IDEC CORPORATION
Financial Results Briefing for 1Q FY2026 / Summary of Q&A
(August 7, 2025)

Q. About 1Q plan vs actual, and outlook for 2Q and beyond.

A. In 1Q, we integrated our U.S. sites and reviewed our logistics system, but the launch was delayed, which had a negative impact. In Europe, demand trends were uncertain, resulting in a decline compared to plan. As a result, actual results were slightly lower than planned.

In Europe, we expect the market to remain weak from 2Q onwards due to the impact of the economic climate and weak demand for construction machinery. However, in other regions, distribution inventory has returned to normal and demand trends are becoming stable, so as the U.S. stabilizes, the market will recover from 2Q onwards.

Q. About order status.

A. In Japan, orders received in 4Q of the previous fiscal year included over JPY 1 billion in orders for the solar power generation business, which has already been transferred. Excluding that business, orders are increasing.

In APAC, orders for this fiscal year are negative due to a significant increase in orders received in 4Q of the previous fiscal year following a change in the agency contract in China. But demand is stable and we do not expect orders to fall significantly short of our plan.

In general, 4Q is a seasonally increasing period, and orders are expected to decrease in 1Q and then increase thereafter. Excluding these special factors involved in this fiscal year, we do not expect there to be a significant gap compared to our plan, except in Europe.

Q. How much of an impact did the tariffs have in 1Q? In the plan at the beginning of this fiscal year, the impact of around JPY 700 million to JPY 1.7 billion was predicted, but what is the current outlook and the status of product price increases?

A. The impact is expected to be within the scope of the initial estimate. Regarding the recovery of costs arising from the impact of tariffs, we are currently revising product prices, but there is a delay of about one month. We expect to be able to recover throughout the year.

Q. What is the reason for the deterioration in cost ratios?

A. The decline is mainly due to reduced sales in the U.S., where profitability is high. Additionally, there was a slight delay in reflecting increased tariff costs in our pricing.

Q. What are the prospects for recovery in the European market?

A. The construction machinery and material handling industries are particularly affected. The impact is felt not only in Europe but also in the U.S..

In particular, specialized vehicles account for a particularly large proportion in Europe, and we believe sales will recover from around 3Q or 4Q. We plan to enter new markets such as the new mobility sector in the APEM business.

Q. What is the current outsourcing ratio? What challenges will you face in securing outsourced partners in the future?

A. The outsourcing ratio varies depending on the product. We are currently restructuring our global sites based on local production for local consumption and are reviewing our operations while also considering the active use of external parties.

Q. What is the progress of the Mexico factory? When will it be operational?

A. It was originally scheduled to start operation in July but is now slightly behind schedule and is expected to begin operation in September. First, we start by assembling one product. The transfer of just one product is expected to result in annual cost savings of over JPY100 million. New products for the U.S. market will be produced at a new U.S. factory, while existing products will be produced in Mexico. After that, we will transfer the toggle switches currently produced in France.

In addition, to promote local production for local consumption, we will gradually transfer products for the U.S. market manufactured in other regions, such as industrial relays manufactured in Thailand and switches manufactured in Japan.

Q. About growth areas in the switch business.

A. IDEC switches have a high market share in Japan. Going forward, we will be able to increase our market share in Europe, the U.S., and India by customizing specifications and shapes for each market.

Q. What are the challenges in running the solutions business?

A. We have been providing solutions in Japan for many years, so we do not see any major challenges in expanding globally. Service solutions will be a new challenge, and IDEC will continue to strategically promote them without wavering.

We plan to provide higher value-added services for "Solutions with Single-Product" and "Fully customized solutions", but we believe it is important to clarify our strategy.

Q. Is it possible to develop products based on end-user needs even through distributor sales?

A. We are strengthening our sales activities for end users and working with our distributors in all regions to solve end user issues although the situation varies by region.

Q. About the possibility of future dividend cuts.

A. Based on our current outlook, we do not believe there will be any significant deviation from the plan we had at the beginning of this fiscal year. We do not expect there to be a need to cut the dividend.