

Summary of Q&A at FY2022(ending March 2022) Business Briefing

Q1 : The ROE, capital adequacy ratio, and net assets in the 2025 mid-term business plan goals have not changed since the last time. Please tell us what kind of review was discussed.

A1 : We decided that it is too early to make a decision at this time under circumstance of the COVID-19 disaster and the shortage of semiconductors, and the fact that we cannot see the future. Although some indicators are already close to the target, we will make a review decision after carefully assessing whether the numbers are in line with the process.

Q2 : Regarding motor cores, what is the progress of your efforts and what differentiates you from your competitors?

A2 : For Toyota, it was adopted for minivans on this year. We are also marketing to OEMs other than Toyota, and the results are gradually becoming evident. We are also considering motor assembly for future expansion and would like to collaborate with outside companies to develop control technology, motors, and other components. We believe we have some advantages over our competitors in terms of mold technology, precision press technology, and mold repairs, but we are still behind in terms of cost, so we will work to improve in that area.

Q3 : President Numa will be replaced on this June. Please tell us your own assessment of what you were able to accomplish with what you wanted to do and what you will entrust to your successor.

A3 : We have been making considerable efforts to reduce fixed costs in order to further strengthen our competitiveness. In addition, I think we have done a good job of reorganizing our plants and regions and making the necessary investments for the future. However, we have yet to thoroughly encourage each and every one of our employees to think, decide, and act on their own initiative. I would like to see the integration of knowledge and intelligence, how each and every one of us can work vigorously and be independent, and how we can organize and realize the items that we are actively working on.

In the long term, I think it is about how each and every one of us can become self-reliant.

Q4 : The plan for this fiscal year is to produce 8.9 million seats.

Sales are projected to be almost at the 1.6 trillion-yen level, and operating profit at 5%. However, if we exclude the inflationary effects of material and logistics costs, which were not included in the mid-term management goals, I think we can consider that the operating profit is almost at the 6% level. Is it ok to say you are on pace to exceed the management plan goals for FY2026? In addition, what measures do you have in place to further raise the profit ratio amid the deteriorating external environment?

A4 : If we take just the numbers, we are close to our management plan goals for FY2026. We are looking at both results and process, and results may show a large increase in sales depending on market trends. On the other hand, we believe that we need to further expand sales toward FY2026 to see if we are approaching the business portfolio that we originally aimed for. We are currently affected by high material prices, high logistics costs, and high crude oil prices, so we will work together with our suppliers to create a structure that can respond flexibly to meet customer expectations.

Q5 : Regarding ESG KPI, the "sales ratio of products for electric vehicles in unit component parts are expected to increase to 10% in FY2026 and 45% in FY2031, which is a large increase after FY2026. Does this mean that existing products will grow as single products until FY2026, and assembled products and system products will increase from FY2026 onward? Also, the adoption of "products that contribute to traffic safety" is expected to increase,

A5 : Regarding " products for electric vehicles," we will focus on single product business of motor cores and fuel cell separators until FY2026.

We are considering expanding sales to OEMs other than Toyota and to the Chinese region. The company is then considering the sales of motor cores as motor assemblies, separators as low-pressure fuel cells, and lithium-ion batteries as high-rate battery assemblies, which would be sold as a large system. Regarding "products that contribute to traffic safety," we are developing products that incorporate airbags and seatbelts into seats to ensure safety in situations where the seat position and direction can be freely changed by automatic driving.

Q6 : Regarding fabric design and self-sufficiency, could you be more specific about what you mean by fabric design development (pattern and modeling)?

A6 : Currently, seat fabric is decided without matching the seat shape.

We design the seats, but when we match the design with the seat covers, if the seat covers do not match the seat shape in terms of elongation and alignment, various problems will occur, such as wrinkling, sagging, and wear when getting in and out of the seats. Therefore, in order to develop the seat fabrics, including its matches with the design, we are trying to eliminate reworks by transferring our staff to Toyota Motor Corporation to study so that we can match seat development with design from the beginning.