

## FYE2029 Mid-term Business Plan Briefing

**Q: When you explained the FYE2026 Mid-Term Business Plan (hereinafter, “FYE2026 MTBP”), you said that “what we did was right” and “we feel that we are making solid progress.” I would like to ask President Yoshida to tell us again what he feels was right and what he feels was solid progress.**

A: The business environment has changed significantly since the FYE2026 MTBP was formulated. It is an undeniable fact that as President, I have had to accurately grasp these changes in the environment, constantly identify opportunities and risks, and make decisions about how to allocate limited resources, all while struggling considerably to make the right decisions.

Over the past three years, we have been working on this by combining the product axis and the regional axis, and I believe that it paid off in the end. AISIN is in a position closest to automakers when it comes to developing powertrain units, and with production bases around the world, it is in a position to get a firsthand feel for the conditions in each region. From this perspective, we anticipated that progress in electrification would not proceed uniformly, with large disparities emerging between regions. Based on this understanding, we have been focusing mainly on continuing to refine our full-lineup product supply system and further strengthening the regional axis. In particular, strengthening the regional axis involves all of our Company’s functions, including sales, procurement, and production, and naturally, there were many challenges, but our efforts have been well received by overseas automakers and have led to an increase in orders. These activities enabled us to respond appropriately to recent changes in the environment, and they are also why I believe that what we did was the right thing.

At the same time, there have been lively discussions within the Company about how to secure necessary resources. We have extensive experience and a proven track record in the areas of PHEVs/HEVs and ATs. Compared to competitors, we can put in place production facilities and bases, relying more on an asset-light manufacturing model. We will continue to hone these areas without investing too many resources. On the other hand, we are currently investing resources in the integrated electric unit (Xin1). While price competition is intensifying in the BEV market, we will focus on developing high-value-added products and hope to launch them in the market in the second half of the 2020s. Over the next three years, we will continue to work on strengthening the competitiveness of our powertrain units in all directions.

For me personally, I am most satisfied with the growth of our human resources. We believe that the reason why we have been able to push forward with various reforms at a stretch over the past three years is that we have been able to continuously develop

young leaders who are proactive and take the initiative in taking on challenges on various themes. They are driving our business forward in every area. Recognizing that reform would be difficult to achieve within the framework of existing organizations alone, we formed theme-based project teams and got them moving vigorously. In addition, the leaders who lead the projects have been selected from young employees with ability and strong will, rather than based on positions. As a result, the atmosphere of the Company and its leaders, as well as the way work is done, have changed for the better. This is one of the reasons why we have been able to carry out reforms in such a short period of time. I think the environment surrounding AISIN is likely to continue to change beyond our expectations. However, leaders who can share their wisdom and respond flexibly when faced with such environmental changes are being developed. In this regard, I feel that our achievement is more than just our financial performance and business progress.

**Q: Regarding the FYE2029 Mid-Term Business Plan (hereinafter, "FYE2029 MTBP"), I would like to confirm the assumptions regarding Toyota's volume, exchange rates, etc.**

A: We refrain from commenting on matters related to customers' volume, but we have set our targets based on the assumption that the growth rate of the past three years will continue for the next three years. We expect the volume of PT units to reach 11.5 million in FYE2029. The exchange rate was assumed to be 145 yen to the dollar.

**Q: I understand that inquiries from automakers are at a strong level. I would like to know the details and significance of the volume you just explained and when the sales volume will increase. Is it correct to understand that the volume set this time is based on inquiries that are most likely to lead to an increase in volume among many inquiries received?**

A: We continue to receive a large number of inquiries, but there are a certain number of projects where discussions with customers have delayed the timing of realizing a volume increase until or after FYE2030. Taking these points into consideration, the FYE2029 MTBP plans for continuing investments toward FYE2031 while setting relatively conservative volume targets based on the assumption that the preparations made over the past three years will produce results.

Over the next three years, we will steadily implement the decisions we have made to achieve our targets and respond appropriately if any changes in the environment occur along the way. On top of that, we will steadily make preparations for FYE2031 and beyond. In addition, while management will continue to place emphasis on speed and agility, our current approach to investment of waiting until the very last possible moment before making a decision will remain unchanged over the next three years.

**Q: I understand that by FYE2029, AT is expected to decrease and eAxe is expected to increase, but could you please give us more details?**

A: Electrification units (eAxe, PHEVs/HEVs) will account for just over 40% in FYE2029. This represents an increase of about 10% as they accounted for just over 30% in FYE2026.

**Q: The FYE2029 MTBP calls for an increase in revenue of 400 billion yen and an increase in operating profit of 125 billion yen. A slightly conservative impression. I understand that AISIN already had a production capacity of 11 million units during the 2010s, when Chinese demand for ATs was booming. If that is the case, it seems that large additional investments will be unnecessary. I would like to know how I should think about this.**

A: First of all, we will not have a full lineup capacity for every region. Through discussions with customers, we have already identified the products needed in each region. We have been postponing investment up until now, but under the FYE2029 MTBP, investments will be executed for PHEVs/HEVs in Japan and North America and for AT/CVT in India. On the other hand, the first round of investments for eAxe has been largely completed. We will continue to make careful decisions regarding additional investments in and beyond FYE2031.

We will not just go with the flow over the next three years. We have been in an unpredictable environment over the past three years, but over the next three years we will enter a phase of further strengthening the production systems required in each region.

