

Financial Results Briefing for 1Q FY2021

July 31, 2020
AISIN SEIKI Co., Ltd.

Q1. What is the company breakdown and action taken regarding the 24 billion yen and 90 billion yen emergency measures and structural reforms for 1Q and the full year, respectively?

A1. 90 billion yen is the result of a review of expenses at all companies following the COVID-19 pandemic. The breakdown is 15 billion yen out of the initial 2023 target of 45 billion yen, due to mergers and abolitions and other initiatives carried out ahead of schedule in anticipation of the new Aisin. These initiatives include the integration of purchasing functions, which we integrated earlier, and other functions ahead of schedule, and handling warehousing and rent internally, which were previously outsourced. 15 billion yen is for new initiatives in the technology development and production engineering areas, triggered by the COVID-19 pandemic. In the technology development area, these initiatives will improve the efficiency of prototype cost reduction by utilizing digital technologies in existing areas and strengthening the CASE area at the same time. They will also accelerate the scrapping-and-building of operations and workstyle reforms. In the production engineering area, we found out that preproduction, which had been done through business trips, can be done remotely. The COVID-19 pandemic has been the trigger for us to promote workstyle reforms. The remaining 60 billion yen is achieved by emergency measures; reducing overtime work, business trips and so on. We hope to make half of them permanent when things return to normal, since workstyle reforms and remote work are becoming established within the company. After the integration in 2021, the remaining 30 billion yen of the initially planned integration effect will be added to this, making the new target for 2023 90 billion yen in structural reforms. The breakdown of the 24 billion yen for 1Q by subsidiary is: AI 12.4 billion, AW 7.5 billion, ADS 1.1 billion, and others 3.0 billion.

Q2. When comparing AT sales for 1Q and the full year, they are expected to increase year on year after 2Q. What is the breakdown by model?

A2. The annual forecast of 8.4 million units is based on internal discussions that were based on information obtained from clients to the maximum extent possible amid uncertainties over the impact of COVID-19. By market, we expect Japan to be $\pm 0\%$ year on year, North America -10% , China $+15\%$, Europe -15% , and other markets including Asia Pacific -20% . By model, 6-speed ATs were already recovering in China in 1Q and are expected to recover in Europe and North America in 2Q, which will likely result in a recovery in 8-speed ATs. The model mix for the full year will not change

dramatically from the previous year.

Q3. Why are fixed costs & others, which were +9.5 billion yen in 1Q, expected to be -24.6 billion yen for the full year?

A3. The +9.5 billion in 1Q represents +2.9 billion in R&D costs, +5.3 billion in (previous term) quality-related costs, and +1.3 billion in stocktaking, etc. The -24.6 billion for the full year mainly represents quality-related costs, although there are no specific projects at this moment, and system costs for the integration of AW.

Q4. You are expecting capital expenditure to decrease 80 billion yen year on year to 210 billion yen. What is your thinking behind this?

A4. Internally we had also considered whether we could reduce it further below 210 billion. Around 100 billion yen is investment in AT, which we consider necessary for the switch to electrification. That also goes for ADS's control brake-related investment. Meanwhile, we will postpone other investments or improve the efficiency of the investments that we do carry out. This way we will reduce the overall investment. We will make sure to respond to the switch by customers to electrification.

Q5. Is it correct to think that of the 90 billion yen in emergency measures and structural reforms, the continuous effect of structural reforms will be 60 billion yen?

A5. In FY2021, the breakdown is 30 billion yen in structural reforms and 60 billion yen in emergency measures. We acknowledge that we must achieve a reduction of 90 billion yen on a continuous basis. Our target is 90 billion yen in total, which is broken down into 30 billion in structural reforms this term, the remaining 30 billion in structural reforms that were initially planned, and 30 billion in permanent emergency measures. We will manage fixed costs firmly, based on the assumption that the top line will not grow.

Q6. You explained that AT sales will be +15% in China for the full year, but how are you reading the market?

A6. We have made certain assumptions as a result of our dialogue with clients. We expect sales to remain at around 600,000 units per quarter.

Q7. How are you viewing the recovery of AT for each model in the second half of the year? Please explain this together with the profitability of 8-speed ATs.

A7. We expect sales to remain at around 600,000 units per quarter in China. Overall, we expect 8-speed to recover since sales in Europe and North America are expected to come back in the second half of the year. In terms of the profitability of 8-speed, we did not see a lot of improvement in 1Q since the sales volume was small. We continue to make efforts in cost reduction.

Q8. What is the regional situation for the full year? Especially in North America and Australasia.

A8. The Company's assumption is that North America will see a 10% year-on-year decrease despite some resumption in operations. In terms of the profit base, we are beginning to see the effect of the reduction in losses, which we had been making efforts in for quite a while. Australasia's market recovery has been slow, and we expect a 30% year-on-year decline. The situation is subject to change depending on our clients' sales plans and market developments.

Q9. What are the quarterly profit levels?

A9. 2Q will manage to achieve a profit. The question is how much profit we can accumulate in 3Q and 4Q. We will make efforts to carry out structural reforms ahead of schedule.

Q10. What is the impact of the press release by BluE Nexus (BN) on Aisin?

A10. We will accept 20-plus engineers from Toyota. We understand it to be an enhancement of electrification at BN. It will add engines, batteries and Toyota's adaptation abilities to motors, inverters and gears, which BN has handled since its founding. It is also advantageous for Aisin in the sense that we can propose electrification products as a package, including electric OPs, electric WPs and E-Controlled Brakes.