

**Summary of Questions & Answers for Financial Results Briefing
for Q2 Year Ending March 2023**

《Results for Q2》

Q1 : I would like to know the details of the factors behind changes in profits by business.

A1 : As a whole, it is as shown in the analysis of the factors behind changes in operating income on page 6 of the materials. Breaking down the stamping business and the valve business by factor is as follows.

- The breakdown of the 0.3 billion yen increase due to the increased sales volume is 0.2 billion yen for the stamping business and 0.1 billion yen for the valve business.

- The breakdown of the 1.9 billion yen decline due to the impact of selling prices is 1.3 billion yen for the stamping business and 0.6 billion yen for the valve business.

It seems that the negative impact of the stamping business is large, but since the 0.8 billion yen due to the scrap price adjustment is included, the actual price reduction will be 0.5 billion yen.

- The breakdown of the 0.8 billion yen increase due to foreign exchange gains is 0.1 billion in the stamping business and 0.7 billion in the valve business.

- The breakdown of the 0.6 billion decrease due to the rise in material prices is that 0.5 billion increase of the stamping business and 1.1 billion decrease in the valve business. The decrease of 1.1 billion yen in the valve business is due to the impact of rising brass and aluminum prices, as well as the increase in IC prices for TPMS purchased in conjunction with the exchange rate (euro) due to the impact of yen depreciation.

- The 0.9 billion yen increased associated with the cost improvement is all due to the impact on the stamping business.

- The breakdown of the 0.8 billion yen decreased due to the increase in labor costs is 0.6 billion in the stamping business and 0.2 billion in the valve business.

- The breakdown of the JPY 0.6 billion decreased due to the increase in depreciation costs is 0.7 billion decrease in the stamping business and 0.1 billion increase in the valve business.

- The 0.5 billion yen decrease in operating income due to the increase in expenses is entirely due to the impact of the stamping business.

If you add everything up, the stamping business will have a loss of 1.4 billion yen, and the valve business will have a loss of 1.0 billion yen.

Q2 : Compared to the previous plan, sales exceeded the forecast, but operating income fell short. In terms of business segments, income from the stamping business decreased, and in terms of regions, Europe and the United States decreased in 2Q. Please explain the background to this.

A2 : Net sales outperformed due to the impact of foreign exchange translation due to the depreciation of the yen. In terms of profit, as in Japan, there are large fluctuations in production in the United States, and the cost burden is increasing. Especially in the United States, it is difficult to hire people and the retention rate is not good, so we are raising wages to secure stable employment. In the factor analysis mentioned above, we explained that income in the stamping business will decrease by 0.6 billion yen due to increased labor costs, and will decrease by 0.5 billion yen due to increased expenses. Many of them are in America.

Q3 : Regarding the status of price negotiations with customers, please tell us whether you have passed on the costs associated with rising raw materials costs to sales prices in the first half, and whether you have completed cost recovery.

A3 : As for the stamping business, the sales price and cost price of materials, especially steel materials, are basically linked, so there is no impact on profits. We asked the customer to understand the increase in energy costs and transportation costs, and allowed us to pass on some of the costs.

In the valve business, all brass and aluminum are procured by our company, so raw material prices have a large impact, and soaring material prices are having a negative impact on profits. We are proceeding with negotiations with customers one by one, and they have allowed us to partially pass on the sales price in the first half. However, as we were unable to pass on all costs to the price, we are responsible for some of them. Material prices will remain high in the second half, and we are negotiating tenaciously to somehow recover costs. In some cases, the results of price negotiations conducted in the first half will be reflected in the price from the second half. We expect the amount of cost recovery in the second half to be larger than in the first half.

In our factor analysis, the recovery of energy costs up is reflected in" the expenses", and the recovery of materials is reflected in" the selling price".

《Forecast for FY2022》

Q4 : I would like to know what your assumptions for Toyota's production volumes are based on this time.

A4: For this second half, we assume that the impact of semiconductor shortages and the impact of COVID-19 will continue. Our forecasts are based on the premise that we incorporate a little more risk, including in Japan and overseas, than the published figures.

Q5 : In terms of costs, I would like to know how you will control labor costs.

A5 : Until now, we have tried to control costs as much as possible in response to production fluctuations and various points of change. Some of the activities to pass on the price of materials in the first half will be effective in the second half.

Regarding labor costs, especially in the United States, the rise in hourly rates and the low retention rate had the effect of causing a lot of labor costs. This situation is pretty calm right now. Currently, we are increasing our organizational strength by enhancing the training system to retain personnel and improving the production system. It also makes it easier to see abnormalities and make improvements. We expect that such forward-looking activities will contribute to stable profits from the second half onwards.

Even in Japan, we had a hard time in the first half of the year due to frequent rapid production cuts. In the second half, we expect October to be the bottom, followed by a gradual recovery from November, and we do not anticipate a rise in labor costs like in the first half.

Q6 : Please tell us about the direction of each business.

A6 : We will steadily follow production fluctuations due to the impact of COVID-19 and semiconductor shortages.

As an activity of each business segment, in the stamping business, we are working closely with our customers to develop ultra-high tensile strength products.

In the molding business, we are steadily expanding sales of urethane parts in particular, in anticipation of an increase in electric vehicles in the future.

In terms of valve business, we are planning to start mass production of new electric expansion valves for electric vehicles from next summer, and we have also started introducing new types of TPMS. Looking back on the first half of the year, the business environment was difficult. We have done enough activities for the future, so please look forward to it.

Q7 : The situation in North America is expected to recover in the second half. Is it correct to understand that there are prospects for improvement at this point, after looking at risks to some extent?

A7: Yes. While communicating with the local people, we are dispatching people from Japan to support production etc., and there is a trend toward improvement. We want to speed things up and get results.