AISIN Corporation

Financial Results Briefing for 2Q FYE Mar. 2027

Q: I would like to know more details about the revision of the full-year plan. What changes does the revision reflect in the operating profit target of 235 billion yen in the initial plan? In particular, regarding the difference of 40.6 billion yen from the previously announced full-year plan due to "Sales & Product Mix, etc.," this is mainly due to a decrease of 600,000 PT units. However, if there are other factors besides PT, please tell us what those factors are specifically.

A: We expect PT unit sales to be 10.1 million, a decrease of 600,000 units from the initial plan of 10.7 million units. The change in "Sales & Product Mix, etc." is mainly due to the decrease in PT unit sales. The decrease in PT unit sales is due to a decline in demand from Chinese OEM customers, as well as lower-than-expected demand for AT units from European OEM customers compared to our initial expectations. Regarding electrification units, sales to Toyota are generally progressing as planned, while sales to some OEM customers other than Toyota are below initial expectations.

Q: Could you provide a detailed breakdown of the decrease in PT unit sales for the full year?

A: Compared to the initial plan, the decrease in sales to Chinese OEM customers and European OEM customers is significant. In addition, sales of ATs and eAxle to domestic OEM customers are also expected to fall slightly below plan. Regionally, declines are expected mainly in China, as well as in North America, Asia, and other areas. Regarding electrification units, although there has been a decrease in HEVs for U.S. OEM customers, sales to Toyota are progressing as planned, and we believe that overall PT unit sales will remain robust.

Q: How did the first half results compare to your internal plan? Also, regarding the revision of the full-year plan, could you please explain how you revised the assumptions for the second half of the year, taking into account the results of the first half?

A: For the first half of the year, PT unit sales were slightly less than 400,000 units lower than planned, resulting in a negative impact on "Sales & Product Mix, etc." On the other hand, in addition to the increased profits resulting from the yen's weaker-than-expected exchange rate, other initiatives are also progressing generally smoothly. We have been working to reduce fixed costs, and the progress so far exceeds the plan. Based on these factors, we believe that our genuine performance exceeded the plan. As for external environmental impacts, while aluminum prices improved slightly, operating profit was 80.4 billion yen mainly due to the effects of the Kumamoto earthquake and the drought at the Panama Canal.

The full-year forecast has been revised to reflect the results of the first half of the year, take into account trends in the Chinese market, and incorporate risks that can be foreseen at this time.

Q: Regarding "Materials/Logistics Cost," to what extent do you anticipate cost increases due to rising aluminum prices, etc., and to what extent will these costs be recovered through price pass-throughs? I would like you to clarify the assumptions regarding material prices, as well as the progress of price pass-throughs.

A: We have factored in an 8 billion yen decrease in profits due to "Materials/Logistics Cost" for the full year. The breakdown includes the impact of steel materials, transportation costs, energy, semiconductors, and other factors. On the other hand, the impact of rising aluminum prices is fully accounted for under "Middle East Impact (Rising Aluminum Prices)." In order to clearly show the impact of rising aluminum prices, we have separated it from the "Materials/Logistics Cost." To address these increased costs, we are working to reduce usage, make design changes, and improve procurement while also passing on cost increases to our customers through increasing prices. Our goal is to mitigate the impact in the medium term. Regarding aluminum, the market price has leveled off and is now beginning to decline, and we do not anticipate any additional impact at this time.

Q: "Extraordinary Factors" had a negative impact of 10.9 billion yen on profits in the first half of the year, but the impact is expected to decrease for the full year. I'd like to know what factors will contribute to the improvement.

A: In FYE2027, quality-related expenses were recorded in the first half of the year as "other one-off factors," while in FYE2026, such expenses were recorded in the second half of the year. Therefore, they will be offset to a certain extent for the full year in FYE2027. As a result, the effects of the Kumamoto earthquake and increased logistics costs due to the Panama Canal drought are expected to remain for the full year in the main.

Q: In China, PT unit sales continue to decline. To what extent are additional structural reform costs included in the current plan? Given the limited prospects for a recovery in ICE demand in the Chinese market, is it possible that further structural reforms will be necessary? Also, how do you view the potential risks to future financial performance, such as additional costs in that case?

A: In China, we are making progress in optimizing our production system and reducing fixed costs, and a certain amount of the necessary structural reform costs have already been factored into the initial plan. Depending on the future business environment and operational conditions, additional measures may be necessary, but we have incorporated the risks that are foreseeable at this time into the revised plan.

Q: Given that PT unit sales to China appear to be below the projections set in the FYE2029 Mid-Term Business Plan, for which models and products do you expect sales expansion going forward? In particular, I'd like to know what changes are planned for FYE2028.

A: Compared to when the FYE2029 Mid-Term Business Plan was formulated, FFATs in China are expected to be lower than initially anticipated. On the other hand, demand for CVTs has exceeded initial expectations, and demand for FRATs and HEVs is also expected to exceed initial expectations.

Q: Compared to when the FYE2029 Mid-Term Business Plan was formulated, is it fair to say that the target level of PT unit sales has increased?

A: Although there may be increases or decreases in unit sales per customer and per model, total unit sales are expected to remain roughly at the same level.

Q: In the first half of the year, to what extent did electrification products, excluding PTs, contribute to profits?

A: Looking at it by business segment, in terms of driving safety, sales of cooperative regenerative brakes are increasing due to the progress of electrification. In addition to the effects of introducing the 8th generation cooperative regenerative brakes, the effects of the structural improvements we have been working on are also becoming apparent. We believe that the increased sales of our electrification products will continue to contribute to our profits in the future.

Q: I think the decrease in PT unit sales alone doesn't fully explain the decline in profits. What other negative factors are there?

A: There are no particular factors other than PTs. By the way, fixed costs for electrification products are increasing because production preparations are underway in China and Europe. While ATs will continue to decrease in the future, we are in a transitional period before the significant increase in electrification products, resulting in a relatively heavy fixed costs burden. We believe this burden will be alleviated as electrification products become more widespread and their sales volume increases.

Q: While an increase in electrification units is expected in the future, at what point can we expect a significant increase in unit sales?

A: In the future, various electrification projects will be launched sequentially, including the e-axle for BMW. Depending on the timing of the launch, electrification units may not contribute fully to total unit sales from the beginning of the fiscal year. However, we expect the ratio of electrification units to rise to over 40% by FYE2029 as their contribution to unit sales gradually increases.

Q: I believe ADVICS mainly accounts for the non-controlling interests in the P&L, but why haven't they increased significantly compared to FYE2026?

A: This is because non-controlling interests reflect not only the increase in ADVICS' profits but also fluctuations in the financial results of other companies.

Q: When considering the outlook for FYE2028, I believe that the 232.9 billion yen shown under "FYE2027 Forecast (Excluding External Factors and Extraordinary Factors, etc.)" on the FYE2027 Analysis of Operating Profit page will serve as a basis. If this profit level can be achieved in FYE2027, I got the impression that profit growth in FYE2028 can also be expected due to the absence of extraordinary factors. Given that, is it correct to understand that the downward revision of the full-year plan for FYE2027 reflects a reasonable incorporation of the risks anticipated in the near future?

A: The reason we presented 232.9 billion yen under "FYE2027 Forecast (Excluding External Factors and Extraordinary Factors, etc.)" is that we would like you to see this level as our genuine performance as we see it and have high expectations for profit growth from FYE2028 onwards. To ensure the achievement of our revised full-year plan, we will further strengthen internal discipline and accelerate the recovery of costs from our customers. The revised plan also incorporates the steady progress of these recovery efforts, and the entire group will work together to achieve the targets.