**Q: The section on factors affecting operating profit in the FYE2029 MTBP (p. 22) shows that restructuring efforts and structural reforms are drivers to increase profits as electrification progresses. However, it appears that the pace of improvement will slow over the next three years. How should we interpret this? Also, please tell us when the 70 billion yen investment will be made and when that investment will start to contribute to financial performance.**

A: We have been making restructuring efforts on an ongoing basis at a level that allows us to respond to requests for rationalization from our customers. Until now, we have implemented improvements of approximately 60 to 70 billion yen, including structural reforms. The "Operating Profit Variance Factors" graph on p. 22 shows the so-called "net" improvement effects, net of rationalization requests from customers. Therefore, we do not believe that the pace of improvement with regard to restructuring efforts and structural reforms is slowing down.

The 70 billion yen investment includes an increase in depreciation and research and development expenses. Although we will make decisions on the timing of investments as we assess the situation, we expect a substantial increase in capital investment in FYE2028. R&D expenses are expected to total approximately 700 billion yen over three years, which will be flat over these years at an annual level of just over 200 billion yen.

**Q: What is the impact of the profit contribution of eAxle?**

A: Sales of eAxle have been below the break-even point mainly because of intense price competition as well as the lack of growth in volume due to the slowdown in BEV sales. It is expected to turn a profit by FYE2029.

**Q: I understand that the capital allocation for the FYE2029 MTBP will be focused on growth investments. At the same time, shareholder returns are targeted at a DOE of 3.5%, which can also be regarded as an effort to strengthen returns. On the other hand, the total figure of over 300 billion yen seems weak compared to the actual figures for the past three years. I believe that consideration has been given also to the capitalization ratio. I would like you to clarify your views on shareholder returns in the FYE2029 MTBP. I would also like you to indicate whether there will be any opportunities if financial performance improves.**

A: In the FYE2026 MTBP, while we were in an environment where it was difficult to identify investment targets in both products and regions, we needed to improve capital efficiency. After implementing balance sheet reform, we have set aside 500 billion yen for growth investments and additional returns to shareholders. At the time of setting the target, it was not possible to decide on a specific ratio, but as we reduced cross-shareholdings, including the sale of shares in the market, and carried out share repurchases, the shareholder return ratio ended up being at a relatively high level. The FYE2029 MTBP has not significantly changed our stance on shareholder returns, and we will continue to focus on shareholder returns from the perspective of capital efficiency. We also plan to strengthen shareholder returns also through further growth.

**Q: I think Toyota shares are an important asset for increasing the corporate value of AISIN in the future. I would like to know how you plan to use them effectively.**

A: We have been streamlining our shareholdings over several years. Regarding Toyota shares, we intend to use them as a source of funds when large capital needs arise in the future.

**Q: Is there anything you can mention at this stage regarding in-house production or asset acquisition within the Toyota Group, including M&A?**

A: We have heard speculation that we may take over our customers' production resources, but we do not plan to go so far as to acquire their assets in order to expand our volume. In the past, there have been cases where we have taken on the in-house production needs of our customers when demand was decreasing. However, we have no intention to acquire their assets by focusing solely on increasing volume. We consider M&A as one of our options. When it comes to filling in missing pieces, we have tended to focus on doing things ourselves up until now. However, we will consider M&A as an option if we deem it necessary going forward. However, M&A and transfers that only pursue scale expansion are not necessarily positive. It is important for M&A and JVs to have a mutually complementary relationship and essential for them to

produce clear benefits for both parties. As we will enter an era of drastic fluctuations in volume going forward, we will make decisions while carefully assessing the situation.

**Q: This is the first time that your aftermarket business has been featured in your IR briefings. Please tell us about AISIN's position in the aftermarket, its competitors, and its medium- to long-term growth scenarios.**

A: In the past, our business focused on new cars. However, there are over 1 billion owned vehicles in the automobile market. Although we have been working on the aftermarket business for some time, we have recognized the importance of business for owned vehicles and have strengthened our efforts in this area over the past few years. As a result, AISIN has significantly expanded its product lineup and is expanding its operations globally, including Asia, South America, and the Middle East as well as Europe and the United States, and a path to growth is beginning to emerge.

Currently, over 95% of the Company's sales come from new car business. In the future, we would like to expand aftermarket business to a level where new car business accounts for 90% and non-new car business accounts for 10%. Our profit margins are maintained at current levels by our ability to secure global suppliers, based on our discerning eye to select them.

While our competitors, primarily European suppliers, are also focusing on aftermarket business, we intend to expand our business to a level that is comparable to theirs as soon as possible.

**Q: Over the past year in particular, AISIN's reputation has risen in the stock market, with the stock price rising to a PBR of 1. In this context, I would like you to clarify once again what AISIN's characteristics and noteworthy points are within the Toyota Group when compared to Toyota and Denso.**

A: If we compare our position within the Toyota Group to that of a human being, we take pride in being the entity that supports the muscles and skeleton of the body. Needless to say, the body cannot move without muscles. With this in mind, we recognize that we need to stress the value that AISIN provides more strongly than ever before. Furthermore, we do not believe that it is acceptable to remain at the current valuation and profit levels.

Against the backdrop of the recent slowdown in BEVs, there has been a swing back to PHEVs/HEVs and ICE vehicles. As a result, AISIN's value has been recognized once again by the stock market. However, we need to realize our unique value also in the field of intelligentization, in addition to the mid- to long-term shift to electrification centered on PHEVs/HEVs and eAxle. In the FYE2029 MTBP, we would like to accelerate our intelligentization initiatives and demonstrate as many concrete results as possible.