

## Financial Results Briefing for FYE Mar. 2023

**Q: Please tell us the details of the structural reform expenses of 20 billion yen.**

A: Past AT investments were for the expansion of the Chinese market and were carried out early in view of the market transition from six-speed AT to eight-speed AT and EV.

**Q: Please tell us the latest status of the inventory adjustment for each customer that has occurred in 4Q in relation to AT for the Chinese market.**

A: The status varies somewhat between each customer, but inventory adjustment has been completed.

**Q: What is your prediction about the number of units in FYE Mar. 2024?**

A: As for the number of Toyota cars, we have taken into consideration a risk of around 10%. As for the number of PT units, the number of electrification units is expected to increase.

**Q: What is your view on passing resource price increases on to product prices in FYE Mar. 2024?**

A: Regarding passing resource price hikes on to product prices, we have been hit significantly by increases in energy and logistics expenses. Although exact rules have not been established for many of these items yet, we will continue to work to pass such price hikes on to product prices in FYE Mar. 2024.

**Q: Please tell us about specific activities to be conducted as part of cost structure improvement and structural reforms in FYE Mar. 2024.**

A: In the past, we have worked to eliminate redundant functions through the integration between SEIKI and AW and the consolidation of group companies. We will accelerate structural reforms going forward through the restructuring of the business portfolio, asset disposition, etc.

**Q: What is your outlook for capital expenditure and R&D expenses for electrification in and after FYE Mar. 2024?**

A: As compared with AT, the size of investment will be smaller and is expected to be limited within the scope of depreciation mainly because we can convert existing assets for this use. We will reduce development expenses for conventional AT to shift resources to electrification. We expect the total amount to be about the same level as in FYE Mar. 2023.

**Q: Please tell us about the profitability and the superiority of eAxle.**

A: As for profitability, eAxle is more advantageous than starting from scratch as we can use existing facilities. The key to differentiation to increase competitiveness going forward is realizing a smaller size, and it is necessary to develop products with a high profit margin even at a low price range.

**Q: What will be your business and financial responses to a PBR below 1x?**

A: On the business side, the policies explained at the sustainability briefing last year will be explained further,

including medium- to long-term numerical targets, sometime in summer. On the financial side, we will strive to improve capital efficiency through the effective use of debt, such as ROIC management and the use of hybrid funding. As for dividends, although we have maintained 170 yen per share despite a significant decrease in profit, we will consider a dividend policy that takes DOE into consideration going forward.

**Q: Please tell us about the impact of selling 1.5 million EVs in 2026 announced by Toyota and the progress status of third-generation eAxe.**

A: There is no significant impact on our plan to produce 4.5 million electrification units in FYE Mar. 2026. As for third-generation eAxe, we are accelerating development aiming to launch it in the market before 2027.