AISIN CORPORATION

Financial Results Briefing for 3Q FYE Mar. 2025

Q: You said that 3Q results were in line with your full-year forecast. Were there any one-time factors affecting the results? And also, what is the progress of negotiations toward recovery of increases in resource prices and labor costs in 4Q?

A: There were no one-time factors affecting the results in 3Q. Although the 4Q forecast is ambitious, negotiations for recovery of increases in resource prices and labor costs have progressed so far as planned.

Although it is possible that some recovery planned for 3Q will be delayed until 4Q or some recovery planned for 4Q will be delayed until next fiscal year, we will ensure that we will be able to record steady profit.

SQ: You have reported certain other income. For what reason?

SA: We are currently implementing balance sheet reforms. We conducted a comprehensive review of our fixed assets in Japan and have sold assets whose utilization rate or profitability is low.

We recognized gains on sales of those assets acquired some time ago whose book value was low.

Q: What is the likelihood of achieving an operating profit of 300 billion yen for the next fiscal year, including the forecast of PT unit sales?

A: We plan to fill the gap of 100 billion yen between the full-year forecast of 200 billion yen for this fiscal year and 300 billion yen planned for the next fiscal year fifty-fifty by improving our profit structure through internal efforts and capitalizing on increases in production volume at our customers. As we have always made internal efforts toward a high goal, we intend to steadily carry them through to the end.

On the other hand, production volume at our customers is not expected to reach 11 million units, which was one of the assumptions for 300 billion yen. We are currently formulating the profit plan for the next fiscal year by considering the overseas sales mix, the recovery trend of domestic production, exchange rate fluctuations, etc.

SQ: Are there any risk factors, such as US tariffs?

SA: We will proceed with local production and local procurement in the US. How much cost increase we must bear due to additional tariffs will depend on negotiations with our customers and suppliers, and we regard this as a risk factor at present. There are hardly any exports from China to US bases at present as they have worked for some time to change their suppliers and to increase local procurement.

Q: Unit sales were weaker than expected, but its impact appears to be offset by changes in exchange rates. Please explain the factors behind the decrease in unit sales by customer and by region.

A: We had anticipated a decrease in unit sales to European OEMs since the beginning, but the decrease in unit sales to Toyota due to test data fraud, typhoons, etc., in the first half and Japanese OEMs struggling in China are changes from the initial plan. We revised our forecast downward in 2Q to reflect the impact of these changes to the extent that they cannot be offset by exchange rates. We expect an upside in the second half due to Toyota's production recovery, the normalization of vehicle production in North America, and increase in demand in South America for products of European OEMs.

Q: From which customer or region do you expect an upside in terms of PT unit sales for the next fiscal year?

A: Total PT unit sales are expected to bottom out this fiscal year although PT unit sales to European OEMs are still decreasing. On the other hand, unit sales to Toyota and Suzuki are expected to increase in and after the next fiscal year. In addition, we expect firm demand for ICE exports by Chinese OEMs for the time being.

SQ: The automobile market is expected to be weaker than the initial forecast. Will there be any significant change in the product mix while overall sales are expected to increase?

SA: Although sales of BEVs are currently moderating, total unit sales are expected to increase as demand for HEVs is rising. The product mix is changing.

Q: I understand that sales are firm in China due to sales incentives and other measures in and after 3Q. What is the outlook for 4Q? As sales incentives have been announced also for 2025, I do not think that sales will decrease significantly. What are your expectations?

A: Unit sales increased somewhat in 3Q partly due to sales incentives, but we do not think that this level will continue. In 4Q, we expect a fall as a reaction to previous sales incentives and fewer operating days due to the Chinese New Year. Therefore, the results will depend on how much inventory decreases. On the whole, we expect that sales will be a little weaker than in 3Q.

SQ: What is the inventory status at your customers and your company?

SA: We are not aware of any excess inventory buildup at present.

Q: The situation in North America appears to be improving as it returned to profitability year-to-date in 3Q. Please tell us your outlook for 4Q and beyond.

A: During the last fiscal year and the first half of this fiscal year, we incurred production preparation costs for HEVs as upfront costs, but mass production will start this fiscal year, and such production will contribute to profit on a full-year basis in the next fiscal year.

In addition, although the productivity of production bases for car body and related products had declined, they returned to profitability this fiscal year as their productivity has improved through line automation and other efforts. Therefore, we expect their profitability to increase further in the next fiscal year.

SQ: Will production preparation costs continue to be incurred toward the next fiscal year?

SA: We are preparing for the production of certain HEVs this fiscal year, and their production is expected to start next fiscal year.

Q: You said that in order to achieve operating profit of 300 billion yen next fiscal year, you plan to achieve half of the expected increase of 100 billion yen over the forecast for this fiscal year (50 billion yen) through internal efforts. Please explain the details of this?

A: As we intend to achieve an increase of 50 billion yen through internal efforts, we will make extra efforts in addition to our cost structure improvement efforts in this fiscal year. More specifically, while boosting overall profitability by launching new products, we will work to eliminate unprofitable products and bases in existing businesses. We have been working to reduce fixed costs for some years, and we will improve efficiency and profitability through consolidation of group companies and production bases. We have formulated specific action plans and are implementing them steadily one by one.

