



Financial Results Briefing for FYE Mar. 2022

April 28, 2022

AISIN CORPORATION

Q1. Do you assume the production volume of Toyota cars to be around 9.5 million units? Given the significant increase in inventory, what was your estimation regarding the need for inventory adjustment and the risk of lockdowns in China?

A1. As to the prospect for the number of production units, we observe strong demand from our customers, but it is extremely difficult to forecast the impacts of the ongoing Ukraine crisis and lockdown situation. We estimate that the production volume will be a little higher than the figure you mentioned earlier. The increase in inventory is attributable to an increase due to fluctuations in sales, an increase in offshore inventory caused by logistical disruptions, and an increase from the perspective of BCP. We will control them properly. The lockdown is likely to have an impact on the production of car manufacturers due to the suspension of purchase of materials.

Q2. Please explain the specific measures you will take regarding expenditure on key areas equivalent to 25 billion yen in the forecast. Also, if you are to make a strategic move for it, isn't there room to move the structural reform schedule forward?

A2. Regarding expenditure on key areas, we have implemented the development of electrified products such as the eAxle and cooling modules, initiatives for carbon neutrality, and initiatives for DX toward the improvement of future efficiency. The objectives of structural reform are to bring the enlarged fixed costs back to their former state, and produce its effects through integration. Toward the future, we will shift our concept of reducing fixed costs to changing the structure, and implement activities to use the effects generated thereby for conducting new activities in the future.

Q3. Regarding the prospects for revenue in the forecast, please explain the status of your customers other than Toyota, including the volume of expected growth of units and new orders to be received.

A3. Although the status varies depending on the customer, the overall trend shows a recovery from the shortage of semiconductors we faced in the previous year. Individually, the growth in revenue from Stellantis is attributable to expected new orders. The decrease in revenue from Mitsubishi is attributable to the reaction against the robust revenue in ASEAN during the fiscal period that

has ended. As for VW, we suppose that the shortage of semiconductors will affect the company significantly, and in China, the company partly shifted to in-house DCT on the back of the impact of allocation of semiconductors. Another reason is that the car navigation systems for VW excluding AT will be discontinued accordingly.

SQ3. Is the impact of the Shanghai lockdown taken into consideration for VW?

SA3. The biggest factor is semiconductors.

Q4. Regarding materials/freight cost equivalent to minus 65 billion yen in the forecast, please explain your policy of passing rising costs on to product prices and the related risks/opportunities.

A4. The major impact will come from freight cost. The freight cost for AT must be negotiated with shipping companies, and the prospects are extremely difficult. For example, the amount shows that of the impact, about half of which we assume we can recover even if the actual impact is twice as much as we anticipate. We do not intend to pass all higher costs on to OEM operators when we take end-users into consideration. It is necessary to consider this issue together among the three concerned parties, including the suppliers. The impact of higher raw material prices will reach 110 billion yen in two years. Without this issue, we wish we could announce that operating profit will reach 300 billion yen.

SQ4. Can you pass last year's price increases in aluminum and steel on to product prices this year?

SA4. We will be able to retrieve losses in businesses with rules by the end of this fiscal year. Still, we will have an impact equivalent to 65 billion yen.

Q5. Would you specify the amount of the actual quality-related costs in the fourth quarter? Also, please explain the details of the minus 19 billion yen for fixed expenses, etc. in the forecast.

A5. We would like you to understand that the amount of deviation from the assumption for the third quarter is almost equivalent to the figure for quality-related costs. Assuming no quality-related issues in the next fiscal year, the remaining costs will include depreciation and an increase in costs such as production preparation costs.

Q6. Regarding bZ4X mentioned in the Business Progress section, please tell us the approximate revenue per unit compared with that for conventional gasoline-powered vehicles.

A6. I think the revenue will be almost the same as that for conventional vehicles, because for the most part, the same products as before will be loaded. However, unfortunately I do not have the per unit information today.

Q7. Regarding the impact of raw materials prices, is minus 65 billion yen the net amount or the gross amount? You said earlier that the impact will be double, but compared to when?

A7. It's the net amount. I mean the impact will double, assuming that almost half of the increase in purchase cost incurred in the current fiscal year will be retrieved. Then, even if the increased costs incurred during the previous year are retrieved later in the current fiscal year, the net impact amount will be minus 65 billion yen.

SQ7. It may depend on negotiation, but could you potentially win or lose as a result of the negotiation regarding the minus 65 billion yen? To what extent have you been able to talk to the suppliers?

SA7. That will depend on various factors. For example, regarding freight costs, we first negotiate with the shipping companies, and then negotiate with the suppliers. The freight cost using containerships has soared almost 10-fold depending on the route, but we have few experiences of negotiating with suppliers on soaring freight costs. Since it is difficult to forecast, we would like to announce developments as and when they arise.

Q8. In the forecast, revenue in the safety systems has grown significantly. What are the factors behind this?

A8. The revenue increase is attributable to the growth of control brakes and MOC due to electrification.

SQ8. Is the growth rate the same as that of drive units?

SA8. Since the regenerative braking systems will be loaded not only on BEVs but also on HEVs, revenue will be linked to the number of electric vehicles produced by Toyota. We have also started receiving orders from companies other than Toyota.

Q9. You assume the number of Toyota cars will exceed 9.5 million. How many do you actually forecast? What other kinds of risks do you anticipate?

A9. It's hard to specify the number of Toyota cars, but we can expect far more than 9.5 million. As far as risks are concerned, it is difficult to estimate how much of the increased cost we will be able to absorb. And we estimate the uncollectible amount will be 65 billion yen. Our assumption regarding the exchange rate is conservative at 115 yen against the dollar, which is far from the actual rate. There is no end to the list of potential risks, but at least we can say that now that we have improved our corporate structure to such an extent that even if a risk becomes apparent, we are confident that our performance will not worsen on a year-on-year basis, while we are implementing concentrated investments within a scope that can be covered by structural reforms.

Q10. Regarding EVs, you told us that super-eco production lines can be established at a relatively high level by repurposing existing A/T facilities. Would you tell us if your confidence regarding the bottom-line profit in EVs has changed?

A10. Regarding the repurposing of A/T facilities, the processing and assembly lines can be almost totally repurposed, although motor-related facilities must be newly installed. Since we have actually carried out the repurposing as a track record, we believe we will be able to do the same all over the world in the future.

SQ10. I think you are the company that manufactures all components other than inverters. But what will the future division of roles be for EVs?

SA10. Our in-house production ratio is said to be low, but we will increase the ratio of in-house production of motors. The transfer of production lines from Denso is also scheduled. As the production of batteries and inverters will become increasingly difficult for Toyota and Denso, we will be firmly engaging in the production of motors. On a related note, the electromechanical integration type is more compact and more mountable. There may be cases where it is better to use a different type in non-Toyota cars, but we hope this will become the standard.

<In conclusion of the meeting>

As I have said many times during the meeting, the current situation makes it extremely difficult to forecast, and there are expected to be drastic fluctuations in the future. I would be pleased to discuss variable factors from time to time, so I would like to communicate with investors more than ever.