

Financial Results Briefing for FYE Mar. 2026

Q: I would like you to clarify the assumptions and thinking behind the plan for FYE Mar. 2027 in more detail. First, regarding the Middle East impact, are you assuming that the impact will be primarily due to aluminum supply? Second, to what extent have the impacts on unit sales been factored into the plan? Third, your costs are expected to increase in FYE Mar. 2027 due to the impact of tariffs and wage increases.

A: The Middle East impact of 15 billion yen is mainly due to the expected surge in aluminum prices. As we purchase a large volume of aluminum refined in the Middle East, our financial results are relatively more susceptible to price fluctuations. Regarding aluminum, while there are predetermined rules for passing on price increases to customers, there will be a time lag of about six months before the costs are recovered. In periods of price decline, recoveries will occur in the second half of FYE Mar. 2027, but in periods of price rise, payments precede recoveries. While price increases are also being seen for materials other than aluminum, the aluminum risk is primarily factored into the plan considering the scale of its impact. We also plan to negotiate with our customers to recover costs of materials other than aluminum and believe that this effort will be reflected in the selling price in the medium to long term.

Regarding the impact on unit sales, we set the number based on unofficial notice from our customers, and we are anticipating a scenario where the Middle East impact continues from the end of this year into the beginning of next year. While we recognize the risk of significant production cuts by our customers due to disruptions in the supply of raw materials, we have not incorporated this into our plans at this time. Unit sales numbers are set based on the risks that can be foreseen at this time.

Regarding personnel and other costs, based on the recognition that our customers' stances are changing, we intend to offset the cost increases by passing them on as well as through internal cost reduction efforts. At the same time, we will continue negotiations with our customers regarding cost recovery to ensure that there will be no impact on our financial results. For tariffs, a payment-to-recovery cycle is being established, and recovery concerns are decreasing. We will continue efforts to reduce the total amount and our share of tariffs to minimize their impact.

Q: While profitability is improving in Japan and North America, the environment in Europe and China remains challenging. I understand that structural reforms were planned for 4Q of FYE Mar. 2026 in China. Could you please tell us about the future outlook for Europe and China?

A: In Europe, e-axle for BMW is still in the pre-launch phase, and high upfront costs make it difficult to generate profits. It is expected that such costs will be recovered once production starts. Please note that operating profit for FYE Mar. 2026 was affected by one-off factors, such as the recovery of expenses from customers.

Regarding China, although an impairment loss of 5 billion yen was recorded in 4Q of FYE Mar. 2026, the full-year results exceeded the initial forecast. As the business environment continues to be challenging, we have been proactively optimizing our production system and working to reduce and streamline fixed costs. In addition, we are seriously working on cost reform, specification changes, and supplier optimization through joint ventures with local OEMs, and the effects of these efforts are starting to show. These efforts are aimed at supporting profitability. Our plan for China incorporates risk factors and aims to reverse course in the future.

Q: Regarding China, the decline in operating profit for FYE Mar. 2027 appears to be quite significant. Including the costs of structural reforms implemented in FYE Mar. 2026, profit will decrease by approximately 20 billion yen. Could you please explain the main reasons for this?

A: It is true that the decline in profit appears large, and the main reasons for this are a decrease in unit sales to some Chinese customers and the burden of production preparation costs for e-axle for BMW. We believe that with the launch of e-axle for BMW, we will be able to turn things around after hitting bottom in FYE Mar. 2027. Please note that through continuous internal efforts, we were able to achieve 30.6 billion yen for FYE Mar. 2026, compared to our initial forecast of 19.0 billion yen. Also for FYE Mar. 2027, we do not consider the initial forecast of 15.0 billion yen to be the upper limit, and we believe there is still room for improvement depending on future progress.

SQ: Is it correct to understand that the operating profit forecast for FYE Mar. 2027 does not include structural reform costs?

SA: While we will continue to optimize our production system, our plans are not at this point based on the assumption that impairment losses or other related costs will be incurred.

Q: What are some of the one-off expenses and revenues included in the results and forecasts for FYE Mar. 2026 and FYE Mar. 2027? In addition, if resource prices continue to rise, I expect that it will be a significant burden. How has this been incorporated into the plan?

A: One of the one-off expenses is the reversal of development assets for Honda BEVs. Development has been carried out in North America and Japan, and assets have been recognized accordingly. Regarding compensation for the cancellation of this development project, we intend to proceed with negotiations for cost recovery. In FYE Mar. 2026, the recovery of expenses from customers and the recovery of one-off expenses at ADVICS boosted profits. On the other hand, we believe that there will be limited one-off expenses that will affect overall profit and loss for FYE Mar. 2027.

Regarding the surge in resource prices, we have factored in the recent sharp increase in prices into our plans. However, since there are many uncertainties at this time, we intend to update our plans quarterly.

Q: You indicate that a reversal of development costs for Honda BEVs arose in FYE Mar. 2026. Is there a prospect of recovering these costs in FYE Mar. 2027? Could you tell us how much of the recovery amount is factored into the forecast for FYE Mar. 2027?

