

## Financial Results Briefing for FY2020

April 30, 2020  
AISIN SEIKI Co., Ltd.

**Q1. What is the situation regarding the decrease in the number of ATs sold in 4Q due to the impact of COVID-19 by region and customer compared to the plan in January? In the Chinese market, the decline in the number of ATs sold is milder than the decline in the sales of new cars. Is this the result of a sales expansion or is it an increase in inventories at finished car manufacturers?**

A1. The COVID-19 impact in 4Q was a decrease of 250,000. By market, the decrease was 150,000 in China, 50,000 in Europe, and 40,000 in North America. By customer, the decrease was 80,000 at VW-G, also 80,000 at other European OEMs including PSA and VOLVO, 60,000 at the Toyota Group, and 30,000 at Chinese OEMs. We believe that inventory levels have risen at some of the local Chinese manufacturers due to COVID-19 but this is not excessive since manufacturers took appropriate measures quickly. We will continue to watch the situation carefully. Products have temporarily been stored as inventory for European and American customers due to a decrease in demand in late March. Most are exports from Japan, and we will make adjustments accordingly.

**Q2. Your results forecast has not been disclosed, but what are your thoughts on capital expenditure for next year?**

A2. We are not yet at a stage where we can say anything specific, but we are reviewing our plan in the direction of restricting nonessential and nonurgent expenditure. Of course, we will make sure to maintain dialogue with clients so as not to be late for their launch plans. The impact of COVID-19 is huge, but we will strive to maintain a good balance and make solid investments in future growth, such as in CASE.

**Q3. How is the improvement in profitability of 8-speed ATs progressing? Also, how do you view the inventory in China, in consideration of the government's incentive?**

A3. We have achieved an improvement of 3% year on year in 8-speed ATs. With regard to inventory, the impact of COVID-19 was until February and March, and shipments were roughly as planned in April, which was up 25% year on year.

**Q4. Is the 25% increase for China as a whole? Is it right to think that it includes exports from Japan?**

A4. It is for the Chinese market, including exports from Japan. In the period that ended, of the 9.04 million AT sales, 2.12 million units were for the Chinese market.

**Q5. What is the situation of your internal discussions on additional cost reduction measures in the event of a prolonged COVID-19 pandemic? In particular, will the integration with AW have an impact on structural reforms?**

A5. We are carrying out activities for structural reforms aimed at 2023. As President Ise says, we will carry them out ahead of schedule. The same goes with the effect of the integration with AW. Furthermore, we are making company-wide profit improvement measures against the rapid deterioration of the business environment due to the pandemic. Workstyles are changing, as seen in the spread of telework, for example. We will view this as an opportunity to push forward with bold structural reforms.

**Q6. Do you mean that you will carry out or make additions to the structural reforms of 36 billion yen ahead of schedule in 2023?**

A6. We will first aim to realize our initial plan quickly. We are taking advantage of the pandemic to review items for reform in areas that we could not stick the knife into before.

**Q7. What is the regional breakdown and the breakdown by Group company of the 32 billion yen in business disposal costs ?**

A7. We had said it was 32 billion yen and it ended as planned. Impairment loss was 15 billion yen, which is broken down into 13 billion yen in North America, 0.9 billion yen in Europe, and 1.1 billion yen in Indonesia. There are AT-related costs of 10 billion yen in China. There are also write-downs for AMT in China.

**Q8. Is the increase in AT sales in China between April and June a greater recovery of sales than the decrease seen between January and March? Is there any difference between customers?**

A8. We are currently scrutinizing the situation, which is changing on a daily basis, and will disclose our findings once we have them.

**Q9. On the other hand, do you think there will be a situation where shipments in April–June**

**will not be on time?**

A9. We are making preparations to flexibly adapt to changes in the situation, but I'm afraid we cannot make any affirmative comments on what might happen in the future.

