orders received increased 13.5% to ¥72,682mn, returning to a growth trend due to the recovery of the Japanese market. The downturn in results that had continued since FY3/24 ended in this 1H, and from the 2H onward, both net sales and operating profit are expected to increase.

2. FY3/26 forecasts

The FY3/26 consolidated results are expected to remain as initially planned, with an increase in net sales of 11.0% YoY to ¥155,000mn and a decrease in operating profit of 0.2% to ¥3,500mn. Due to the prolonged downturn in the Chinese market, which had been expected to recover in 2H, there is an increasing likelihood that net sales will fall short of the plan. However, operating profit exceeded expectations in 1H, and the yen has remained weak against the assumed exchange rate of ¥144.00 per US dollar*, so FISCO thinks there is a strong possibility that the Company will achieve its forecast. In September 2025, the Company acquired MTEC CO., LTD., which had been a business partner, as its subsidiary. It possesses 3D analysis technology and proprietary motion control technology. The Company aims to expand orders by proposing robot solutions that utilize these technologies. In addition, at the end of October 2025, the Company acquired HTK Europe Ltd., a UK subsidiary of HONDA TSUSHIN KOGYO CO., LTD., as its subsidiary and changed its name to SUN-WA TECHNOS (UK) Connect Solutions Ltd. It has factories for processing and assembling wire harnesses and control panels. The Company is promoting the development of leading European companies that require local design and support, aiming to expand its business in Europe.

* The effects of a change of ¥1.0 to the US dollar on business results translates to ¥444mn in net sales and ¥66mn in operating profit (assuming other currencies move at the same rate as the US dollar).

3. Overview 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 FY3/28, 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 (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. The Company assigns sales personnel with deep industry expertise to cultivate new high-quality customers and strengthen relationships with existing customers. In the customer segment strategy, the Company added the medical equipment and social infrastructure segments to the conventional six segments*. As both segments are relatively resistant to economic volatility, the Company aims to enhance the stability of the revenue base.

* Six segments: semiconductor production equipment, robots, machine tools, in-vehicle components, FA components, and specialized equipment

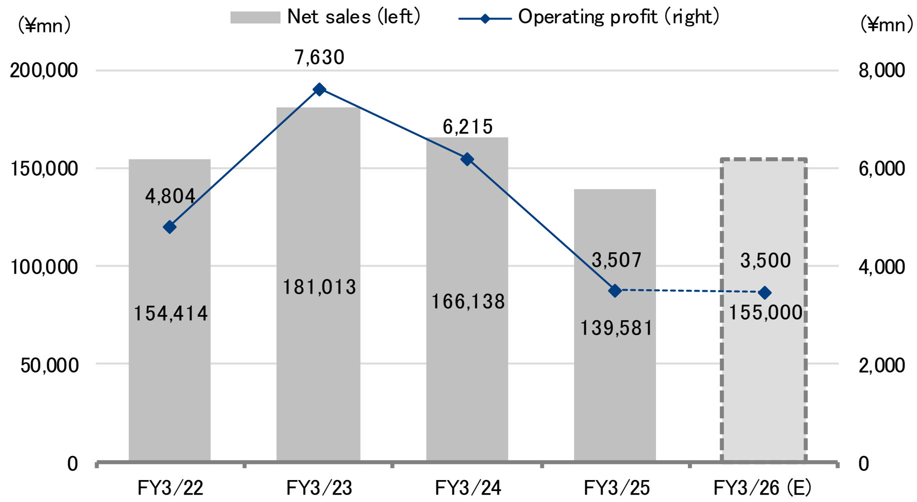
4. Shareholder return policy

As one of the initiatives being implemented by the Company as part of its strategy to achieve PBR of over 1.0 times, the Company is actively working on its shareholder return policy. Regarding dividends, under its policy of paying stable and continuous dividends targeting dividend on equity (DOE) of 4.0% or more, the Company plans to offer a dividend of ¥120.0 per share (DOE of 4.31%) 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 a revision of its shareholder benefits scheme. The Company discontinued the special long-term holding benefit scheme (for holdings of 2 years or more), revised the categories for the number of shares held, and changed the shareholder benefit from the conventional QUO card to a digital gift to improve convenience (as of the end of March each year, shareholders holding 100 shares receive a digital gift worth ¥2,000).

