

Financial Results Briefing – Q&A Session
(Fiscal Year Ending December 2026, 1st Quarter)

[Presenter]

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(hereinafter “Ishimaru”)

Questioner^① [Q]: I have three brief points, and the first is a recap of Q1. In particular, regarding operating income, I would like to understand how much progress has been made in structural reorganization in the mechatronics and industrial machinery segments compared with the initial plan. As for the logistics and construction, I imagine that the impact of tariffs has probably begun to appear.

Once again, could you look back and share your assessment of Q1 in terms of orders, net sales, and profit?

Ishimaru [A]: Thank you for your question. Regarding the review of Q1, as you pointed out, progress has been made across all items in our structural reorganization.

For your reference, let me explain this in relation to our internal plan. Orders came in considerably above the internal plan. Although demand for semiconductor manufacturing equipment has declined, we expect solid performance in hydraulic excavators in North America, as well as strong orders for biomass power generation facilities and offshore structures in Europe.

On the other hand, net sales were almost in line with the internal plan and were above the level of the previous year. As mentioned earlier, orders for semiconductor manufacturing equipment have been sluggish, but this has been offset by other businesses, resulting in performance that is largely in line with expectations.

As for profit, structural reorganization is progressing, and operating profit is moving in a positive direction compared with the internal plan. In addition to the progress of structural reorganization, improvements in the profitability of individual projects and reductions in fixed costs are also contributing to better results. That is the situation. That is all from me.

Questioner^① [Q]: Thank you. My second question is about the logistics and construction segment. Since almost all of your products in this segment are exported, I assume you are affected by tariffs. Could you comment on the impact of the recent changes to Section 232 tariffs, and also on how much of these cost increases you have been able to pass on through pricing?

Ishimaru [A]: Thank you for your question. As for the logistics and construction segment, as you pointed out, this segment is affected by tariffs. In the Q1 results, I mentioned temporary cost increase factors, and these include higher costs due to tariffs. I cannot disclose the specific amount, but the impact is significant. In

addition, there were some other special expenses, particularly in the hydraulic excavator business, which resulted in a slight downward impact. That is the situation.

Questioner① [Q]: Thank you. As for the third and final point, I believe you have slightly revised the outlook for hydraulic excavators. For North America, you have raised your full-year demand forecast from 35,000 units to 38,000 units, and you have also revised up your forecasts for Europe and Asia while lowering the forecast for Japan. Could you explain once again how you have updated your demand outlook?

Ishimaru [A]: Thank you for your question. In particular, the North American market, which had originally been expected to be weak, has actually been relatively firm. Since the actual figures reflect this trend, we have presented the forecast in this manner. In Europe, orders were quite strong in Q1, and we have therefore made a slight upward revision.

On the other hand, the situation in Asia, especially China, appears to be somewhat challenging. As for Japan, we expect the market to remain firm, with no major movements at this point. That is the way we are looking at it. That is all from me.

Questioner② [Q]: I would like to ask about the semiconductor manufacturing equipment business. In your case, the cryocooler business in the mechatronics segment and the ion implanter business in the industrial machinery segment each have different demand drivers. While some other companies are commenting that demand for semiconductor manufacturing equipment is relatively soft, your company seems to be moving in the opposite direction. Could you explain what is driving this difference? In particular, are there any signs of a turnaround in orders for ion implanters in the industrial machinery segment? This is my first question.

Ishimaru [A]: This is my first question. It is true that the current situation for semiconductor production equipment in the industrial machinery segment is very difficult. The markets for power devices and image sensors, which are our mainstay areas in Japan, have not yet begun to recover. In addition, in China, another key market for us, the market remains sluggish, and we have had to postpone or revise plans due to supplier policies and national policy factors. As a result, the situation continues to be challenging.

As for the future, we are not particularly optimistic, and we will continue to monitor the situation closely. However, in the long run, we expect demand for our mainstay image sensors and power devices to return, and we are working to ensure that we are well positioned for that recovery. That is what we are aiming for. That is all from me.

Questioner② [Q]: Sorry to press the point. For the material solutions SBU, I believe the full-year order forecast is around JPY45 billion, but the progress rate in Q1 was only 6%, which is an extremely slow start. There may be some expectation that demand for power semiconductor-related products and image sensors in Japan will recover slightly, but based on what you mentioned earlier, business in China does not seem to be recovering very well. Given that four months of the fiscal year have already passed, is it still quite difficult to achieve the full-year forecast? Could you tell us your view on this?

Ishimaru [A]: Thank you for your question. First of all, there were some special factors in Q1 of this fiscal year. We received cancellations from some of our large customers, and as a result, the figures have temporarily swung downward.

Based on this, as you pointed out, the Chinese market itself is moving, albeit slowly. However, as I mentioned earlier, while we receive inquiries on a daily basis, we also see cancellations and postponements of projects, so the situation is one of orders coming in and going out. Of course, we do not expect everything to recover rapidly and the numbers to jump back up, but at the same time, it is not as if everything will drop to zero.

With that in mind, excluding the impact of these cancellations, we are working to secure the numbers as much as possible. That is the situation we are looking at. That is all from me.

Questioner② [Q]: Just to confirm, were the large orders you mentioned earlier canceled in Japan?

Ishimaru [A]: This is not domestic. It is an export matter.