**Q10. The 30 billion yen impact of COVID-19 is large compared to the decrease in sales, but is it due to the number of operating days?**

A10. Of the 30 billion yen, 24 billion was in China, 4 billion was in North America, and 2 billion was in Japan. Of the 24 billion yen in China, impairment loss was 8 billion. This was triggered by the reduced operations due to COVID-19. There are other production losses as well, but the impact of the sales decline in China amounts to 16 billion yen.

**Q11. Is the impairment loss of 8 billion yen in China separate from the 32 billion yen of business disposal costs?**

A11. Yes, that is correct.

**Q12. How do you view the production capacity of ATs?**

A12. Although there has been a temporary leveling-off due to the switch to a new model, the production capacity as of March 2020 is about 11 million units worldwide. We will make every effort to meet customer needs, including those for 6-speed ATs, 8-speed ATs, CVTs, and HVs.

**Q13. In the recovery phase from COVID-19 in China, will 6-speed ATs recover or will 8-speed ATs recover?**

A13. The results for this period were split evenly between 6-speed ATs and 8-speed ATs. We will disclose information about the future as soon as we have a better grasp of what might happen.

**Q14. With regard to production capacity, will there be a significant change in the strategy following these results?**

A14. There is no change in strategy. The environment is changing concerning the specific number of units and the breakdown of the 13 million units. We are currently reconsidering our future moves. We will let you know when the COVID-19 situation has settled down.

**Q15. Does the 8 billion yen impairment loss in China correspond to the decline in the operation rate due to COVID-19?**

A15. What we had expected to be in the black turned into a loss due to COVID-19. It has nothing to do with the AT strategy.

**Q16. What is your future FCF situation? What about the aspects of financing and investing,**

**such as the costs related to the acquisition of AW shares? Will it have an impact on capitalization ratio management?**

A16. We acquired AW shares on April 1. We had cash as of the end of the period, but currently we are buying back our holdings from Toyota. Cash flows had been improving due to a review of capital expenditure, and we thought additional funding would be unnecessary this term if it hadn't been for COVID-19. We would like to explain further after we have determined the impact of COVID-19.

**Q17. Will there be any difference between clients in the recovery of AT sales in China? Has there been any progress in the launch plans of your two local joint ventures?**

A17. We have just started to get a picture of the performance in April. The future outlook changes by the minute. We will inform you as soon as we know the full situation. About the joint venture, we are talking with the counterparties to consider the optimal production capacity and launch timing.

**Q18. Has there been any progress in sales concerning electrification?**

A18. We have received many inquiries from clients and are reviewing them, but we are having difficulty communicating with them due in part to the impact of COVID-19. We hope to talk with them once the impact has abated.

**Q19. What are your thoughts on the dividend payout ratio?**

A19. Our view has not changed. We consider the range to maintain safety and efficiency to be 25–30% in terms of the capitalization ratio. We have aggressively carried out share buybacks when the level dropped below 20%. We intend to continue to produce stable returns through dividends and share buybacks, while watching the capitalization ratio.

**Q20. Can you give a specific example of a contingency plan you have? Perhaps you can take this opportunity to do something more drastic than other companies? Let us know what you have been considering.**

A20. We are further accelerating our overhaul of fixed costs. The overlapping of functions caused by being a separate company from AW was something that other companies would have already solved. An example is that we had arranged cleaning services for the building separately at each company. By becoming integrated, we will have a clear picture of the appropriate vendor, frequency, and unit price. Most things will have to be reduced over time, but we are accelerating our efforts in the area of purchasing, which we integrated in advance and includes variable costs.

**Q21. China is introducing incentives for internal-combustion engines. Is there any information on economic stimulus measures in other regions?**

A21. We have not heard such news outside of China yet, but we would appreciate it if there were

such incentives in other regions. Although CO2 restrictions must be taken into consideration, we believe there are grounds for a re-evaluation of internal-combustion engines due to the current fall in oil prices.

**Q22. There is talk of an extension of CO2 restrictions in Europe and of a review of CAFE in North America. Is there anything else?**

A22. We have not heard anything else at this moment.