

Financial Results Briefing for 1Q FYE Mar. 2025

Q: Regarding 1Q results, were there any one-off factors affecting the results and the progress status against the plan? As for the full-year forecast, will the expected increase in production volume directly lead to an increase in profit, excluding the effect of changes in exchange rates?

A: 1Q results were as planned, and there were no one-off factors affecting them. While they were affected by a decrease in the domestic production volume of Toyota, there was also a positive effect from the FX changes. As for the full-year results, if production volume increases while exchange rates remain consistent with our assumptions, our profits are expected to increase. Progress in cost pass-through of increases in resource prices and labor cost has also been in line with the plan.

Q: Please give us more information on the details and the background of build-to-print eAxle production by Aisin for BMW. What is your future sales promotion plan and what is the status of sales promotion to other customers?

A: Aisin has been manufacturing automatic transmissions for BMW as its partner for some years, and the build-to-print production arrangement with BMW has arisen as a result of BMW's appreciation of Aisin's global production system. Taking this opportunity, we will actively work to expand sales to other companies going forward.

Q: You have reported a positive impact of 13 billion yen due to cost structure improvement / structural reforms. How much progress does it represent against 70 billion yen indicated at the briefing in April? Does the 13 billion yen include the effect of any additional improvement that was not included in April?

A: Progress in 1Q toward 70 billion yen in the full-year forecast has been as planned. We will work to achieve the full-year target of 70 billion yen by focusing on reaping the fruits of our efforts through the previous fiscal year and promoting new activities that start in the current fiscal year.

SQ: May I understand that you have been taking planned actions, rather than starting completely new activities in the middle of the current fiscal year?

SA: Basically, yes. For example, in recognition of the 2024 issue of logistics, we have been working to accelerate efficiency improvement for some time. With the establishment of the Production Headquarters in the current fiscal year, we have created a system through which excellent initiatives can be rolled out horizontally across plants.

Q: What are your risks and opportunities for 2Q and beyond? In China, Japanese OEMs seem to be facing a difficult environment, and ASEAN countries are also expected to continue to face a difficult situation. What is your evaluation?

A: We are aware of the risk of a decrease in the production volume of Toyota and other manufacturers. However, we do not have any significant concern in terms of production, as such risk had already been reflected in our plan, and we also expect increases in production of vehicles going forward to compensate for previous decreases. As for exchange rates, we expect that we can enjoy the benefit of a FX changes. than expected for a while although if interest rates continue to rise, the yen should eventually appreciate.

Q: As for the China segment, while revenue decreased by 30 billion yen, excluding the effect of changes in exchange rates, profit did not decrease as much. What are the contributing factors? Model mix or an increase in sales of automatic transmissions to Geely?

A: As you have pointed out, Japanese OEMs are struggling in China, and this is affecting Aisin considerably. On the other hand, the production volume of Geely and other Chinese OEMs has increased compared to last year, which is supporting our profits. In addition, when the production volume of our customers decreased, we quickly worked to streamline our internal operations and to reduce fixed costs. We have developed a capability to flexibly adjust our production in response to changes in the production volume of our customers. Thanks to these initiatives, we have been able to minimize decreases in profits.

SQ: If exports of ICE vehicles continue, can we expect the situation to stay the same?

SA: We expect the situation to continue throughout this fiscal year. However, we need to closely monitor the production volume of Japanese OEMs in 2Q and beyond.

Q: By looking at revenue by business, I have noticed that revenue of the Chassis and Vehicle Safety System business has been increasing. Is this because sales of cooperative regenerative brakes are increasing? As HEVs increase, will cooperative regenerative brakes also increase? Has there been any update, such as expansion of sales to other companies?

A: In the Chassis and Vehicle Safety System business, sales of cooperative regenerative brakes for HEVs are increasing, and we are making investment for production increase. If the electrification trend continues, we expect that the sales volume of brakes manufactured by Advics will also increase.

SQ: Do you have any plan to expand sales to companies other than Toyota?

SA: We are working to expand sales to Japanese OEMs and Chinese OEMs. We are planning to take full advantage of opportunities once HEV and BEV production starts to increase.

Q: Regarding capital policy, has there been any change in your capitalization ratio management policy, such as your understanding of the equity attributes of hybrid bonds?

A: There has been no change in our understanding and policy. We will continue to implement financial measures in consideration of the balance between financial safety and capital efficiency.

SQ: What is the estimated capitalization ratio after reflecting the recent stock repurchases?

SA: As we will repurchase our own shares throughout the year, we will announce the capitalization ratio once the repurchases are completed.

Q: Please give us an update of the order receiving status for HEV units. Have any of the recent inquiries led to actual orders?

A: Some of the transactions with Toyota as well as non-Toyota customers are expected to start in the second half of the current fiscal year, and we are making steady progress in enhancing our production system. We are also conducting activities to secure orders on an ongoing basis.

