

Financial Results Briefing for 2Q FYE Mar. 2026

Q: You said that the first half results have been roughly in line with the full-year plan. However, profits were strong in 2Q, following on from 1Q, and it seems that profits are exceeding your internal plan.

Is the reason for not revising the full-year forecast due to concerns about various risks, such as semiconductor supply?

A: The 2Q plan was for approximately 85 billion yen, but in the end it exceeded the target by approximately 11 billion yen. The main reasons for this are the weakening of the yen and the fact that the effect of our corporate structure improvement efforts in 1Q has steadily continued so far. A portion of the effect of fixed cost reductions that occurred in 1Q instead of 2Q was absorbed in 2Q. Overall, we believe that the upside that occurred in 1Q was reflected directly in the 2Q results.

Looking ahead to the second half of the year, there are many uncertainties, including risks regarding exchange rates and semiconductor supply, but we would like to move forward while appropriately responding to changes in the external environment so that we can steadily achieve our corporate structure improvement targets.

SQ: Given the progress made through 2Q, it seems unrealistic not to revise the full-year forecast. Are there any negative factors in the second half of the year?

SA: Regarding the full-year operating profit forecast, we do not anticipate any particularly negative factors in the second half of the year. However, although we believe the impact of tariffs will peak in 2Q, the lead time from payment to recoveries remains uncertain. In the future, if we can shorten the period from the occurrence of tariffs to their recoveries to approximately two months, it could be a factor that will lead to a slight upside for the full year.

Q: What was the amount of tariffs recovered in 2Q?

A: The amount recovered is still small compared to the amount paid, specifically around 1 to 2 billion yen. The actual amount paid was over 20 billion yen, and recoveries of payments made in 1Q have just started.

Q: I would like to know whether there were any one-off factors in 2Q. Also, please let us know how your PT unit sales volume forecast is currently changing. If there is no significant decrease in unit sales in the second half of the year, can we expect that operating profit will exceed the plan depending on the recoveries of tariffs, given that you recorded an operating profit of around 140 billion yen in the second half of last fiscal year?

A: There were no particular one-off factors in 2Q. Please consider this to be the normal situation. We do not expect a significant decrease in unit sales in the second half of the year. However, due to the impact of tariffs, it is unclear whether demand in North America will continue in the future.

Meanwhile, demand in China is increasing due to subsidies. Depending on how this develops, we recognize this as a risk factor.

While we face these risks, there is also potential for an upside depending on future developments.

There was a difference in the amount of operating profit recorded between the first and second halves of last year, which was due in part to the fact that the price transfer of the impact of the basic wage increase and high resource prices was delayed until the second half of the year.

This fiscal year, progress has already been made in reaching agreements with customers, and since recoveries have

been made also during the period, we do not expect as much difference as last year.

Q: With the recent relaxation of environmental regulations, I think there will be new inquiries about PT units. What changes can we expect in the future regarding improving the PT mix?

Also, during your explanation, you mentioned that the mix will improve with the next generation of cooperative regenerative braking systems. When do you expect this to affect the number of units shipped going forward, given the current inquiries?

A: Regarding the PT mix, first of all, as for eAxle, since contract production for customers will begin in the second half of the 2020s, we expect the number of units to increase if progress is made according to the current order plan. As for HEVs, we also expect the number of units to increase over the next three years or so. We believe that this, along with a generational change, will have a positive effect on profits. As a result, the overall PT unit sales are expected to increase.

Regarding cooperative regenerative braking systems, the eighth generation of these braking systems will be fully installed from 2026 onwards. For the brake business, while we are targeting an operating profit margin of 8% by 2030, we expect its profit margin to rise over the next three years as the eighth-generation cooperative regenerative brakes become a driver of profit improvement.

Q: Will the unit sales of HEVs increase significantly at some point?

A: The unit sales will increase towards 2028. On the other hand, the slowdown in BEVs means that eAxle will not increase as much as expected. We will need to keep a close eye on the situation to see whether the total number of vehicles in the automobile market decreases to that extent or whether HEVs or ICEs will increase instead to compensate for the decrease.

Currently, the total number of vehicles has not changed as the decrease in BEVs has been offset by the increase in HEVs and ICEs.

Q: Regarding profits on Powertrain in the first half of the year, are they temporarily declining due to the impact of tariffs? Based on the explanation as of the end of 1Q, it appears that most of the operating profit comes from PT units. I also would like to know how to improve the brakes as well.