Key Points

- In 1H FY3/26, profit exceeded the initial plan
- The recovery of the Japanese market is expected to offset the sluggishness of the Chinese market, with operating profit for FY3/26 projected to remain at the same level as the previous fiscal year
- Aiming to achieve consolidated operating profit of over ¥8.0bn, ROE of more than 10.0%, PER of more than 10 times, and PBR of more than 1.0 times in FY3/28
- Payment of dividends targeting DOE of 4.0% or more, as well as partial revision and enhancement of shareholder benefits

Results trends



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

Results trends

In 1H FY3/26, profit exceeded the initial plan

1. Overview of 1H FY3/26 results

In the consolidated results for 1H FY3/26, the Company recorded net sales of ¥69,380mn (down 0.1% YoY), operating profit of ¥1,464mn (down 11.2%), ordinary profit of ¥1,768mn (up 5.2%), and profit attributable to owners of parent of ¥1,207mn (down 5.1%). Net sales were slightly below the initial plan, partly due to the prolonged downturn in the Chinese market. However, improvement in the gross profit margin through sales activities focused on profitability and continued reduction of SG&A expenses resulted in each stage of profit exceeding the Company's forecast.

1H FY3/26 consolidated results

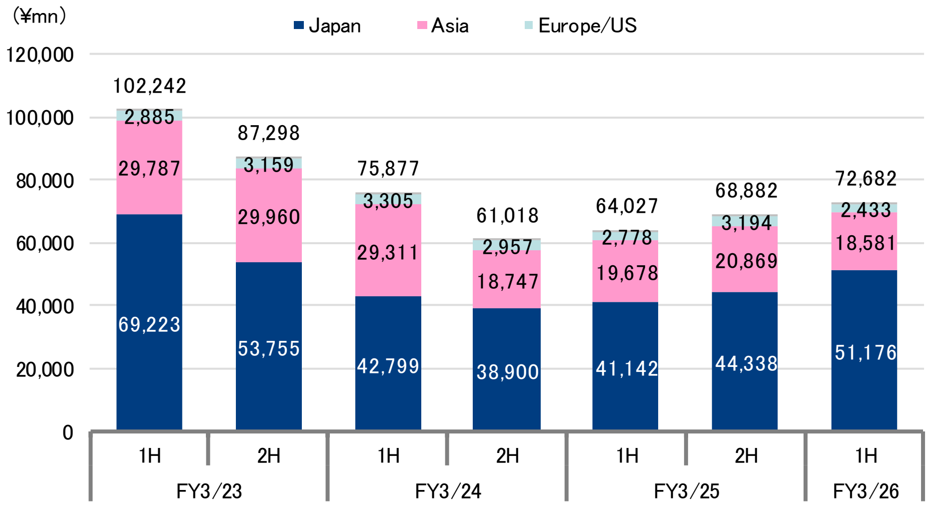
(¥mn)

	1H FY3/25		1H FY3/26				
	Results	% of net sales	Initial plan	Results	% of net sales	YoY	vs. initial plan
Net sales	69,426	-	71,700	69,380	-	-0.1%	-3.2%
Gross profit	9,436	13.6%	-	9,590	13.8%	1.6%	-
SG&A expenses	7,786	11.2%	-	8,125	11.7%	4.4%	-
Operating profit	1,650	2.4%	1,080	1,464	2.1%	-11.2%	35.6%
Ordinary profit	1,681	2.4%	1,220	1,768	2.5%	5.2%	45.0%
Profit attributable to owners of parent	1,271	1.8%	845	1,207	1.7%	-5.1%	42.8%
Orders received	64,027	-	-	72,682	-	13.5%	-
Orders backlog	46,964	-	-	48,995	-	4.3%	-

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

Orders received, a leading indicator of net sales, increased 13.5% YoY to ¥72,682mn, continuing its upward trend after bottoming out at ¥61,018mn in 2H FY3/24. The order backlog at the end of 1H also turned to an increase, rising 4.3% to ¥48,995mn. It is also considered that the inventory adjustments at the Company's business partners, which had been excessive due to the heightened supply chain risks since 2020, have now run their course. Looking at orders received by region, Japan increased 24.4% to ¥51,176mn, while Asia decreased 5.6% to ¥18,581mn and Europe and the US decreased 12.4% to ¥2,433mn. Orders received in Japan returned to growth, but in Asia, orders received continued to decline, mainly due to ongoing restrained capital investment in the solar power-related industry in China, the main market.

