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Stakeholder Questions and Our Responses (FY2025 Financial Results)

Following the FY2025 Financial Results Briefing held on May 28, 2026, we held multiple individual meetings with institutional investors and analysts (27 meetings held between June 1 and July 9). 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. Could you provide the regional outlook for FY2026?

A1. In the Japan segment, performance in FY2025 benefited from one-time contributions from newly launched projects. As these temporary tailwinds fade, we expect performance in FY2026 to return to a level broadly in line with FY2024.
In the Americas segment, we expect profitability to recover to approximately FY2024 levels as the impacts of U.S. tariff policies and production disruptions caused by transportation issues in Mexico, which affected FY2025, are resolved.
In the Europe segment, performance began to recover from Q4 FY2025 following the successful conclusion of price pass-through negotiations at the end of last year. In addition, the benefits of fixed-cost reductions achieved through the consolidation of sites and workforce reductions implemented during FY2025 are expected to contribute to profitability. Consequently, we forecast a modest operating profit for the segment.
In the China segment, business conditions are expected to remain challenging. However, the liquidation of the Chinese subsidiary announced in November last year was carried out between May and June of this year. Upon completion of the liquidation process, we expect to realize further fixed-cost reductions, bringing the segment closer to breakeven.
In the Asia segment, we expect solid performance to continue, supported by strong growth in India, which is offsetting slower market conditions in Thailand and Indonesia. Based on a slightly conservative business plan, we forecast a modest increase in operating income compared with FY2025.

Q2. What is the sensitivity of operating income to foreign exchange in FY2026?

A2. We estimate that a one-yen depreciation or appreciation against the U.S. dollar will impact operating income by approximately JPY 80 million, with a weaker yen providing a positive impact and a stronger yen resulting in a negative impact.

Q3. The Americas segment experienced profit pressure in FY2025 due to tariff impacts and production disruptions. What improvements do you expect going forward? Additionally, could you explain the path toward earnings growth, including the Mexican subsidiary acquired in June last year?

A3. In FY2026, the Americas segment is expected to recover to its underlying earnings level as the impacts of tariff measures and production disruptions are resolved.
In addition, business with major U.S. automakers, representing one of the key achievements of our “Sanoh Last Man Standing” strategy to capture remaining market opportunities, is expected to ramp up sequentially.
Furthermore, as a result of the acquisition and consolidation of our Mexican subsidiary, we expect the Mexican subsidiary to contribute approximately JPY 7 billion in net sales in FY2026. We also plan to double sales in FY2027 through the launch of new programs for major U.S. automakers.

Operations at the subsidiary have remained profitable since the acquisition, and we are leveraging Sanoh's operational expertise to further enhance profitability. By ensuring solid returns from these two growth drivers, we also aim to accelerate growth across our existing businesses.

Q4. Could you provide an update on current business development activities in the data center business?

A4. Since securing our first mass-production order last fiscal year, the number of inquiries has increased significantly, and we continue to receive inquiries for multiple large-scale projects.
Most recently, in early June, we exhibited at a major data center industry trade show in Shanghai, China. At the event, we actively promoted our liquid-cooling module products to data center operators and related companies, expanding our business opportunities. Supported by exceptionally strong market demand, our products attracted substantial interest, resulting in active discussions with visitors and a number of concrete inquiries.
We are currently in the phase of supplying prototypes, completing customer evaluations, and converting these opportunities into mass-production orders. Accordingly, we are accelerating our marketing and business development efforts to secure new orders.
As there is typically a lead time between order intake and revenue recognition, we expect these projects to begin contributing to earnings during FY2027, depending on their progress.

Q5. Could you explain the potential customer base and the supply-demand environment for the data center business?

A5. The potential customer base for our data center business is broad. In addition to server manufacturers and liquid-cooling module manufacturers, potential customers include data center operators, subcontractors, and other related participants throughout the value chain.
Our ball valve joints and plastic piping can be used not only in cooling systems surrounding servers but also in building-side infrastructure within data centers. As a result, we are receiving inquiries from a wide range of market participants.
Regarding market conditions, we believe demand continues to exceed supply, driven primarily by the rapid expansion of AI-focused data centers. Rather than concentrating purchases with a small number of suppliers, customers are increasingly sourcing products from multiple vendors to secure supply stability. We believe this trend creates significant opportunities for Sanoh.
Leveraging the manufacturing expertise and global supply network cultivated through our automotive parts business, we are committed to ensuring stable production capacity and responding effectively to evolving customer needs.

Q6. As you work toward achieving your FY2030 ROE target of 15%, how do you plan to balance earnings improvement and capital policy? Also, when should investors expect the next update regarding your Measures to Achieve Cost of Capital and Share Price Conscious Management?

A6. In Phase 1 of our Measures to Achieve Cost of Capital and Share Price Conscious Management, our primary focus is on improving earnings—the numerator of ROE.
Specifically, we will advance structural reforms in regions where ROIC remains below WACC, particularly in the Japan, Europe, and China segments. Through measures such as reviewing low-profitability businesses and optimizing our business portfolio, we aim to enhance profitability and strengthen earnings power.
Alongside these profit-generation initiatives, we will also improve asset efficiency throughout the structural reform process, thereby driving sustainable ROE improvement.
With respect to capital policy initiatives that contribute to improving the denominator of ROE, we will continue to evaluate the optimal capital structure, including shareholder returns, based on progress in enhancing profitability in existing businesses and generating earnings growth from new businesses.
As for the next update on our Measures to Achieve Cost of Capital and Share Price Conscious Management, we currently plan to provide an update later this autumn. However, we are working to disclose it as early as possible and intend to provide an update no later than the end of this year.