

Financial Results Briefing for 1Q FYE Mar. 2026

Q: You said that progress in 1Q was largely in line with the full-year plan. Does 1Q results include any one-off factors?

A: We initially expected operating profit to be about the same level as in FYE Mar. 2025. In addition to the progress in internal corporate structure improvement as planned, certain one-off factors, which were not included in the initial plan, are included.

In addition, certain expenses initially expected in 1Q are now expected to be incurred in 2Q. As a result, 1Q operating profit amounted to 47.8 billion yen.

SQ: Please tell us about any change in the initially forecast tariff impact of 20 billion yen and the status of passing the tariff burden onto customers.

SA: While there has been no change in the total U.S. import amount since the beginning of this fiscal year, the tax rates are now expected to be lower than the initial expectation. Therefore, we expect that the amount of tariff payments will also be lower. As the expected amount of tariff payments is reduced, we expect the tariff impact will also be reduced. That said, as such payments will mostly occur in and after July, we will closely examine the impact based on actual payments going forward.

However, we do not, at this point, expect the tariff impact to exceed our initial forecast of 20.0 billion yen in any case. As for price pass-throughs to our customers, we would like to make steady progress through negotiations with them.

Q: What exactly are the one-off factors included in 1Q results? I also understand that progress in corporate structure improvement has been greater than in FYE Mar. 2025. Is there going to be an upside in and after 2Q compared to the full-year plan due to this factor?

A: One-off factors occurred in Europe, North America, and Japan, and they represent retrospective recoveries in FYE Mar. 2026 of labor cost and loss cost that surged in FYE Mar. 2025.

Progress in corporate structure improvement was driven mainly by structure improvement in North America and reduced fixed costs in China. Some of these efforts have been implemented ahead of the plan. Therefore, we cannot necessarily expect the same amount of progress to occur in 2Q.

Toward the 2Q results briefing, we will closely evaluate the possibility of an upside on a full-year basis.

Q: Regarding the increase in 1Q operating profit compared to the same period last year, please give us more details about in which part of changes in operating profit is it included?

A: Among these one-off factors, cost recoveries from customers are included in sales and product mix, etc. as they are recognized as sales. Other upside factors are included in corporate structure improvement/structural reforms. They are mainly reduction in fixed costs in China and rationalization, improvement, etc., in sales and procurement.

SQ: Does the amount included in corporate structure improvement/structural reforms represent an upside of billions of yen compared to the plan?

SA: Yes, it does, although it includes both the amount attributable to gradual progress ahead of schedule and the amount realized in 1Q instead of later periods.

Q: What is the background for the improvement in 1Q operating profit of the North America segment? I expect HEVs to increase in the second half of this fiscal year. Is there a possibility that its operating profit will exceed expectations on a full-year basis?

A: There are two factors for the improvement: First, the production of electrification units, on which we have been working since FYE Mar. 2024, has gained momentum to contribute to the improvement of profitability through product mix improvement. In addition, certain products that still remain in the production preparation phase are expected to be fully included in production volume from the second half. Second, production efficiency was suppressed by the labor shortage and soaring labor cost in the past, but improvement efforts in the last two to three years have led to the profit growth in 1Q. We believe that the profitability of the North America segment is improving steadily.

Q: PT sales volume reached 2.63 million units in 1Q, and I think this is steady progress toward the full-year target of 10.5 million units. On the other hand, it appears that progress in electrification units has been below expectations. What is your evaluation on this point and what is your order forecast going forward?

A: We expect the sales volume of electrification units to increase by 1.01 million units on a full-year basis compared to FYE Mar. 2025. It increased by 50,000 units in 1Q, and the increase mainly came from HEVs.

Regarding HEVs, we plan to launch new projects in the second half of FYE Mar. 2026, including OEMs other than Toyota. Given that their effects will be fully materialized in and after the second half of the fiscal year, we believe, at this point, that HEV results have been in line with the plan.

On the other hand, sales expansion of eAxle has been delayed in part compared to the initial plan due to the slowdown in the transition to BEVs.

It is highly likely that the sales volume of electrification units will exceed 3 million units on a full-year basis. However, regarding our plan for an annual increase of 1 million units starting from FYE Mar. 2025, actual results may slightly fall short of the plan.

Q: The progress in PT sales volume in 1Q has exceeded 25% of the full-year plan. In particular, ATs appear to have exceeded expectations greatly. What is the background for the strong results so far, and is there a possibility that their sales will slow down in the second half?

I also expect the increase in demand for ICEs due to the slowing transition to BEVs in North America to be a great opportunity. What is your prediction?

A: Sales of FR were strong in North America. In particular, sales to Toyota exceeded the initial plan. As there is firm demand for FR both in North America and other regions, we believe that we can secure a certain level of sales volume. There is a possibility that ICEs will be replaced by HEVs in the future. On the other hand, we expect that any decrease in BEVs will be offset by increases in HEVs or ICEs. Therefore, we do not expect any decrease in sales volume in the second half.

