

Summary of Q&A at FY2023 (ending March 2023) Business Briefing

Q 1 : In TOYOTA's briefing, it was suggested that Chinese manufacturers have made remarkable advancements ahead of global players in the design of BEV interiors and exteriors. Given your ambitious target of becoming an interior space creator, how do you plan to outpace these Chinese competitors? I assume that this would require not only the strengths of your company but also those of TOYOTA group companies. Could you share what discussions have taken place on this topic, as well as the potential impact of the new EV platform?

A 1 : While the basic performance of the seats is almost identical for both BEVs and hybrid vehicles, both of them required to be slimmer and lighter. We're putting considerable effort into heating or cooling the seats themselves, which are always in contact with people to improve the air conditioning efficiency inside the cabin and contribute to energy savings. We hope that we can contribute to TOYOTA by developing these products in collaboration with other companies in TOYOTA group. We realized that the advanced and exciting aspects of interior and seating really stood out in the Shanghai Motor Show, and this gave us a sense of urgency that we must become a company capable to make good proposals. Today we outlined our R&D roadmap, where safety and environmental considerations are required items. We're working on technology that make the car interior space "feel good," "have fun," and "do more," we feel there's still a long way to go. We're committed to enhancing this roadmap and creating seats, interiors and interior spaces that meet customer expectations.

Q 2 : TOYOTA announced that they aim to sale 1.5 million units as BEV by 2026. If the volume rises, would that put more pressure on suppliers? When we look ahead to 2025, what changes do you foresee?

A 2 : TOYOTA's BEV strategy is a major factor for us. We are developing technology based on a new platform, the specifics of which depend on the customer, but we are keen to propose our solutions.

Q 3 : I would like to talk about slide 11. As you have already reached your sales target for mid-term business plan, I believe the real challenge now is increasing profits. What are your current hurdles and opportunities for achieving your profit targets? The external environment has changed quite a bit since you laid out your plans, such as inflation, China's economic slowdown, and fluctuations in volume. Could you please show us how you plan to navigate to meet your profit targets?

A 3 : We have already surpassed our mid-term target with projected sales of JPY1.68 trillion for 2023, and this is due to depreciation of the yen. As toward 2025, our focus is on ensuring that our efforts up to this point have resulted in a solid corporate structure, and that our targeted sales expansion and technical strategies have been effectively implemented. Regarding the changes in business environment, we did not initially anticipate the level of inflation we are currently experiencing. The challenge of passing on price increases is significant, but we are committed to maintaining our overall supply chain while engaging in thorough discussions with OEMs. About China, we have been concentrating on success there, which has contributed to our profits. For the potential slowdown, we will closely monitor the situation, including the current stance. The Americas, especially North America is facing more significant challenges than anticipated, including inflation and labor challenges. We plan to address restructuring and streamlining operations.

Q 4 : As mentioned on slide 10, it seems that you are progressing well in expanding to emerging markets, ASEAN, and India. I recall there was a sentiment that manufacturing for low-cost vehicles in emerging markets would be quite a challenge. So, please let us know the background which led you to acquire these new orders as well as their profitability. I want to confirm that we do not have to worry about struggling to make a profit with low-cost vehicles in emerging markets.

A 4 : We have been developing frames and seat assemblies specifically for compact cars. With focusing only on the essentials, we developed affordable products to make it optimal for compact cars. This approach has allowed us to secure profits reliably. We are using these products as leverage to expand sales especially in India and Asia. Even for compact cars, added value is necessary. For instance, in Southeast Asia, there is demand for features such as seat ventilation systems that cool the seats. By also marketing these components in a bundle, we foresee further profit enhancement.

Q 5 : About slide 10, please let us know how you view your relationships with other seat manufacturers which have been supplied for Company A and B, and whether you are considering collaborations under certain circumstances.

