

Financial Results Briefing for 3Q FYE Mar. 2026

Q: You said that progress up to 3Q is as planned, and I have an impression that profits are steadily building up. The corporate structure improvement efforts are progressing smoothly, and with regard to tariffs, payments and recoveries are balanced. If so, can we expect an upside for the full year? I would like to confirm your outlook for 4Q, which is behind the reason why you have not revised your full-year plan.

A: We expected an operating profit of approximately 140 billion yen in total for the first three quarters of this fiscal year. In the end, it exceeded the target by approximately 16.3 billion yen. This outperformance was driven by improvements in exchange rates, lower materials costs, and corporate structure improvement.

On the other hand, sales figures are showing a slight decline in PT unit sales, and research and development (R&D) expenses remain at a higher level than planned. In addition, certain fixed costs that should have been incurred in 3Q are delayed until 4Q, and these factors have been reflected in our outperformance through 3Q against the plan. Regarding our outlook for 4Q, we expect the yen's depreciation trend to continue. Regarding tariffs, we do not currently anticipate any significant negative impact on our 4Q performance.

In this environment, we expect to increase R&D expenses in order to achieve future growth. We also plan to optimize our global production structure as part of our structural reforms and expect to recognize structural reform costs, particularly in China. Although there are some areas where we will be spending aggressively, we expect full-year operating profit to be in line with our initial plan.

Q: I would like to get a clear idea of the business environment for the next fiscal year. The current industry environment is characterized by the rising cost of inflation, concerns about a DRAM shortage, and other cost-increasing factors and production risks. How are you prepared for each risk?

A: The global automotive market is robust, and HEVs are gaining favorable evaluation, particularly in North America, which we see as a favorable environment for AISIN. We expect profit levels to rise through an improved mix due to an increase in PT unit sales, primarily for HEVs, and continued corporate structure improvement efforts.

As for our preparation for risks, regarding the increase in the cost of inflation that you mentioned, as a result of our efforts to date we are now in the process of establishing a flow of passing cost increases on to our customers. We would like to discuss the increased costs with our customers and bill them appropriately. As for the DRAM shortage, we believe the impact on AISIN alone will be limited. However, there is a possibility that the risk of disruption will surface in the automotive supply chain. In addition, there are geopolitical risks that are difficult for us to predict clearly at this stage. To address these risks, we will steadily implement a shift to multiple supply chains and localization over the medium to long term.

Q: Could you tell us whether there were any one-off expenses in 3Q?

A: There were no particularly large one-time factors. However, expenses of approximately 5 billion yen that were scheduled to be incurred in 3Q have been delayed until 4Q.

Q: What are your plans for capital investment from next fiscal year onward?

A: For the start-up from next fiscal year onward, there will be investments in preparation for production, such as the e-axle for BMW, which has already been disclosed, and increased HEV production in North America. In addition, as demand for ATs is expected to grow further in the Global South, including India and South America, we have begun planning for these regions, including the possibility of local production. Taking these points into consideration, we are formulating our capital investment plans based on the assumption of capital investments of 250 billion yen per year through 2028. We will provide further details in our next Medium-Term Plan. At this stage, we are not considering any investments that would significantly exceed past levels.

Q: What was the reason for the strong operating profit in North America for Q3?

A: The main reason is that unit sales increased with the launch of HEVs. We believe that this will continue to contribute to profits as unit sales increase.

Q: How did the increase in eAxle unit sales in 3Q contribute to profits?

A: When we think of it as a business, we still incur initial fixed costs, depreciation, and development costs. As unit sales increase, sales will increase going forward, which will contribute to profits.

As per our cost planning, the profit structure is appropriate. As unit sales increase going forward, this will become a factor to boost profits.

Q: You said you are expecting expenses related to structural reforms in China in 4Q, but how much?

A: We are currently in the final stages of estimation, but we expect the amount to be in the billions.

Q: I would like to confirm again the reason behind the rapid pace of R&D expenses. Is there a possibility that R&D expenses will increase further in the future as you address the software field, such as integrated vehicle control?

A: As calibration of new products is occurring ahead of schedule, R&D expenses are expected to exceed the plan this fiscal year. As intelligentization expands going forward, R&D in the software field will also expand. However, as resources are limited, we are promoting efficiency in existing areas through, for example, the utilization of digital technologies and allocating the resources generated in this way in growth areas. This allows us to maintain an overall balance while controlling resource allocation to increase the proportion of growth areas. While we will maintain a certain level overall, we are considering increasing the proportion of software-related resources going forward.

Q: Do you anticipate a further increase in R&D expenses as a percentage of sales towards 2030?

A: We will continue to control R&D expenses using the R&D expenses/revenue ratio of 5% as a guideline.

Q: Over the medium term, will the improvement in profits due to your corporate structure improvement efforts maintain the same pace as before?

A: Our corporate structure improvement efforts are a major theme in the next Medium-Term Plan. The items we have been working on up until this fiscal year are relatively quick to produce results. As we continue with these efforts, the bar will be raised, and it will become difficult for us to continue to produce results at the same pace as before. We will do our best to maintain the pace of improvement as much as possible, and we will explain the details in our next Medium-Term Plan.

Q: What is the reason for the significant increase in sales of the brake business compared to the previous year?

A: The main factors behind the increase in sales are an increase in production volume by our customers and sales price revisions. The eighth-generation cooperative regenerative brakes have been installed in the new RAV4 model. However, its impact on 3Q results was not significant as unit sales will not increase until next fiscal year onward.

SQ: How does the operating profit margin of the brake business compare to the operating profit margin of the entire consolidated group?

SA: The profitability of the brake business has been improving, and the operating profit margin is now close to the average for the entire consolidated group. We plan to further strengthen profitability from next fiscal year onward and raise it to a level that exceeds the average for the entire consolidated group.

Q: Concerns about rare earth procurement and rising copper prices are becoming more prominent. Assuming that their impact in 4Q will be passed on to prices next fiscal year, could you please comment on what impact this could have on 4Q results?

A: We are proceeding with the application process appropriately to ensure that there is no impact on supply to our customers. In addition, in order to reduce the risk of rare earth procurement in the medium to long term, we are developing rare earth-free products or products that use only a small amount of rare earths. At the same time, we are working to diversify our supply chain, and so far we have not experienced any major impacts on our rare earth procurement.

SQ: What is your view on the impact of rising copper prices?

SA: As we do not use a significant amount of copper, the impact on our profits will be insignificant.

Q: Please tell us about the break-even point for eAxle? With sales of the new bZ4X model also going strong, when will eAxle's profits start to increase in the future?

A: As new projects, such as BMW, will be launched over the next three years, such costs as production preparation costs will be incurred first. For this reason, we expect eAxle to reach a break-even point between 2026 and 2028. For the time being, we will continue to allocate resources to building our development and production systems.

Q: The negative impact of tariffs was 19.8 billion yen in 3Q. To what extent do you expect to be able to reduce this for the full fiscal year? Also, please tell us about your outlook for the next fiscal year.

A: A cycle of billing and recovering tariffs is being established. We estimate that the standard lead time for such recovery is slightly over two months, and we believe that the impact can be reduced to a certain extent in 4Q. We believe that there will be no impact on profits from next fiscal year onward, as the cycle of billing and recovering tariffs will settle down.