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Stakeholder Questions and Our Responses (FY2024 Financial Results)

Following FY2024 Financial Results Briefing held on May 27, 2025, we held multiple individual meetings with institutional investors and analysts. Below, we disclose representative questions received during those meetings along with our responses.

This disclosure aims to enhance information sharing with stakeholders and uphold fair disclosure practices by presenting the questions and answers addressed during IR meetings and other briefings. Please note that certain content has been supplemented or revised for clarity and better understanding.

Q1. In FY2024 Q3, you revised earnings forecast downward, and the final results seem to have aligned with that revised forecast. Was there any notable change during Q4? Furthermore, we would appreciate it if you could provide your regional outlook for FY2025.

A1. We revised our forecast downward in Q3. While there were some differences from our initial assumptions in price pass-through negotiations in the Japan segment, both operating income and ordinary income ultimately came in close to the revised projections. Net income exceeded expectations, as impairment losses in the China segment were lower than anticipated.

In FY2025, the Japan segment continues to face rising costs due to wage increases. Although it remains difficult to pass on indirect costs to customers, we aim to enhance productivity through internal efforts such as process improvements. As a result, we expect operating income to be roughly in line with FY2024.

In the Americas segment, the absence of one-time expenses recorded in FY2024 is a positive factor. However, we assume a 10% decline in new vehicle sales in North America due to the impact of U.S. tariff measures. Based on this assumption, we expect year-over-year growth in operating income.

In the Europe segment, the business environment remains uncertain, as environmental regulations continue to hinder a return to internal combustion engine vehicles. However, we expect to benefit from price pass-throughs implemented through FY2024, as well as from the impact of price negotiations that have carried over into FY2025. In addition, we are proceeding with streamlining measures such as the consolidation of sites and workforce reductions. As a result, we anticipate a recovery in performance starting in the second half of the fiscal year, with a modest operating profit projected.

The China segment is expected to remain under challenging conditions. We will continue to reduce fixed costs, including the potential consolidation of sites. While a return to profitability is not expected, we anticipate a narrower operating loss.

In the Asia segment, India's strong growth is expected to continue supporting the region amid a slowdown in Thailand and Indonesia. The overall business environment remains stable. Under a slightly conservative outlook, we are forecasting a modest decline in operating income compared to FY2024.

Q2. What is the sensitivity of operating income to foreign exchange in FY2025?

A2. As with FY2024, we estimate that a one-JPY depreciation or appreciation against the U.S. dollar would affect operating income by approximately JPY 100 million — positively in the case of depreciation, and negatively in the case of appreciation.

Q3. U.S. tariff measures are considered a risk. Are you already incurring tariff-related costs? Also, you have indicated a policy of passing these costs on to customers — could you explain the timeline for those negotiations?

A3. Since the application of U.S. tariff measures, there have been instances where we have borne actual tariff costs. In response, we have proactively initiated discussions with our customers regarding price pass-through, and we believe that the foundation for acceptance is gradually taking shape. To minimize the impact on cash flow, we are conducting negotiations on a monthly basis.

Q4. On June 6, you announced "Acquisition of Equity Interest in Winkelmann Powertrain México (Mexico subsidiary acquisition). Could you share the anticipated impact on the profit and loss statement? Also, will there be any effect from U.S. tariff measures?

A4. The impact of the Mexico subsidiary acquisition on consolidated performance is currently under review and has not yet been reflected in our earnings forecast. However, we expect that, at a minimum, the net sales of the company scheduled to be acquired as a subsidiary will contribute positively to our consolidated results.
As the subsidiary supplies parts to its primary customer, BOSCH, within Mexico, we do not expect any direct impact from U.S. tariff burdens. However, indirect effects — such as a decline in vehicle sales — may arise, so we will continue to monitor developments closely and respond appropriately as needed.

Q5. With this acquisition in Mexico, do you expect to realize synergies with your existing fuel tube business? In addition, since the acquired company primarily manufactures components for pickup trucks destined for the U.S. market—a segment that continues to perform strongly—do you anticipate this acquisition to contribute to higher profitability?

A5. The acquired company manufactures “fuel rails,” a fuel-related component also handled by our existing Mexican subsidiary, and was previously a competitor. Going forward, by leveraging our relationship with BOSCH — a key customer — we aim to expand business with U.S. OEMs, with whom we have had limited engagement to date. We believe this will enhance our overall customer portfolio.
The acquisition was made after carefully verifying profitability based on conservative assumptions. Through the integration of our operational expertise and synergies with existing businesses, we believe there is strong potential to achieve even higher profitability.

Q6. Do you have any updates on current negotiations for liquid-cooling devices for data centers?

A6. While we did not secure volume production orders in FY2024, we continue to receive a significant number of inquiries from companies across various industries. As a result, we expect order intake to gradually increase from the first half to the second half of FY2025. As of now, we anticipate revenue contributions in the range of several tens of millions of JPY for FY2025. We will continue to focus on building a strong track record, with the aim of achieving JPY 20 to 25 billion in annual sales from the data center business alone by FY2030.