

Earnings Briefing for First Quarter of the Fiscal Year Ending March 31, 2026 (FY2025)
Condensed Transcript of Q&A Session

Date & time: Thursday, July 31, 2025, 18:00–19:00

Attendees: Yasushi Aida, Deputy CFO; Shigeo Obata, Deputy CSO

Q. Looking at the first quarter results, it appears to be a strong start. Including the tariff costs initially expected, are there any concerns for the second quarter onward?

A. In addition to robust automobile production and sales, the depreciation of the yen against the planned rate provided a tailwind, contributing to strong results. Regarding tariff costs, pass-through to customers is progressing, and the impact is expected to be limited to around minus 1 billion yen for the full year. On the other hand, beginning in the second quarter, one-time costs related to the acquisition of Radius, which closed in July, are expected to arise. Regarding the company's performance, its business model is currently affected by market conditions, and we are closely monitoring developments.

Q. I would like to confirm the timing for achieving the total payout ratio of 40%. My understanding was that the target was to achieve this by the fiscal year ending March 31, 2028. Considering the cash flow situation, are you thinking of achieving it ahead of schedule, perhaps in the current fiscal year?

A. There has been no change to the shareholder returns policy announced in April. We aim to achieve a total payout ratio of 40% or more by the fiscal year ending March 31, 2028. It is still the first quarter, and at this point, we are not considering achieving it ahead of schedule.

Q. The Supply Chain Division is performing well. Excluding the impact of yen appreciation on business in Japan, it seems the numbers are even stronger. Are there any special factors, and is the strength sustainable?

A. Profit was higher due to tax effects and dividends. While the performance of parts in the Asia/Oceania and Europe regions is not bad, we do not see the numbers as particularly strong. We view the situation as there being no weak spots outside Japan. It is difficult to forecast how much growth can be achieved for the full year.

Q. Regarding the Mobility Division and the Africa Division, will strong performance continue if automobile production recovers and vehicle allocation proceeds? Or is there potential for further upside?

A. While the market in the Caucasus is strong, intensified competition with other OEMs is leading to

some downside. On the other hand, sales increases resulting from the lifting of restrictions on complete vehicle imports due to the easing of foreign reserve shortages in Sri Lanka, and strong performance in Cambodia associated with knockdown production launched last fiscal year, are expected to continue. There are both positive and negative factors, and at present we see performance in line with our outlook. In West Africa, although there are temporary factors such as pre-election demand, strong performance is expected to continue. The main factor in the first quarter was an increase in new vehicle sales of high-margin models.

Q. In the first quarter, the Circular Economy Division showed weak performance due to the impact of the lithium business. What is the full-year outlook?

A. In lithium, the market is not recovering due to delays in EV adoption. Market prices are currently around USD 8,000/t, and we expect recovery will take longer than anticipated. If current market conditions continue, there is a possibility this will affect full-year performance.

Q. Regarding the machinery-related business in the Green Infrastructure Division, what types of projects are mainly contributing to profit growth?

A. Mainly deliveries of machinery and equipment for battery plants in North America. Continued equipment demand is expected to keep contributing to profits.

Q. What is the status of vehicle allocation in emerging countries?

A. There are no particular concerns at present. In the Caucasus region, where vehicle allocation shortages were noticeable last fiscal year, sales are sluggish, and the situation has shifted from a shortage of vehicles to one where the focus is on selling inventory.

Q. You mentioned that there is no change in the policy to achieve a total payout ratio of 40% by the fiscal year ending March 31, 2028. Under what conditions would you consider achieving this earlier or aiming for an even higher level?

A. ROE of 15% or more is the most important KPI, and the prospect of achieving this would be one key criterion. In addition, we have planned 1.2 trillion yen in growth investments over the three years of the Medium Term Management Plan, and the certainty of achieving this is also important. If surplus funds are generated within the capital allocation framework, there is a possibility of earlier achievement as a result.

Q. What is behind the recovery in South Africa, and is it sustainable?

A. Economic conditions had been deteriorating until last year, but several positive developments emerged, such as inflation coming under control and a decline in unemployment. The extent of

recovery and its sustainability will need continued monitoring.

Q. Regarding the Digital Solutions Division, what is the content of the system-related business and what is the situation with semiconductors?

A. For system-related business, OS updates and similar services generate a certain amount of license fees every year, which tend to be concentrated in the first quarter. In addition to new orders, increased users at client companies contributed to profit growth. For automotive semiconductors, although production volumes are increasing, in the first quarter customer inventory movements were somewhat sluggish, so profits did not increase. Toward the fiscal year-end, we expect inventory to be sold. For non-automotive consumer semiconductors, performance is stable, including some spot projects.

Q. Are there any regions where competition has intensified as a result of OEMs changing the destination of their automobiles due to US tariffs?

A. At present, there are no regions where we are significantly behind.