

Japan Automobiles

Auto parts & tires Jul-Sep preview: Tire bottoming; also watch Denso events

Price Objective Change

Denso, Aisin, Bridgestone, SRI Jul-Sep preview

We revisit our estimates for Denso, Aisin, Bridgestone, and Sumitomo Rubber (SRI) reflecting factors such as OEM production outlooks, materials price movement, and FX. For Denso we will watch the longer-term narrative at post-2Q events. Although not our base case, given assumed peaking out in US vehicle sales, tire makers' relative appeal could rise.

Denso: Post-2Q co. events also a focus

We forecast 2Q OP of ¥189.5bn (2.1x YoY). After low 1Q profits owing to factors such as slow pass-through of cost inflation, we expect high profits boosted by the time lag. With healthy recovery in Toyota production, fundamentals are solid. We also focus on events Denso is hosting after 2Q results including an electrification strategy briefing (2 Nov), and Dialog Day (15 Nov).

SRI: Sales situation improving but stock price high

We forecast 3Q business profit of ¥15.5bn. Although sales conditions are still tough in Europe, we see an overall recovery on the assumption that impact from inventory adjustments in North America has dropped out in SRI's case. We assume that earnings impact from the plans for liquidating loss-making businesses announced with 2Q results feeds through around FY12/25 and we still expect a small decline in profit in FY12/24 on growth in costs.

Bridgestone: Assume gradual recovery

We forecast 3Q adjusted OP of ¥127.0bn (-6% YoY) predicated on North American replacement tire supply-demand bottoming in 2Q and ongoing improvement in sales conditions. However, based on comments from tire makers and other factors we assume only gradual improvement. As of 2Q results Bridgestone was cautious on near-term tire market conditions and we focus on any update with 3Q results.

Aisin: Assume on plan with weak China sales

We forecast 2Q OP of ¥66.0bn (3.3x YoY). This represents high growth over 1Q and factors in greater claw back of cost inflation along with usual seasonality. ICEV sales are still slack in China but Aisin's initial assumptions were conservative and we assume progress is close to plan. Although factoring in funds gleaned from the balance sheet downsizing in the new medium-term plan, we see attainment of the ¥300bn FY3/26 OP target as open to debate.

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Exhibit 1: No change in ratings

Ratings & PO new/old

	Rating	Price Objective		+/- vs current
		New	Old	
Denso	Buy B-1-7	¥3,100	¥3,000	+29%
BS	Neutral A-2-7	¥6,500	¥6,400	+9%
Aisin	Neutral B-2-7	¥5,500	¥4,600	-0%
SRI	U/P B-3-7	¥1,400	¥1,300	-10%

Source: BofA Global Research.

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Timestamp: 15 October 2023 04:00PM EDT

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Denso: Buy, PO ¥3,000→ ¥3,100

Exhibit 2: Toyota's production also recovering well, we forecast solid earnings at Denso

Denso: BofAe, CoE, consensus

Denso (6902)

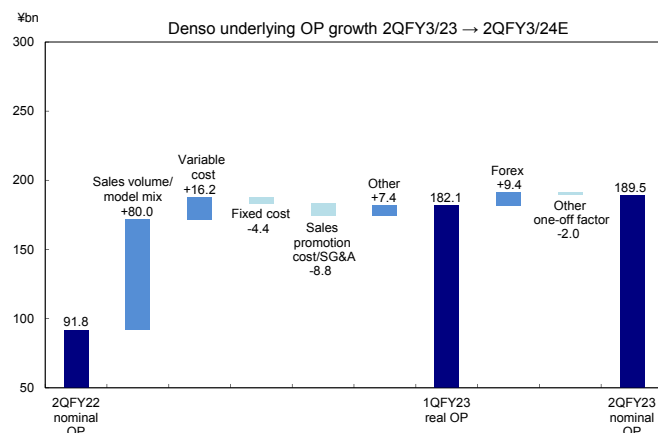
		Sales		OP		PBT		Net Profit		EPS	P/E	P/B	ROE
		JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY	x	x	%
Fiscal Year													
FY3/23	Actual	6,401,320	+16.1%	426,099	+24.9%	456,870	+18.7%	314,633	+19.2%	416.0	5.8	0.4	7.3%
FY3/24	E New	7,308,700	+14.2%	689,700	+61.9%	721,100	+57.8%	501,400	+59.4%	167.4	14.4	1.5	10.9%
	E Old	7,215,400	+12.7%	678,500	+59.2%	709,900	+55.4%	493,700	+56.9%	164.8	14.6	1.5	10.7%
	IFIS E	7,074,844	+10.5%	641,913	+50.6%	694,025	+51.9%	483,113	+53.5%	160.5	15.0		
	CoE	6,700,000	+4.7%	600,000	+40.8%	654,000	+43.1%	444,000	+41.1%	148.2	16.2		
FY3/25	E New	7,471,600	+2.2%	784,300	+13.7%	816,400	+13.2%	567,400	+13.2%	189.4	12.7	1.4	11.2%
	E Old	7,325,400	+1.5%	762,000	+12.3%	794,100	+11.9%	552,100	+11.8%	184.3	13.1	1.4	10.9%
	IFIS E	7,374,687	+4.2%	707,253	+10.2%	758,420	+9.3%	527,493	+9.2%	175.6	13.7		
FY3/26	E New	7,491,200	+0.3%	837,000	+6.7%	869,500	+6.5%	604,200	+6.5%	201.7	11.9	1.2	10.8%
	E Old	7,363,000	+0.5%	813,600	+6.8%	846,100	+6.5%	588,100	+6.5%	196.3	12.3	1.2	10.5%
	IFIS E	7,712,831	+4.6%	787,831	+11.4%	842,346	+11.1%	588,100	+11.5%	199.0	12.1		
1H (Apr-Sep)													
FY3/23	Actual	3,020,114	+16.9%	155,413	-2.5%	170,644	-6.7%	105,798	-6.1%				
FY3/24	E New	3,597,900	+19.1%	283,900	+82.7%	301,300	+76.6%	209,900	+98.4%				
	E Old	3,525,400	+16.7%	267,500	+72.1%	285,000	+67.0%	198,500	+87.6%				
2H (Oct-Mar)													
FY3/23	Actual	3,381,206	+15.3%	270,686	+48.8%	286,226	+41.7%	208,835	+38.1%				
FY3/24	E New	3,710,800	+9.7%	405,800	+49.9%	419,800	+46.7%	291,500	+39.6%				
	E Old	3,690,000	+9.1%	411,000	+51.8%	424,900	+48.4%	295,200	+41.4%				
1Q (Apr-Jun)													
FY3/23	Actual	1,415,009	+4.3%	63,643	-40.6%	82,564	-37.3%	51,875	-41.9%				
FY3/24	Actual	1,712,860	+21.0%	94,378	+48.3%	129,270	+56.6%	85,460	+64.7%				
2Q (Jul-Sep)													
FY3/23	Actual	1,605,105	+30.9%	91,770	+76.0%	88,080	+71.9%	53,923	+130.6%				
FY3/24	E New	1,885,040	+17.4%	189,522	+106.5%	172,030	+95.3%	124,440	+130.8%				
	E Old	1,812,540	+12.9%	171,220	+86.6%	155,730	+76.8%	113,040	+109.6%				
3Q (Oct-Dec)													
FY3/23	Actual	1,615,568	+13.3%	112,535	+16.1%	127,511	+12.2%	92,003	+14.1%				
FY3/24	E New	1,771,900	+9.7%	182,600	+62.3%	195,100	+53.0%	136,000	+47.8%				
	E Old	1,804,700	+11.7%	194,800	+73.1%	207,300	+62.6%	144,400	+57.0%				
4Q (Jan-Mar)													
FY3/23	Actual	1,765,638	+17.2%	158,151	+86.3%	158,715	+79.8%	116,832	+65.6%				
FY3/24	E New	1,938,900	+9.8%	223,200	+41.1%	224,700	+41.6%	155,500	+33.1%				
	E Old	1,885,300	+6.8%	216,200	+36.7%	217,600	+37.1%	150,800	+29.1%				

Source: Company data, IFIS consensus, BofA Global Research.