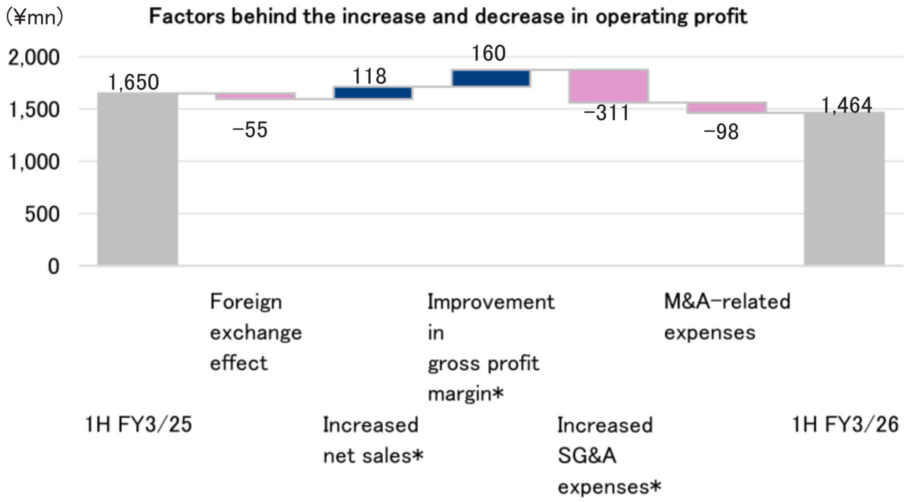
Orders received by region



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

Looking at the factors behind the increase and decrease in operating profit in 1H FY3/26, the profit increase factors were ¥160mn from an improvement in gross profit margin (up 0.2 percentage points (pp) YoY) and ¥118mn from increased sales. On the other hand, the profit decrease factors were ¥55mn from exchange rate fluctuations*, ¥311mn from increased SG&A expenses, and ¥98mn from recording M&A-related expenses. The main factor behind the improvement in the gross profit margin was the Company's focus on sales activities that prioritize profit. In addition, approximately half of the increase in SG&A expenses was due to higher personnel expenses. In addition, non-operating income and expenses improved ¥273mn compared to the same period of the previous year. The main factors were an improvement of ¥92mn in the financial balance, a decrease of ¥112mn in foreign exchange losses, and the recording of ¥84mn in surrender value of insurance policies as non-operating income. While ordinary profit increased due to improvements in non-operating income and expenses, profit attributable to owners of parent decreased as the gain on sale of investment securities of ¥167mn, which was recorded as extraordinary income in the same period of the previous fiscal year, was no longer present.

* The average exchange rate was ¥146 to the US dollar. The yen has accordingly strengthened by about ¥6 to the US dollar compared to the previous fiscal year, when it stood at ¥152. This has resulted in a ¥63mn decrease in profit for the Company's Japanese business companies and a ¥17mn increase in profit for Company's overseas business companies due to differences in exchange rates at the time of purchase and sales transactions. In addition, the revaluation of overseas assets due to differences in the exchange rate at the end of the fiscal year resulted in a ¥9mn decrease in profit.



* Excluding the impact of exchange rates.
Source: Prepared by FISCO from the Company's results briefing materials

Japan returned to sales growth for the first time in three years by regional segment

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 segment

The 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 Electric <6506>. Main customers include SCREEN Holdings <7735>, KOKUSAI ELECTRIC <6525>, Panasonic <6752>, NIKON <7731>, and Murata Machinery, Ltd. Net sales continued to decline, falling 13.9% YoY to ¥12,830mn, due to decreased sales to the semiconductor production equipment-related industry and the solar power-related equipment 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 increased 6.7% YoY to ¥51,608mn, marking the first increase in two fiscal years. This was driven by increased sales to the automobile-related industry and factory automation (FA) industry due to the completion of inventory adjustments, despite declines in sales to the precision equipment industry and semiconductor production equipment-related industry.

The main products in the general machinery segment include robots from YASKAWA Electric, as well as conveyor devices and reduction gears. Main customers include DENSO, Subaru <7270>, FUJIFILM Holdings <4901>, AGC <5201>, and SUMCO <3436>. Net sales decreased 19.5% YoY to ¥4,941mn due to a decline in equipment for the semiconductor production equipment-related industry.

Net sales by business segment

(¥mn)

	FY3/24		FY3/25		FY3/26	YoY
	1H	2H	1H	2H	1H	
Electrical machinery	18,807	14,543	14,903	13,443	12,830	-13.9%
Electronics equipment	63,103	54,346	48,387	51,195	51,608	6.7%
General machinery	6,957	8,381	6,135	5,517	4,941	-19.5%
Total	88,867	77,271	69,426	70,155	69,380	-0.1%

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

(2) Trends in sales and profits by segment

In the Japanese business, net sales increased 7.2% YoY to ¥53,695mn and operating profit declined 6.5% to ¥962mn. Net sales increased for the first time in three fiscal years, due to a rise in sales of electrical machinery and conveyor devices for the semiconductor production equipment-related industry, electronic parts for the automobile-related, FA, and amusement industries, and control equipment* for the new energy industry, among others. On the other hand, operating profit decreased due to the recording of ¥98mn in M&A-related expenses. Excluding this factor, operating profit would have returned to growth for the first time in three fiscal years.

* Power conditioners for storage battery systems, and the like

In the Asian business, net sales decreased 6.1% to ¥21,827mn and operating profit decreased 16.5% to ¥425mn. In the Company's main market of China, sales of electronic devices for the industrial robot industry increased, but sales of electrical machinery for the solar power-related equipment industry continued to decline, resulting in lower net sales and operating profit. In the Chinese market, the economic downturn has been prolonged, and both local companies and Japanese companies are performing sluggishly, with no clear outlook for recovery. Meanwhile, in India, where the Company entered the market from FY3/24, sales to companies operating locally in FA and social infrastructure-related companies increased steadily.

