

Summary of Questions & Answers for Financial Results Briefing for Q3 Year Ending March 2022

Q1 : As for the Stamping & Molding products business, I understand that Toyota's production volume assumption for Q4 is around 2.3 million units globally and around 700,000 units in Japan. Is this correct?

A1 : Yes, it is correct.

Q2 : As for the movement of profits in the press business, profits have returned to the same level as in Q1 in Q3, but in Q4, sales are almost the same as in Q3, so please tell us the background behind the decrease in profits.

A2 : Comparing Q3 and Q4, the reason why production and sales are at the same level but profits decrease is due to the effects of temporary profits in Q3 and cost loss in Q4.

In Q3, temporary sales of dies in the United States are included, which pushed up sales and profits. In Q4, production went smoothly in January, but it is expected that due to the sudden production stoppage at the end of the month, personnel adjustments and production efficiency will decline, resulting in losses such as labor costs and expenses.

Q3 : Since the ability of the OP margin of the press business has not changed, I think that we will probably increase production next year, so is it okay to understand that you can earn more marginal profits with the increase in production?

A3 : As you understand. In Q3 to Q4, there is a part where production efficiency drops due to production fluctuations, so we believe that the OP margin can be secured if production is increased from normal operation.

The sharp decline in production in the second half of January was unpredictable, and we have been trying to minimize losses.

As for the domestic production in February, although the production number is lower than the initial plan, but we believe that the production volume will be sufficient to generate profits, and we will make every effort to manage for the best.

Our assumption is that it will still be difficult to achieve a rapid recovery in production in March, which is why we have made this downward revision to sales and operating income. We do not have any definitive information for March yet, so we will continue to work on building up our production system for March, April and beyond based on information from our customers.

Q4 : As for the Valve business, when looking at 2, 3, and Q4, the level of sales is almost the same, but profits are expected to decrease in Q3 and increase in Q4. I'd like to hear your explanation for this fluctuation between the sales and profits.

A4 : Regarding the Valve Products business, we are not aware of any major changes from Q2 to Q3. But it is a Tier2 business, so the effects of fluctuations in automobile production is appeared slightly later, and especially in North America has seen a slight drop in profits.

In addition, TPMS and Schroeder in North America are expected to perform well from Q3 to Q4. Domestic production is expected to be slightly weaker from Q3 to Q4. I hope you understand that it will be positive in North America and negative in Japan, to combine these factors, it would be explained the change in the sales and profits from Q3 to Q4.

Q5 : In the current fiscal year, the price of raw materials, such as resin, have risen quite a bit, labor costs are rising, and logistics costs are also rising due to the shortage of containers. I would like to ask you about cost impact at current situation and the outlook for the future.

A5 : We have been greatly affected by the high price increase of raw materials such as resin, aluminum, and brass, and negatively affected by 700 million yen in the current fiscal year. Our largest material volume of use is iron, but we purchase it under centralized purchasing, so there is no impact from the price increase of iron on the business.

We would need to negotiate for each customer about how to deal with passing on the cost due to increase of material price, and we understand that it is not possible for them to accept all. But we will keep negotiating with our customers.

Regarding the impact of container shortage, we are trying to supply products ahead of time so that we can use shipping services without using air transportation as much as possible. The logistics costs themselves are rising, so we will offset the soaring logistics costs by improving profitability.

Q6 : It was difficult to predict the sudden drop of production in January and therefore you could not adjust accordingly in labor management. Is the flexibility improved against production changes of customers based on the two years of experience dealing with the coronavirus?

A6 : If we were informed a plan to increase or decrease production in advance, we can make adjustments. However, it is very difficult to secure workers worldwide nowadays including in the US and Japan. Inflation is progressing in the United States, so while recognizing it as a cost-increasing factor, we give top priority to preparing a production system. Even though we are trying to be as flexible as possible, it is not easy to gather workers, but we will focus on reinforcing the workforce ahead of time and building production systems.

Q7 : Toyota has set a very high production plan of 11 million units for the next fiscal year, but how will you keep up with it?

A7 : We are now in the process of ascertaining the equipment load and manpower requirements based on the data we have received from our customers. Based on that, we are planning our production system and will proceed with efforts to maximize profits when increasing production.