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Exhibit 3: Set to recover of all 1Q cost inflation in 2Q, too

Denso: 2Q FY3/24 BofAe OP variance analysis (YoY)

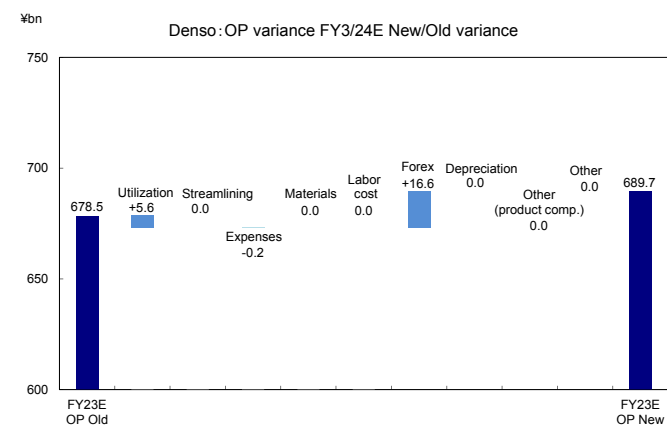


Source: Company data, BofA Global Research.

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Exhibit 4: Revise up earnings forecasts, mainly on FX

Denso: FY3/24 BofAe OP variance analysis (vs previous BofAe)



Source: 会社資料、BofA グローバルリサーチ予想。

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Exhibit 5: Long-term scenario unchanged, focus on post-results events held by the company, too

Denso: Our estimates, PO, background to changes

Denso (6902)

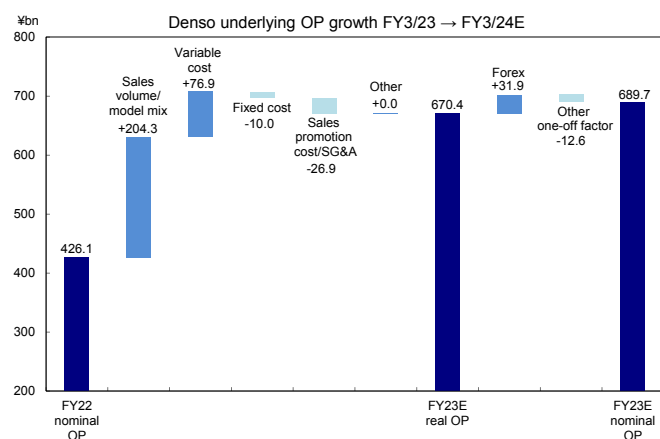
Sales (¥bn)						Comments (sales)
Rating	24/3 E	25/3E	26/3E	24/3 CoE		
New BUY	New 7,309	7,472	7,491	6,700		We raise our top-line estimates slightly to reflect updated production assumptions at OEMs and our latest forex assumptions. Production is improving across the board at Japanese OEMs, led by Toyota. Denso raised guidance with 1Q results, but we think another upward revision is possible as output assumptions are still cautious, especially for 2H.
Old BUY	Old 7,215	7,325	7,363	6,700		
Operating profit (¥bn)						Comments (OP, NP)
Price objective	24/3 E	25/3E	26/3E	24/3 CoE		
New 3,100	New 690	784	837	600		The increase to our sales outlook also nudges up our OP estimates. Compared with guidance, we are more bullish on sales and forex, and we anticipate a milder impact from material cost increases. We think rising sales of inverters for HEVs and BEVs will be the main profit growth driver from FY3/25.
Old 3,000	Old 679	762	814	600		
ROE						Price Objective
10/13/2023	24/3 E	25/3E	26/3E	24/3 CoE		
Share price 2,408	New 10.9%	11.2%	10.8%	NA		We revise our 12-month PO for Denso from ¥3,000 to ¥3,100 reflecting our upward earnings estimate revision. We calculate a fair-value EV/EBITDA multiple of 8.5x by taking the FY3/17–3/20 average EV/EBITDA of 5.8x and applying a 50% decarbonization premium and 5% for potential action in response to the low share, as well as a 15% top-line visibility discount (net +40%). Applying this to 12-month forward EBITDA of ¥1.12tn we calculate fair-value EV of ¥9.1tn and fair-value market cap of ¥9.3tn.
+/- vs PO +28.7%	Old 10.7%	10.9%	10.5%	-		

Source: Company data, BofA Global Research.

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Exhibit 6: We still forecast big overshoot to guidance

Denso: FY3/24 BofAe OP variance analysis (YoY)

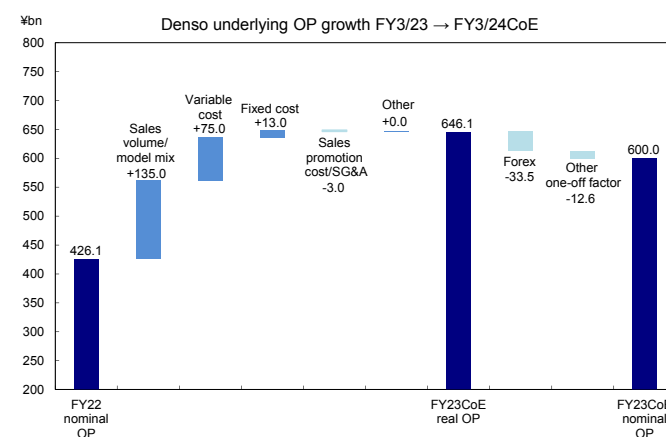


Source: Company data, BofA Global Research.

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Exhibit 7: Conservative sales assumption in 2H plan

Denso: FY3/24 CoE OP variance analysis (YoY)



Source: Company data, BofA Global Research.

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Exhibit 8: String of record-profits to continue

