

Summary of Q&A at FY2022 2nd Quarter Financial Results

Q 1 : Please let me know about the results for the second quarter, including any good or bad transient factors.

A 1 : Despite the impact of soaring a sharp rise in raw material expense which was approximately 3 billion yen, profits increased due to the impact of increased production resulting from the recovery in demand and the effect of new products. With regard to the model change vehicles, we were able to proceed with production preparations without major losses and that make us improving profitability and to steadily producing the effects of new products.

Q 2 : Looking at the first three months of the second quarter by region, profits in Japan region fell by only 3.7 billion yen, compared with 27 billion yen in the same period last year. On the other hand, in China, profits have fallen more than the decrease in sales. Could you explain the reasons for this?

A 2 : In Japan region, the drop in profit was small compared to the drop in revenue due to the effect of new products such as model changes and the launch of new models. In China, both revenue and profit declined due to production decrease in Tianjin and Guangzhou in August and September.

Q 3 : With regard to the FY2022 financial forecasts, is your production volume assumption based on Toyota Motor Corporation's production volume assumption of 9 million units? Also, is there any opportunity for upside?

A 3 : The production volume of Toyota Motor Corporation is assumed to be 9 million units as reported in the newspapers, and based on this assumption, our production volume is expected to be 7.77 million units. If Toyota Motor Corporation increases its production volume, we expect our production volume to increase as well.

Q 4 : With regard to the 6.3 billion yen in the FY2022 financial forecasts for the effect of new products and the difference in the model & product mix, considering the difference from the first half results, it means that there will be almost no profit in the second half, but considering that new car models will be launched and the number of units will increase, couldn't it be more profitable?

A 4 : In Japan, we are considering seven model changes, which we believe will contribute to earnings. Tooling cost profit, which is decreasing compared to the previous year, is pushing down the profit of new product effect and model & product mix difference in the second half.

Q 5 : Earnings in the Americas region are expected to improve further in the second half. What are the factors behind this? Also, is it correct to assume that the operating profit of 4.3% in the second half of the fiscal year is a strong figure?

A 5 : The production volume in the Americas are expected to increase by 230,000 units compared to the previous year. Although there are some factors to reduce profits such as soaring a sharp rise in raw material expense and an increase in overhead costs associated with the normalization of production. We believe that we will be able to increase sales and profits in North America due to improved production efficiency and the effects of new products as the start-up of production ran its course in FY2021. If production of highly profitable models continues, we believe that earnings will continue to improve in the future.

Q 6 : Sales in the Asia & Oceania region have increased, compared to the first half, but the profit margin has decreased. I believe there were some factors such as soaring sharp rise in raw material expense, but couldn't it increase a little more?

A 6 : Price revisions for the fiscal year in the Asia & Oceania region were not factored in during the first half of the fiscal year, and will be factored in during the second half of the fiscal year. That result in lower profits relative to the volume.

Q7 : In your FY2022 financial forecasts, Toyota Boshoku plan to do cost reduction at a high pace in the second half of the fiscal year, but do you have any special measures or specific ideas for the second half?

A 7 : In the first half of the year, cost reduction did not proceed in some areas due to the impact of customers' shutdowns, but in the second half of the year, there will be recovery production from the first half, and we expect a ripple effect from the increase in production volume, so we are setting cost reduction at a very high level. We are planning to implement over 8 billion yen in measures to secure profits globally, and by making sure that these measures are completed. We will achieve our full-year profit target of 72 billion yen.