

Financial Results Briefing for Fiscal Year 2022 Third Quarter Q & A

《Q3 Financial Results and Q4 Forecast》

Q1 : Regarding the Q3 of stamping & molding business, did the profitability in Q3 return to the same level as in Q2? On the other hand, considering the increase in domestic production by Toyota, the Q4 sales seem conservative. Please explain.

A1 : Comparing Q3 with the previous forecast, it is almost as planned. Automobile production volume remained at the same level as Q2. New vehicle models were launched in Japan, North America, and China, and return on investment in molds increased sales and profits.

Regarding Q4, there are regional differences. In Japan, automobile production will recover and production volumes will increase. But in Asia and North America, they will be lower than the previous forecast. We assumed the overall global performance in Q4 to be in line with the previous forecast.

Q2 : How did you factor in Toyota's production volume of 14,000 to 15,000 units/day in Japan in Q4? Looking at your analysis, you appear to be planning to control costs. Does this mean that you will strengthen cost control in Q4?

A2 : We are planning to produce slightly less production units than what has been proposed by the customer. As for the costs, we are implementing various improvements not only in Japan but also overseas to reduce expenses and labor costs, and incorporating those effects into our forecasts.

Q3 : Please explain the decline in profitability in the valve business in Q4.

A3 : Assuming an exchange rate of 130 yen to the dollar in the Q4, we factored in a decline in profits due to exchange rate fluctuations. Also, valve production trends to lag behind the recovery of automobile production, which is reflected in the volume forecast. The price of brass and aluminum, which are valve materials, remains high, and profits are declining. We will continue to pass on these costs to improve profitability.

《Expansion Valves for BEV》

Q4 : When will BEV valves be profitable and how big of an impact will they have?

Will the profit margin improve compared to traditional valve products? Is market competitiveness high in terms of technology and cost?

A4 : Production will start in May or June this year. Other models are under development. Since the volume is small at first, it will take some time before it is reflected in sales and profits. We believe that the global trend toward BEVs will accelerate, so we are

prioritizing development accordingly. We are aiming for the same level of profitability as existing valves, but there will be initial investment and additional costs at the start of production. We will continue to improve costs and strive to strengthen our competitiveness.

Our strength lies in our technological capabilities in fluid control. Specifically, we have a high market share in valves for automobiles, and had been developing valves for home air conditioners in the past. We are highly rated by customers because we can present drawings and prototypes based on solid technology and make valuable proposals. In the future, we are also considering adding value to BEV valves by combining them with electronic parts such as ICs. Through TPMS development, we have possessed the technology for automotive electronic components, and we can make advanced proposals that will be adopted by customers.

《The Introduction of Renewable Energy》

Q5 : From an environmental perspective, it is necessary to promote the introduction of renewable energy. However, some believe it is not linked to profitability or business acquisition. Please explain your opinion on whether this would be a requirement for new business orders or possibly have any other direct benefit in the future.

A5 : We believe that the introduction of renewable energy does not necessarily lead to the acquisition of orders, however we believe that this is a socially responsible initiative and we are promoting carbon-neutral activities with a 2050 target. Indeed, some European companies have made it mandatory to become carbon neutral. Since our company adopts the PPA method for introducing solar power generation, there is no initial investment, but there is an additional cost. With the goal of reducing power consumption, we are carrying out conventional energy-saving activities and daily improvements at the same time. We believe that these ongoing activities are very important.

《About the Change of President》

Q6 : Why are you changing the president at this time? How will you strengthen and enhance management under the new president?

A6 : Fiscal Year 2022 is the final year of our ongoing medium-term management plan, OCEAN-22, and we will soon reach a milestone. Currently, under the leadership of the vice president, we are formulating a new medium-term management plan, OCEAN-26, for the future vision on 2030. There are challenges in the automobile industry and new businesses. Under the leadership of the new president, we will promote OCEAN-26 by concentrating the potential of everyone, leveraging the potential of young employees as well. The former president will support the company as chairman and strengthen management.