Denso: Consolidated P&L at a glance

	2023/3	2024/3 E	2025/3 E	2026/3 E	24/3 CoE	2023/3		2024/3E					
¥ mn, ¥, %						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Revenues	6,401,320	7,308,700	7,471,600	7,491,200	6,700,000	3,020,114	3,381,206	1,712,860	1,885,040	3,597,900	1,771,900	1,938,900	3,710,800
Cost of revenues	5,490,176	6,086,600	6,072,100	5,983,900		2,626,450	2,863,726	1,484,873	1,567,827	3,052,700	1,456,500	1,577,400	3,033,900
Gross profits	911,144	1,222,100	1,399,500	1,507,300		393,664	517,480	227,987	317,213	545,200	315,400	361,500	676,900
SG&A expenses	490,454	532,400	615,200	670,300		240,644	249,810	131,707	129,593	261,300	132,800	138,300	271,100
Operating profits	426,099	689,700	784,300	837,000	600,000	155,413	270,686	94,378	189,522	283,900	182,600	223,200	405,800
Pretax profits	456,870	721,100	816,400	869,500	654,000	170,644	286,226	129,270	172,030	301,300	195,100	224,700	419,800
Corporate tax, etc.	109,009	165,900	187,800	200,000		54,137	54,872	36,527	32,773	69,300	44,900	51,700	96,600
Minority interests	33,228	53,800	61,200	65,300		10,709	22,519	7,283	14,817	22,100	14,200	17,500	31,700
Net profits	314,633	501,400	567,400	604,200	444,000	105,798	208,835	85,460	124,440	209,900	136,000	155,500	291,500
R&D expense	521,600	521,600	516,400	516,400	545,000	258,800	262,800	132,800	126,000	258,800	126,800	136,000	262,800
Depreciation & amortization	353,300	356,800	363,900	371,200	355,000	178,200	175,100	88,700	91,300	180,000	88,300	88,500	176,800
Capex	366,800	359,500	352,300	359,300	370,000	177,100	189,700	88,600	85,000	173,600	76,200	109,700	185,900
% of sales													
Gross profits	14.2%	16.7%	18.7%	20.1%		13.0%	15.3%	13.3%	16.8%	15.2%	17.8%	18.6%	18.2%
Operating profits	6.7%	9.4%	10.5%	11.2%	9.0%	5.1%	8.0%	5.5%	10.1%	7.9%	10.3%	11.5%	10.9%
Pretax profits	7.1%	9.9%	10.9%	11.6%		5.7%	8.5%	7.5%	9.1%	8.4%	11.0%	11.6%	11.3%
Net profits	4.9%	6.9%	7.6%	8.1%	6.6%	3.5%	6.2%	5.0%	6.6%	5.8%	7.7%	8.0%	7.9%
Tax rate	23.9%	23.0%	23.0%	23.0%		31.7%	19.2%	28.3%	19.1%	23.0%	23.0%	23.0%	23.0%
Yoy change													
Revenues	+16.1%	+14.2%	+2.2%	+0.3%	+4.7%	+16.9%	+15.3%	+21.0%	+17.4%	+19.1%	+9.7%	+9.8%	+9.7%
Operating profits	+24.9%	+61.9%	+13.7%	+6.7%	+40.8%	-2.5%	+48.8%	+48.3%	+106.5%	+82.7%	+62.3%	+41.1%	+49.9%
Net profits	+19.2%	+59.4%	+13.2%	+6.5%	+41.1%	-6.1%	+38.1%	+64.7%	+130.8%	+98.4%	+47.8%	+33.1%	+39.6%
Forex assumptions	2023/3	2024/3 E	2025/3 E	2026/3 E	24/3 CoE	1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
¥/USD	135.5	143.0	145.0	145.0	131.8	134.0	137.0	137.4	144.6	141.0	145.0	145.0	145.0
¥/EUR	141.0	154.2	155.0	155.0	142.4	138.7	143.2	149.5	157.3	153.4	155.0	155.0	155.0
OP factor analysis						2023/3		2024/3E					
	2023/3	2024/3 E	2025/3 E	2026/3 E	24/3 CoE	1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Volume growth/region mix	+56,300	+185,800	+38,900	+9,800	+116,800	+42,000	+14,300	+69,000	+76,600	+145,600	+38,500	+1,700	+40,200
Cost reduction/value engineering	+108,300	+145,600	+126,900	+105,300	+150,000	+43,300	+65,000	+27,100	+37,100	+64,200	+37,600	+43,800	+81,400
Expenses	-47,600	-26,900	-58,000	-35,100	-3,000	-29,500	-18,100	-8,900	-8,800	-17,700	-2,800	-6,400	-9,200
Materials	-58,000	-3,000	0	0	-3,000	-29,500	-28,500	-1,100	-1,900	-3,000	0	0	0
Labor costs	-35,500	-15,000	-24,800	-20,000	+8,000	-17,100	-18,400	+1,000	-4,000	-3,000	-5,000	-7,000	-12,000
Forex	+110,000	+31,900	+6,100	0	-33,500	+56,000	+54,000	+4,500	+9,400	+13,800	+3,700	+14,400	+18,100
Depreciation	-1,000	+5,000	-7,100	-7,300	+5,000	-3,000	+2,000	+2,600	-400	+2,200	+1,100	+1,700	+2,800
Other (product comp., etc.)	-49,700	-59,800	+12,600	0	-66,400	-66,100	+16,400	-56,000	-17,600	-73,600	-3,000	+16,800	+13,800
One-off cost hike	-115,400	-66,600	0	0	-68,000	-53,000	-62,400	-35,200	-29,800	-65,000	-17,500	-13,100	-30,600
One-off pricing	+149,800	+104,900	0	0	+100,000	+34,000	+115,800	+3,000	+27,000	+30,000	+30,000	+44,900	+74,900
Others	-84,100	-98,100	+12,600	0	-98,400	-47,100	-37,000	-23,800	-14,800	-38,600	-15,500	-15,000	-30,500
TP	+2,100	0	0	0	0	0	+2,100	-7,500	+7,500	0	0	0	0
Total	+84,900	+263,600	+94,600	+52,700	+173,900	-3,900	+88,800	+30,700	+97,800	+128,500	+70,100	+65,000	+135,100

Source: Company data, BofA Global Research.

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Exhibit 9: N. American earnings improvement also needs watching

Denso: Revenue, OP by segment

Geographic breakdown

Sales by area	2023/3	2024/3 E	2025/3 E	2026/3 E	24/3 CoE	2023/3		2024/3E					
						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Japan	3,705,834	4,366,000	4,573,200	4,550,300	4,045,000	1,738,943	1,966,891	981,061	1,238,239	2,219,300	1,073,700	1,073,000	2,146,700
North America	1,504,088	1,705,100	1,807,900	1,799,300	1,559,000	714,976	789,112	424,944	397,556	822,500	385,200	497,400	882,600
Europe	685,552	931,500	833,800	825,500	729,000	321,925	363,627	198,354	276,846	475,200	215,600	240,700	456,300
Australia/Asia	1,931,655	1,965,500	1,989,700	2,046,400	1,906,000	960,922	970,733	464,277	520,923	985,200	524,000	456,300	980,300
Other	101,233	109,300	98,100	100,000	105,000	53,622	47,611	28,456	24,744	53,200	25,500	30,600	56,100
Subtotal	7,928,362	9,077,400	9,302,700	9,321,500	8,344,000	3,790,388	4,137,974	2,097,092	2,458,308	4,555,400	2,224,000	2,298,000	4,522,000
Eliminations & corporate	-1,526,850	-1,768,700	-1,831,100	-1,830,300	0	-770,274	-756,576	-384,232	-573,268	-957,500	-452,100	-359,100	-811,200
Total	6,401,512	7,308,700	7,471,600	7,491,200	6,700,000	3,020,114	3,381,398	1,712,860	1,885,040	3,597,900	1,771,900	1,938,900	3,710,800

OP by area	2023/3	2024/3 E	2025/3 E	2026/3 E	New	2023/3		2024/3E					
						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Japan	215,573	351,100	424,600	450,200	289,000	91,031	124,542	24,831	125,269	150,100	80,300	120,700	201,000
North America	17,921	84,500	102,700	95,800	77,000	-12,980	30,901	6,291	14,909	21,200	22,700	40,600	63,300
Europe	17,460	57,300	39,200	42,400	32,000	3,605	13,855	7,459	16,541	24,000	15,000	18,300	33,300
Australia/Asia	158,286	173,300	195,800	225,900	180,000	67,357	90,929	40,516	39,184	79,700	41,900	51,700	93,600
Other	19,260	26,700	25,000	25,700	22,000	11,403	7,857	4,972	7,628	12,600	6,700	7,400	14,100
Eliminations/corporate	-2,401	-3,200	-3,000	-3,000	0	-5,003	2,602	10,309	-14,009	-3,700	16,000	-15,500	500
Total	426,099	689,700	784,300	837,000	600,000	155,413	270,686	94,378	189,522	283,900	182,600	223,200	405,800

OPM by area	2023/3	2024/3 E	2025/3 E	2026/3 E	24/3 CoE	2023/3		2024/3E					
						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Japan	5.8%	8.0%	9.3%	9.9%	7.1%	5.2%	6.3%	2.5%	10.1%	6.8%	7.5%	11.2%	9.4%
North America	1.2%	5.0%	5.7%	5.3%	4.9%	-1.8%	3.9%	1.5%	3.8%	2.6%	5.9%	8.2%	7.2%
Europe	2.5%	6.2%	4.7%	5.1%	4.4%	1.1%	3.8%	3.8%	6.0%	5.1%	7.0%	7.6%	7.3%
Australia/Asia	8.2%	8.8%	9.8%	11.0%	9.4%	7.0%	9.4%	8.7%	7.5%	8.1%	8.0%	11.3%	9.5%
Other	19.0%	24.4%	25.5%	25.7%	21.0%	21.3%	16.5%	17.5%	30.8%	23.7%	26.3%	24.2%	25.1%
Total	6.7%	9.4%	10.5%	11.2%	9.0%	5.1%	8.0%	5.5%	10.1%	7.9%	10.3%	11.5%	10.9%

