

FY2022 2nd Quarter Financial Results Summary of Q&A

Financial results and forecast

Q: Regarding the 2Q results, why has the profit decreased only slightly compared to last year?

A: We have cut fixed costs significantly through corporate reforms. While competitors are increasing their investment in electrification, our fixed costs are decreasing. Our cost control has been successful, and we have entered a phase to make profits. The profit decreased only slightly due to sales expansion of electrification-related products and air conditioners, among other factors.

Q: Will costs increase in line with the decrease in vehicle production and increase in production for recovery?

A: The production volume will decrease, but we were notified of the decrease beforehand. We have absorbed the cost increase in on-site operations by reorganizing the production lines and requiring employees to take compensatory holidays.

Q: What is the outlook for the semiconductor shortage?

A: Semiconductors may remain in short supply until around January to March, 2022. The situation thereafter is uncertain, but we expect supply and demand to rebalance eventually. We will continue to monitor the situation.

Q: What about the profit rate, earning power, and potential risks?

A: Our real capability at present is an operating profit rate of over 9%. We aim to attain an operating profit rate of 10% by FY2026, which is our current goal, ahead of schedule. We faced difficulties due to changes in the business environment, such as the Covid-19 pandemic, but such difficulties were an opportunity to carry out major corporate reforms. It is important to keep the momentum going. The biggest risk is relaxing our guard in business management when the pandemic ends and sales recover.

Focus fields

Q: What is the status of sales expansion of heat pump air conditioners and thermal management systems?

A: Sales in 2021 are not high yet, but the number of orders received has been increasing. We expect that sales will almost triple or quadruple by 2025. The revenue of conventional air conditioners is also high, and these products will not be discontinued. However, we will increase the ratio of higher value-added heat pump air conditioners as well as air conditioners for electric vehicles, and restructure our business to increase profitability gradually.

Q: Would you update us on electrification-related products?

A: Previously, we set a target to achieve annual production of eight million inverters by 2025. The probability of further sales growth has increased, so we are likely to add some more sales. Meanwhile, we will expand the sales of battery monitoring ECUs, for which we have confidence in our technology, to Japanese-affiliated and European automakers.