

July 30th, 2021

TOYOTA BOSHOKU CORPORATION

## **Summary of Q&A at FY2022 1st Quarter Financial Results**

**Q 1 : Please let me know if there is a transient factor in operating profit.**

A 1 : Despite a decrease of 1.6 billion yen due to a sharp rise in raw material expense, operating profit increased due to the effect of production increase which was caused by the recovery in demand from the previous fiscal year and the effect of new products. In addition, operating profit increased by 31.8 billion yen from the previous year due to the elimination of employment retentions in the Covid-19's disaster last year.

**Q 2 : How was the production volume and operating profit result for the first quarter, compare to the original plan?**

A 2 : Production Volume: Volume increased in Japan and Asia, compared to the Plan. However, production in the Americas, China, Europe and Africa decreased due to the impact of Covid-19 and semiconductor shortages. The result in a global production decreased approximately 20,000 units.

Operating Profit: Increased due to an increase in the ratio of SUVs and MPVs in Japan, a better grade within models and effects of new products, and a better mix result in Asia due to increase of IMV production. Fixed costs were also lower than our original plan due to our efficiency improvements. Those result brought us the highest operating profit for the first quarter.

**Q 3 : About the sharp rise of raw material expenses, please tell us about the areas that will be affected, the specific parts and materials, and whether it will be possible to pass on the cost increase to the prices.**

A 3 : The impact of the sharp rise of raw material expenses are expected to be a loss of 7.3 billion yen for the year. The impact will be high in Japan and the Americas. Cost of resin materials, urethane used in seats, and some special steel had been raised. In the future, we will promote internal cost reduction to absorb the impact and negotiate with customers to recover the impacted amount.

**Q 4 : The operating profit for FY2022 financial forecast were revised from 30 billion yen to 32.5 billion yen for the first half and from 42 billion yen to 39.5 billion yen for the second half. What is the background behind this revision?**

A 4 : In the first quarter, we increased the amount due to the good result in Japan was high. In the Americas, the impact of the sharp rise in raw material expenses were approximately 2.9 billion yen, and so, we revised the figure from 12.0 billion yen to 10.0 billion yen. To consider above, we revised the figures of the first and second half to be more realistic.

**Q 5 : In the Americas, are there any problem in terms of employment as you Increase production in response to model changes and new products?**

A 5 : Wages are increasing across the board in Indiana, Illinois and Tennessee regions. Through benchmark, we are also reviewing wages and making efforts to maintain employment. In the Americas region, we believe that we can expect to achieve our profit target due to the expected benefits of new products and progress in production efficiency.

**Q 6 : In the first quarter, you explained that an improvement in the model & product mix was a factor of the 1.6-billion-yen increase in profit. How do you expect for the mix in the future?**

A 6 : In the first quarter, production of SUVs and MPVs increased and also new products in Japan and the Americas contributed to our profit growth. In FY2022 Financial Forecasts, although the ratio of the mix will not change significantly compared to FY2021, the amount of marginal profit will increase and the mix will improve due to the increase in production of 510,000 units for SUVs and MPVs and 490,000 units for compact cars.

**Q 7 : Please introduce us some case if there are any specific improvement of the grade within the car model.**

A 7 : Improvement of the grade within a car model means that the number of cars with leather seats and more equipped grade will increase from our original plan. For example, the installation rate of the one-motor power seat, which was explained at our last FY2021 business briefing, had been very high in Yaris Cross, and we believe that will lead to new product effects and our profit improvement.