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Stakeholder Questions and Our Responses (Q1 FY2026 Financial Results)

Following the announcement of the Q1 FY2026 financial results on August 7, 2026, we held multiple individual meetings with institutional investors and analysts (15 meetings held between August 18 and September 24). 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. How do you evaluate the start of FY2026 based on the Q1 results?

A1. Our earnings plan for FY2026 assumes that profit contributions will be weighted toward the second half of the fiscal year, reflecting the timing of mass-production launches and the realization of price pass-through effects. Against this backdrop, we believe Q1 performance progressed broadly in line with our expectations.

That said, performance varied by regional segment, reflecting the impact of external factors. In the Japan segment, although we had anticipated the absence of certain one-time factors recorded in the previous fiscal year, Q1 results exceeded our expectations, resulting in a strong start to the year. The Asia segment also continued to perform solidly, with India continuing to drive growth in the region. In the Americas segment, net sales increased, partly due to the consolidation of our Mexican subsidiary; however, profit was somewhat weaker than planned. In the Europe segment, earnings were affected by a one-time loss related to a specific program as well as higher procurement costs, particularly for plastic materials, and we are closely monitoring profitability until the effects of price pass-through initiatives are fully reflected. In China, while structural reforms are progressing, market conditions continue to be challenging.

Overall, consolidated performance in Q1 progressed broadly in line with plan, while also highlighting region-specific challenges. Going forward, key priorities will include restoring earnings in the Americas segment, advancing structural reforms in China, and addressing rising costs in Europe. At this stage, however, we believe these factors remain within the scope of our full-year earnings forecast, and we will continue our efforts to achieve our targets.

Q2. Please provide more details regarding the loss recorded in the Europe segment. Is this expected to be a one-time loss?

A2. In the Europe segment, our Mexican operation managed by a German subsidiary had been preparing for the start of mass production for a new program for approximately two years. However, as the start of mass production was repeatedly postponed due to customer-related circumstances, it became difficult to achieve the commercialization schedule originally planned for the program.

As a result, we reassessed the valuation of inventories associated with the program and recorded an inventory valuation loss of approximately JPY 230 million in Q1.

This loss was primarily related to a specific program, and at this stage we do not expect similar losses to occur on an ongoing basis. Excluding this impact, performance in the Europe segment was broadly in line with the previous year's level.

Q3. What caused the Americas segment to underperform relative to plan? Also, what is your outlook for earnings recovery going forward?

A3. The primary factors were foreign exchange losses resulting from the appreciation of the Mexican peso, as well as upfront costs associated with future program launches, including workforce expansion and factory layout

modifications. In addition, while we have recovered most of the tariff costs that had been a challenge in the previous fiscal year, negotiations remain ongoing for certain programs involving Tier 1 suppliers. On the other hand, logistics disruptions have been largely resolved.

Looking ahead, we expect profitability to improve as tariff cost recovery progresses and upfront expenses subside. In addition, several new mass-production programs are scheduled to launch from this autumn onward, including programs for the U.S. Big Three OEMs and new programs at our acquired Mexican subsidiary. These initiatives are investments aimed at future growth and are expected to contribute to both revenue growth and earnings improvement.

We position the Americas segment as one of our key growth regions. By steadily ramping up these new programs while continuing to recover tariff costs and appropriately manage upfront expenses, we expect to drive earnings improvement from Q2 onward.

Q4. Is the impact of the situation in the Middle East gradually becoming visible?

A4. Rising crude oil and naphtha prices, driven by heightened tensions in the Middle East, have led to higher procurement costs for plastic products, particularly at our German subsidiary, where the proportion of plastic products is relatively high. As a result, we believe the impact on earnings is gradually becoming apparent.

While we are actively pursuing price pass-through initiatives, price revisions are typically reflected around December each year. Consequently, from Q2 through Q3, we may be unable to fully offset higher material costs, resulting in temporary pressure on earnings.

That said, our basic policy is to recover increased costs through price pass-through, and we are working to mitigate the medium- to long-term earnings impact of rising material costs through the gradual implementation of price revisions currently under way.

Q5. Could you provide an update on current business development activities in the data center business?

A5. In the data center business, we continue to engage in sales and proposal activities with a broad range of customers both in Japan and overseas, and the number of inquiries continues to increase.

For projects under consideration for mass-production adoption, technical verification and evaluation activities are progressing steadily, and preparations for potential commercialization and mass production are advancing. While inquiries had previously been concentrated in Japan, we are now seeing an increasing number of inquiries from overseas markets, including China and Taiwan, where prototype deliveries are underway and customer evaluations are progressing.

We expect these projects to contribute to net sales in FY2027. Customer evaluations and discussions regarding mass-production specifications are progressing broadly in line with our original schedule. Although investment timing in the data center market can fluctuate depending on customer capital expenditure plans and construction schedules, we believe overall progress remains broadly in line with plan.