

Summary of Q&A at FY2022 3rd Quarter Financial Results

Q1: The number of seats produced in the third quarter increased from the first quarter. Since Toyota's volume has not increased that much, it appears that your company's share of orders within Toyota is increasing. In terms of regions, the trend is more appeared in the Americas and the Asia & Oceania region. Please give us some background on what changes have occurred.

A1: In the Americas, the volume of Toyota vehicles which we received orders has increased. In Asia & Oceania region, volume increased due to the launch of a new model for Daihatsu in Indonesia and a new model change in Thailand. The number of IMVs also increased significantly compared to last year.

Q2: How much of the seat volume was planned based on your assumptions? What is Toyota's assumed volume for the fourth quarter?

A2: While there are production cuts in both January and February, we have made a downward revision of 390,000 units from 7.77 million units to 7.38 million units based on Toyota's volume information up to January 20. We assumed Toyota's volume level as below 9 million units. As for March, based on past results, we assumed that production will be reduced.

Q3: From the third quarter to the fourth quarter, the number of seats increased, but profits decreased. If there were any transient factors in the third quarter, please tell us the reasons.

A3: Although we do not have a breakdown by vehicle model for the fourth quarter, we expect that production cuts will be concentrated in high-grade and high-priced models, considering that semiconductor shortages are one of the factors. Therefore, in our case, model & product mix is expected to deteriorate, and both sales revenue and operating profit are expected to be low. In addition, about 3 billion yen in one-time expenses occurred due to production cutbacks and other factors, which will also contribute to lower profits. Operating profit for the third quarter is estimated at 18.2 billion yen, but the one-time negative factors include a loss of 2.3 billion yen for soaring material costs, and a loss of 1.5 billion yen for soaring product warranty coverage and fixed costs. Without these factors, we believe that we would have been able to generate around 20.7-billion-yen in profit.

Q4: Regarding the details of the current revision, I understand that you are maintaining your posture to increase production and that causes one-time costs by the production cutbacks, do I correct?

I believe that material costs, labor costs in North America, and logistics costs have risen compared to the assumptions made in the second quarter, but how are they reflected in the current plan?

A4: We expect a loss of 3.0 billion yen due to the risk of impairment of some Subsidiaries, and special transportation for maintaining part supply and maintaining employment under the circumstances of reduced production. We also expect a loss of 10.7 billion yen due to the impact of the production cut of 390,000 units, and an increase of 1.2 billion yen due to sales efforts and other measures to secure profits. As a result, the full-year forecast for operating profits decreased 12.0 billion yen from the second quarter forecast.

Q5: With regard to the Americas region, sales decrease, but profits increased When comparing the third and fourth quarters. Please tell us the background behind the large improvement in profits in the fourth quarter.

A5: As a result of negotiations, we expect to recover about half of the more than 5 billion yen in material cost increases that we had assumed would be recovered in the next fiscal year.

Q6: There are reports that Toyota's production volume for the next fiscal year will be 11 million units, but what level of profit and profit margin should we expect when that happens? Is it right to think that an increase in the number of units will result in a profit?

A6: If Toyota's production volume is 11 million units, about 86% of this will be our production volume, which will be around 9.3 to 9.4 million units. This fiscal year, 17 models will be remodeled, and since we have achieved our cost planning well, the effect will be generated by the increase in volume. Initially, we planned our operating profit as 72 billion yen for this fiscal year, but we believe that our profit will be improve higher than what we planned.