IDEC CORPORATION
Financial Results Briefing for the first half FY2026 / Summary of Q&A
(Held on November 7, 2025)

Q. The order intake for 2Q seems to be recovering. Will this recovery trend continue into 3Q and 4Q?

A. Order intake is gradually recovering across regions as distribution inventory normalizes.
In EMEA, although 2Q improved compared to 1Q, which had declined. Nevertheless, overall market conditions remain subdued due to the lack of fundamental recovery in Europe's economy.
The special vehicles industry has been weak, but projects are gradually increasing, leading to recovery in orders, and we do not expect conditions to worsen further in the second half.
For other industries as well, there are no major changes in outlook. As distribution inventory normalizes, orders are trending upward, and this situation is expected to remain unchanged in the second half.

Q. Operating profit margin increased significantly to 12.4% in 2Q. Were there any temporary factors behind this? Can this high margin be maintained going forward?

A. In 1Q, sales were lower than expected due to delays in launching the logistics center in the U.S., but this was recovered in 2Q. This recovery in sales includes a temporary factor.
From 2Q onward, orders have been on a recovery trend, and we expect business performance to remain stable going forward.

Q. The full-year forecast remains unchanged, but are you anticipating any risks in the second half? Is there a reason why the second-half plan is conservative?

A. Temporary factors included the delayed launch of the U.S. logistics center in the 1Q and its recovery in the 2Q. Overall, we observed a recovery trend from 1Q to 2Q and do not expect a significant decline in the second half.
Our priority is to achieve the full-year forecast.

Q. Compared to the first half, will there be any additional costs in the second half?

A. Sales in the U.S. have been performing steadily, and as we plan to make significant investments to drive growth, there is no change in our policy.
On the other hand, as part of structural reforms, we transferred shares of group companies and expanded the second career support system in the previous fiscal year, so we expect a reduction in costs in the second half.
While investments in growth markets will increase in the second half, fixed cost reductions are expected, so overall, we do not anticipate a significant change in total costs.

Q. Which sectors or regions are expected to grow in the second half?

A. China and the U.S. remain relatively stable, and orders are steadily increasing.
In China, infrastructure-related sectors are growing, while in the U.S., demand from data centers is growing.
We are focusing on these expanding sectors and actively working to secure orders.

Q. Are there any positive effects from the ongoing reform projects?

A. We are advancing multiple reform initiatives concurrently and have highlighted three of them.
For the supply chain, we are undertaking a comprehensive review to establish globally optimized operations to minimize lead times and improve inventory efficiency.
Our target is to reduce inventory levels by 20–30% from current figures.
In the development-related projects, we have revised the development process, allowing us to allocate resources to critical projects and accelerate their progress.

Q. To what extent are U.S. tariffs and exchange rates impacting business performance?

A. In the first half, tariffs had an impact of approximately JPY 400 million on sales.
As for exchange rates, the JPY has depreciated against the euro, resulting in an impact of about JPY 400 million on sales.

Q. Inventory assets have increased. What is the outlook going forward?

A. There was a gap between our demand forecast and actual demand due to unstable external factors, including economic conditions in Europe and tariff-related fluctuations.
In addition, we have been securing inventory in anticipation of increasing supply to meet future demand growth, which has impacted inventory levels.
However, as demand recovers, we plan to reduce inventory in a controlled manner and anticipate a stable decline toward the end of the fiscal period.