In Europe and the US, net sales decreased 9.7% YoY to ¥3,023mn, and operating profit declined 72.6% to ¥14mn. Sales of equipment to the US automobile-related industry increased, but a decline in sales of electronic parts for the FA industry had a significant impact, resulting in a continued trend of lower net sales and operating profit.

Net sales and operating profit by segment

(¥mn)

Net sales	FY3/24		FY3/25		FY3/26	YoY
	1H	2H	1H	2H	1H	
Japan	60,577	53,973	50,079	51,636	53,695	7.2%
Asia	34,136	27,058	23,251	23,629	21,827	-6.1%
Europe/US	3,341	3,629	3,349	3,025	3,023	-9.7%
Other	273	500	442	421	378	-14.5%
Adjustment	-9,460	-7,890	-7,695	-8,556	-9,544	-
Total	88,867	77,271	69,426	70,155	69,380	-0.1%

Operating profit	FY3/24		FY3/25		FY3/26	YoY
	1H	2H	1H	2H	1H	
Japan	2,087	1,551	1,029	1,143	962	-6.5%
Asia	1,305	1,039	509	616	425	-16.5%
Europe/US	133	14	54	-8	14	-74.1%
Other	-19	9	11	-1	20	69.5%
Adjustment	-64	159	45	108	41	-
Total	3,442	2,773	1,650	1,857	1,464	-11.2%

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

Operating profit for FY3/26 projected to remain at the same level as the previous fiscal year due to the recovery of the Japanese market

3. FY3/26 forecasts

The FY3/26 consolidated results are expected to remain as initially planned, 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%). Net sales are expected to increase for the first time in three fiscal years, while operating profit and ordinary profit are projected to remain largely flat.

FY3/26 consolidated results forecast

(¥mn)

	FY3/25		FY3/26			
	Full year results	% of net sales	Full year forecast	% of net sales	YoY	Progress rate
Net sales	139,581	-	155,000	-	11.0%	44.8%
Operating profit	3,507	2.5%	3,500	2.3%	-0.2%	41.8%
Ordinary profit	3,815	2.7%	3,760	2.4%	-1.5%	47.0%
Profit attributable to owners of parent	2,443	1.8%	2,610	1.7%	6.8%	46.2%
Earnings per share (¥)	161.15		171.68			
Exchange rate (¥/US dollar)	151.58		144.00			

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

In 1H, the progress rate was 44.8% for net sales and 41.8% for operating profit. In the initial plan, the Company assumed that the Chinese market would recover from 2H, and thus formulated a performance plan weighted toward 2H. However, there is still no sign of recovery in order conditions in the Chinese market, and it is highly likely that net sales for the full fiscal year will fall short of the plan. On the other hand, although the progress rate for profit remains low, the Japanese market, which was the first to shift toward recovery, is expected to further increase net sales in 2H. FISCO's view is that achieving the Company's profit-based plan is within reach. With the rapid construction of data centers driven by the spread of generative AI, as well as increased investment in cutting-edge semiconductors and the power transmission and distribution sectors, some of the markets targeted by the Company are showing signs of improvement. As a result, it is expected that the Company will shift to a revenue recovery trend from 2H FY3/26 onward. Risk factors include the impact that deteriorating political relations between Japan and China, as well as between the U.S. and China, may have on the economy. The assumed exchange rate is ¥144.00 to the US dollar. The Company estimates that a change of ¥1.0 to the US dollar would have an annual impact of ¥444mn on net sales and ¥66mn 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 Group changed its key goal indicator (KGI) from net sales to operating profit, and set a target of ¥10.0bn in consolidated operating profit to be achieved in FY2030. 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.

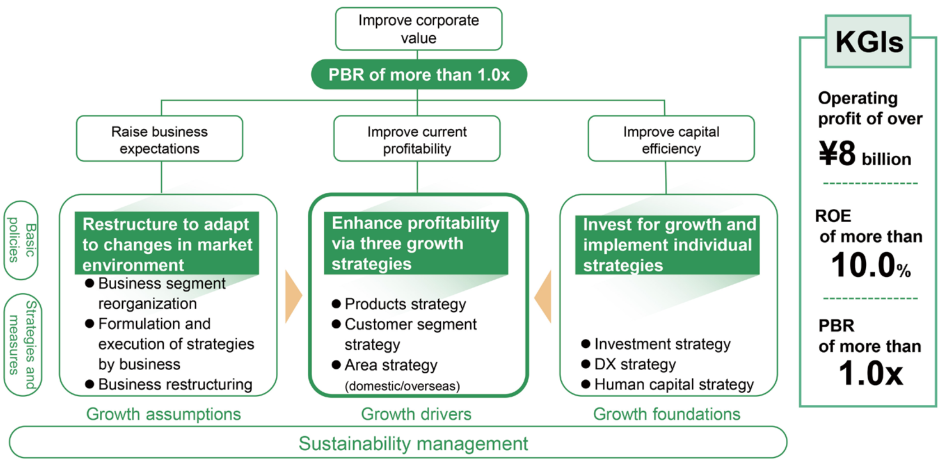
The Group has defined its Mission as follows: "We connect technologies in the world to create new value and support the development of a prosperous society." Leveraging its global network, the Group intends to contribute to the development of a sustainable society by offering the latest technology proposals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

