Earnings Briefing for Second Quarter of the Fiscal Year Ending March 31, 2027 (FY2026)

Condensed Transcript of Q&A Session

Date & time: October 29, 2026, 17:00–18:00

Attendees: Toshimitsu Imai, President & CEO; Hideyuki Iwamoto, Executive Vice President & CFO; Shigeo Obata, CSO

Q. What is the background to the decision to leave the earnings forecast for the current fiscal year unchanged at 430 billion yen, and how should we view the 30 billion yen buffer?

A. The Green Infrastructure Division accounts for most of the buffer, and the Circular Economy Division's battery-related business also accounts for a portion of it. In the Digital Solutions Division, it is difficult to foresee how far profit spreads in the memory-related business will narrow. The Africa Division also has a very conservative plan. We left the earnings forecast unchanged at 430 billion yen, taking the buffer into account, but we aim to achieve an even higher final result.

Q. What is your view on the renewable energy business? With rising interest rates and costs and country risks becoming increasingly apparent, isn't the business entering a challenging phase? What are your funding plans and your policy on portfolio review?

A. With regard to funding, a key issue for the second half of the fiscal year will be how to assess the development costs already incurred.

We will carefully select and execute investments that generate returns exceeding the cost of capital, focusing on projects in countries and regions where we have strengths. In addition, while we have focused primarily on power generation to date, going forward we intend to continue investing with a focus on energy management areas such as energy storage and transmission.

We conduct ongoing portfolio reviews across the company, and renewable energy is no exception. If we determine that reducing our stake is appropriate, we will do so without treating any business as off-limits.

Q. In the renewable energy business, it appears that some projects have incurred greater-than-expected losses. What is your assessment of the risks for the current fiscal year, and what is your approach going forward?

A. We have kept the earnings forecast for the current fiscal year unchanged primarily because of uncertainty surrounding the outlook for the renewable energy business. We will re-examine our overseas power generation operations and fixed assets, including their profitability, and if the review identifies any risks, we intend to address them in the current fiscal year to the extent possible.

We will strive to improve profitability and capital efficiency by concentrating management resources on projects in domains and regions where we can leverage our strengths.

Q. How confident are you of achieving the 450 billion yen target under the Medium Term Management Plan?

A. Overall, our organic businesses are growing strongly. We are highly confident of achieving the target, and we aim to go even further. Based on the current fiscal year's results and changes in the business environment, we will review the target when formulating the annual plan for the next fiscal year.

We are confident that we will achieve our target. In the Gondwana Economic Zone, performance is strong, particularly in our core mobility business, and our production-related and supply chain businesses also remain solid. Earnings growth in Africa continues to accelerate. In addition to growth in our core businesses, we are seeing steady improvement in profitability in growth areas, including the circular economy business, and we are fully committed to achieving the 450 billion yen target.

Q. What were the factors behind the Green Infrastructure Division's downward revision of its full-year forecast? Also, what is the underlying earnings situation and what is the outlook for the next fiscal year?

A. In the current fiscal year, the machinery business did not budget for any profit from spot projects from the outset, so the revision was driven by the renewable energy business falling below expectations. In domestic wind power generation, there were more suspensions of wind turbine operations than expected due to bird strikes and facility replacements. Going forward, we will review how we operate the turbines, and replacement projects are expected to contribute to profit from the next fiscal year onward. Overseas, capacity utilization declined due to deteriorating wind conditions. Only some regions have been able to offset this impact through higher energy prices, and weather conditions have also weighed on results. In light of these factors, we will plan cautiously for the next fiscal year, but our business model itself remains intact.

Q. What were the main factors behind the Circular Economy Division's upward revision of its full-year forecast, and what is its outlook for the next fiscal year?

A. The molten aluminum business has performed well, supported by rising market prices as well as enhanced cost competitiveness achieved through measures such as the use of recycled materials. While this outlook depends on developments in the Middle East, a key source of aluminum supply, we expect the business to continue to contribute to profit in the second half of the fiscal year as well if automobile production remains at the current level. As for Radius, we anticipate a seasonal decline in collection volumes and a narrowing of

spreads going forward, so we do not expect profits to reach the levels seen in the first half of the fiscal year. For the second half, we have built a certain buffer into our plan to account for market fluctuations.

Q. What factors, aside from market conditions, are expected to drive future profit growth in the Circular Economy Division? How long will it take for Radius's IT system development to start contributing to profit?

