



Financial Results Briefing for Q1 FYE March 2023

July 29, 2022

AISIN CORPORATION

Q1. The full-year business forecast remains unchanged. I think that tax cuts are expected in China and raw material costs can be passed on to customers. Considering these factors and the foreign exchange impact, is there any chance that you will revise the forecast upward?

A1. Regarding the factors for upward revision, we can expect tax cuts in China, but it is necessary to explore the scale and timing. I think that your comment about raw materials refers to Toyota's decision not to ask suppliers for cost reduction in the second half of this fiscal year. We separate cost reduction activity from passing rising prices of raw materials on to customers. We have thoroughly assessed the increase in burden on our suppliers, small and medium-sized suppliers, in particular, and we are currently asking OEMs to share the burden. We hope to settle this within Q2. The situation remains unchanged from three months earlier, so we did not revise our full-year business forecast.

SQ1. The fixed cost in Q1 seems to have increased sooner than the full-year forecast. Is this as planned?

SA1. The fixed cost has not increased sooner. It is as planned and will not increase significantly more.

Q2. Regarding the sales expansion of electric drive units, do you have an update on orders for FY2025 and beyond?

A2. Most orders until FY2025 are from Toyota Motor and remain unchanged. The third-generation eAxle to be launched in 2027 is extremely small, highly efficient, and cost-competitive. We think this product can differentiate us from our competitors. We will use this product to get orders from other OEMs.

SQ2. Is there any chance of getting orders for discrete components, including motors and gears?

SA2. We will convey the virtues of the system to customers who want to buy discrete components. Many makers are developing eAxle systems and we will propose our products as a system.

Q3. What do you see for future fluctuations in production volume? Have production volume in Toyota and the production volume of AT for China and Europe been stabilized since three months ago?

A3. The impact of the lockdown in Shanghai was beyond the scope of our assumption, but the shortage of semiconductors has become more stable after the past year of struggling with production fluctuations. We have experienced some small drops in the operational rate due to lightning strikes and water restrictions in the Mikawa area in this fiscal term, but a rapid production decrease like the one in September last year has not occurred. Stock and demand for Chinese OEMs remain unchanged and we will continue monitoring them. For European OEMs, including VW, our production volume will vary depending on their allocation of secured semiconductors to their vehicle models.

Q4. What specific action will you take for fluctuations in production volume? Will it improve profitability?

A4. Our main action is minimizing losses due to production cuts. We promoted close communication with our customers and suppliers, and we are now more flexible in manpower arrangement according to fluctuations in production volume.

SQ4. Do you also maintain close communication with other OEMs as you do with Toyota?

SA4. We are communicating with other OEMs, but Toyota provides us with information in a more timely manner, so we can respond to Toyota more quickly.

Q5. The operating profit for Q1 was 6.6 billion yen. How do you evaluate the result against the initial plan? What was your initial operating profit forecast?

A5. Sales decreased due to the impact of the lockdown in Shanghai, but we benefitted from the effect of the weak yen and also reviewed fixed costs according to the reduced sales. This resulted in 6.6 billion yen operating profit.

SQ5. Which segment was affected the most by the decline in production volume at Chinese customers?

SA5. Production was distributed. Despite the lockdown in Shanghai, production volume was maintained by adjusting the volume in Japan.

Q6. Will you share the production of electric drive units with Toyota, like AT?

A6. OEMs need to input resources in battery production. So, if we can show our competitive edge in drive units, we think there is a chance that Toyota can entrust us with the production of drive units more than for AT.

SQ6. Do you mean you will make sufficient investment to expand the sales of electric drive units?

SA6. Yes. However, someone has to do the remaining production of AT. In this sense, we may not make investment in full equipment but use existing equipment effectively to carry out production.

Q7. The net sales for Q1 decreased by 22 billion yen. This decrease is relatively larger than the decrease in the net sales excluding the foreign exchange impact by 40 billion yen. Why is that?

A7. Sales include the foreign exchange impact as well as an increase in the material quotation prices revised from the first half of this fiscal year. So, the actual decrease in net sales was even greater. The cost reflects losses due to production cuts. After factoring in these impacts, a decrease of 22 billion yen is not high.

Q8. The full-year business forecast remains unchanged. Does this mean that the forecast is achievable as of today?

A8. If the yen remains at the current level, we can achieve the forecast even without a recovery of production in Q2 and beyond. Market conditions for raw materials, including aluminum, became more stable. We hope to reflect the rising prices of raw materials within Q2. Only three months have passed since April, so we will keep monitoring fluctuations in production volume to have greater accuracy in forecasting, and then may revise the forecast upward as needed. We set the current target of 190 billion yen based on a year-on-year increase in profit and will make sure to take measures if it becomes difficult to achieve the target.

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