Aiming for 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 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 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

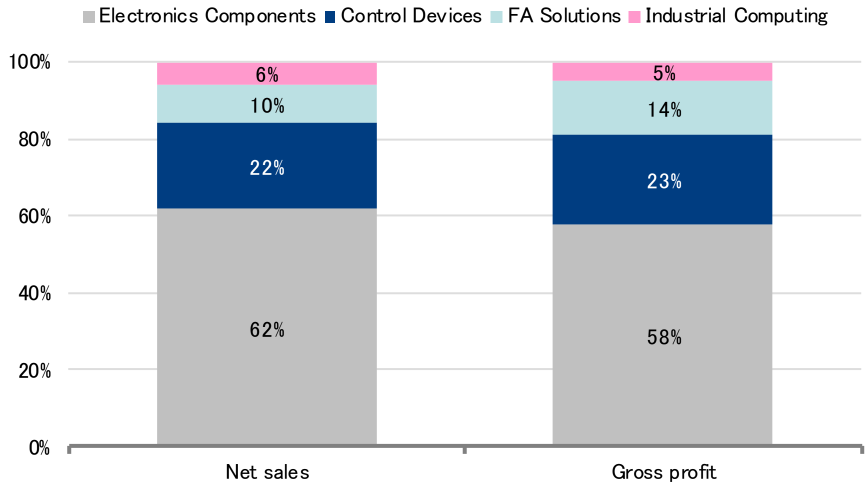
Strengthening profitability by promoting its product strategy, customer segment strategy, and area strategy

3. Basic policies and strategies

(1) Restructure to adapt to changes in market environment

With respect to restructuring, the Company has reorganized its business segments into four categories—Electronic Components, Control Devices, Industrial Computing, and FA Solutions—to adapt to changes in the market environment, and has also reorganized its Sales Headquarters into four divisions. Going forward, the Company plans to formulate strategies and implement specific measures for each of these four businesses. Looking at the main products handled in each business, the Electronic Components business mainly deals with power supplies and mechanical components (such as connectors, relays, and switches), as well as capacitors, sensors, and LEDs. The Control Devices business mainly handles servo motors, inverters, programmable controllers, and power conditioners. The Industrial Computing business mainly deals with industrial PCs, as well as peripheral devices and software such as network equipment and IoT gateways. The FA Solutions business mainly handles equipment such as industrial robots, mounters, and conveyor devices. In terms of the new business segments, the Electronic Components business is expected to account for 62% of net sales and 58% of gross profit, followed by the Control Devices business with 22% of net sales and 23% of gross profit in FY3/25 (non-consolidated). Together, these two businesses comprise roughly 80% of both total net sales and gross profit.

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

Solution Development, which is positioned within the research and development domain, is incorporated into the Innovation Headquarters. The Company identifies key technological domains that lead to commercialization, develops solutions by combining optimal equipment and early-stage technologies from partner companies, packages these solutions, and deploys them 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.

(2) Enhance profitability via three growth strategies

The Company aims to enhance profitability by promoting its product strategy, customer segment strategy, and area strategy as its growth 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 aims to efficiently provide a wide range of products that meet diverse customer needs. To achieve this, 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, MinebeaMitsumi Inc. <6479>, TDK-Lambda Corporation, NICHICON CORPORATION <6996>, KEL CORPORATION <6919>, and STANLEY ELECTRIC CO., LTD. <6923>.

In the Control Devices business, 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 in conjunction with its customer segment team.

In the Industrial Computing business, 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 providing solutions that increase efficiency at manufacturing sites.

