

Summary of Q&A at FY2023 1st Quarter Financial Results

Q 1 : In the first quarter results, SG&A expenses increased in Japan region and the Americas region. Please let me know if there are any transient factors.

A 1 : Regarding expenses, , we systematically spent expenses for the future, such as human resource development, carbon neutrality, and DX, in addition to projects that could not be executed due to the pandemic of COVID-19 in the previous fiscal year. Production preparation costs are expected to be incurred in the Americas.

Q 2 : Did the revision of the number of seat assembly plan match Toyota's production plan of 9.7 million units? Please tell us the planned number of the seat assembly for the first half.

A 2 : Against the number of units of Toyota's current global production plan of 9.7 million units, we are calculating the number based on our share by region. Production in the first quarter was 1.77 million units. Production is planned for 2.18 million units in the second quarter, 2.23 million units in the third quarter, and 2.22 million units in the fourth quarter, resulting in annual global production of 8.4 million units.

Q 3 : Is it correct to understand that the impact of production cuts and employment maintenance costs were significant in the results for the first quarter, and the result was down against the original plan?

Looking at the operating income in the first half and second half, it is expected that the second quarter income will recover significantly. I would like to know how it will change in terms of cost.

A 3 : In the first quarter results, the new product effect had a positive impact of JPY1.3 billion, while the model mix difference had a negative impact of JPY1.5 billion. We need to pay particular attention to the model mix in the future. It has fallen from the upper grade to the middle grade, the average selling prices for the same car models are on a downward trend compared to the previous year.

We think in the future, shift from high grade to low grade even within the same model, and the impact of the model mix will be greater than the number of units.

Expenses increased by JPY4.2 billion compared to the previous year but were within the originally planned budget.

Q 4 : How is the postponement of Toyota's regular price revision in the second half included in the revision of the annual plan? I also would like to know whether there is any change in the direction of price raise due to inflation.

A 4 : For positive impact, we are planning to add JPY5.5 billion for internal efforts, such as JPY3.3 billion due to recovery of market conditions and achievement of cost planning targets, and JPY1.6 billion due to revision of fixed costs.

On the other hand, the number of seats will decrease by 500 thousand units, resulting in a decrease of JPY16 billion. In addition, the market price will rise more than initially expected, and the model mix difference will shrink by JPY3.9 billion as the grade mix shifts toward lower grades. The negative impact of these environmental changes is JPY22.5 billion.

In terms of market recovery, we are still negotiating with each of our customers. We have incorporated as much as we can see at this point. We would like to discuss the situation more thoroughly in the future, and we would like to move in the direction of price increase, even if only a little.

We have factored in our customers' price revisions for the second half of the year.

Q 5 : In order to avoid another downward revision, did you take a relatively conservative view of various factors regarding the full-year downward revision of business forecasts ?

A 5 : Assumption of the number of units plan is in line with Toyota's plan. As far as possible, the grades have been revised from the initial announcement. Regarding the situation of reduced production, and the rising cost of materials and transportation, assuming the highest possibility at the moment.

Q 6 : Regarding the decline in grade within the same car model, for example, in which areas is this the case, or what factors are involved? If you give us any hints on the region or factors, even if they are not precise analyses, I would like to know the reason.

A 6 : Where the grade decline is particularly noticeable is Japan region. Perhaps the semiconductors are having an impact. The number of lower-grade cars with fewer semiconductors used is increasing. When we compare the unit prices for

the models we receive orders for, we see that they are down several percent compared to last year. In addition, there is an impact of a shift to compact cars in the Asia-Oceania region.