

Summary of Questions & Answer for Financial Results Briefing for Q1 Year Ending March 2021

Q : Please tell me the detailed cost reduction and cost improvement among causes of fluctuation in profit by separating temporariness and continuity.

A : Examples of continuity include reviewing the specifications and frequency of use of purchased parts, curbing overtime by improving staff operations, and control the increase in the number of staff by relocation. Examples of temporariness include suppressing expenses by scrutinizing the contents of capital investment and making remodeling investment instead of new investment. The travel expenses and the expenses associated therewith have also been reduced, which has been effective.

Q : Regarding the full-year plan, if possible, please provide the figures for each segment in the first half and the second half of the fiscal year.

A : In the first half of the fiscal year, net sales of the stamping/molding business is expected to be 40 billion yen and operating income to be 1.8 billion yen in the red. In the valve business, sales are expected to be 18 billion yen and operating income is expected to be 200 million yen in the black. Comparing the Q1 and Q2, 2 months shutdown of two bases in North America and a decrease in production in Q1 in Japan had a huge negative effect on the stamping and molding business.

Q : Please tell me the assumption of Toyota's production volume for the full year forecast this time.

A : Domestic production volume is assumed to be 490,000 units in Q1, 720,000 units in Q2, and 1.51 million units in the second half of the fiscal year. Since the valve business is a Tier 2 business and is affected by the production conditions of European and American car manufacturers, we have made this forecast based on various information.

Q : What is the assumption of the overseas production volume?

A : Based on our rate of operation, the recovery is expected to be about 40% for Q1, 80% for Q2, and 90% for the second half of the fiscal year in North America. China is recovering steadily with about 70% in Q1 (January-March) and 100% something extra from Q2 onward. In Europe, the market recovery is delayed, with 80% in Q1, 60% in Q2 and 70% in the second half of the year. Thailand is also lagging behind in recovery, with 50% in Q1, 60% in Q2 and will recover gradually 90% in the second half of the fiscal year approximately.

Q : To what extent is the impact of expanding the use of ultra-high-tensile materials included in this number?

A : Hundreds of millions of yen in sales in Q1 to be positive.

Q : It was reported that Toyota has changed the quoted price of steel. Are there any changes?

A : Requests for price revisions and price revisions for steel products from Toyota are made every year, and we do not take it as a major issue. We also have not been informed officially, so we are not able to answer your question yet.

Q : As for Valve business, limited for Schrader, is it going to be below the break-even point this fiscal year? If profits decrease, is there any concern about impairment of goodwill?

A : Schrader is a company of France and America. Unlike the business for Toyota, Valve business recovery is slow. Although individual company has made a profit, Amortization of goodwill associated with the acquisition is occurring in a fixed manner, and we expect to post a deficit in the current fiscal year after amortization of goodwill. This is based on the assumption that the company will head toward recovery, and as synergies will gradually be gained, we don't assume that goodwill is impaired at this point.

Q : You found that the full year forecast for Valve business is harsher than that of Stamping & molding business. Are there any factors other than the delayed market recovery? Is switching new products of TPMS affecting the forecast?

A : Regarding TPMS, switching from type C to type E is underway. The amount of Type E will exceed in FY2020, so we suppose our product structure will be different from the past. In the Valve business as a whole, since we cannot really forecast a part of the global production recovery precisely, we are creating a forecast according to the information we have at this time.

Q : Are there any additional manufacturing costs, or structural changes in terms of purchasing due to the impact of COVID-19?

A : In order to prevent the spread of infection, we have taken measures for providing partitions where necessary but there is no substantial additional cost. For suppliers, since sales volume has largely fallen, we give consideration to financing. We visit suppliers and carefully communicate with the managers, check the manufacturing site to confirm there are no issues with regard to supply chains.