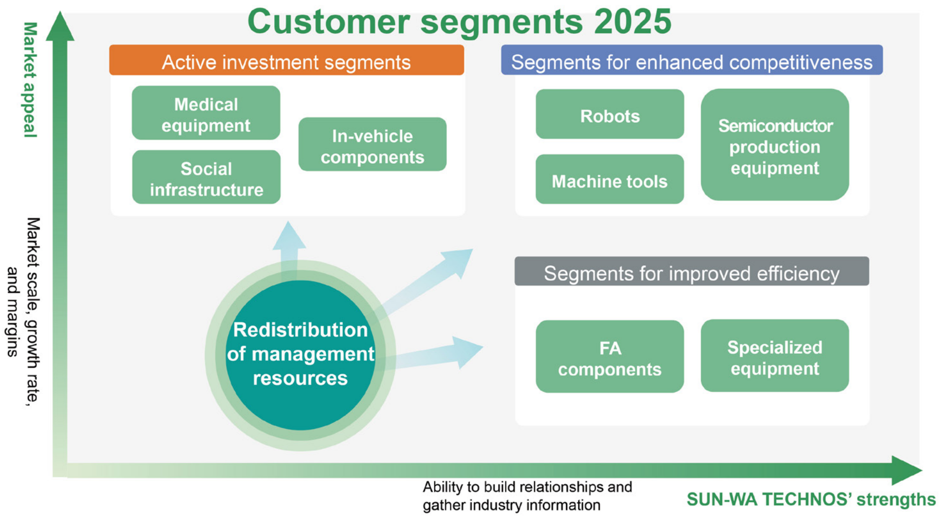
In the FA Solutions business, the Company collaborates with system integrators to provide optimal solutions that resolve challenges faced by customers. This involves analyzing customer challenges and needs, making optimal proposals with highly specialized system integrators, and strengthening onsite 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 segment strategy

The customer segment strategy has been pursued since the previous medium-term management plan. The Company strengthens relationships with customers and aims to develop new customers and deepen transactions with existing customers by assigning personnel with industry expertise to each segment. In the previous medium-term management plan, the Company has identified six segments as focus areas: semiconductor production equipment, robots, machine tools, in-vehicle components, FA components, and specialized equipment. In the current plan, medical equipment and social infrastructure have been newly added, bringing the total to eight segments. The reason for adding medical equipment and social infrastructure is that both segments are relatively resistant to economic volatility. The Company aims to enhance the stability of the revenue base by expanding these segments.

The Company classified its eight segments into three strategic customer segments—enhanced competitiveness, active investment, and improved efficiency—based on market attractiveness and the Company's strengths. Whereas the previous medium-term management plan applied this strategy exclusively to the Japanese market, under the current plan, the Company intends to pursue similar strategies overseas as well, aiming to expand the scale of its business. 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 a sustained cash flow through ongoing improvements in business efficiency.

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 accounts for the largest share of profit at 13.5% (FY3/28 target, hereafter the same). In addition to successfully securing the adoption of the Company's proposed products by major clients, the Company is advancing proposals for prototypes such as wafer transfer devices and control panel units.

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 account for the largest share of profit at 7.0%. The Company is focusing on entering fields related to advanced driver-assistance systems (ADAS) × human machine interface (HMI) / infrastructure collaboration, and advancing product proposals that address electrification themes. In the medical equipment segment, the Company continues to make in-depth product proposals to high-quality customers in promising areas such as dialysis machines and surgical support robots.

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 account for the largest share of profit at 25.3%. The Company is focusing on providing efficient electronic component solutions, 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	Main initiatives	Profit growth rate CAGR*	1H FY3/26 progress rate
Enhanced competitiveness	Semiconductor production equipment	Contribute to the industry with the Company's proprietary technical proposal capabilities and customer base	• Secure important themes with major clients and achieve adoption of the Company's proposed products • Propose prototypes such as wafer transfer devices and control panel units for cutting-edge production process equipment • Acquire evaluation projects at customer factories through collaboration with measuring equipment manufacturers	15.0%	40.0%
	Robots	Demonstrate the Company's strengths through market expansion and technological evolution	• Promote acquisition of new themes in emerging fields with a view to next-generation robot applications • Acquire projects in peripheral infrastructure areas for robots, such as remote support and cybersecurity • Initiate information exchange with China, Europe, and the US, and promote the discovery of new products from overseas manufacturers	15.0%	40.0%
	Machine tools	Grow through high-performance applications, automation, and digitalization of mother machines	• Strengthen proposals for system solutions that contribute to process integration and automation, resulting in acquisition of multiple new projects • Strengthen proposals that combine mechanical products and electrical products, and promote deeper engagement with existing customers • Strengthen collaboration with overseas bases, and conduct business negotiations tailored to target customers in each region	12.0%	50.0%
Active investment	Medical equipment	Expand business scale against a backdrop of technological innovation and changing social needs	• Strengthen proposals to major high-quality companies and selection of highly specialized manufacturers • Continue to make in-depth product proposals to high-quality customers in promising areas such as dialysis machines and surgical support robots • Promote the discovery of high value-added products through collaboration with major manufacturers	15.0%	45.0%
	Social infrastructure	Work toward providing common, optimal proposals for each infrastructure scenario	• Select products for expansion in the electricity and gas sectors and begin proposal activities • Acquire evaluation and prototyping projects for substation digitalization and railway substations through proposal activities targeting power and heavy electrical equipment manufacturers • Continue to explore and analyze market trends. Strengthen proposal activities for target customers • Receive orders for EV chargers for major automobile manufacturers' sales channels	12.0%	45.0%
	In-vehicle components	Strengthen fundamental technologies in the environmental and safety fields to support the evolution of mobility	• Strengthen entry into ADAS × HMI / infrastructure collaboration • Propose products that address electrification themes • Increase opportunities to engage with existing and new customers and improve customer satisfaction	12.0%	50.0%
Improved efficiency	FA components	Offer a wide product lineup to a broad range of customers	• Provide efficient electronic component solutions based on understanding of circuit configurations • Create and develop strategic products centered on applications • Expand sales specializing in energy, automation, and AI-related applications	12.0%	35.0%
	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%	45.0%