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

SRI: U/P, PO ¥1,300→ ¥1,400

Exhibit 10: Revise up earnings estimates slightly

SRI: BofAe, CoE, consensus

Sumitomo Rubber Industries (5110)

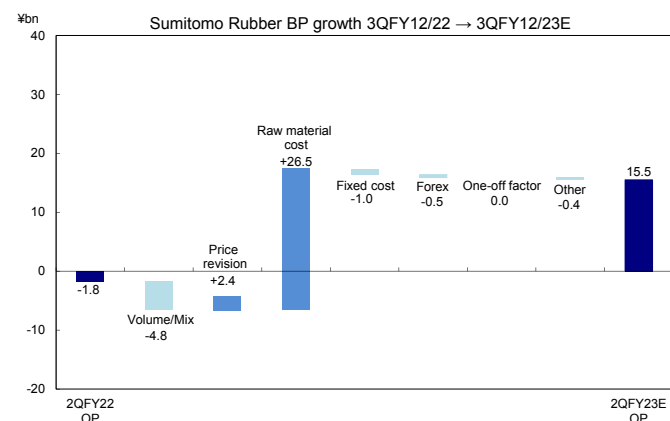
		Sales		Business profit		OP		Net Profit		EPS	P/E	P/B	ROE
		JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY	x	x	%
Fiscal Year													
FY12/22	Actual	1,098,664	+17.4%	21,963	-57.7%	14,988	-69.5%	9,415	-68.1%	35.8	43.7	0.8	1.8%
FY12/23	E New	1,176,900	+7.1%	57,300	+160.9%	52,300	+248.9%	30,000	+218.6%	114.1	13.7	0.7	5.4%
	E Old	1,169,000	+6.4%	53,800	+145.0%	48,800	+225.6%	27,800	+195.3%	105.7	14.8	0.7	5.0%
	IFIS E	1,161,429	+5.7%	NA	NA	46,046	+207.2%	27,944	+196.8%	103.3	15.1		
	CoE	1,170,000	+6.5%	50,000	+127.7%	41,000	+173.6%	23,000	+144.3%	87.5	17.9		
FY12/24	E New	1,206,200	+2.5%	53,900	-5.9%	53,900	+3.1%	37,000	+23.3%	140.7	11.1	0.7	6.4%
	E Old	1,199,700	+2.6%	51,900	-3.5%	51,900	+6.4%	35,700	+28.4%	135.7	11.5	0.7	6.2%
	IFIS E	1,191,622	+2.6%	NA	NA	49,538	+7.6%	34,056	+21.9%	149.7	10.4		
FY12/25	E New	1,234,900	+2.4%	62,800	+16.5%	62,800	+16.5%	43,700	+18.1%	166.2	9.4	0.7	7.3%
	E Old	1,224,500	+2.1%	57,900	+11.6%	57,900	+11.6%	40,400	+13.2%	153.6	10.2	0.7	6.5%
	IFIS E	1,238,414	+3.9%	NA	NA	69,043	+39.4%	48,257	+41.7%	181.7	8.6		
1H (Jan-June)													
FY12/22	Actual	512,112	+16.4%	14,184	-52.9%	12,572	-56.0%	17,187	-16.2%				
FY12/23	Actual	561,161	+9.6%	17,080	+20.4%	16,810	+33.7%	8,196	-52.3%				
2H (July-Dec)													
FY12/22	Actual	586,552	-10.9%	7,779	-195.7%	2,416	-117.8%	-7,772	NM				
FY12/23	E New	615,700	+5.0%	40,200	+416.8%	35,500	+1369.4%	21,800	NM				
	E Old	607,800	+3.6%	36,700	+371.8%	32,000	+1224.5%	19,600	NM				
	CoE	608,839	+3.8%	32,920	+323.2%	24,190	+901.2%	14,804	NM				
1Q (Jan-Mar)													
FY12/22	Actual	250,501	+17.2%	14,784	-8.8%	14,178	-9.0%	11,754	+10.2%				
FY12/23	Actual	276,761	+10.5%	7,976	-46.0%	7,767	-45.2%	4,006	-65.9%				
2Q (Apr-Jun)													
FY12/22	Actual	261,611	+15.6%	-600	-104.3%	-1,606	-112.4%	5,433	-44.7%				
FY12/23	Actual	284,400	+8.7%	9,104	-1617.3%	9,043	-663.1%	4,190	-22.9%				
3Q (Jul-Sep)													
FY12/22	Actual	269,400	+24.2%	-1,810	-191.3%	-2,736	-312.9%	-2,815	-1351.1%				
FY12/23	E New	297,100	+10.3%	15,500	-956.4%	14,000	-611.7%	9,400	-433.9%				
	E Old	292,600	+8.6%	16,500	-1011.6%	15,000	-648.2%	10,100	-458.8%				
4Q (Oct-Dec)													
FY12/22	Actual	317,152	+13.7%	9,589	-51.8%	5,152	-73.3%	-4,957	-156.7%				
FY12/23	E New	318,600	+0.5%	24,700	+157.6%	21,500	+317.3%	12,400	-350.2%				
	E Old	315,200	-0.6%	20,200	+110.7%	17,000	+230.0%	9,500	-291.6%				

Source: Company data, IFIS consensus, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 11: We estimate 3Q turned up to profit, too

SRI: 3Q FY12/23 BofAe OP variance analysis (YoY)

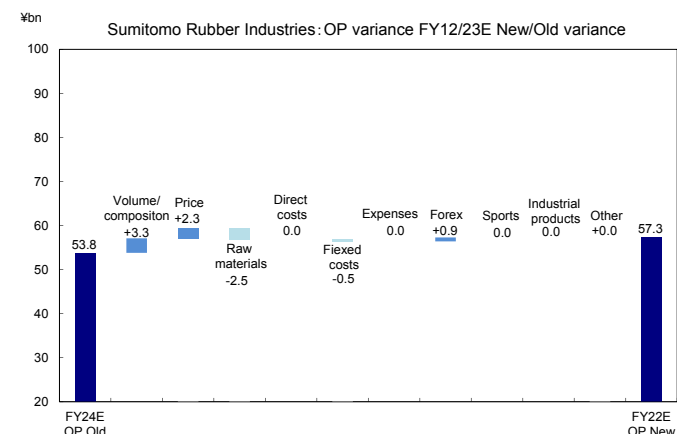


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 12: Revise up FY12/23 forecasts slightly

SRI: FY12/23 BofAe OP variance analysis (vs previous BofAe)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 13: We assume radical improvements in loss-making businesses in FY12/25

SRI: Our estimates, PO, background to changes

Sumitomo Rubber Industries (5110)

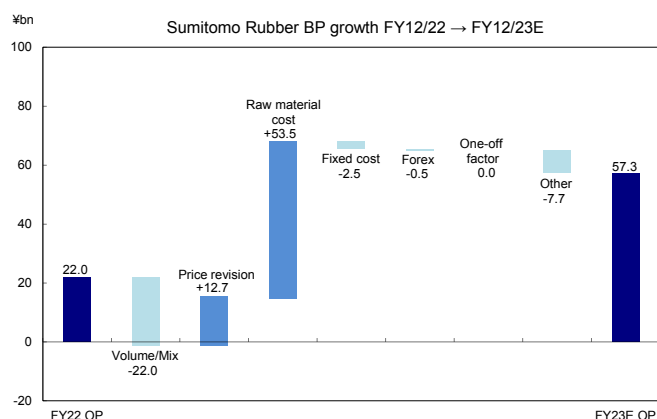
Tire sales (mn units)					Comments (production, sales)
Rating		23/12 E	24/12 E	25/12 E	
New U/P	New	112	113	116	Our volume assumptions are largely unchanged. In the company's mainstay REP tire business, the impact of inventory adjustment in the US market has mostly dropped out and we expect US sales to start recovering from 2H. However, like other tire companies, SRI continues to see weak sales in Europe. That situation is unlikely to change in 2H. Overall, the market outlook is uncertain, with potential risk of renewed deterioration in supply/demand.
Old U/P	Old	110	113	116	
Business profit (¥bn)					Comments (OP, NP)
Price objective		23/12 E	24/12 E	25/12 E	
New 1,400	New	57	54	63	We raise our estimates slightly, mainly after updating our actual/projected costs and raw material price assumptions. Price competition with rival tiremakers remains a risk, but lower input costs are likely to drive profit growth, in the short term at least. Our updated estimates also factor in narrower losses in unprofitable businesses (combined losses of ¥20bn), but the full impact will not feed through until FY12/25.
Old 1,300	Old	54	52	58	
ROE					Price Objective
10/13/2023		23/12 E	24/12 E	25/12 E	
Share price 1,564	New	5.4%	6.4%	7.3%	We revise our 12-month PO for Sumitomo Rubber Industries from ¥1,300 to ¥1,400 reflecting our upward earnings revision. We calculate a fair-value EV/EBITDA multiple of 4.6x by taking the FY3/17–3/19 average EV/EBITDA of 4.8x and applying a 5% decarbonization premium and +5% for potential action in response to share price weakness, as well as a 15% top-line visibility discount (net -5%). Applying this to 12-month forward EBITDA of ¥131.4bn we calculate fair-value EV of ¥599bn and fair-value market cap of ¥374bn.
+/- vs PO -10.5%	Old	5.0%	6.2%	6.5%	

