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Stakeholder Questions and Our Responses (Q2 FY2025 Financial Results)

Following the Q2 FY2025 Financial Results Briefing held on November 27, 2025, we held multiple individual meetings with institutional investors and analysts (18 meetings held between December 2 and January 7). Below, we disclose representative questions received during those meetings along with our responses.
In addition, we have also disclosed the Q&A from the Q2 FY2025 Financial Results Briefing, which can be found at the following link : https://pdf.irpocket.com/C6584/PDLX/OgQM/gQZW.pdf

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 would you summarize the first-half performance of FY2025, and how did each regional segment perform?

A1. In the first half of FY2025, performance varied by regional segment, and both operating income and ordinary income slightly exceeded our internal plan. Net income significantly outperformed expectations due to the recognition of a gain on bargain purchase arising from the acquisition of a subsidiary in Mexico in July. As disclosed in a timely manner on November 28 following the earnings announcement, we expect to record extraordinary losses related to the dissolution and liquidation of a Chinese subsidiary (link: https://pdf.irpocket.com/C6584/VowW/yqCo/D36N.pdf). As these factors partially offset each other, the full-year earnings forecast remains unchanged.
Japan segment: Performance remained strong, following Q1, driven by temporary upside factors associated with newly launched projects.
Americas segment: Looking back, we observed front-loaded demand from January to March due to U.S. tariff policies, followed by a slight slowdown in Q2 net sales. Profitability was also impacted mainly by tariffs. Nevertheless, business conditions remain broadly solid even compared with the strong environment in the FY2024.
Europe segment: The sluggish trend from the FY2024 has continued. However, the closure of one plant in Germany was completed in July 2025, and additional workforce reductions were implemented. As a result, fixed-cost reduction effects are expected to contribute from the second half onward. We will maintain a disciplined operating stance while awaiting market recovery.
China segment: A challenging business environment persists, with continued declines in sales. Measures implemented since 2024—including fixed-cost reductions and lower depreciation following impairment loss recognition—have helped narrow losses. Despite continued negotiations regarding production reduction compensation and price pass-through, no agreement was reached with customers, leading to the decision to dissolve the subsidiary.
Asia segment: Performance remained solid. While Thailand and Indonesia showed slight deceleration, this was more than offset by strong growth in India, a trend that continues.

Q2. Given the strong progress in operating income through the first half, should we expect a weakening trend in the second half?

A2. Key changes from the first half include increased tariff-related cost burdens in North America, customer production adjustments due to semiconductor shortages, the conclusion of supply for Japan-based newly launched projects, the impact of a cyberattack on a major customer in the U.K., and production suspensions at customer plants in South America caused by natural disasters. Taking these factors into account, we expect operating income to land at ¥5.5 billion, in line with our full-year earnings forecast.

Q3. What is the impact of U.S. tariff measures in FY2025, and has price pass-through been implemented?

A3. In our U.S. operations, tariffs are incurred at the time of parts importation and recovered when products are delivered to customers after the manufacturing process, resulting in a time lag of approximately three months. As of the end of Q2 (April–June for the Americas), tariff costs of approximately ¥200 million have been incurred, all of which remain a temporary cost burden due to this lag.
We have been negotiating price pass-through with customers since the beginning of the year, treating tariffs as uncontrollable external costs. Agreements have been reached with all but one customer. While the effects of price pass-through will begin to materialize from Q3 onward, the imported items in North America fall under steel and aluminum categories, which are subject to higher tariff rates than typical automotive parts. With the tariff rate raised to 50% in June 2025, the cost burden is expected to increase compared with Q2. However, over time, we expect the net impact to become neutral from Q4 onward.

Q4. When and how will the acquisition of the Mexican subsidiary contribute to consolidated results?

A4. As the acquisition closed in July 2025, the deemed acquisition date under business combination accounting is scheduled for September 30, 2025. Accordingly, the subsidiary will be reflected in the consolidated balance sheet from Q2 and in the consolidated income statement from Q4. Therefore, performance from October to December will contribute to Q4 results.
In the FY2026, full-year net sales of approximately ¥7.0 billion are expected to contribute, and in the FY2027, sales are projected to double with the launch of new projects for the U.S. Big Three OEMs. Operations have remained profitable since the acquisition, and by leveraging our operational know-how, we aim to further enhance profit margins.