* Compound annual growth rate for FY3/26–FY3/28
Source: Prepared by FISCO from the Company's results briefing materials and medium-term management plan 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 FY3/25, 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. 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. 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 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. Regarding M&A, MTEC was made a subsidiary at the end of September 2025, and HTK Europe was made a subsidiary at the end of October 2025.

MTEC is a development-oriented company with manufacturing functions (technology and product development capabilities). The Company entered into a business alliance with MTEC in 2023 and has jointly developed robot solutions. However, the Company acquired 50.5% of MTEC's shares through a share exchange*. 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 robot and FA segments. 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 differentiate itself through its ability to propose robot solutions by making MTEC a subsidiary, thereby expanding orders. MTEC's most recent results for FY3/25 were net sales of ¥217mn and an operating loss of ¥127mn, indicating that it is still in the stage of upfront investment. The Company aims to achieve early profitability by expanding sales of the jointly developed robot solution package, 3D Connect Series.

* Goodwill will be amortized evenly over five years at ¥647mn.

Currently, the Company is focusing on expanding sales of the AR^2 System, which was launched as the first product in the series in autumn 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, then issues movement instructions to the robot. Usually, the use of robots requires teaching data for a specific operation to be created and applied, which has made implementation challenging for companies without the necessary expertise. However, by adding the AR^2 System, this process can be achieved with high accuracy and efficiency, making post-implementation operations easier. As a labor-saving solution for manufacturing sites facing a serious labor shortage, demand is expected to expand, and the Company is actively promoting sales, including exhibiting at overseas trade shows. Although sales orders have continued to accumulate since the start of sales, the Company plans to further strengthen its sales structure by increasing the number of members in its internal project team from autumn 2025 onward, aiming to boost sales activities. Future developments will be closely watched.

* 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 the AR^2 System, robot operating conditions (recipes) are embedded in the AR markers, enabling robot control by reading these markers.

HTK Europe is the UK manufacturing and sales subsidiary of HONDA TSUSHIN KOGYO, a mid-sized connector manufacturer. The Company acquired all shares of HTK Europe and changed its name to SUN-WA TECHNOS (UK) Connect Solutions. Wire harnesses and control panels are being assembled and processed at the UK factory, but the sales scale is still small. In the European market, manufacturers tend to prioritize the ability to provide local design and support when selecting suppliers, which makes it difficult for the Company, which only has trading company functions, to develop local companies. To address these issues, the Company made a local manufacturer with production capabilities 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 will fully utilize 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.

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. 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

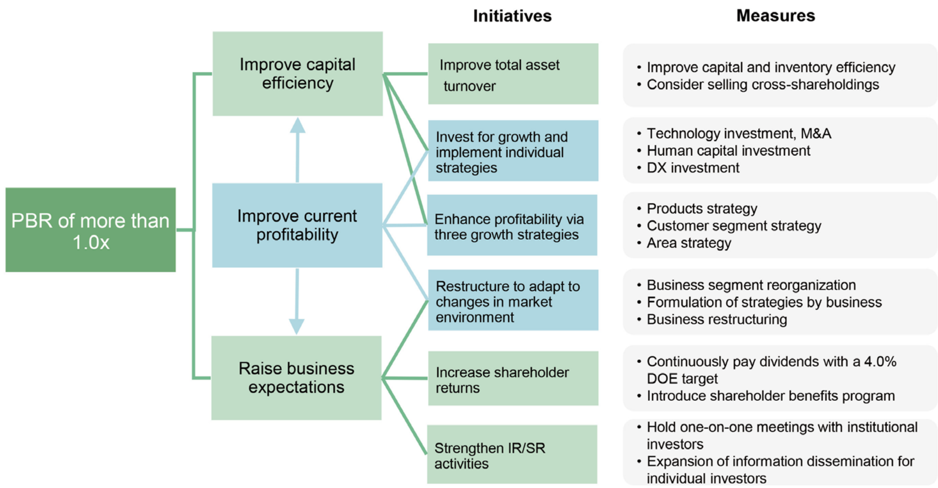
Under its human capital strategy, the Company works to build systems and organizations that enable every employee to thrive, thereby supporting achievement of its medium-term management plan and enhancing corporate value. Key measures include reviewing the performance evaluation and remuneration systems 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 and ROE of more than 10.0% in FY3/28

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 in FY3/28. 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 promoting measures that include enhancing capital efficiency and inventory turnover, and selling cross-shareholdings. Regarding capital efficiency, the Company has introduced the Sunwa-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 FY3/26 are expected to be in the ¥3,200 range, and PBR is around 0.9 times (based on the closing price at the end of November), showing that the target is within close reach.