A: As we are in the process of evaluating the total impact, only part of it has been factored in at this point. We would like to proceed with negotiations with the customer regarding the recovery.

SQ: What is the expected scale of the impact?

SA: The amount of reversal of development assets is in the range of several billion yen. We expect that the actual amount we will claim will be somewhat higher when other expenses are included. We believe that if the recovery process goes well, it will have a positive impact on profits.

Q: While Toyota's production volume is expected to increase by about 1% compared to FYE Mar. 2026, PT unit sales are projected to increase by 5%. Could you explain the reasons behind the increase in PT unit sales for both Toyota and non-Toyota OEMs?

A: While we expect unit sales to Toyota to increase in North America and Japan, only a slight increase is expected globally due to concerns about risks in the Middle East. For non-Toyota OEMs, we expect an increase in unit sales in North America due to the rise in HEVs and in Japan.

SQ: Regarding the PT production share with Toyota, is AISIN's share increasing?

SA: This is due to changes in models, not production share, particularly the increase in HEVs and eAxe.

Q: In your analysis of operating profit for FYE Mar. 2027, the amount of sales price variance & product mix is larger than in previous years. In addition to the impact of increased sales, I would like to ask you to what extent selling price revisions and changes in the PT mix are having an effect.

A: The amount of sales price variance and product mix for FYE Mar. 2027 reflects the effects of routine selling price revisions and one-off factors in FYE Mar. 2026 and is not affected by the worsening of the PT mix.

Q: Could you please provide details about the impact of corporate structure improvement/structural reforms for FYE Mar. 2027?

A: In addition to routine rationalization, the positive impacts include improved product mix through new products, efforts to boost the profitability of existing products since FYE Mar. 2026, loss reduction activities during new product launches, digitalization of logistics, and the turnaround of unprofitable locations. Furthermore, we believe that expanding the initiatives implemented through FYE Mar. 2026 to domestic group companies, suppliers, and overseas operations will generate even greater benefits.

SQ: In FYE Mar. 2027, you plan to increase unit sales of electrification units by 1.06 million units. How will eAxe contribute to revenue?

SA: eAxe will contribute to gradually boosting revenue starting in FYE Mar. 2027 through economies of scale through mass production and reduced production preparation costs.

SQ: What will be the ratio of Toyota to non-Toyota for eAxe in FYE Mar. 2027?

SA: While the proportion of sales to Toyota will be high in FYE Mar. 2027, it is expected that the proportion of sales to non-Toyota customers will increase going forward as sales to domestic and overseas OEMs expand.

Q: You manufacture ATs for Mazda and e-axle for BMW under contract manufacturing. Could you explain the difference between this and cases where your company designs them in-house?

A: Compared to in-house design, contract manufacturing may generally appear to be inferior in terms of added value, but the advantage is that the risk of defects arising from design is limited, leading to stable profits. We intend to supply both our proprietary products and products manufactured under contract manufacturing in various forms.

SQ: What were the factors that helped you to receive the order for ATs from Mazda?

SA: We believe that our local production system and other factors were evaluated positively in light of the importance placed on responding to geopolitical risks and bringing products to market quickly, which led to the order.

Q: The tender offer to repurchase own shares from Toyota Industries has been postponed to FYE Mar. 2027. Should we assume that this will be added to the shareholder returns in the FYE2029 Mid-Term Business Plan?

A: Regarding the tender offer to repurchase own shares from Toyota Industries, when formulating the FYE2029 Mid-Term Business Plan, we were planning to carry it out during FYE Mar. 2026. As it turned out, the implementation date was pushed back to FYE Mar. 2027. The planned amount of the repurchases is 46.1 billion yen. As per the FYE2029 Mid-Term Business Plan, basic shareholder returns of 150 billion yen (50 billion yen x 3 years) will be provided in the form of a dividend, and additional shareholder returns of 150 billion yen (50 billion yen x 3 years) will be provided for total shareholder returns of 300 billion yen.

We intend to implement these shareholder returns as planned. For FYE Mar. 2027, the total amount of shareholder returns is expected to reach approximately 150 billion yen, including dividends, additional shareholder returns, and the tender offer to repurchase own shares from Toyota Industries. From FYE Mar. 2028 onward, we intend to proceed based on the above plan, taking into account such factors as financial performance and stock price trends.

Q: Could you tell us about ADVICS' financial results for FYE Mar. 2026?

A: In FYE Mar. 2026, net sales reached approximately 910 billion yen, and operating profit levels have also been rising. We intend to maintain a similar level in FYE Mar. 2027.

SQ: Do you expect the brake business to grow more than PTs?

SA: With the increasing popularity of electric vehicles, sales of the cooperative regenerative braking system are also expected to rise, and we expect the brake business to grow at a similar or even greater rate than that of PTs. ADVICS' net sales are planned to reach over 1 trillion yen by 2030 and are progressing in line with the plan.