

## Mid/Long-term Business Strategy Briefing

**Q: I would like to confirm the sales volume (Toyota and non-Toyota) that forms the basis of your sales forecast for 2025 and 2030 in view of Toyota's BEV strategy.**

A: We have a relatively clear outlook for 2025, and we expect total PT unit sales volume to be around 11 million. The outlook for 2030 is not as clear, and our estimate has been aligned with the market's growth. Our estimates for our businesses in growth areas are based on the certainty of orders for each project.

**Q: With competitors also working on Xin1, what is your differentiation strategy and how will you secure sales volume?**

A: Our Xin1 is characterized by a fewer number of components than that of competitors to reduce size and costs by integrating the functions instead of simply adding power systems and thermal management. We will utilize technologies that systemize the sensor and actuator technologies we have cultivated, as we are doing in HEVs, and communicate well with customers to secure orders.

**Q: Please provide a specific explanation on your 500 billion yen strategic investments in relation to your business portfolio reforms. Please tell us specifically the amount of cash generated from the sale of entrusted businesses, the amount of cash outflow due to taking in OEM products, such as AT, and how much will be returned to shareholders.**

A: Of the cash to be generated, we will aim to reduce business assets by more than 100 billion yen, which includes the sale of unused land and buildings in addition to entrusting businesses. We will make an announcement about the entrusted businesses when we can make it public. We will adjust our responses to generated cash on a case-by-case basis since the environment is drastically changing, but at least a portion of it will be returned to shareholders. We have not decided whether the additional growth investment will be in equipment or M&A, but we will respond flexibly as needed. Regarding shareholder return, we conducted a share buyback in FYE Mar. 2018 but have not done so for a while since then due to investments and the impact of COVID-19. We are estimating a capitalization ratio of 25–30%, but if this figure changes, we will return profits to shareholders. We will announce whether the method will be a share buyback or a dividend increase when we conduct it.

**Q: In your presentation, you mentioned taking in OEM products, but won't the majority be used for that?**

A: Since the total AT sales volume will decrease, we do not think we will take over the equipment, etc. There is a possibility of investments in India and South America, such as expanding some bases, but basically, we will use existing equipment to capture AT and HEV demand, which remains more than half of the market, and there will only be an increase in the workload. We used to consider investments in company units. Going forward, a lot of investment will be required if we entrust some businesses or carry out new businesses entirely by ourselves. Some companies will have surplus equipment while others will run out of equipment. Therefore, when transferring business or doing new business together, we will probably choose a method that is efficient and will prove to be a win-win overall by comparing the land, human resources, equipment, and core technologies that each party possesses. Since business will keep changing, I think we will see more of these cases.

**Q: Amid intensified competition in the eAxle market, including price, mainly in China, how will you increase sales volume and secure profits? Please also explain your sales expansion measures and whether you have a chance of succeeding.**

A: It is true that the competition in eAxle is tough, mainly in the Chinese market. Some view that eAxle is in an entry stage, and technology is evolving very rapidly. We consider keeping up with such technological innovations as one of our tactics. We believe we can achieve our target for 2025 since the second generation, which is targeted for 2025, is proceeding as planned to be 20% lighter, with 50% of the investment, and 30% cheaper than the first generation. Meanwhile, competition will become even more intense toward 2030, but we will increase sales volume by bringing out the best in Aisin products by being involved from customers' planning stage and working together with them. Regarding profits, we will aim to achieve a profit level equivalent to that of AT. Since we will be exhausted if we enter price competition in China in earnest, we will adopt a strategy of not entering the competition proactively and placing emphasis on quality, not quantity. Sales in 2025 will primarily be to Toyota, but we will work to expand sales by reinforcing sales capabilities to non-Toyota customers. The problem with BEV manufacturing is the battery, which is heavy and expensive and takes up space. Therefore, what is required of eAxle is to reduce the battery load and determine how to reduce the space in which eAxle is installed. In other words, the added value for car manufacturers and end-users is power consumption efficiency and size reduction. I mentioned earlier that power consumption efficiency will increase by 18%, but a 18% increase will mean the battery will be smaller and the price lower, which are quite significant as added value.

**Q: Please explain how you will achieve a 6% operating profit ratio for FYE Mar. 2026.**

A: We have formulated actions plans based on product, region, and function and will implement them over these three years. Although there was significant fluctuation until last year, the situation has and will become more stable over these three years. Therefore, we will improve our financial structure while increasing the number of units. The overall profit ratio will improve due to changes in the product mix owing to the launch of next-generation ATs, HEVs, eAxles, and braking systems. In terms of region, we will promote structural reforms by increasing productivity in North America.

**Q: Please explain the value added to cost and performance regarding the battery frame, integrated functional body, and giga-cast. Also, what ton class are you assuming for giga-cast?**

A: The body is currently constructed with iron, and if we change it to aluminum, it might become more expensive. However, in the conventional case of iron, 120 molds and assembly/welding equipment will be necessary. By molding it with giga-casting, the mold and equipment can be combined into one. Therefore, we are considering giga-casting with car manufacturers for economic considerations. Some competitors have adopted a 10,000 ton class, but that will require large equipment and space. Therefore, we are thinking of a 4,000 ton class by not only integrating but also dividing by 2 or 3. We are proposing it to car manufacturers since existing equipment can be converted for a 4,000 ton class and it will be for the benefit of customers overall. Previously, we provided products at the request of car manufacturers, but we believe proposals from the supplier side will become important for giga-cast since car manufacturers have not made up their minds either.

**Q: How will your AT and HEV business be with non-Toyota customers going forward?**

A: ATs are currently half for Toyota and half for non-Toyota. HEVs are principally for Toyota. ATs can maintain a certain percentage in 2025, depending on the region and customer. HEVs will grow toward 2025; therefore, the percentage of sales to Toyota will increase.

**Q: How will you improve the profitability of the braking system business?**

A: The launch of the eighth generation will be a turning point. We will reduce costs and improve productivity by leveraging our strengths. Recently, the business has been affected by the rise in resource prices and the semiconductor shortage. We will also work to reduce fixed costs by shifting resources within the Aisin Group.

**Q: Do your cross-shareholdings include Toyota? What are your thoughts on the change in your shareholder composition due to the dissolution of cross-holding?**

A: Toyota is not included in our announcement on cross-shareholdings. Regarding our shareholder composition, we hope to increase individual shareholders. We also hope to increase overseas shareholders since they have decreased from before.

**Q: Please tell us about the PT mix from 2023 to 2025, especially concerning the Chinese market.**

A: Currently, there is talk that Japanese car manufacturers are struggling in China, but some local Chinese manufacturers are seeing a certain amount of sales of non-BEVs. Although we cannot estimate the China mix, we have formulated a medium-term plan based on what we currently know.

**Q: Will HEVs' profitability be on par with that of ATs by 2025?**

A: As HEVs are reaching maturity toward 2025, we believe their profit level will be comparable to that of ATs.

**Q: Please tell us about the changes in the price per unit until 2030.**

A: We expect the price per unit to increase more than that of gasoline cars until 2030 due to BEV products such as eAxle, braking systems, and giga-cast.