

Summary of Questions & Answers for Financial Results Briefing for Q2 Year Ending March 2022

Q : As for the assumptions of your revised plan for this fiscal year, I am aware that production volume in Japan is expected to be between 3 million units and slightly more than that, assuming that it recovers in the future. I would like to confirm whether it is correct to assume that such a level has already been incorporated.

A : Yes, it is correct.

Q : As for valves, I think your assumption is that sales will not change significantly from the first half to the second half. In terms of the existing valve business, Schrader, and TPMS, what kind of business environment have you factored into the current plan?

A : Our valve-related customers are domestic and overseas car manufacturers and mega-suppliers other than Toyota. Not only in Japan, but also in the US, European and Asian markets, all car manufacturers are putting on the brakes for production due to the impact of COVID-19. In such a situation, our Valve business was relatively strong in the first half of this fiscal year. In the second half, we expect that orders from customers will be slightly weaker than originally planned. However, for the full year, I think the demand environment will be roughly as expected. The main customers of TPMS are Toyota and Nissan, so we generally follow the production trends of them.

Q3 : As for your plans for the second half of the fiscal year, compared to last year's, profits will decrease while sales remain almost the same. Looking at the increase/decrease in profit, I think the main factors were sales prices and material prices. What are the causes of this change?

A : As for sales, in comparison with the previous year, the cost of materials has gone up, and this will have a positive effect about JPY0.7 billion. In addition, the yen has weakened so it will be a positive factor of JPY2.2 billion. Also, due to the effect of revenue recognition standard, it has become a factor of JPY2.7 billion decrease in revenue and overall it is almost the same as the previous year.

Regarding profits, the negative 1.3 billion in the selling price in the second half is due to the fact that the regular price revision was the same as in the first half

and the increase in scrap unit price in the first half was reflected in the product selling price in the second half. Those are included in about hundreds of millions of yen. Since the impact of steel prices will be considered fluctuations from the previous fiscal year to each fiscal year, it should be understood that in the long run, the increase in material unit prices and the increase in scrap will not affect profits.

Also, as for materials other than steel, in addition to that copper prices are increasing, since we purchase some parts from overseas, we have factored in the increase in the unit price of materials due to the depreciation of the yen. Taking that into consideration, we have factored in the fact that the total material will be negative 1.2 billion yen.

Q4 : What are the factors that make the second half plan different from the previous forecast?

A : As for sales, we changed the exchange rate from JPY105 to JPY110 to USD1 in the second half of the year and from JPY125 to JPY130 to EUR1, so, the difference in exchange rates has increased sales by about JPY2.6 billion. The price of materials for sales of stamping has increased and sales will increase by about JPY2.2 billion along with the increase in the price of steel materials. Regarding the effects of exchange conversion and the quoted price of steel materials, sales will go up and have almost no effect on profits.

Operating profit is expected to decrease by 0.5 billion from the previous forecast in the second half, considering the decrease in sales volume due to production cuts and cost increase.

Q5 : About sales ratio of ultra-high-tensile materials, this time, you have introduced the target value for 2024, but the rate of change from 2020 to 2024 does not seem to be much. For the future, do you envision a rapid increase in the use of high-tensile materials and cold-pressed materials toward 2030 for the reduction in CO2 emissions? Or is it better to think that it will change depending on the pace of the spread of electric vehicles?

A : The use of ultra-high-tensile materials has increased considerably compared to 4 or 5 years ago. I think that the scenario of hot stamping being replaced by cold stamping will accelerate. This does not mean that hot stamping will disappear all at once, but it will be used where it is necessary for the body structure, so we will use more cold ultra-high-tensile materials in other areas.

Also, if current vehicles will be replaced to BEVs, FCEVs, and PHEVs in the future, the weight of the vehicle is expected to increase due to the increased use of

batteries. In such a situation, the use of this ultra-high-tensile material will contribute to the weight reduction of the vehicle body. It's hard to say right now how much of this will be used in what areas, and what the growth rate will be toward 2030, however, the volume of ultra-high-tensile components that we are currently developing is increasing rapidly, and I believe that this will continue in the future. It does not mean that everything will be made of ultra-high-tensile steel, but for example, what used to be a 3-part structure using conventional steel plates can now be made of 2 parts or 1 part using ultra-high-tensile steel, resulting in weight reduction in many cases. We would like to contribute to our customers' car manufacturing by making appropriate proposals when they design the body frame.

Q6 : I think Toyota has set a CO2 reduction target of several percent annually. What kind of figure is being discussed in order to make it realize? Also, from the perspective of CO2 reduction, will there be any changes in the roles of suppliers within the Group due to major changes in the body structure such as integral molding?

A : As for CO2 reduction, each company is working on a certain percentage as a target value set by the customer, and we are in the same situation.

Also, in our pursuit of technology, the need for a lighter vehicle body will not change and each company is proposing various technologies, including us. In the past, each company's equipment and technology had its own characteristics, and as a result, various tasks were shared. I think that such schemes probably won't change that much in the future.