Q: Unit sales to European OEMs are decreasing as product changeover is ongoing. Once product changeover is completed and new products are installed in car models for South America and other regions, will unit sales start to increase? There is a strong impression that unit sales to European OEMs will decrease, but I would like to know whether unit sales will bottom out next fiscal year and will start to increase thereafter?

A: We expect unit sales to European OEMs to bottom out sometime around next year. However, we do not think that the decreased unit sales will recover in the same region, but we expect unit sales to South America will increase rather than unit sales to Europe. We also expect sales of products for ICEs to decrease and sales of electrified products to increase. For example, AT sales to BMW are decreasing, but e-axle sales to the company are expected to increase going forward. In addition, we have received new orders from other OEM for HEVs. Our unit sales will grow through the latter half of the 2020s although their mix will change. We believe that we are currently in a temporary transition period of such process.

Q: Sales to Suzuki are increasing. What is the current status and future outlook for Suzuki business?

A: Our Suzuki business currently constitutes mainly of domestic business, but transactions are expected to increase going forward, including eAxle sales to India, which have just been announced, and new orders for CVTs. Using the project for India as a foothold, we would like to improve profitability while building a foundation in India.

Q: What will be the impact of the integration with Aisin Chemicals?
Is there a possibility of integration with other group companies, such as Advics and Aisin Takaoka?

A: Aisin Chemicals' sales for each of its businesses, such as friction materials for ATs, brake pads, chemical products, and resins, are in the tens of billions of yen range, and its overall sales are just under 100 billion yen. Each of its business domains has its own strengths, and we determined that we can further develop these strengths by integrating its businesses with ours from the perspective of business scale. As for Advics and Aisin Takaoka, we are considering how to increase synergy with them, including their capital structure, as we explore ways to strengthen our group management.

SQ: I understand that while you are working to strengthen the brake business of Advics, other companies have a significant presence in ECUs and integrated control technology. As SDVs advance going forward, the added value of brakes is likely to decrease. What measures do you have in mind to address this?

SA: Brakes are important parts requiring extremely high reliability as they support the basic functions of an automobile – running, turning, and stopping. As there are few competitors in this domain, we do not believe that the added value of regenerative brakes will decrease as integrated control advances going forward. We will also strengthen integrated control and ECUs by leveraging J-QuAD DYNAMICS to a maximum extent.

Q: 3Q results appear to have exceeded your plan, but I would like to know more details.

A: The upside to exchange rates was offset by delays in reducing fixed costs, and the result was a slight increase over the plan.

Q: Regarding capital investment in this fiscal year, what is your evaluation of progress so far, and what will be the level of investment in the next fiscal year?

A: Although the progress rate of capital investment through 3Q appears to be low, given the tendency of acceptance inspection to concentrate in 4Q, we expect progress to be in line with the initial plan. As for the next fiscal year, we expect the level of capital investment to exceed 250 billion yen as investments for electrified products will start, including those for e-axle for BMW. However, we intend to delay investments for electrified products to the maximum extent possible in order to implement efficient investment.

SQ: Will the electrified products for Suzuki and BMW announced recently be locally produced?

SA: Our basic plan is to produce them locally.

Q: Is the likelihood of securing orders from European OEMs rising? I understand that ICEs are for South America and HEVs are for Europe, but I would like to know whether you have long-standing business relationships with European OEMs as you do in the case of Toyota. Capturing Toyota's in-house production is to some extent guaranteed, but what is the situation with other customers?

A: Toyota's multi-pathway strategy allows it to offer a variety of powertrains depending on the region. We are also prepared to meet any demand with our full lineup strategy. Regarding European customers, there is some uncertainty about how powertrains will change going forward.

However, some regional trends can be observed. While electrification is progressing in China and Europe, demand for ICEs continues to solid in South America. We are receiving many inquiries for electric units, and as the needs for models and sizes vary by region, we will carefully respond to these needs.

SQ: I understand the situation varies depending on the region, but what is the situation with US OEMs?

SA: As electrified products will be launched one after another in addition to those for Toyota, we will announce them when we are able to do so. In addition to the orders received for HEVs in North America, we are receiving an increasing number of new inquiries and requests. We believe that future opportunities for HEVs/PHEVs will increase.

Q: Although share repurchases for this fiscal year have been completed, we expect you to continue to strengthen shareholder return going forward. Please tell us your shareholder return policy regarding whether you will increase the amount of return while lowering the capitalization ratio and whether you will raise expectations for DOE and other indicators toward 4Q.

A: We announced a plan to generate cash of 500 billion yen by promoting the medium-term plan and allocate it to further growth investments and shareholder return, and we carried out share repurchases this fiscal year as part of the plan.We do not plan to stop here, and we intend to actively carry out share repurchases also in the next fiscal year while considering the balance with growth investments.

SQ: Are you in a situation in which you cannot discuss and determine the level of return unless whether you can sell Toyota shares is determined?

SA: We will at least make a decision on shareholder return for the next fiscal year irrespective of Toyota shares.