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 14: Past the worst

SRI: FY12/23 BofAe OP variance analysis (YoY)

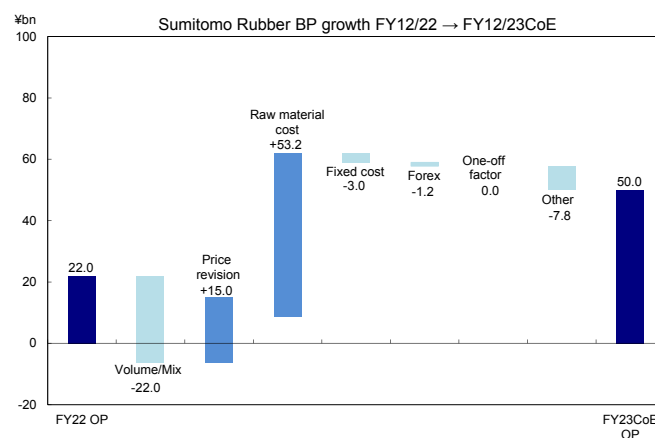


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 15: We forecast slight upside to guidance

SRI: FY12/23 CoE OP variance analysis (YoY)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 16: We expect FY12/24 profit to inch down, also factoring in potential pricing risks

SRI: Consolidated P&L at a glance

¥ mn, ¥, %	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	2022/12		2023/12E							
						1H	2H	1Q	2Q	1H	3QE	4QE	2HE		2H CoE
Revenues	1,098,664	1,176,900	1,206,200	1,234,900	1,170,000	512,112	586,552	276,761	284,400	561,161	297,100	318,600	615,700		608,839
Cost of revenues	845,442	886,300	916,100	933,000		384,201	461,241	209,658	215,111	424,769	224,300	237,200	461,500		
Gross profits	253,222	290,600	290,100	301,900		127,911	125,311	67,103	69,289	136,392	72,800	81,400	154,200		
SG&A expenses	231,259	233,300	236,200	239,100		113,727	117,532	59,127	60,185	119,312	57,300	56,700	114,000		
Business profits	21,963	57,300	53,900	62,800	50,000	14,184	7,779	7,976	9,104	17,080	15,500	24,700	40,200		32,920
Operating profits	14,988	52,300	53,900	62,800	41,000	12,572	2,416	7,767	9,043	16,810	14,000	21,500	35,500		24,190
Pretax profits	22,539	48,700	55,500	65,400		26,918	-4,379	8,899	10,019	18,918	14,100	15,700	29,800		
Corporate tax, etc.	10,083	17,000	16,700	19,600		8,295	1,788	4,215	7,134	11,349	4,200	1,500	5,700		
Minority interests	3,041	1,700	1,800	2,100		1,436	1,605	678	-1,305	-627	500	1,800	2,300		
Net profits	9,415	30,000	37,000	43,700	23,000	17,187	-7,772	4,006	4,190	8,196	9,400	12,400	21,800		14,804
Sales ratios															
Gross profits	23.0%	24.7%	24.1%	24.4%		25.0%	21.4%	24.2%	24.4%	24.3%	24.5%	25.5%	25.0%		
Business profits	2.0%	4.9%	4.5%	5.1%	4.3%	2.8%	1.3%	2.9%	3.2%	3.0%	5.2%	7.8%	6.5%		5.4%
Operating profits	1.4%	4.4%	4.5%	5.1%	3.5%	2.5%	0.4%	2.8%	3.2%	3.0%	4.7%	6.7%	5.8%		4.0%
Net profits	0.9%	2.5%	3.1%	3.5%	2.0%	3.4%	-1.3%	1.4%	1.5%	1.5%	3.2%	3.9%	3.5%		2.4%
Tax rate	44.7%	34.9%	30.1%	30.0%	-	30.8%	-40.8%	47.4%	71.2%	60.0%	29.8%	9.6%	19.1%		
Yoy change															
Revenue	+17%	+7%	+2%	+2%	+6%	16.4%	18.3%	10.5%	8.7%	9.6%	10.3%	0.5%	5.0%		3.8%
Business profit	-58%	+161%	-6%	+17%	+128%	-52.9%	-64.5%	-46.0%	NM	20.4%	NM	157.6%	416.8%		323.2%
Operating profit	-70%	+249%	+3%	+17%	+174%	-56.0%	-88.3%	-45.2%	NM	33.7%	NM	317.3%	1369.4%		901.2%
Net profits	-68%	+219%	+23%	+18%	+144%	-16.2%	-186.7%	-65.9%	-22.9%	-52.3%	-433.9%	-350.2%	-380.5%		NM
Forex assumptions	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	1H	2H	1Q	2Q	1H	3QE	4QE	2HE		2H CoE
¥/US\$	132.0	139.8	144.6	144.6	135.0	122.9	134.2	132.0	137.5	134.8	144.6	145.0	144.8		135.0
¥/Euro	138.0	150.5	157.3	157.3	148.0	138.1	139.6	140.0	149.7	144.9	157.3	155.0	156.1		150.0
Raw material assumptions	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	1H	2H	1Q	2Q	1H	3QE	4QE	2HE		2H CoE
Natural rubber (TSR20) (USD/kg)	1.62	1.34	1.34	1.34	1.36	1.75	1.49	1.32	1.35	1.34	1.34	1.35	1.34		1.38
Crude Oil (USD/bbl)	89	85	88	88	82	83	96	87	80	84	82	92	87		81
Profit factor analysis															
	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	2022/12		2022/12							
						1H	2H	1Q	2Q	1H	3QE	4QE	2HE		2H CoE
Volume/composition	-7,500	+17,200	+10,400	+15,600	+12,000	-1,200	-6,300	-8,900	+4,100	-4,800	+5,800	+16,200	+22,000		+16,800
Price	+68,900	+15,600	+3,100	+1,000	+15,000	+32,000	+36,900	+10,800	+8,100	+18,900	+2,400	-5,700	-3,300		-3,900
Raw materials	-68,800	+13,200	-4,700	0	+13,000	-37,400	-31,400	-4,500	+1,200	-3,300	+11,000	+5,500	+16,500		+16,300
Natural rubber	-9,000	+11,300	+200	0	+10,100	-7,700	-1,300	+1,400	+3,200	+4,600	+3,500	+3,200	+6,700		+5,500
Petroleum products	-54,000	+1,900	-4,900	0	+3,200	-26,500	-27,500	-5,200	-1,300	-6,500	+7,500	+900	+8,400		+9,700
Other	-5,800	0	0	0	0	-3,200	-2,600	-700	-700	-1,400	0	+1,400	+1,400		+1,400
Direct costs	-14,700	-6,000	-6,000	-3,000	-6,100	-5,400	-9,300	-3,900	-2,600	-6,500	-500	+1,000	+500		+400
Fixed costs	-1,900	-4,000	-4,000	-2,600	-3,800	-1,400	-500	-700	0	-700	-1,000	-2,300	-3,300		-3,100
Expenses	-2,300	-2,000	-2,900	-2,900	-2,300	-2,500	+200	-1,000	-800	-1,800	0	-200	-200		-500
Forex	-2,700	-500	0	0	-1,200	+100	-2,800	-300	+600	+300	-500	-300	-800		-1,500
Sports	+300	+1,600	+700	+800	+1,100	+700	-400	+1,500	-1,200	+300	+100	+1,200	+1,300		+800
Industrial products, etc.	-1,300	+200	0	0	+300	-800	-500	+200	+400	+600	0	-400	-400		-300
BP factor analysis total	-30,000	+35,300	-3,400	+8,900	+28,000	-15,900	-14,100	-6,800	+9,800	+3,000	+17,300	+15,000	+32,300		+25,000

