

Summary of Q&A at FY2023 (ending March 2023) Financial Results

Q 1 : Regarding increase of other revenue in Q4, please let us know how many transitory factors were present.

A 1 : There were about JPY2 billion gain from the sale of land, assorted gain of JPY1.5 billion including insurance proceeds from the flooding in South Africa, so JPY3.5 billion in total were transitory revenue.

Q 2 : The capital investment is planned to increase considerably to JPY82 billion in FY2024, please let us know your plans to use this for. Also, about the use of cash besides capital investment, I would like to know if your company is considering to enhance shareholder returns in the future.

A 2 : The capital investment JPY82 billion is a scale we have not experienced in the past. This includes the delay of about JPY10 billion in investments that were planned for FY2023, and in addition, we plan to renew our capital investment for the seat frame component business which were integrated from Aisin Corporation and Shiroki Corporation to increase our further competitiveness, and we also plan to invest for carbon neutrality and DX with a view to future growth. Regarding the use of cash, we believe that shareholder returns are very important points such as our payout ratio of 89% in FY2023 . We also intend to make various concrete investments such as alliances for future business expansion.

Q 3 : Regarding the production volume, I think domestic production was reasonably strong in March. In case volume will increase from the planed volume assumption, is it correct to understand it will have a solid effect on profits?

Also, about the model mix, while actual results for FY2023 was a negative factor of JPY22.8 billion, the plan for FY2024 shows that it will be a positive factor of JPY6.4 billion, indicating that the plan does not show much recovery. Is it correct to expect an effect of improvement in model mix if the production volume increases?

A 3 : Since we have made conservative plan with factoring in a slight risk of production reduction in each region based on volume assumptions of Toyota, there is a possibility of volume increase. About model mix, we have made our plan at the level of the second half of FY2023. However, it has been slightly improved in the most recent unofficial indications we received, we also see the opportunity.

Q 4 : About FY2024 forecast in China Region, the volume is estimated to remain flat, but the decrease in profit appears to be large. Is this due to the mix change or to the fact that discounts have a great impact?

A 4 : For one thing, the assumed exchange rate is JPY18.1 to the Chinese Yuan for FY2024 compared to JPY19.8 for FY2023, which means that profits will be about JPY2 billion smaller. In addition, there are effects from increase of production preparation costs for new car models and change in the mix of car models. There is no major change in discounts from the previous year.

Q 5 : Regarding revenue forecast in China Region for FY2024, it is JPY120 billion for first half and JPY100 billion for second half. Please let us know the factors.

A 5 : This is due to the fewer operating days in second half than first half.

Q 6 : I believe that the number of seats produced by your company is about 86% of Toyota's production. Since your company is promoting sales expansion for OEMs other than Toyota, are there any trends to diverge the linkage with Toyota's production volume in FY2024?

A 6 : We are promoting sales expansion to OEMs other than Toyota targeting 20% of sales by 2030. However, the results of such efforts are gradually appearing, there will not be a major change in FY2024.

Q 7 : In FY2024 earnings forecast in Asia and Oceania, seat production increase by 12%, while operating profit is expected to decline by JPY2 billion in real terms. What is the background to the fact that profits do not increase even though the number of units grows?

A 7 : There are two factors. One is the difference in exchange rate that the assumption is JPY3.6 to the Thai baht for FY2024, while it was JPY3.84 for FY2023. Other is the effect of additional preventive maintenance costs for facilities.

Q 8 : Please let us know when we can expect to see the improvements in profitability regarding the seat frame component business integration from Aisin Corporation and Shiroki Corporation.

A 8 : In FY2024 forecasts, it is included in Japan region. As a result of this, depreciation and other expenses appear to be increasing, but sales themselves are also increasing. The JPY83 billion investment includes factory reorganization and production layout optimization, and we plan to further enhance synergy effects through these measures. We will also proceed with the transfer of their overseas businesses from now on.

Q 9 : The production volume forecast seems conservative. Do you see any specific risk? Could you please tell me the background? I think there is a possibility that the number of seats will be about one million units higher than your plan. Please let me know whether it is possible for you to respond to this in terms of cost and human resources.

A 9 : We made this volume forecast as we interviewed each country and region and each model of car based on the plan received from Toyota, and we took into account the maximum risk. We have confirmed the global production capacity of our in-house factories. On the other hand, we know some companies in the supply chain will have difficulty for securing personnel. We will work to receive information from Toyota as soon as possible and organize the system to respond the increase in production firmly with entire supply chain.

Q 10 : I have heard Toyota is launching a new EV platform for 2026. If you anticipate any corresponding changes in your seats, we would love to hear about them. In addition, is there any move regarding motor cores that would be an opportunity for your company in relation to Toyota's EV strategy?

A 10 : With regard to EVs, we are currently working with Toyota on various initiatives. There is room for major changes, including seat structure. We will offer proposals which can accommodate EVs and new platforms to satisfy our end-customers. As for motor cores, our products have been used for Noah/Voxy, Sienta, and Prius which were currently launched. Also, there are other OEMs who are interested in our technology besides Toyota, we intend to conduct firm sales expansion activities that will lead to mass production.