

# FY2025 1<sup>st</sup> Quarter Financial Results (2024/4-2024/6)

## Summary of Q&A

### Financial results

Q: What is the reason for the increase in revenue and operating profit in the first quarter compared to the previous year despite the decrease in production volume?

A: We have made up for last year's profit declines, which stemmed from the impact of lower production volumes, higher material costs and company reinvestments, by improving our business agility. Additionally, with the provisions for quality expenses from the previous year resolved and the persistence of foreign exchange gains, revenue and operating profit recorded highs in the first quarter, and we are optimistic that profitability is stabilizing.

### Price reflection

Q: How is the situation of passing reflection on labor costs to customers? How is also the situation of the burden and the support of labor costs below Tier2?

A: Customers have deepened their understanding of price reflection, and a general consensus has been reached in Japan. On the other hand, overseas customers, including those of foreign companies, are in a situation where it is somewhat difficult to reflect on prices, but we intend to continue negotiations persistently. As for payments to suppliers, we make every effort to pay them for the increase in labor costs. We want to reflect on prices correctly through the supply chain and create a positive cycle.

### Asian and Chinese Markets

Q: What is your outlook for the difficult situation in Asia and China?

A: We think the slump in vehicle sales in most of Asia is bottoming out. In China, on the other hand, we expect sales to remain sluggish over the long term and face a difficult situation as Japanese and foreign customers plan to cut production by 20 to 30%. In our case, China is expected to be at least 10 to 20% lower than planned, so we will strictly control fixed costs and streamline operations. At present, our sales in China are declining, but we are striving to maintain and manage our plan by keeping operational profit.

### Reduction of cross-shareholdings and treasury stock

Q: You have been steadily reducing your cross-shareholdings, including the sale of some shares of Renesas Electronics in May. Can we expect your cross-shareholdings to become zero in the next fiscal year? Also, although shareholders have some expectations for treasury stock, how is your future policy about treasury stock?

A: We are proceeding smoothly with the reduction of our cross-shareholdings, but it will take about 2 years for Toyota Industries shares to be sold in 10 installments, and we cannot do anything about Renesas Electronics shares, which we sold half in May, because the lock-up period is now 270 days. After that, we will continue to consider the rationality of holding on to the remaining shares based on our development of the business collaboration with Renesas Electronics after the sale and our positioning of each in-vehicle semiconductor. We hope to close our cross-shareholdings to zero within two to three years. We will also sell fixed assets, whose profitability is weakening, and use part of the cash generated to invest in growth. We fully understand the expectations of treasury stock and will actively consider the possibility of implementing such buybacks in a flexible manner while monitoring stock prices.