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 17: We forecast only limited volume recovery in FY12/24, too, better mix holds the key

SRI: Tire sales volume YoY

Tire sales

Tire sales volume (YoY)	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	2022/12		2022/12						
						1H	2H	1Q	2Q	1H	3QE	4QE	2HE	2H CoE
OE tires	105%	105%	97%	100%	106%	98%	112%	105%	114%	109%	102%	102%	102%	103%
Domestic	96%	109%	94%	98%	113%	83%	110%	112%	121%	117%	107%	95%	101%	110%
Overseas	110%	103%	99%	102%	100%	104%	116%	101%	108%	105%	100%	103%	101%	96%
RE tires	93%	99%	103%	103%	97%	96%	91%	90%	97%	94%	102%	105%	103%	101%
Domestic	101%	101%	101%	102%	99%	105%	98%	98%	108%	103%	101%	96%	98%	95%
Overseas	90%	98%	103%	104%	97%	95%	85%	87%	94%	91%	103%	107%	105%	104%
North America	82%	93%	106%	103%	95%	91%	74%	81%	92%	87%				104%
Europe (including Russia)	95%	91%	103%	102%	92%	102%	88%	90%	85%	88%				97%
Middle/Near East	94%	94%	101%	102%	89%	-	-	-	-	-				-
Asia	87%	106%	105%	107%	103%	87%	87%	91%	104%	98%				109%
Total	96%	100%	101%	102%	100%	96%	96%	94%	101%	97%	102%	104%	103%	103%

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Bridgestone: Neutral, PO ¥6,400→¥6,500

Exhibit 18: We tweak forecasts

Bridgestone: BofAe, CoE, consensus

Bridgestone (5108)

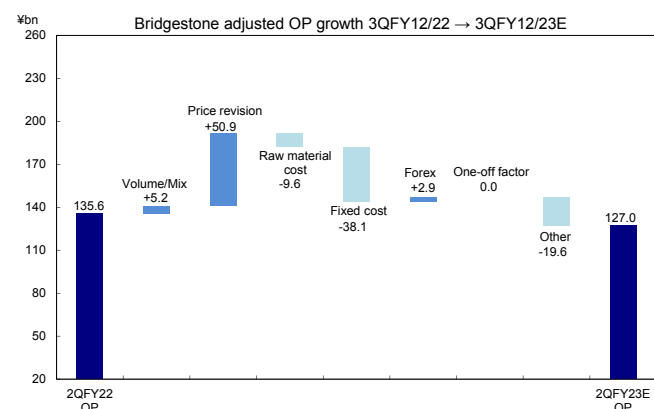
Fiscal Year			Sales		OP		Adjusted OP		Net Profit		EPS JPY	P/E x	P/B x	ROE %
			JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %				
FY12/22	Actual		4,110,070	+26.6%	441,298	+17.1%	482,629	+22.4%	300,367	-23.8%	432.6	13.7	1.4	10.7%
	E New		4,302,600	+4.7%	551,700	+25.0%	551,700	+14.3%	393,500	+31.0%	575.0	10.3	1.3	12.8%
	E Old		4,328,100	+5.3%	565,500	+28.1%	565,500	+17.2%	403,500	+34.3%	589.6	10.1	1.3	13.1%
	IFIS E		4,332,282	+5.4%	535,125	+21.3%	NA	NA	367,970	+22.5%	536.2	11.1		
	CoE		4,150,000	+1.0%	NA	NA	510,000	+5.7%	335,000	+11.5%	489.5	12.1		
FY12/24	E New		4,482,100	+4.2%	545,800	-1.1%	545,800	-1.1%	391,600	-0.5%	572.2	10.4	1.2	11.8%
	E Old		4,471,000	+3.3%	538,800	-4.7%	538,800	-4.7%	386,500	-4.2%	564.8	10.5	1.2	11.7%
	IFIS E		4,482,291	+3.5%	561,575	+4.9%	NA	NA	384,880	+4.6%	560.1	10.6		
FY12/25	E New		4,583,600	+2.3%	547,100	+0.2%	547,100	+0.2%	396,000	+1.1%	596.0	15.0		
	E Old		4,295,300	-3.9%	526,600	-2.3%	526,600	-2.3%	377,700	-2.3%	551.9	10.8		
	IFIS E		4,623,089	+3.1%	591,725	+5.4%	NA	NA	408,350	+6.1%	597.1	10.0		
1H (Jan-June)														
	FY12/22	Actual	1,886,341	+20.2%	173,992	+2.5%	206,631	+17.3%	95,629	-72.9%				
	FY12/23	Actual	2,101,706	+11.4%	250,620	+44.0%	238,302	+15.3%	182,643	+91.0%				
2H (July-Dec)														
	FY12/22	Actual	2,223,729	+32.6%	267,306	+29.1%	275,998	+26.5%	204,738	+390.8%				
	FY12/23	E New	2,200,900	-1.0%	301,100	+12.6%	313,400	+13.6%	210,900	+3.0%				
	E Old		2,226,400	+0.1%	314,900	+17.8%	327,200	+18.6%	220,900	+7.9%				
1Q (Jan-Mar)														
	FY12/22	Actual	891,011	+17.7%	87,632	+8.3%	101,095	+22.8%	53,836	-81.1%				
	FY12/23	Actual	1,043,541	+17.1%	127,501	+45.5%	116,794	+15.5%	90,499	+68.1%				
2Q (Apr-Jun)														
	FY12/22	Actual	995,330	+22.6%	86,360	-2.7%	105,536	+12.5%	41,793	-37.7%				
	FY12/23	Actual	1,058,165	+6.3%	123,119	+42.6%	121,508	+15.1%	92,144	+120.5%				
3Q (Jul-Sep)														
	FY12/22	Actual	1,090,582	+30.9%	133,237	+38.7%	135,566	+33.2%	93,119	+32.0%				
	FY12/23	E New	1,147,700	+5.2%	127,000	-4.7%	127,000	-6.3%	88,800	-4.6%				
	E Old		1,124,100	+3.1%	131,200	-1.5%	131,200	-3.2%	91,900	-1.3%				
4Q (Oct-Dec)														
	FY12/22	Actual	1,133,147	+34.2%	134,069	+20.8%	140,432	+20.6%	111,619	NM				
	FY12/23	E New	1,053,200	-7.1%	174,100	+29.9%	186,400	+32.7%	122,100	+9.4%				
	E Old		1,102,300	-2.7%	183,700	+37.0%	196,000	+39.6%	129,000	+15.6%				

Source: Company data, IFIS consensus, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 19: We forecast slight 3Q profit decline

Bridgestone: 3Q FY12/23 BofAe OP variance analysis (YoY)

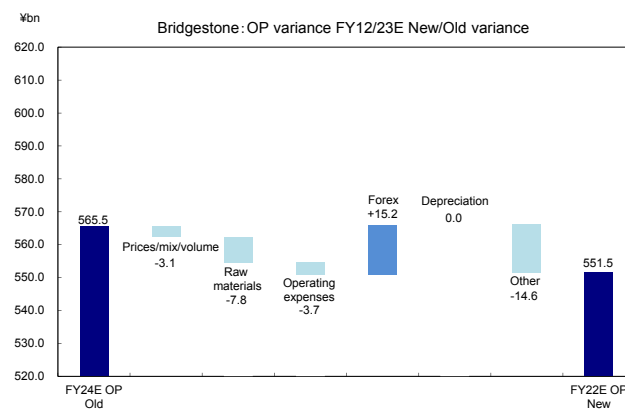


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 20: We merely tweak earnings estimates

