

## Financial Results Briefing for FYE Mar. 2024

**Q: What are the risks and opportunities regarding your financial forecast? The number of PT units is decreasing, but it is not reflected in the factors behind the increase/decrease. As some of the impacts of raw materials have been overlooked in the past, isn't there room for upward revision, including an increase in personnel expenses?**

A: Our current assumptions consider the downside risk mainly in the Chinese market, and the analysis reflects an expected decrease in the number of PT units due to model change. However, sales are expected to remain at about the same level as the previous fiscal year as Toyota recognizes a certain amount of increase in volume. As for the FX impact, we assume 145 yen, which is at about the same level as the previous fiscal year. As for high resource prices, their scope has expanded to include personnel and other expenses, but we plan to aggressively pass them through to selling prices while addressing concerns of our second- and third-tier subcontractors. However, there are still some outstanding payments from overseas customers, and we expect a positive effect from collecting them. As for the impact of structural reforms, improvements in existing products combined with launches of new products have led to a higher overall profit margin. We expect further positive effects from our group-wide activities, without exceptions, to promote the effective use of fixed assets and bold recognition of loss on retirement of fixed assets.

**Q: With the 220 billion yen for FYE Mar. 2025 as a launch pad, how do you plan to achieve the 300 billion yen target for FYE Mar. 2026 set out at the medium/long-term business strategy briefing held last year? There is talk that HEVs will grow through 2025. Do you expect a large quantity effect from this? I would like to know if any specific measures are being taken to improve profitability, such as reducing costs.**

A: We are assuming that the number of customers' units and PT units will increase while the FX impact is expected to improve as we currently assume 130 yen, which is tougher than the current situation. In addition, we expect the effect of the 70 billion yen structural reforms in FYE March 2025 to continue through FYE March 2026 and that new products to be launched in and after 2024 will also improve the mix impact. For these reasons, we believe that we can achieve 300 billion yen.

**Q: You told us that inquiries on HEVs are increasing, but where are they increasing? Please also clarify the mechanism behind the increase. You mentioned that profitability will be better than conventional vehicles. What is the background to that and what level of profit can we expect?**

A: We believe that we can make adequate responses in terms of regions, customers, and timing by offering a complete product lineup. It is a fact that the current trend is to re-appreciate HEVs, and PHEVs are particularly sought after. Inquiries are increasing particularly from Japanese-affiliated companies. In terms of region, North America is seeing a shift of focus from BEVs to HEVs. In Europe and China, we are receiving more inquiries on HEVs than on BEVs. The profitability of HEVs is now comparable to that of ATs as the ratio of internal production of components is increasing, a certain level of production volume has been secured, and other improvements have been made.

**Q: Please explain the reasoning behind the -45 billion yen for "sales & product mix, etc." on the graph for the analysis of changes in operating profit for FYE Mar. 2025. In particular, what factors have been reflected in the "mix" component?**

A: Within the “mix” component, we expect that the impact of changes in geographic mix will be particularly significant. Some of the negative regional impacts have been reflected. On the other hand, the impact of changes in product mix, such as the start-up of electrification units in North America, the effect of launches of new products, and results of efforts to improve cost structure, has been reflected in the +70 billion yen under “Cost Structure Improvement/Structural Reforms.”

**Q: What is your approach to cash allocation? What will trigger your decisions on and implementation of allocation of funds accumulated as a result of your recent asset reduction activities? Do you have an idea of the time frame?**

A: We are currently working on a balance sheet reform to begin with. We plan to make decisions on the subsequent allocation of funds, including shareholder returns, from now on in order to make steady progress in this matter. In addition, we intend to carry out a share repurchase as soon as possible, and will announce the schedule as soon as it is determined.

**Q: In FYE Mar. 2024, electrification units increased significantly. What is the reason for the smaller growth expected in FYE Mar. 2025?**

A: With Toyota being the main customer for HEV units, one of the factors is that Toyota sees FYE Mar. 2025 basically as a plateau. The current plan has been formulated in consideration also of regional trends in China and other Asian countries.

**SQ: AT sales to European customers are forecast to decrease in FYE Mar. 2025. Do you expect them to start increasing again in or after FYE Mar. 2026? If they are expected to increase, how much?**

SA: The decrease in FYE Mar. 2025 is partly due to model changes that have already been planned. We expect such sales to increase again in and after FYE Mar. 2026 as the number of vehicles is expected to increase and the introduction of new products is already scheduled at each customer.

