

FY2025 Financial Results

Q. What caused the decline in the operating profit margin of the machine tool segment from Q3 to Q4?

A. The operating profit of AltForm S.r.l., an Italian metal 3D printer manufacturer that became a consolidated subsidiary from the second half of FY2025, was in deficit, and the loss in Q4 was larger than in Q3. In addition, we recorded a write-down of slow-moving inventories as part of structural reforms.

Q. To what extent do you expect profit contribution from the newly consolidated subsidiary AltForm in Italy?

A. AltForm, a startup spun out in 2022, is currently in a growth phase that requires upfront investment, mainly in R&D for metal 3D printers. Recent demand has come from surface coating and parts processing applications. We expect the business to contribute to the Group's profits over the long term. While we will refrain from disclosing specific figures, profit contribution in FY2026 is expected to be limited, with profitability expected to improve within the next three years.

Q. What is the progress of the structural reforms?

A. Although we posted a net loss in FY2023, we began implementing structural reforms in the latter half of the year, including cost reductions and production optimization at our factories. In December 2025, the relocation of the Suzhou site was completed, transforming it from a production facility into a Tech Center. These structural reforms have contributed to improved profitability.

FY2026 Full-year Financial Results Forecasts and the Progress of Medium-Term Management Plan

Q. For the FY2026 outlook, operating profit is projected to rise by 30% versus a 10% increase in net sales compared to FY2025. Is this achievable?

A. In the machine tool segment, we expect demand from data center-related applications to continue. By working with AP to strengthen our sales capabilities and enhance our solution offerings, we anticipate an increase in sales. On the profit side, operating profit margin is also expected to improve due to better profitability at AltForm.

Q. What was the background for setting the mid-term plan targets of ¥100 billion in net sales and ¥10 billion in operating profit, and why was the plan reviewed at this timing?

A. Our past net sales has generally ranged between ¥70 billion and ¥80 billion, with the previous record being just under ¥83 billion. We recognized that our former rolling plan did not clearly communicate our long-term direction or goals. By setting specific numerical targets this time, we have positioned ourselves to become a ¥100-billion net-sales company. At the same time, by presenting clear targets both externally and internally, we are aligning management on what actions are necessary to achieve these goals and are advancing discussions on concrete initiatives.

Q. Is there any prioritization among the targets of ROE 8%, PBR of 1x, and EPS of ¥130?

A. In achieving our mid-term plan targets of ¥100 billion in net sales and ¥10 billion in operating profit in four years, we have set these financial indicators concurrently. Our goal is to improve all three indicators in a well-balanced manner.

Q. Considering BPS after the potential dilution from AP, isn't the PBR target too low?

A. Our PBR target is set at 1.0x or higher, and we aim to achieve it as early as possible rather than waiting until 2029.

Demand Trends

Q. Orders for EDM machines increased in December 2025, particularly in the Greater China. What were the drivers behind this increase, and how do you view its sustainability?

A. Typically, orders in China tend to peak after the Chinese New Year and gradually decline toward year-end. However, orders in December significantly exceeded expectations, driven by growing demand from the electronic components. As this trend has not been observed historically, we will closely monitor market conditions after the Chinese New Year. At this stage, it is difficult to determine the sustainability of this momentum.

Q. The first round of U.S.-bound investment has been announced. While some aspects may provide indirect tailwinds, how do you view the impact on your business?

A. We expect U.S.-bound investment to make a significant contribution to our business. In the energy sector in particular, infrastructure such as data centers is increasingly required in line with advancements in AI. Since our EDM machines are closely involved in the manufacturing of power generation equipment, we anticipate that demand for EDMs will also increase.

Others

Q. The share price has risen recently. Will Advantage Partners (AP) convert to equity?

A. As the conversion/exercise restriction period remains in effect until February 4, 2026, conversion or exercise will become possible on or after February 5, 2026, provided that the share price exceeds ¥1,117. As the decision regarding conversion into shares rests with AP, we are unable to make any definitive statements from our side. On the other hand, AP is currently working closely with us to enhance corporate value. Both AP and our Company share the view that the target share-price level should be higher.