Questioner② [Q]: Understood. One more question. You are off to a very good start, as the profitability of the mechatronics segment has been much better than expected. This is partly due to the structural reorganization that has been implemented in Europe since last year, as well as some individual projects. Are there any other contributing factors?

Ishimaru [A]: As you pointed out, the structural reorganization in Europe has been progressing smoothly, or as expected. In addition, for the drive technologies SBU, mainly variable speed drives, we have been working vigorously on price revisions, and the effects have finally begun to appear. This has led to improved sales and higher profit margins, which I believe is one of the major factors.

In the advanced technologies SBU, cryocoolers, particularly cryopumps used as semiconductor components, continue to perform strongly with high profitability. We have also been continuing fixed cost controls in each business unit, and as a result, we are achieving high profit margins. That is the situation. That is all from me.

Questioner③ [Q]: I would like to confirm something in the materials. On page eight, there is an explanation that you have implemented structural improvements in the plastics machinery business of the industrial machinery segment. Could you explain what these structural improvements refer to?

Ishimaru [A]: Thank you for your question. In the area of plastics machinery, we determined that structural reorganization was necessary. Specifically, we have been implementing measures such as personnel measures, consolidation and elimination of product models, and reorganization of business sites. Through these initiatives, we are reviewing the overall fixed cost structure, particularly in Japan. The same applies in Europe. With overall demand declining, we have also taken measures including personnel measures, and as a result, we are changing the overall fixed cost structure there as well.

Questioner③ [Q]: Thank you. Also, I have a question related to the logistics and construction segment. Earlier, you mentioned temporary cost increases, including tariff costs in the United States. You also briefly referred to other temporary cost increases. Could you explain what those other items refer to?

Ishimaru [A]: Thank you for your question. In North America, there is a particularly large construction machinery exhibition, and we incur significant expenses for participating in this event. Compared with the previous year, these exhibition related expenses increased, and this has contributed to a notable rise in overall costs. As a result, profitability is temporarily deteriorated.

Questioner③ [Q]: Understood. Thank you. And just to confirm, regarding the energy and lifeline segment on page 10. Could you tell us specifically which projects have improved in terms of profitability and how they have improved?

Ishimaru [A]: Regarding the improvement in project profitability, we are essentially referring to energy plant projects. These are completely one-of-a-kind projects, often worth tens of billions or hundreds of billions of yen, and as we proceed with execution, it is important to properly frame and control costs. By doing so, profitability improves. And we are now seeing the effects of these efforts.

Questioner^③ [Q]: Thank you. Also, this is not directly related to the materials, but it concerns the crane at the shipyard that you mentioned at the previous earnings announcement. The Goliath cranes, I understand that you are considering increasing production. Now that Q1 has ended, could you tell us if there has been any concrete progress in your review of this matter?

Ishimaru [A]: Regarding this matter, the government has issued its position, and we are now in discussions with the various shipbuilding companies. While confirming future demand, we are moving forward accordingly. At the same time, within the Company, we are working to strengthen our in-house design and manufacturing capabilities. This cannot be done immediately, so we are currently making plans to enhance these capabilities.

Furthermore, it is no longer possible for us to handle this solely in-house, so we are also examining how much capacity can be increased by subcontractors or outside vendors. By looking at the supply chain as a whole, we are working to establish a framework for increasing production. That is all from me.

Questioner^③ [Q]: Excuse me. Does this outsourcing include overseas?

Ishimaru [A]: That is still under consideration. At this point, not very much, especially when it comes to overseas. Currently, there is almost no overseas presence in our supply chain, so while expanding it may be something we could consider, I do not think it is very likely at this stage.

Questioner^④ [Q]: Just two things. First, regarding the profit level in the logistics area, I feel it is progressing at a rather slow pace toward the annual target. If possible, could you provide some explanation of the differences from your assumptions by product?

Ishimaru [A]: Thank you for your question. As for the logistics and construction segment, the largest contributor to profit growth compared with the previous year is the industrial crane business mentioned earlier. In addition, in terms of cranes, the construction machinery crane business is also performing reasonably well, particularly in North America.

The biggest issue continues to be hydraulic excavators in the construction equipment SBU. As I mentioned earlier, although sales have increased, including temporary cost factors, profitability has declined significantly. That is the situation we are currently facing.

Questioner^④ [Q]: Compared with the plan at the beginning of the period, is it only the hydraulic excavators that are falling short?

Ishimaru [A]: Yes, that is correct with respect to our internal plan. The hydraulic excavators are slightly below our expectations.

Questioner^④ [Q]: Understood. One more question. Regarding industrial cranes, in the back of the materials you always disclose orders by application, and for this three-month period it states that all orders were for shipbuilding. However, the total amount of orders is lower than in the same three-month period last year. I would just like to get a sense of what kind of orders you are currently receiving from shipbuilding companies. What is the situation like?

Ishimaru [A]: First, regarding the decline in orders, this is partly due to timing factors. Also, last year's orders were somewhat unusually high, so I believe there are two aspects to consider.

On the other hand, as you mentioned, all industrial crane orders in Q1 were for shipbuilding. This is not entirely unrelated to the series of large-scale investments announced by the government, but in this particular case, it was mainly a matter of timing. Shipbuilding companies are currently updating their facilities, including aging equipment, and those projects happened to concentrate during this period.

As for what comes next, as I mentioned earlier, we are continuing discussions with the shipbuilding companies. This could potentially become a very large project, so we are moving forward while discussing how much we will be able to handle. That is the current situation.

[END]