A: The impact of tariffs is greatest on PT units. However, as HEVs have taken off in North America and their unit sales are increasing, we expect profits to increase this fiscal year. As car bodies are being locally sourced, the tariff impact on them is insignificant.

Brake business is also partially affected by tariffs, but this has been somewhat offset by improvements in selling prices.

Q: There was a one-off impact of about 6 billion yen in 1Q, and taking that into account, we believe the amount of operating profit on an actual basis is around 40 billion yen. We believe that the amount of operating profit for 2Q on an actual basis is around 60 billion yen excluding the tariff impact. On the other hand, unit sales have not changed much. What was the reason for the increase in operating profit?

A: In terms of breakdown, the PT mix was better in 2Q. The exchange rates also trended towards a weaker yen in 2Q, and the effect of corporate structure improvement has continued since 1Q.

**Q: In terms of operating profit, it appears that you have the ability to generate around 60 billion yen per quarter. The operating profit target under the current Medium-Term Plan is 300 billion yen, and the target appears now to be within reach. At this stage, do you have any expectations toward the next fiscal year?
Regarding the new Medium-Term Plan, can you provide any update on previous discussions on performance, balance sheets, etc.**

A: When we set a target of 300 billion yen in operating profit in the current Medium-Term Plan, we said that we aimed to achieve this through corporate structure improvement and increases in unit sales to our customers. Although unit sales have not reached the initial forecast, corporate structure improvement is progressing in line with the plan. If we can achieve the number of units we originally anticipated, we can reasonably expect that we can achieve an operating profit of 300 billion yen. We will continue our efforts to improve our corporate structure without letting up.

Q: You are making solid profits in China. Are there any positive changes happening for Toyota or for Chinese OEMs? I would also like to hear your views on whether they will continue in the second half of the year.

A: Business with Toyota is progressing steadily. While sales of ATs are strong among Chinese OEMs, sales of some electrified products are falling short of previous plans. As for other OEMs, the situation varies from company to company, and the future is uncertain. Currently, demand for ICEs is increasing in China, but we do not expect the environment to put significant pressure on profits. However, looking ahead to the next two to three years, we recognize the need for further structural reforms. We will also actively undertake other initiatives such as asset optimization.

Q: According to calculations, the China segment will post an operating loss in the second half of the year (full-year forecast for FYE Mar. 2026: 19 billion yen, first-half results: 20.4 billion yen). If there is a risk that is visible now, please tell us.

A: We do not expect the China segment to incur a loss in the second half of the year. In order to further accelerate structural reforms, we need to consider replacing production items and consolidating bases from a medium- to long-term perspective.

Currently, our business with Chinese automakers mostly focused on ICEs, but electrification will progress further in the future. Considering that the Chinese market remains tough, we need to further improve our competitiveness.

Q: As you forecast an increase in PT production in North America in FYE Mar. 2027, we expect profits in North America to improve further. Will the magnitude of improvement in profits be proportional to unit sales?

A: While overall unit sales are increasing, the proportion of HEVs in particular is increasing, which is having a positive effect on profits. In the future, in addition to increased production of HEVs, the shift away from ICEs is expected to have an improving effect on the PT mix.

Q: There have been media reports that Toyota will build a factory in the U.S. I would like to know your thoughts on AISIN's production structure in the U.S.

A: There is nothing in particular I can say at this time, but our basic policy is to produce locally. We would like to respond flexibly to suit our customers' production systems.

Q: Research and development expenses have increased compared to the same period last year. Will R&D expenses continue to increase going forward as efforts toward integrated control accelerate?

A: We are allocating resources to launching new products, and there have been new inquiries on ATs in response to the slowdown in BEVs. This has led to additional development to meet these requirements. Our efforts to develop intelligent products will require increased investment in software, etc. As the leverage of digital technology is essential, we will proceed with development efficiently. We will continue to control R&D expenses using the R&D expenses/revenue ratio of 5% as a guideline.

Q: What are your thoughts on shareholder returns?

A: We are currently discussing internally how we will return profits to shareholders in the future. Regarding the current Medium-Term Plan, we have been proceeding with the idea of allocating cash obtained from business in a balanced manner between growth investments and shareholder returns. However, the timing of growth investments has been pushed back due to the slowdown in BEVs. Taking these points into consideration, we hope to prioritize growth investments in our new Medium-Term Plan while at the same time clarifying and announcing our policies on capital and shareholder returns that will enable us to raise the level of ROE.