

## **Summary of Questions & Answers for Financial Results Briefing for Q1 Year Ending March 2022**

Q : I think the results for Q1 were quite solid in terms of both sales and profit.

What is the outlook for Q2 onward?

A : The actual results of Toyota's production volume for Q1 were 750,000 units, and the forecast for Q2 is based on the assumption of 850,000 units. Although we assume that production is on an upward trend in H2, we have factored in a variety of risk factors, so the figures are a little conservative. It is difficult to forecast global production in the valve business so we are taking a slightly conservative view on this as well, but we hope to revise it as soon as we grasp the situation.

Q : Does the figure reflect Toyota's planned suspension of production in the summer?

A : Currently, we are receiving information such as the impact of semiconductors and the suspension of production due to the impact of the COVID-19 in Southeast Asia. We consider risks to some extent, however, not all are incorporated.

Q : Is it okay to understand that the plan for this term tends to increase slightly higher than announced by Toyota?

A : We make the figure that forecast is incorporated to a certain extent based on the latest information. It is very unclear whether or not the situation will go as we expect, but there is no doubt that we are on a relatively recovery track throughout the year, so we will continue to review our production system on a daily basis to ensure efficient operations.

Q : As for the price of materials, what will have an impact? Also, do you make any reservations?

A : The price of brass has an impact on valves. We don't make any reservations, so we buy at market prices.

Q : In the valve business, the operating profit margin in Q1 remains high at 14%, but it is planned to drop to 12.8% for the full year. Please let me know if there are seasonality or changes.

A : The valve business is greatly affected by exchange rates. The exchange rate in Q1 was JPY110/\$. We are forecasting JPY110 for Q2 as well. However, we are forecasting JPY105 for Q3 onward and it will have a negative impact. Other than

that, brass prices are rising and are expected to have an impact. Also, in the valves business, we have businesses other than those of Toyota, so we are somewhat skeptical about the recovery of the global market.

Q : You mentioned at the beginning of the fiscal year that expenses, raw material costs, prices, and discounts would be a major factor that would put pressure on profits, but compared with the analysis of factors contributing to fluctuation in profit that was modified forecast, the figures seem to indicate that there has been little change after Q2. The plan seems to be to increase marginal profit as the sales volume increases and to curb fixed cost so that they do not increase too much and profits will remain high. Am I correct?

A : That's right. Regarding expenses, the increase due to the increase in physical quantity is also suppressed, and the impact of discounts on sales and the impact of high material prices are within the initial expectations, so there is no big difference.

Q : As for valve segments, Q1 was good, and the full-year plan has been revised upward. Could you explain a little bit about the existing valve business, TPMS, and Schrader, and how each of them is performing?

A : We are currently seeing that tire valves, control devices businesses, and Schrader will not change significantly. However, we are making a forecast that TPMS will probably push up profits because we have been able to curb price cuts in sales-related areas and improve our cost of sales that lead to improve profitability.

Q : Regarding TPMS, the switch from type-C to type-E is proceeding as planned, but does it mean that the profitability of type-E is improving and the profit margin was maintained at the same level as type-C sustainably?

A : Exactly.

Q : Regarding the factors behind the increase/decrease in profits, what is the background of the increase in the negative sales price for the full year by 200 million compared to the beginning of the fiscal year?

A : Since scrap prices have risen, we expect the effect of this to be reflected in selling prices in the next term. So, there will be considerably negative impact in H2 of the year.