Bridgestone: FY12/23 BofAe OP variance analysis (vs previous BofAe)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 21: Due to release next medium-term plan in the new year

Bridgestone: Our estimates, PO, background to changes

Bridgestone (5108)

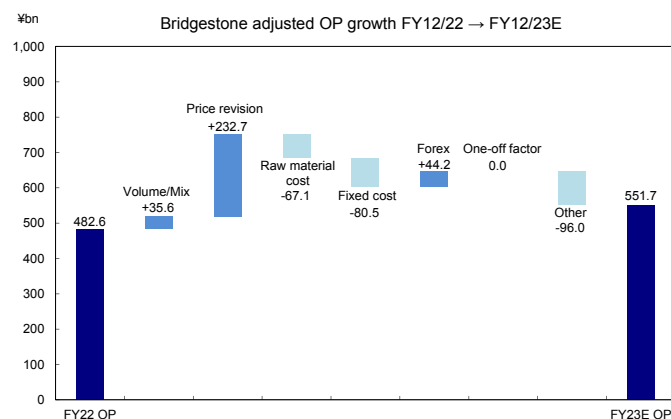
Tire production (000 ton)					Comments (production, sales)
Rating	23/12 E	24/12 E	25/12 E	23/12 CoE	
New NEUTRAL	New 1,858	1,960	2,008	1,900	We revise down our FY12/23 tire production and sales assumptions in light of 2Q follow-up research and recent macro trends. From a supply/demand perspective, we see a bottom in Apr-Jun, but absolute sales levels are likely to miss our previous assumption. However, we see sales recovering heading into FY12/24, especially in the North America REP market.
Old NEUTRAL	Old 1,870	1,955	1,990	1,900	
Adjusted Operating profit (¥bn)					Comments (OP, NP)
Price objective	23/12 E	24/12 E	25/12 E	23/12 CoE	
New 6,500	New 552	546	547	510	We also update actual/projected forex and raw material price assumptions. While sales are likely to remain weak in FY12/23, we continue to forecast strong growth in profits, with forex and raw material costs major positives for profits relative to guidance. These tailwinds are set to fade in FY12/24, so improvements in underlying business will be key. We do not see prices declining at this point, but risks could increase if demand recovers slowly.
Old 6,400	Old 566	539	527	510	
ROE					Price Objective
10/13/2023	23/12 E	24/12 E	25/12 E	23/12 CoE	
Share price 5,943	New 12.8%	11.8%	11.2%	NA	We revise our 12-month PO for Bridgestone from ¥6,400 (ADR: \$22.77) to ¥6,500 (\$21.51) reflecting our upward earnings estimate revision. We calculate a fair-value EV/EBITDA multiple of 5.0x by taking the FY12/15–12/19 average EV/EBITDA of 4.7x and applying a 15% decarbonization premium and +5% for potential action in response to share price weakness, as well as a 15% top-line visibility discount (net +5%). Applying this to 12-month forward EBITDA of ¥846bn we calculate fair-value EV of ¥4.2trn and fair-value market cap of ¥4.5trn.
+/- vs PO +9.4%	Old 13.1%	11.7%	10.6%	NA	

Source: Company data, BofA Global Research. Bridgestone's ADR price (10/13) is \$19.67.

BofA GLOBAL RESEARCH

Exhibit 22: Guidance eminently feasible, in our view

Bridgestone: FY12/23 BofAe OP variance analysis (YoY)

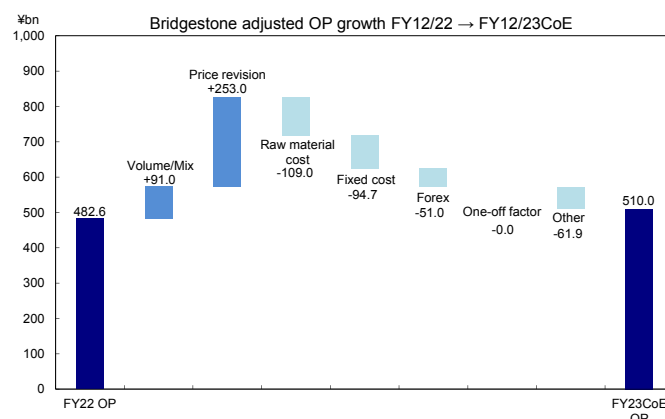


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 23: Guidance generally conservative

Bridgestone: FY12/23 CoE OP variance analysis (YoY)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 24: Extent of N American REP sales environment recovery in particular holds the key in FY12/24