A. The post-merger integration (PMI) of Radius is progressing smoothly, and synergies are materializing. In addition to investing in IT systems to improve operational efficiency, we plan to expand the business through M&A in the U.S. Midwest, where Radius has a limited presence. We expect to continue generating synergies from the next fiscal year onward by improving the precision of parts sorting and streamlining the export business by leveraging our network. For the electric arc furnace business, which is performing well, we are also working to shift to an earnings structure that is more resilient to a sharp deterioration in U.S. market conditions.

In the non-ferrous business, profit improved significantly in the first half. Going forward, we will focus on improving profitability in the auto dismantling business, which handles approximately 700,000 vehicles annually, by implementing Japanese-style operations and IT systems, among other measures.

Q. What is the outlook for the Digital Solutions Division for the second half of the fiscal year and the next fiscal year?

A. For automotive semiconductors, we expect continued growth, driven by increases in the number and value of semiconductors installed per vehicle. Memory market conditions are difficult to foresee, but we expect them to remain at current levels for the time being and do not anticipate any significant losses. Even if the boost to profit diminishes in the next fiscal year, this would merely mean a return to normal levels, and we expect the business itself to continue growing.

Q. Regarding Africa, what is your view of the current business environment and the plan for the second half of the fiscal year? Also, given that the current tailwind is likely to weaken once the situation in the Middle East settles down, how do you view the medium- to long-term growth potential of the Africa business?

A. In the first half, strong performance was driven by the sale in Africa of high-margin vehicle models originally intended for the Middle East. We expect some additional supply to become available in the second half as well, and we will continue our efforts to secure vehicles for sale in Africa. On the demand side, business remains strong across Africa, including in our parts business. We have formulated our second-half plan quite

conservatively, and if current business conditions persist, there is potential to exceed the plan.

The new vehicle market in Africa continues to expand, and we believe that if we can maintain our current market share, we can continue to grow at an annual rate of 10% or more. While Chinese OEMs have significantly increased their share over the past decade or so, we have not lost market share to date, unlike other OEMs, as we handle BYD in addition to Toyota and Suzuki.

In anticipation of intensifying competition with Chinese manufacturers, we will introduce price-competitive vehicles from India and advance local production of commercial vehicles, among other initiatives, to steadily capitalize on the growth of the African market. We aim to maintain our current growth momentum over the medium- to long-term as well.

Q. Given the 1.2 trillion yen investment plan under the Medium Term Management Plan, investment in the current fiscal year appears somewhat low. Are you taking a cautious approach in light of changes in the business environment? Also, are you shifting your emphasis toward existing business domains rather than large-scale or new investments?

A. The pace of investment in our core businesses and business domains in which we excel has not changed significantly year on year. Although we have not yet undertaken a large-scale investment comparable to the Radius acquisition this fiscal year, we are discussing potential deals focused on the four growth areas for the next fiscal year. Rather than focusing solely on the investment amount, we will proceed with growth investments while carefully identifying projects where our participation can create synergies with our existing businesses.

Q. Please tell us about the impact of rising interest rates.

A. We are conducting a detailed review, but the facilities of the Green Infrastructure Division are likely to be affected. We are also closely monitoring our production entities in China, but we do not anticipate any significant impact. In the trading business, our basic approach is to pass on higher financing costs, so we do not expect to incur any substantial losses.

Q. Please reiterate your shareholder return policy.

A. We are committed to achieving a “total payout ratio of 40% or more.” Going forward, while continuing to prioritize progressive dividends, we will consider share repurchases as necessary. There is no change to our policy.

Q. I understand that the Supply Chain Division is making progress in winning new customers. How do you view its growth prospects going forward?

A. The division continues to grow steadily even in a business environment where automobile

production volumes have not increased significantly. The division has secured new business outside the automotive sector, including bicycle parts and electronics-related businesses. It has also effectively managed its operations by accurately identifying shifts in supply and demand and market conditions. Also, during logistics disruptions, the division swiftly proposed new logistics solutions, earning recognition from customers and creating a virtuous cycle that generates additional business. We therefore expect further growth.

Q. Please tell us about the outlook for the well-performing mobility business in the Asia/Oceania region, and about your efforts to strengthen operations in India.

A. We believe there is room for market expansion. This can be achieved by increasing sales primarily in emerging markets such as Papua New Guinea; by establishing operations and improving margins in South Pacific and Caribbean countries, where the markets are small but we hold a solid position; and by growing our local vehicle assembly (KD) business, which offers a strong competitive advantage.

India is our most important growth base after Africa. Toyota and Suzuki are expanding their production and sales volumes in India, creating a favorable business environment for our mobility business, where we have strengths, and we anticipate strong growth. In addition, by actively investing in fields other than automobiles, such as healthcare, insurance, hospital operations, rare earths, and iodine-related businesses, we ultimately aim to realize our Gondwana vision by using India as a base for expansion into Africa.