

QA session at the earnings results briefing for the Q3 of FYE3/'24

Q: You explained you would maintain your earnings forecast due to reduced production and sales of domestic automobile manufacturers and the impact of the 2024 Noto Peninsula Earthquake (Noto Earthquake) in Ishikawa Prefecture in Japan. Could you tell me more specifically the extent of the concerns and which business will be affected?

A: With regard to a decline in production and sales of domestic automobile manufacturers, we see the Mobility & Telematics Services Sector (M&T) may suffer a negative impact of more than 1 billion yen in core operating income as the worst value. As for the earthquake, some deliveries from components manufacturers are delayed. Currently, we have used on-hand inventory for production. Since it is unclear when components manufacturers will start shipping again, the production of the M&T Sector and the Communications Systems Business in the Safety & Security Sector (S&S) may be slightly affected in this Q4. Given this situation, we did not change our full-year earnings forecast.

A: The OEM Business in the M&T Sector has been strong overseas. However, due to a decline in production and sales of domestic automobile manufacturers affected by various factors, we kept our full-year earnings forecast unchanged. In some cases, it could have a negative impact of about 1 billion yen. Because of the OEM Business, we cannot give specific names of automobile manufacturers, but we are affected by several companies, not one. In the OEM Business, we supply dashboard cameras, car navigation systems and display audio to almost every automobile manufacturer in Japan. At present, it is difficult to predict the situation. We also use components produced in areas affected by the Noto Earthquake, so we have traced the situation of components manufacturers on a daily basis to minimize the impact on production.

Q: Does the impact of about 1 billion yen mean that the results are likely to fall short of your published forecast by such amount? Or does it mean that it could be affected by 1 billion yen in Q4?

A: This is the impact on our forecast of core operating income in Q4.

Q: What kind of components are affected specifically?

A: Discrete components (individual semiconductors) ranging from a few yen to several tens of yens and small electronic components such as transistors. Since we cannot easily change components in the OEM Business, we are checking what supply situations will be developed.

Q: What is the current state of demand for the Communications Systems Business in the North American private market? Please also update the competitive environment.

A: In the private market, our market share has increased strongly from the previous fiscal year to the current fiscal year. This is because we have been winning many orders while the product supply of Company A, the largest player, has been stagnant. Our share in the private market increased 1 to 2 percentage points. We expect continuing strong performance in the private market though the existing professional wireless system market will not grow significantly. The business will grow for the public safety sector where EFJT* operates. The market has a limited number of players of companies A, B, C and us. If we secure a certain share, the business can continue to grow. In restructuring our business portfolio, we will slightly shift our internal product development resources to growth-leading business and aim to increase our market share while strengthening our product lineup. As for the competitive environment, the market is stable and there has been no major change. Company A focuses on large-scale system projects such as the government, while we mainly handle medium- to small-scale systems. Since Company B's core business is not the wireless business, we expect that it will gradually downscale its business. Under such circumstances, EFJT* will grow. The Communications Systems Business aims to achieve revenue of 100 billion yen in fiscal 2030, and is expected to

reach nearly 70 billion yen this fiscal year. We will work to grow both in the public safety market and the private market by strengthening the product lineup we will develop in the coming years.

*Ef Johnson Technologies, Inc.

Q: You mentioned that you would like to decide on the future direction of the Professional Camera business at the earnings results briefing for the Q2. I think you made a decision early this time. What is the timeline for the review of the business portfolio? Will you continue to bring it forward?

A: We always review our business portfolio at least once a year. We review not only the restructuring business but also the growth-leading business to see if it really has potential. We are also working on setting internal rules so that the CEO and CFO will make a comprehensive review in May after settlement of the full-year accounts. We check the progress more frequently for the restructuring business to make a decision, so this time we made a big decision about the policy of the Professional Camera business.

Q: You said that you did not change the full-year forecast due to a decline in production and sales of domestic automobile manufacturers. The overall production of domestic automobile manufacturers seems to be solid. Do you mean that you are estimating individual production reduction risks, such as the issue of irregularities in certification application and the impact of the earthquake?

A: It is as you pointed out. We cannot foresee vehicle shipments from January due to the issue of irregularities in certification application and the impact of the Noto Earthquake on components supply. As I mentioned earlier, we expect that the forecast of core operating income in Q4 may be negatively affected by 1 billion yen as the worst value.

Q: I want to ask about the Communications Systems Business. Do you anticipate the risks of a policy review, such as the possibility of preferential treatment for U.S. companies or a review of infrastructure development, in the long run, in case of a change of government in the U.S.?

A: This is a very difficult question, but I don't think the U.S. counterterrorism policy will change even if there is a change in administration. Our Communications Systems Business has grown in the past even with a regime change. We believe there will be little impact.