**Q: Regarding the adoption of your brake products to LUXGEN’s “n7” model, please tell us the evaluation points and background that led to their adoption. Do you also plan to expand sales of such electrification products going forward?**

A: There are very few companies that manufacture cooperative regenerative brakes, and we believe that the competitive advantages of ADS have been appreciated. As we negotiated with the customer, the adoption of our existing ADS products was decided. We coordinate closely with Taiwanese customers on a daily basis, and this relationship has led to the order from LUXGEN. As the “n7” model has been developed based on a quite new approach, Aisin has learned a lot from it. This is a good opportunity to promote ADS, and we continue to consider shifting resources to the brake field.

**Q: Regarding future sales expansion of products for HEVs, what kinds of products will be promoted, including those to be launched in 2024?**

A: Due to our relationships with customers, we cannot disclose details, but we offer various products for vehicles with one- and two-motor systems, HEVs and PHEVs, including those for Toyota. Two companies will start production in the second half of 2024, and another company in 2025, and North America, Asia, and China are applicable regions. From now on, we will be working with customers from the early stages of development, focusing on units specifically developed for PHEVs.

**Q: You are currently reducing cross-shareholdings, but what is your approach to Toyota shares in this respect?**

A: We have started with strategic cross-holdings. We plan to sell such cross-holdings if business alliances with such

companies are possible without capital contribution and to use sales proceeds effectively for future investment. We intend to complete it by 2025. Regarding shares of Toyota and other subsidiaries and associates, we continue discussions with Toyota as to whether capital contribution and/or business alliance is required, while also considering the governance actions of the Toyota Group.

**Q: At the medium/long-term business strategy briefing held last year, you mentioned opportunities to internalize AT production from customers. What is the current progress status? I would like to know the status of the benefit of remaining players in ICEs.**

A: There has been no change in the progress status since September 2023, but we have received additional inquiries. If the speed of the shift to BEVs slows down and the number of ATs remains considerable, the timing may be delayed. However, we do not consider it a problem as it means that Aisin's sales will be maintained. We will shortly launch the last new AT product to improve profit margin, and we will not develop any additional AT products after that while producing them using existing equipment. Therefore, we expect that we can secure the benefit of remaining players as well as the opportunities to internalize production.

**Q: Please tell us about the profit status of HEVs. Is it already in a position where their profit margin is higher than that of ATs? Or will the profit margin of HEVs surpass that of ATs once production capacity is in place for 4.5 million units in 2025?**

A: At this point, profit margins of both HEVs and ATs are at about the same level. We expect that the profit margin of HEVs will improve as their generation advances in the future.

**Q: I would like you to clarify once again the path to achieving sales of 4.5 million electrification units by 2025. Given that the current sales are around 2.2 million units, they are expected to increase by more than 2 million units from now. Is the plan progressing smoothly, or are you considering revising some of the assumptions and postponing the deadline?**

A: What we announced initially was to put in place a production capacity for 4.5 million units by 2025. We are making steady progress in this. However, given the slowdown in BEVs, we need to watch carefully whether sales will reach 4.5 million units by 2025.

**Q: Regarding the status of electrification products other than powertrain, please tell us the progress status of cooperative regenerative brakes and gigacasting.**

A: As for brakes, we are currently working on productivity improvements, expecting significant improvements by 2025 and steady progress thereafter. As for BEV body-related products, battery cooling products are planned to be launched first in Japan and the U.S., and a certain level of profit contribution is expected. Beyond that, we continue discussions on gigacasting with our customers.

**Q: Regarding the collaboration with SUBARU on electric drive modules, has it been agreed directly between SUBARU and Aisin rather than via BluE Nexus?**

A: Our understanding is that BluE Nexus's involvement as a principal party is limited to 3-in-1 or more products, including inverters made by DENSO, while each company is responsible for individual sales of gears and motors.

**SQ: Regarding shared production, will SUBARU also be involved in production?**

SA: SUBARU and its group companies may also be involved in production.

**Q: Exedy recognized an impairment loss for FYE Mar. 2024. May I understand that Aisin will not incur a significant**

**impairment loss because AT equipment and other assets can also be used for electrification units?**

A: Exedy mainly produces torque converters, which are products exclusively for ATs. For this reason, their equipment cannot easily be used for other purposes, and we believe that this is the reason why the company recognized the impairment loss. At Aisin, equipment can also be used for electrification units in many cases, and we do not expect any significant impairment loss of this kind to arise.