



Sustainability Conference 2022 Minutes

November 24, 2022
AISIN CORPORATION

Q1: I would like to hear about your company's competitiveness regarding your explanation toward the realization of relief, comfort, and convenience? Specifically, I would like you to talk about the market size, market share and growth prospects.

A1: The strength of our vehicle entry related products is that they can provide the opening-closing systems in a total package. Specifically, we can provide products with necessary functions, including actuators for opening and closing doors. In addition, since we have sensing technologies of inside and outside a vehicle, which make it possible to provide new value where people and vehicles can coexist in the low speed range. We believe that the market can be further expanded by enhancing the systems which is combined with the sensing technologies. We are negotiating deals with customers in the fast-growing Greater China on more than 10 projects. We aim to increase sales, which are currently around 700 billion yen, by about 50% by 2030.

Q2: You said you aim for 100 billion yen in new carbon neutral businesses. I would like to know the progress, business scale going forward, and timing of investment and payback.

2A: In business related to the environment, multiple projects are simultaneously underway. In-house tests and small-scale tests in the markets have begun. We plan to bring up the size of the tests to the level of mass production in 2025. The plan is to introduce those that have completed the testing process into the market and expand the scale to around 100 billion in the first half of 2030. Issues concerning the environment are difficult to solve by a single company and are in the domain of cooperation, rather than competition. This is a business area where we rather need to work to contribute to society through collaboration between the industry, academia and the government. On our part, we aim to brush up on our technologies to make sure our efforts will bear fruit. Investment scale varies from one theme to another. The larger the scale, the larger impact the investment will have. Differing conditions make it difficult to explain. We hope to develop businesses that will be

appreciated by local communities in terms of scale and outcomes, making sure these businesses will be profitable.

Q3: You anticipate electrification will continue to accelerate in Europe. How do you plan to expand sales to existing AT customers? I would also like to know if local production is in your scenario.

A3. Electrification has progressed fast in the European market, led by BEVs. However, customer needs vary around the world. In addition to cost as a differentiating factor, we engage in technological negotiations with customers around the world by suggesting products differentiated with high efficiency and compactness. For production of electric drive units, Japan, the U.S., China and, of course, Europe are being considered.

Q4: I would like to know if electrification investment has changed from the previous figure of 270 billion yen. I would also like to know specifically what changes are planned in the reshuffling of business asset composition.

A4. Progress and demand for electrification vary according to regions and products, and we expect changes in speed of response going forward. But at this point, we have no plan to change the electrification-related capital spending of 270 billion yen for a period until 2025, which we explained at last year's ESG Conference. Business assets currently total about 1.5 trillion yen, and we plan to make new investments going forward. But in order to make new capital spending, we need to change something and reshuffle the portfolio, for example. As the business environment is changing rapidly, we usually offer the explanation that we will keep watching the situation while maintaining restrictions on assets as the total balance by setting a disciplined restriction within a level of depreciation expenses.

Q5: I would like to know if the targets of asset reduction and portfolio reshuffling the Aisin Group only, or if they include the Toyota Group.

A5. The Toyota Group is included in our picture. We give the explanation as an expression of intention that we may partner with external parties going forward in order to realize management strategies. As soon as we settle on concrete content, we will promptly disclose it to stakeholders.

Q6: You have indicated electrification investment for each region. I would like to know whether or not it is proportionate to the number of manufactured units of HEV and eAxe, including locations of production.

A6: You can think that investment is decided in proportion to the number of units. Capital spending represents the largest share in the overall production of units. As electrification progresses, the weight of local production and local procurement grows larger. So we basically plan to do this locally for motors and gears to enhance their competitiveness.

Q7: You explained that capital spending will be larger in North America than China. Do you plan to prepare for new plants other than in existing locations in North America?

A7: We don't plan to set up new operational bases in North America at this point. Investment and production have progressed in China so far, but in North America, production will progress going forward in response to increased HEV demand. In terms of our idea for production of electrification products, the basic policy is to use existing resources and assets in a balanced manner and take measures while controlling investment efficiently. We will work on electrification measures suitable to needs of each region, using production facilities of existing plants in North America and replacing products to be manufactured.

Q8: When looking at your electrification products as a whole from the viewpoint of overall vehicles, how have competitiveness and added value changed? Let me know how I should understand this, including the status of orders, demand and impacts.

A8: We have largely achieved the power consumption efficiency increase of 10% for a single eAxle and 15% or higher including other EV merchandise, and we believe this is attractive to automakers, who are our customers. In fact, they are interested and technological discussions have begun with multiple customers. The compactness we achieved with eAxle has been highly praised by customers. As compactness is a requirement for being installed in vehicles, business talks on ordering have begun. This mainly refers to the second generation of eAxle. We are thinking of combining EV products, including cooling modules and aerodynamic devices, in discussions led by the EV center. We think competitiveness and added value have improved for BEV as a whole.