Initiatives to achieve PBR of more than 1.0 times



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

Shareholder return policy

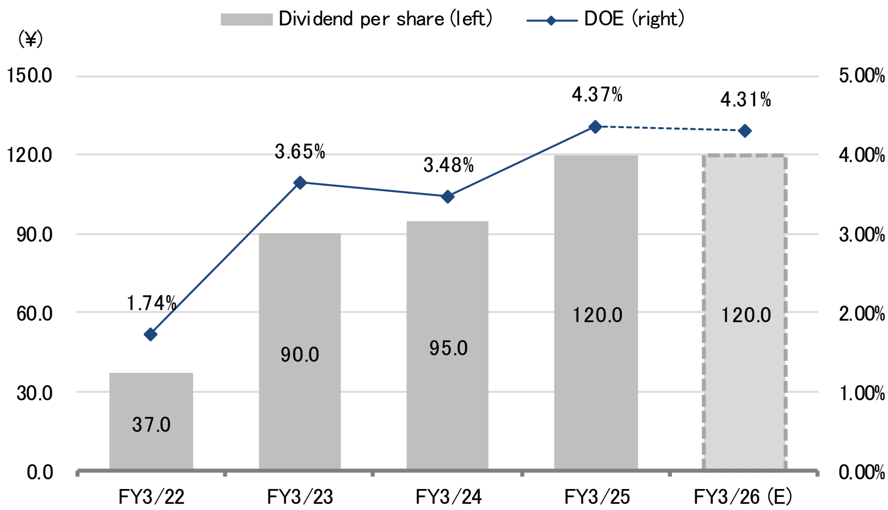
Payment of dividends targeting DOE of 4.0% or more, as well as enhancement of shareholder benefits

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 provide stable and continuous dividends targeting DOE of 4.0% or more starting from FY3/25. For FY3/26, it plans to offer a dividend of ¥120.0 per share (DOE of 4.31%), the same amount as FY3/25. Note that dividends for FY3/25 included a commemorative dividend of ¥10.0 for the 75th anniversary of its establishment, resulting in an increase of ¥10.0 in the ordinary dividend.

In addition, with the aim of acquiring individual shareholders who will hold the Company's shares over the medium to long term, the Company has introduced a shareholder benefits scheme and announced in October 2025 that it will expand the benefits and change the benefit items. Previously, the Company awarded 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. Going forward, the Company will discontinue the special long-term holding benefit scheme (for holdings of 2 years or more) and revise the categories for the number of shares held. Furthermore, in order to improve shareholder convenience, it will change the benefit items from the conventional QUO card to a digital gift*. 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 the dividend and shareholder benefits combined, based on the share price as of November 28 (¥2,929), results in about 4.8% yield for investors holding 100 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, and is targeting the early achievement of PBR of more than 1.0 times.

* 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.

Dividend per share and dividend payout ratio



Note: Dividends for FY3/25 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)

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

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

Simplified balance sheet

(¥mn)

	End of FY3/23	End of FY3/24	End of FY3/25	End of 1H FY3/26	Change amount
Current assets	94,263	86,350	82,875	82,224	-651
Cash and deposits	14,145	19,081	23,371	24,787	1,416
Trade receivables and contract assets	58,922	47,417	44,056	41,542	-2,514
Non-current assets	12,318	12,356	10,203	11,329	1,126
Property, plant and equipment	2,272	2,256	2,192	2,292	100
Intangible assets	221	166	153	774	621
Investments and other assets	9,824	9,933	7,857	8,262	405
Total assets	106,581	98,707	93,078	93,553	475
Current liabilities	59,870	45,124	39,133	40,262	1,129
Payment obligations	45,335	32,589	30,054	30,892	838
Non-current liabilities	2,227	5,615	4,832	4,804	-28
Total liabilities	62,097	50,740	43,966	45,067	1,101
Interest-bearing debt	9,557	12,007	8,447	7,776	-671
Shareholders' equity	38,202	40,620	41,703	41,954	251
Accumulated other comprehensive income	6,282	7,346	7,409	6,248	-1,161
Total net assets	44,484	47,966	49,112	48,486	-626

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

Management indicators

	FY3/23	FY3/24	FY3/25	1H FY3/26
Equity ratio	41.7%	48.6%	52.8%	51.5%
Interest-bearing debt ratio	21.5%	25.0%	17.2%	16.1%
ROE	13.3%	10.8%	5.0%	-
Net cash	4,588	7,074	14,924	17,011

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

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