A 5 : One reason we're seeing success is our technical development capabilities, which are highly sought after in emerging markets. We are thoroughly discussing opportunities for collaborations, making full use of the existing resources. This approach has been leading us to acquire new orders. Our operations in western India are also based on the premise of collaboration with local suppliers.

Q 6 : I have a question about heatless magnet molding method on the slide 21. Is this a technology capable of outperforming crimping? Please tell us the advantage of this method compared to the existing method. In addition, if there is any changes to the competitiveness of motor cores which you produce, I would like you to provide a supplementary explanation.

A 6 : We have precision press technology and also produce dies in-house. We believe we have gained competitive advantage with the magnet mold method using thermoplastic resin that doesn't require heating and cooling. This was made possible precisely because of our expertise in precision press technology. We will promote activities to other customers in Japan and to overseas such as North America and Asia with the competitive advantage secured.

Q 7 : On the slide 15, Lv. 4 autonomous driving is positioned slightly before

2025 in your R&D roadmap. You've mentioned earlier about the group-wide collaboration, but could you provide more detail on how this collaboration takes place? If there are areas that need to be expedited, could you elaborate on what they are? Also, I'd be interested in hearing about roles of each companies.

A 7 : Aiming for Level 4, we are developing technology that enable a relaxed posture even during driving with the collective strengths of companies in the group. Ultimately, we aim to facilitate a sleeping posture, enabling passengers to sleep even when the vehicle is self-driving and aim to bring it to reality by 2030. This cannot be achieved by us alone, so we're working collaboratively with various TOYOTA group companies. Regarding the MX221, its design is rooted in the concept of ridesharing space. We have been reviewing the roles regardless of each company's existing products, and leveraging everyone's strength to realize this objective. We see the ability to compete as a group as a significant advantage. The leaders of each company are also advocating for collaboration across boundaries. We're determined to leverage this asset to create superior interior space.

Q 8 : My question is about page 18, where it's stated that a vehicle's interior space can be changed into multiple forms. I assume you are expecting to develop new businesses, but could you share your current thoughts what kind of business area you are considering with roadmap or schedule, if possible?

A 8 : Right now, we're in the process of exploring a variety of business scenarios with catering to needs such as wheelchair accessibility, seating for business or first-class on airplanes, and the installation of tools such as refrigerators. We're in the midst of identifying and addressing a range of customer needs. In particular, the wheelchair accessibility has received positive feedback at CES, so we want to focus our development efforts on that.

Q 9 : About slide 16, I'd like to ask about heat management system for seats. You mentioned the need for collaboration with the alliance and group. As a seat manufacturer, Toyota Boshoku already offers seat heaters and

ventilation, I believe. Will the covers change, the internals of the frame change, or will it just be a case of adding heating and cooling functions to the seats? Can you tell me if there's something more that you can contribute as a seat manufacturer?

A 9 : As to install ventilator and heating systems into the seats, the key point here is to reduce energy and electricity consumption for air conditioning. Therefore, we are currently developing products with higher power compared to conventional heaters and fans. We are also developing covers that can instantly heat up or cool down. For control, we are considering a coordinated control system, for example, weakening the air conditioning when body temperature starts to rise.

Q10 : My question is about slide 20. When talking about expanding sales for seats and for other devices, what is your vision for 2025, 2030? In the part about sales expansion, is having multiple items such as interiors, seats, motor cores, and various others an advantage in expanding sales? For example, when expanding sales of motor cores, can we expect the existing trading relationship with customers in seats or interiors to be a tailwind?

A10 : We want to propose both the finished seat products and devices, as well as interior parts and electrification products to our customers, utilizing the sales channels we have acquired through the business transfer from Aisin Shiroki. We aim to be not only an interior system supplier but also go beyond that and contribute as an interior space creator. We believe that we can provide more added value by not only producing seats but also interiors. In the BEV field as well, we can propose combining seat ventilation and heat-shielding headliners to further reduce electricity consumption, because of our strength of being able to propose the entire interior space, and we want to take full advantage of this.