SQ: Are there any seasonal factors specific to 1Q?

SA: We believe that there are no such factors.

Q: Sales to Suzuki and Mitsubishi, which have newly launched eAxle and HEV, have increased. Have these new products contributed to profit?

A: They have been launched quite recently, and their production volume has been limited. Therefore, it will take some time for them to start contributing to our profit. Sales growth has also been driven by strong performance of ATs and CVTs.

Q: What is the progress in next-generation brake products and productivity improvement?

A: Steady progress is being made in production preparation for 8th generation cooperative regenerative brakes, which are scheduled for launch by the end of FYE Mar. 2026. As the profitability of the brake business is being stabilized, we expect that we can improve its profitability steadily through 2030.

As demand for brakes is expected to increase going forward regardless of the progress of electrification, we would like to achieve steady profit growth.

Q: What is the impact on AISIN of tariffs on aluminum, steel, and copper, which do not fall under auto parts tariffs.

A: Aluminum and steel account for around 10% of U.S. imports, and the tariff impact on them has already been reflected in our plan. Although the tariff impact on copper has not been reflected, it is expected to be insignificant as there are almost no copper imports.

Q: Is there any impact of China's rare earth export restrictions?

A: We do not expect any significant impact. We are responding to them by submitting applications for export permits. As a longer-term measure, we are developing products that do not use or use a smaller amount of rare earth.

Q: Regarding cross-shareholdings, how are you going to treat Toyota shares going forward? If you plan to sell them, for what purposes will the sale proceeds be used?

A: We are working to reduce cross-shareholdings in accordance with our plan. We are having discussions with Toyota as to how we should treat Toyota shares, and we would like to liquidate them when we need funds for future growth investments and use the sale proceeds for growth investments. Toyota has already indicated understanding and approval of this idea.

Q: Regarding the use of sale proceeds of your Toyota shares, in what fields or initiatives do you plan to invest them?

A: We are currently developing our new Medium-Term Plan and plan to announce it in 4Q. While the main points of the Plan will be a further evolution of electrification and incorporation of intelligence, we will also need to consider a return to HEVs and ICEs due to the deceleration of transition to BEVs.

In any case, we would like to allocate resources to fields in which we can offer higher value on a priority basis in order to strengthen the competitiveness of our businesses.

In our current Medium-Term Plan, we have refrained from making large investments for BEVs, except for certain equipment investments, in response to the delay in the transition to BEVs. While we continue to need to stay cool in determining the timing of investments, we would like to continue and execute such investments other than equipment investments, including M&A, at the right time.

SQ: What is the time frame for the targets of your new Medium-Term Plan? There is a possibility that the Toyota Group will be restructured. Will you consider assuming any assets of the Toyota Group going forward?

SA: The time frame of the new Medium-Term Plan will be the three years starting from FYE Mar. 2027. In addition, we are developing a long-term vision through 2035, and in that process, we are considering what business portfolio we should have.

As a result of such efforts, we would like to announce growth strategies and investments that are more specific than in the past.

As we intend to achieve discontinuous growth, it is crucial for us to consider investments that are not constrained by conventional approach, such as outgrow from in-house and asset-light business models.

While we cannot make such a decision unilaterally as we need to negotiate with the other party, if specific themes arise from the restructuring within the Group, we would like to consider them as a means to achieve such growth. In particular, we will consider investment themes, including alliances, to expand our business foundation to capture demand in emerging markets and to strengthen resources in the field of electrification and incorporation of intelligence.

Q: While the restructuring of the Toyota Group has drawn public attention, what roles will AISIN play within the Toyota Group?

A: AISIN is good at implementing effective actuation using hydraulic pressure and motors. Regarding controls in higher layers, we also expect to be able to expand fields in which we can provide solutions more than before.

As the functional arrangement of integrated ECUs, etc. of the whole automobile is different for each OEM, we will consider in what layer we should compete from a broad perspective.

As part of our current process of developing a long-term vision, we are considering how much we should expand our coverage in our strong fields of control and software and to what extent we should bundle functions to provide added value, including underbody and in-vehicle space.

Q: While cross-shareholdings within the Toyota Group are being reduced, do you plan to implement any change in cross-shareholdings with Toyota Fudosan?

A: We do not, at this point, plan to implement any significant change. The delisting of shares of Toyota Industries Corporation was announced the other day. However, the company's long-standing significance for us has not been changed, and we continue to regard it as an important company for our cooperation within the Group going forward.

Q: Regarding business asset reduction, you indicated that other projects are ongoing. What is their size?

A: Regarding business asset reduction, we are considering several projects for business assets to be transferred to our partners. For dynamic rebalancing of our business portfolio going forward, we need to consider business asset reduction from the perspective of overall optimization by having a bird's-eye view.