Q5. It appears that the global EV-Shift is slowing, while a shift back toward internal combustion engines is becoming more pronounced. Does this trend represent a tailwind for the Company? In this environment, the sales mix targets toward FY2030 under your Mid-term Strategy and Target appear to place a relatively greater emphasis on Non-ICE-related areas. How does the Company position its ICE-related businesses within this strategic framework?

A5. For vehicles equipped with internal combustion engines, including hybrid vehicles and plug-in hybrid vehicles, our core products—brake piping, fuel piping, and engine-related parts—continue to be adopted.
During the period when the global EV-Shift accelerated, global competitors scaled back their ICE-related businesses. By contrast, we continued to operate our ICE-related businesses as long as customer demand remained. As a result, the recent shift back toward internal combustion engines represents a favorable tailwind for us, creating a business environment in which we are well positioned to capture remaining market opportunities.
In our Mid-term Strategy and Target, which was revised approximately 18 months ago, we set forth two key concepts: “transforming Automotive Parts Business into New Businesses” and “shifting from ICE to Non-ICE.” In light of the current market reality reflecting a resurgence in ICE demand, the proportion of ICE-related businesses in our sales mix may exceed that of Non-ICE-related businesses for the time being.
Over the longer term, however, we anticipate continued expansion of the battery electric vehicle market. Accordingly, we are focusing on the development of thermal automotive parts that manage cooling for batteries, inverters, and onboard computers, as well as further expanding sales and proposal activities for plastic piping used in cooling systems around battery equipment, where we already have a proven track record. In parallel, we are also working to establish new businesses, led by the data center business.

Q6. What is the expected impact of the dissolution of the Chinese subsidiary on consolidated results, and will production be transferred to other sites?

A6. We plan to record an extraordinary loss of ¥1.455 billion in Q3 related to this process. The subsidiary is our largest operation in China. Of its three customers, business with two will be discontinued, while production for the remaining customer will be transferred to our Dongguan site. As a result, more than two-thirds of the subsidiary’s annual sales of approximately ¥4.0 billion will be lost.
Operations are scheduled to cease in April 2026, followed by liquidation procedures. The positive impact on earnings, primarily through fixed-cost reductions, is expected to materialize from Q2 FY2026 onward.

Q7. Are inquiries for the data center business increasing compared with previous periods, given the revenue target of several hundred million yen for FY2026?

A7. Following the acquisition of a mass-production order in September 2025 (link: https://pdf.irpocket.com/C6584/K2Hn/uoZz/uKcQ.pdf), the number of inquiries has been increasing. While no orders have been finalized yet, we are now seeing business opportunities of unprecedented scale, and we are actively focusing on order acquisition.
To further build our order backlog, we plan to strengthen our approach not only in Japan but also toward overseas manufacturers in North America, China, Taiwan, and other regions.

Q8. Given that server component specifications are often predefined when GAFAM builds data centers in Japan, does this make market entry difficult for new suppliers?

A8. As you noted, component specifications are typically determined in North America, where GAFAM's headquarters functions are located. Servers are assembled as complete systems and then deployed to data centers worldwide. As a result, marketing activities conducted solely within Japan have limited access, and we are therefore expanding our marketing efforts in North America and Taiwan.
With GPU generations changing every one to two years, cooling methods and detailed specifications evolve significantly. Given the short model cycles and the fact that the market is still in a growth phase, we believe there are ample opportunities for adoption if we can propose innovative and efficient systems and products. Leveraging advantages such as compact size, lighter weight, and ease of handling, among others, we have already received inquiries from several overseas manufacturers. In addition, for piping routes connecting servers (CDUs) to the facility side (primary-side piping), we offer connection piping compatible with a wide range of interfaces and have received inquiries in this area as well.