

IDEC Corporation
Summary of Q&A – FY2026 Full-Year Results Briefing
(Held on May 14, 2026)

Q. What caused the decline in the gross profit margin from 3Q to 4Q?

A. The unstable situation in the Middle East has affected crude oil prices, which in turn partially impacted the gross profit margin in 4Q. We are also implementing price revisions and promoting the expansion of sales of higher-margin products in higher-margin regions.

Q. Orders were strong in 4Q. Is this sustainable? What is the outlook for 1Q?

A. Overall orders are increasing. This is driven by strong demand in Japan for semiconductor-related capital investment, as well as the seasonal increase in orders from China toward the fiscal year-end. Additionally, amid external uncertainties such as the situation in the Middle East, some customers placed orders earlier than usual as a precaution.

While orders continue to trend solidly, the 4Q figures were partly supported by fiscal year-end factors. We do not expect the same level of increase to continue into 1Q.

Q. Given the strong order situation, is the full-year plan conservative?

A. Although orders are strong, we have formulated our plan considering the uncertain market environment.

Q. Regarding the FY2027 forecast, how much impact from rising raw material costs due to geopolitical risks is assumed?

A. We estimate the impact at several hundred million yen. However, as the situation may change, we will respond flexibly based on developments.

Q. SG&A expenses for FY2027 are expected to grow faster than sales. What are the main drivers?

A. We are restructuring our organization to support global expansion and are actively strengthening our global talent base. In addition, our assumptions include increased R&D investment, depreciation associated with the full-scale operation of our new U.S. facility, and depreciation related to DX investments such as ERP systems.

Q. Which regions and product segments are expected to grow in FY2027?

A. We expect growth rates of just over 3% in both Japan and overseas.

In the United States, the current forecast includes only a half-year tariff impact, which will create a corresponding year-on-year effect. Excluding this factor, the U.S. business is expected to grow steadily. In Europe, we anticipate stable economic conditions and moderate growth.

By business segment:

- **HMI (Human-Machine Interface):** Stable growth is expected in both Japan and overseas as channel inventories normalize.
- **Safety & explosion protection:** Growth is expected.
- **Automation & Sensing:** A recovery is planned following a decline in the previous fiscal year.
- **Industrial relays & components:** The focus will be on improving profitability rather than increasing revenue.

Q. Has the rise of Chinese companies affected the competitive environment?

A. In markets such as the United States, Chinese companies are attempting to gain market share through aggressive pricing strategies. However, we are not currently experiencing any significant impact. That said, we expect their product quality to approach the level of Japanese manufacturers in the future. Therefore, we recognize the need to establish a structure that will enable us to compete with Chinese manufacturers, particularly in general-purpose products.

Q. Can high growth be achieved in North America, where strong competitors such as Rockwell exist?

A. We are capturing market share in segments where we do not compete directly with major players. To further expand our business in the United States, we will pursue not only organic growth but also global alliances and M&A.

Q. What is the status of initiatives such as data centers and physical AI mentioned in the previous briefing?

A. Data centers are one of the industries on which we are newly focusing. In addition, we are targeting several other industries. By leveraging IDEC's unique strengths, we aim to expand into a wide range of sectors.

Q. Is there any impact from shortages of semiconductors or electronic components like during COVID-19?

A. There has been a slight impact. However, we have placed advance orders for necessary components, allowing us to manage these risks effectively.