# FY2026 Second Quarter Financial Results Briefing
# Main Questions and Answers

The following is a summary of the main questions and answers from the Company's FY2026 Second Quarter Financial Results Briefing held on Monday, November 16, 2026. Please note that certain expressions have been revised, supplemented, or edited to improve clarity without changing the intent of the statements.

## Structural Reform in Indonesia

**Q1.** You have announced plans to consolidate the three companies in Indonesia into one. Which company will serve as the surviving entity? Also, please explain the impact on production capacity and the four-wheel vehicle business.

**A.** We will consolidate operations into the company that is currently engaged primarily in the two-wheel vehicle business. Most four-wheel vehicle products and other products currently manufactured by the other two companies will be transferred to the plant of the surviving company, and supply will continue. By consolidating production, we aim to improve production efficiency and enhance competitiveness.
We do not expect the four-wheel vehicle market in Indonesia to expand significantly in the short term. However, given the size of the country's population, we believe there are opportunities for growth over the medium to long term. Through this consolidation, we will establish a more efficient production structure and prepare to expand our four-wheel vehicle business when the market grows.

## Treatment of Plants to Be Closed in Indonesia

**Q2.** After consolidating the three companies into one, how will you handle the plants at the two locations that will be closed?

**A.** The plants of the two companies subject to the consolidation will be closed, and the products currently manufactured there will be transferred to the plant of the surviving company, which is engaged primarily in the two-wheel vehicle business. The surviving plant has sufficient space to accommodate the transferred production, allowing us to consolidate production and improve efficiency. We are proceeding with the necessary steps to sell the plants and buildings after closure.

## Status of and Response to the Four-Wheel Vehicle Business in Asia

**Q3.** Please explain why the four-wheel vehicle business in Asia is facing a challenging environment and how you plan to respond going forward.

**A.** In Thailand and Indonesia, the entry of Chinese automakers has led to lower production volumes at Japanese automakers, which are our major customers, affecting sales in our four-wheel vehicle business. In India, by contrast, local automakers are strong and the four-wheel vehicle market is growing. We have also established a business base with local automakers. In the ASEAN region, we will leverage the stable business foundation of our two-wheel vehicle business to address the current decline in the four-wheel vehicle business and position ourselves for future growth. In India, we will leverage our business base with local automakers to expand our operations in this growing market. At present, we do not plan any additional structural reforms at our Asian operations outside Indonesia.

## Future Direction of the China Business

**Q4.** You are considering reorganizing your production sites in China. Do you believe it will be difficult to grow the business in China going forward?

**A.** In China, in addition to the declining market share of Japanese automakers, the overall Chinese market is also showing signs of slowing. We therefore recognize that the business environment is becoming more challenging than before. To establish a structure that will enable us to sustain our business even under these conditions, we are considering reorganizing production sites and reducing fixed costs in line with production volumes and order levels.

## North American Supply Structure and Response to Growing Hybrid Vehicle Demand

**Q5.** In light of a major customer's construction of a new plant in the United States and the increase in hybrid vehicles, how will you review your supply structure in North America?

**A.** Given moves by our major customers to increase hybrid vehicle production in North America, we believe the environment is becoming more favorable for an increase in our production volumes in the region compared with previous expectations. Accordingly, we are reviewing our North American supply chain while carefully assessing future production volumes and sales levels.
We will invest in areas where expansion is required, while identifying areas where downsizing

is appropriate, in order to establish an optimal production structure. Because our electrification products are used in both hybrid vehicles and BEVs (battery electric vehicles), if increased demand causes existing production capacity to become insufficient, we will expand capacity in stages as necessary.

## Reason for Maintaining the Full-Year Earnings Forecast

**Q6.** Despite the cumulative results through the second quarter, why did you maintain your full-year earnings forecast, and what is your outlook for achieving the plan?

**A.** After comparing market trends through the second quarter with the outlook for the second half, we have concluded that there are no significant changes at this point. Although uncertainties remain, including those associated with the U.S. midterm elections, we expect the current market environment to remain broadly unchanged.
Raw material prices remain high, but the pace of price increases appears to be moderating. In addition, under some contracts, fluctuations in raw material costs are reflected in selling prices after a certain time lag, such as on a semiannual basis. We therefore expect the benefits of passing higher costs on to selling prices to materialize in the second half. Taking these factors into account, we currently expect full-year results to be in line with our forecast.

## Initiatives to Reduce Dependence on Rare Earths and Eliminate Heavy Rare Earths

**Q7.** What applications do you envision for alternative materials to high-performance magnets? Will there continue to be applications that require neodymium magnets or heavy rare earths?

**A.** At the prototype stage, our alternative material for high-performance magnets has demonstrated performance nearly equivalent to that of heavy rare-earth-free magnets. However, challenges remain before mass production, including manufacturing methods, heat resistance, and strength, and we are continuing development. We expect application to begin no earlier than 2032 to 2033.
For applications such as EV traction motors, which require both high output and compact size, we believe high-performance, high-magnetic-flux neodymium magnets will continue to be necessary. Depending on operating conditions, including high-temperature environments, there are also areas where completely eliminating heavy rare earths is difficult. We will reduce procurement risk by using a combination of alternative materials, heavy rare-earth-free magnets, and conventional magnets according to the application.

## Response to Shorter Development Lead Times at Major Customers

**Q8.** Your major automaker customers are working to reduce development lead times, development man-hours, and development costs. How will you respond to these changes?

**A.** We are also aiming to establish a development structure that will enable us to move to mass production in roughly half the conventional lead time. Specifically, by leveraging digital technologies, AI, and simulation, we will reduce repeated prototyping and evaluation as well as rework, thereby shortening the period from the initial stages of development through completion.

At the same time, we will streamline and simplify decision-making stages during development, including technical reviews and evaluation meetings, and review the development process itself. In line with changes in automakers' development processes, we will also accelerate our own decision-making and development.

**End**