

Summary of Key Questions and Answers

FY2026 (Fiscal Year Ended March 31, 2026) Earnings Briefing

The following summarizes the main questions and answers from our FY2026 earnings briefing held on May 22, 2026. Please note that certain expressions have been modified, supplemented, or revised for clarity and ease of understanding.

[Policy for Strengthening the India Business]

Q1. Please explain your initiatives to enhance functions and development capabilities in India for the four-wheel business.

A.

In anticipation of continued growth in the Indian market, we aim to expand orders from existing customers (such as Maruti Suzuki, Tata Motors, Mahindra & Mahindra, and Honda).

To achieve this, we are promoting the following initiatives:

- Expansion of local procurement and local production (localization) of components
- Strengthening of design and evaluation capabilities through the establishment of a local R&D center
- Expansion of local production by relocating production lines

Through these efforts, we will enhance development speed and competitiveness, leading to further growth in orders.

[Outlook for the Chinese Market]

Q2. Please provide your outlook for the Chinese market going forward.

A.

In the Chinese market, we believe that demand for internal combustion engine vehicles will remain in certain regions and applications. However, due to changes in the competitive environment and the continued challenges faced by Japanese-affiliated customers, we expect the market conditions to remain challenging for the time being.

[Direction of the China Business]

Q3. Please explain your restructuring policy for the China business following the impairment loss, as well as your customer strategy.

A.

The China business continues to face a challenging environment, primarily due to sluggish sales among key customers and slower growth in new OEM orders.

While maintaining business relationships with Japanese and European customers, we will proceed with optimizing the scale of operations. Specifically, we will implement workforce optimization and consolidation of business sites to improve the balance between revenue and fixed costs.

We also believe that actively expanding new business with Chinese OEMs will be difficult.

[Impact of Rising Raw Material Costs on Performance]

Q4. How much cost increase do you anticipate?

A.

Due to rising prices of copper, aluminum, resins, and other materials, we expect an increase in costs of approximately 3.0 billion yen per year.

While a portion of these costs can be absorbed through price adjustment mechanisms such as price slide agreements, we assume that a certain level of price pass-through will be necessary.

[Response to Raw Material Price Increases (Including Impact of Middle East Situation)]

Q5. Are there any disruptions in raw material procurement? Also, please explain your policy on price pass-through in such cases.

A.

At present, there are no significant disruptions in procurement. However, raw material prices are on an upward trend and require continued monitoring.

For cost increases, we will proceed with appropriate price pass-through based on discussions with our customers.

[Foreign Exchange Assumptions and Impact on Performance]

Q6. Please explain your foreign exchange assumptions and underlying approach.

A.

Our full-year foreign exchange assumptions are as follows, generally in line with the average levels of the previous fiscal year:

- USD: 150 JPY
- EUR: 175 JPY
- CNY: 21 JPY

[Impact of Changes in Honda's EV Strategy]

Q7. What is the impact of the suspension of the "Zero Series," and what is the status of compensation?

A.

For projects subject to development suspension, we are currently in discussions regarding compensation for dedicated equipment and related assets.

However, some of the affected products can be repurposed for hybrid vehicle applications, and we believe the overall impact will be limited.

[SDV Initiatives (Collaboration with Ryomo Systems)]

Q8. Please explain the expected synergies in SDV initiatives.

A.

As software-defined vehicles (SDVs) continue to evolve, motor products are seeing increasing separation between hardware and software, making software capabilities more important.

Through collaboration with Ryomo Systems, we aim to:

- Strengthen software development capabilities
- Promote integrated development with higher-level systems

These initiatives will enable us to provide higher value-added solutions.