Q: Profits were rather low in 1Q. Are there any seasonal or other factors? How will profits increase toward the end of the fiscal year?

A: Profits in 1Q tend to be low due to seasonality related to: (1) development and other expenses in projects under annual contracts tend to be incurred early in the year and (2) the impact of increases in resource prices and labor costs is reflected in our payments first, and is recovered later. As this has already been considered in the plan, we

expect that profits will increase toward the end of the fiscal year.

Q: Please tell us about the details of profit drivers in the China segment and the ASEAN and India segment (Thailand in particular).

A: In both of these segments, expenses were well controlled, which was the primary contributing factor. In Thailand in particular, exports to North America were strong although domestic demand was weak.

SQ: Does the increase in automatic transmissions in China contribute to the profit of the Japan segment or the China segment?

SA: As for our business with Chinese OEMs, exports directly from Japan generate profit of the Japan segment. On the other hand, our products sold to Geely, which is increasing its production volume, are mainly manufactured in China, and these sales generate profit of the China segment.

Q: The North America segment has achieved an increase in profit from the previous fiscal year. What are contributing factors?

A: The improvement in North America has been driven by two factors. First, improvement efforts, such as production line automation, at companies that were unprofitable due to inefficiency have gradually borne fruit. Second, we have been preparing for the production of electrification products, and production has started this year to contribute to profit.

SQ: I understand that the main component of the full-year effect of cost structure improvement / structural reforms is related to new products. As for the breakdown, may I understand that, for example, Camry will fully shift to HEVs, and as you are preparing for its production, you can expect that the benefit of launching new products in the electrification field will materialize in the second half of the current fiscal year?

SA: Camry HEVs will be launched in the current fiscal year, and reach full production in the second half of the current fiscal year. As the preparation for production is going well, the benefit of launching new products will start to materialize in the second half of the current fiscal year.

Q: I understand that the planned stock repurchases of 100 billion yen are aimed at unwinding of cross-shareholdings and optimization of the capitalization ratio. May I understand that in order for you to achieve your target operating profit of 300 billion yen going forward, you will need to implement further shareholder return plans to optimize the capitalization ratio?

A: Given the plan for the next fiscal year, the capitalization ratio is expected to decline considerably. We will implement shareholder return plans while taking the balance with growth investments into consideration.

SQ: From the perspective of continuous shareholder returns, what about the balance with dividends? What is the status of considering the adoption of DOE and other indicators?

SA: While we have aimed to maintain the payout ratio at 30%, we are considering adopting DOE, total shareholder return ratio, and the like.

SQ: You said that you are considering, but when are you planning to actually adopt them?

SA: We indicated our capital allocation approach at the medium/long-term business strategy briefing held in September 2023. We will disclose what indicators will be adopted in good time together with our medium-term plan.

Q: Are research and development expenses expected to increase compared to the plan?

A: Progress so far has been as planned. We will continue to shift such expenses to growing domains while controlling the total amount.

SQ: Do you have any initiatives to improve development processes, such as the use of AI?

SA: We are actively utilizing AI and other technologies for the purpose of conducting research and development activities efficiently and redirecting funds to growing domains.

Q: Please tell us about the progress status of your planning on gigacasting. Will there be any additional investment?

A: At this point, we are considering using existing facilities and dividing production into several components. Major investments related to gigacasting will be considered going forward. Once a specific plan is formulated, we will make such investments as part of growth investments.

SQ: Has the idea of dividing production into several components been accepted by OEMs?

SA: We are discussing such division with OEMs on an ongoing basis as a practical option given the transportation cost and ease of repair.

Q: Regarding build-to-print eAxle production by Aisin for BMW, what kind of investment will you make at the Czech base? Is it possible to use existing facilities for such production? While BEVs tend to be manufactured by OEMs internally, do you expect that build-to-print production of such electrification products will increase going forward?

A: Negotiation with BMW has led to this conclusion this time. Although we are not planning to actively increase build-to-print production, we understand that we will need to implement local production for BEVs given the carbon neutral policy of each country, compared to the automatic transmission business in which we have responded to demand through exports from Japan. Therefore, for the purpose of developing a supply capability going forward, we expect that transactions will be expanded also to other companies in Europe, using this project as an opportunity. As we currently have no production base for powertrain units in Europe, we will need to make some investments, including investments in new facilities. Meanwhile, we will of course consider the use of existing facilities in carrying out such production.

SQ: I understand that local production of eAxle in Europe will increase going forward as it is difficult for Aisin to export them from Japan, and such production will start firstly for BMW. When will actual production start?

SA: We cannot mention the specific timing of production partly due to the relationship with customers, but expect it to start sometime in the second half of the 2020's.