

FY2025 2nd Quarter Financial Results (2024/4-2024/9)

Summary of Q&A

Financial forecast

Q: What are the factors behind the downward revision of the full-year forecast?

A: A major factor in the downward revision was lower vehicle production volumes in China and Asia. In China, we expect sales to remain slow for a prolonged period and are considering controlling fixed costs and streamlining operations. In Asia, we seem to have stopped the downward trend, but the current situation is that it has not risen. On the other hand, in Japan, cars are still selling well, so for example, if there are cars that cannot be produced due to lack of parts, we ask customers to replace them with other cars or to increase the number of production cycles. We are very grateful that we are able to increase production slightly in the third quarter. We think that the problems of authentication fraud are settling, so we think that issue will gradually recover.

Q: With the downward revision of the full-year forecast, what are the future upsides and downsides?

A: As for upside, we assume that the exchange rate will be 145 yen in the second half, and if the current exchange rate continues in the second half, the upside will be from 20 billion to 30 billion yen. And if vehicle production recovers in the second half of the year in Japan, it will also be an upside. The downside, on the other hand, is how far the downward sales in China will continue, which is why we are implementing fixed cost controls in China.

Electrification

Q: Regarding electric vehicles, we think there is a sense of slowdown in sales. What is your company's view on this?

A: We do feel that there is a slowdown in electric vehicle sales, and that there is a shift to plug-in hybrid vehicles. In the short term, hybrid cars have higher prices per unit because they have more engine power than electric cars and we think it is an advantage. However, since the future is unknown, our company uses the same inverters and motor generators for the basic design of hybrid, plug-in hybrid and electric vehicles. For example, in an electric vehicle, power semiconductors are installed, and in a hybrid vehicle, boost functions are installed. As a result, the system can handle any power remix. This is our company's idea of multipath way.

Advanced Safety Driving Support System

Q: With Tesla and other Chinese manufacturers working on advanced safe driver assistance products, do you think you have an advantage?

A: We believe that the two most important aspects of advanced safety driving system products are "See what you can't see" and "Detect the occupants and operate automatically after knowing their condition." That technological superiority through the use of sonar and lidar and cooperative control with the driver will lead to sales expansions. Due to the enormous amount of development of advanced safety driving assistance system products, we have sold them mainly to the Toyota Group. However, we are now expanding our sales to other customers, and we have already received orders from local manufacturers in China and customers in North America. This will increase our profitability, and we are confident that we will be able to win with technology as a leading company in the future.

Treasury stock

Q: Regarding treasury stock, what is the reason for setting a high price of 450 billion yen and the

background of implementing it at this timing?

- A: Our approach to cash allocation is to use capital investment and research and development expenses, and to return cash to shareholders through dividends, then to invest in growth areas such as equity investment, and then to flexibly implement treasury stock in light of stock prices. This time, given the extremely low price of stock prices and the accumulation of cash from the sale of cross-shareholdings, we decided on a policy of implementing a maximum scale that would not have an impact on stock prices over a period of about one year and set the amount.