Q9: You explained that the 2025 4.5 million-unit structure has remained unchanged for the production of electric drive units. Do you have confidence for continued growth when you think about growth toward the period from 2025? For example, do you expect the figure may actually exceed 4.5 million?

A9: The 4.5 million is a 2025 cross section. We think, from then on, it will expand with the second- and third-generation eAxle. The automotive industry itself has continued to grow, driven by quantitative expansion. However, we're in a period of major change, including CASE, carbon neutral and electrification. It is a period in which the future is unpredictable. We believe, changing the quality of business and improving quality in response to changing times, while securing a level of quantity to maintain corporate activity in a sustainable manner leads to improved competitiveness and added value. Unless we have additional value in new areas outside our current areas or unique competitiveness, we would only end up in cost competition. That would not lead to sustainable growth. We will steer the company by looking at quality, rather than quantity. In electrification products, high efficiency and compactness are required while of course improving cost competitiveness. In terms of brakes, cooperative regenerative brake systems will increase as electrification progresses. It's important for us to make compact, great products which have increased regenerative energy by taking advantage of the knowledge and technology we have developed since the first Prius model. In terms of body products, we have handled a wide variety of actuators. Aisin has sensing technologies and wide-ranging other products. Combining these products with each other leads to relief, comfortable and convenient mobility. We did not provide explanation on specific figures this time, but when specific figures come up for 2025 and beyond, we will talk about figures. For now, we are working to improve quality and competitiveness.

Q10: You said your attention is on quality. I would like to know specifically what you plan to change. Also, if you will undergo conversion in financial aspects from the 2030 perspective, I think you may make a bold bet or spin off businesses. I would like to know specifically what strategies are you planning to achieve growth in a period from 2025.

A10: What we mean when we say we have to change quality is that we need to change the quality of business in response to the changing times, rather than inside Aisin, or, in other words, all components of a car. Electrification is not just an electric system replacing an internal combustion engine. Overall composition of a car, components, systems, separate from electrification, more advanced sensing, AI, DX, and so on, will change the world. To allow us to compete under this situation, we will change our core technologies and products. As our resources are limited, we need to reallocate resources to areas of future growth and transfer some to other companies. We ourselves have to initiate changes. I hope you will understand that

changing the content is how we improve quality. At this point, we will not talk about what the figures may be after we gain in competitiveness. There was a discussion of production line replacement, but when it comes to production, it is very difficult to reflect changes in trends. As preferences vary depending on the region, the customer and the end user about electric drive units, you need to be prepared to manufacture flexibly and quickly even though there are many models and numbers may fluctuate. For the manufacture of the first-generation eAxle, we are working to update equipment to deal with expected developments in the future. So, we will update whatever is necessary, but we will also think of putting the assets we already have, such as plants, locations and personnel, to effective use. It's not like we will only make existing things and do what we can within the scope possible.

Q11: I think where you take the existing AT business is important from the sustainability perspective. I think, even if the market halved in size, you will be able to take full advantage of existing equipment if your share doubles, and as OEMs, who are your customers, step up electrification investment, you have the opportunities to win AT orders if you act aggressively. I would like to know where you aim to take the AT business and measures you are planning from the sales perspective.

A11: AT is regarded in negative light, which makes us reluctant to discuss it, but of course we remain aggressive for it. Aisin has large shares for products including AT, CVT and MT. There are forecast figures vary for different regions, but, as you have pointed out, we think the business can grow if we increase our share from the current levels. If we do well in this area, we will be able to use the earned cash in investment for the future. As electrification is progressing at the same time, we think what we must do is take action for the future and at the same time do all we can for the existing businesses.

Q12: I have the impression that sustainability conferences by other companies often present ideas but are abstract. But you have explained business and there were many points that resonated with me, and your explanation is easy to understand. I know you understand that you basically need to improve quality and competitiveness, but my question is, in doing business, does the business have the potential to generate cash over a long term? Or is it really what your company should do if it doesn't achieve sustainability and make economic sense at the same time? In today's conference, I had a little doubt in

some details about what you may plan to do for monetization. If it's not easy to generate sales, I would be able to understand that business becomes viable where both sustainability and economic rationality are achieved, if you presented an ROIC target for each business in the timeline through 2030, or, if doing so is difficult, if you discussed market competitiveness and your company's shares in the timeline through 2030. This is what investors want to know. Keep this in mind the next time.

A12: Today, we mainly explained how we may go about changing quality and improving it. But I do understand what investors expect. Next time and later, we think we can discuss specific figures. However, although the graph showing historic output volume of electric driving units doesn't show figures, development, orders and preparation for production have progressed as planned toward the 2025 target of 4.5 million units. We also indicated the regional breakdown of capital spending to show that we will proceed with forecasts in mind toward 2030. These pieces of information, I believe, ensures understanding of the direction in which we're taking the electric drive units in the future. In terms of control brakes, we have indicated figures toward 2025 and 2030, so I hope for now you can understand on the basis of these figures. We'll do what we can to live up to your expectations.

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