Bridgestone: Consolidated P&L at a glance

¥ mn, ¥, %	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	2022/12		2023/12E							2H CoE
						1H	2H	1Q	2Q	1H	3QE	4QE	2HE		
Revenues	4,110,070	4,302,600	4,482,100	4,583,600	4,150,000	1,886,341	2,223,729	1,043,541	1,058,165	2,101,706	1,147,700	1,053,200	2,200,900		2,048,294
Cost of revenues	2,516,821	2,520,000	2,679,500	2,759,400		1,154,935	1,361,886	642,919	649,336	1,292,255	694,100	533,600	1,227,700		
Gross profits	1,593,249	1,782,600	1,802,600	1,824,200		731,405	861,844	400,622	408,829	809,451	453,600	519,500	973,100		
SG&A expenses	1,158,523	1,220,900	1,256,800	1,277,100		547,171	611,352	284,472	291,620	576,092	326,600	318,200	644,800		
Operating profits	441,298	551,700	545,800	547,100		173,992	267,306	127,501	123,119	250,620	127,000	174,100	301,100		
Adjusted operating profits	482,629	551,700	545,800	547,100	510,000	206,631	275,998	116,794	121,508	238,302	127,000	186,400	313,400		271,698
Pretax profits	423,458	547,900	546,100	547,600		180,164	243,294	126,730	117,747	244,477	124,000	179,400	303,400		
Corporate tax, etc.	112,452	145,200	144,700	142,400		59,878	52,574	34,720	23,451	58,171	32,900	54,100	87,000		
Minority interests	5,497	9,200	9,800	9,200		2,686	2,811	1,350	1,658	3,008	2,300	3,900	6,200		
Net profits	300,367	393,500	391,600	396,000	335,000	95,629	204,738	90,499	92,144	182,643	88,800	122,100	210,900		152,357
R&D expense	112,200	115,600	117,900	120,300	117,000	56,900	55,300	29,700	28,900	58,600	29,000	28,000	57,000		58,400
Depreciation & amortization	282,100	296,200	302,100	308,100	305,000	134,000	148,100	72,200	68,500	140,700	79,400	76,100	155,500		164,300
Capex	317,100	380,500	380,500	380,500	444,000	91,500	225,600	51,400	74,900	126,300	94,200	160,000	254,200		317,700
Sales ratios															
Gross profits	38.8%	41.4%	40.2%	39.8%		38.8%	38.8%	38.4%	38.6%	38.5%	39.5%	49.3%	44.2%		
Adjusted operating profits	11.7%	12.8%	12.2%	11.9%	12.3%	11.0%	12.4%	11.2%	11.5%	11.3%	11.1%	17.7%	14.2%		13.3%
Pretax profits	10.3%	12.7%	12.2%	11.9%		9.6%	10.9%	12.1%	11.1%	11.6%	10.8%	17.0%	13.8%		
Net profits	7.3%	9.1%	8.7%	8.6%	8.1%	5.1%	9.2%	8.7%	8.7%	8.7%	7.7%	11.6%	9.6%		7.4%
Tax rate	26.6%	26.5%	26.5%	26.0%		33.2%	21.6%	27.4%	19.9%	23.8%	26.5%	30.2%	28.7%		
Yoy change															
Revenues	26.6%	4.7%	4.2%	2.3%	1.0%	20.2%	32.6%	17.1%	6.3%	11.4%	5.2%	-7.1%	-1.0%		-7.9%
Adjusted operating profits	22.4%	14.3%	-1.1%	0.2%	5.7%	17.3%	26.5%	15.5%	15.1%	15.3%	-6.3%	32.7%	13.6%		-1.6%
Net profits	-23.8%	31.0%	-0.5%	1.1%	11.5%	-72.9%	390.8%	68.1%	120.5%	91.0%	-4.6%	9.4%	3.0%		-25.6%
Forex assumptions	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	1H	2H	1Q	2Q	1H	3QE	4QE	2HE		2H CoE
¥/US\$	132.0	139.9	145.0	145.0	123.0	122.9	139.8	132.4	137.5	135.0	144.6	145.0	144.8		123.0
¥/Euro	138.0	151.0	155.0	155.0	133.0	134.1	141.7	142.1	149.7	145.9	157.3	155.0	156.1		133.0
Natural rubber (RSS#3, ¢ /kg)	183	156	156	156		211	156	161	155	158	151	155	153		
Oil (WTI, \$/bbl)	94.4	81.0	88.0	88.0		102.0	86.8	76.0	74.0	75.0	82.1	92.0	87.1		
OP factor analysis															
	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	2022/12		2022/12							2H CoE
						1H	2H	1Q	2Q	1H	3QE	4QE	2HE		
Prices/mix/volume etc.	+366,000	+267,900	+42,400	+31,700	+344,000	+180,000	+186,000	+82,000	+43,000	+125,000	+56,200	+86,700	+142,900		+219,000
Price impact	+325,000	+232,700	+12,500	+1,800	+253,000	+129,000	+196,000	+90,000	+63,000	+153,000	+50,900	+28,800	+79,700		+100,000
Volume impact	+8,000	+35,200	+40,900	+18,900	+51,000	+33,000	-25,000	-12,000	-28,000	-40,000	+10,300	+64,900	+75,200		+91,000
Mix and others	+33,000	0	-11,000	+11,000	+40,000	+18,000	+15,000	+4,000	+8,000	+12,000	-5,000	-7,000	-12,000		+28,000
Raw materials	-235,000	-67,100	-12,300	0	-109,000	-114,000	-121,000	-39,000	-7,000	-46,000	-9,600	-11,500	-21,100		-63,000
Natural rubber	-32,000	+20,700	0	0		-18,000	-14,000	+1,000	+7,000	+8,000	+6,100	+6,600	+12,700		
Other raw materials	-203,000	-87,800	-12,300	0		-96,000	-107,000	-40,000	-14,000	-54,000	-15,700	-18,100	-33,800		
Operating expenses	-67,000	-62,400	-35,900	-20,300	-67,000	-52,000	-15,000	-13,000	+9,000	-4,000	-33,800	-24,600	-58,400		-63,000
Forex	+90,000	+44,200	+23,900	0	-51,000	+28,000	+62,000	+29,000	+18,000	+47,000	+2,900	-5,700	-2,800		-98,000
Depreciation	-36,200	-14,100	-5,900	-6,000	-	-12,300	-	-7,900	+1,200	-6,700	-3,800	-	-		-
Others	-29,500	-99,400	-18,100	-4,100	-89,600	+800	-30,300	-35,400	-48,200	-83,600	-20,500	+4,700	-15,800		-6,000
Total	+88,300	+69,100	-5,900	+1,300	+27,400	+30,500	+57,800	+15,700	+16,000	+31,700	-8,600	+46,000	+37,400		-4,300

Source: Company data, BofA Global Research.

Exhibit 25: We think the worst is over, but still expect low level in 2H FY12/23

Bridgestone: Tire sales volume YoY

Tire sales volume (num. of tires)

YoY						2022/12		2022/12					
	2022/12	2023/12 E	2024/12 E	2025/12 E	23/12 CoE	1H	2H	1Q	2Q	1H	3QE	4QE	2HE
Japan													
PSR/LTR	+2%	+2%	-1%	+0%		+1%	+2%	-9%	+15%	+1%	+3%	+1%	+2%
REP	+2%	-1%	+1%	+2%	+3%	+9%	-3%	-19%	+8%	-8%	+2%	+9%	+6%
OE	+2%	+8%	-6%	-2%	+8%	-11%	+17%	+12%	+25%	+18%	+6%	-10%	-2%
TBR	-1%	-3%	+3%	+0%		+6%	-2%	-16%	+25%	+5%	-3%	-17%	-2%
REP	+5%	-10%	+2%	-1%	-13%	+21%	-4%	-23%	+50%	+1%	-10%	-32%	-21%
OE	-8%	+14%	+5%	+3%	+23%	-16%	+1%	+2%	+25%	+13%	+14%	+17%	+15%
North America													
PSR/LTR	+1%	-2%	+6%	+3%		+2%	+0%	-3%	-4%	-4%	+2%	-1%	+0%
REP	+0%	-4%	+7%	+3%	+3%	+5%	-4%	-6%	-10%	-8%	+0%	+0%	+0%
OE	+4%	+3%	+4%	+4%	+13%	-4%	+14%	+2%	+12%	+7%	+6%	-7%	-1%
TBR	+2%	-9%	-1%	+4%		+5%	-1%	-10%	-21%	-6%	-5%	-17%	-11%
REP	+2%	-13%	+1%	+1%	-8%	+6%	-1%	-12%	-22%	-18%	-10%	-6%	-8%
OE	+1%	+2%	-5%	+11%	+0%	+2%	-1%	-7%	-19%	-13%	+6%	+28%	+17%
Europe													
PSR/LTR	+3%	-5%	-1%	+1%		+7%	-2%	-14%	-7%	-11%	+2%	+2%	+2%
REP	+1%	-13%	+2%	+2%	-3%	+15%	-12%	-24%	-18%	-21%	+0%	-10%	-5%
OE	+6%	+15%	-7%	-1%	+8%	-9%	+27%	+15%	+13%	+14%	+5%	+28%	+17%
TBR	+2%	-11%	-2%	+3%		+22%	-11%	-25%	-30%	-27%	-4%	+15%	+6%
REP	+2%	-22%	+1%	+3%	-13%	+25%	-20%	-41%	-43%	-42%	-8%	+3%	-2%
OE	+14%	+16%	-8%	+3%	+0%	+14%	+16%	+20%	-3%	+8%	+5%	+43%	+24%
China/Asia/Oceania													
PSR/LTR	-4%	+3%	+0%	+5%		-4%	-4%	-10%	-4%	-7%	+4%	+21%	+13%
REP	-5%	+3%	+3%	+7%	+13%	-3%	-7%	-7%	-5%	-6%	+5%	+20%	+13%
OE	-3%	+2%	-6%	+1%	+0%	-6%	-1%	-14%	-2%	-8%	+2%	+21%	+12%
TBR	-15%	-4%	+4%	+4%		-10%	-8%	+1%	-13%	-6%	+1%	-4%	-2%
REP	+2%	-1%	+3%	+4%	+18%	-11%	-11%	+0%	-14%	-7%	-2%	+14%	+6%
OE	+5%	-10%	+6%	+4%	+3%	-3%	+13%	+5%	-9%	-2%	+6%	-41%	-18%
Global													
PSR/LTR	+1%	-2%	+3%	+3%		+2%	-1%	-9%	-1%	-5%	+2%	+0%	+1%
REP	+0%	-5%	+5%	+3%	+3%	+7%	-7%	-14%	-7%	-10%	+0%	-1%	-0%
OE	+3%	+7%	-1%	+2%	+3%	-5%	+11%	+2%	+10%	+6%	+5%	+10%	+8%
TBR	-1%	-8%	-0%	+3%		+4%	-6%	-13%	-13%	-13%	-4%	-2%	-3%
REP	-2%	-10%	+1%	+1%	+8%	+6%	-9%	-17%	-15%	-16%	-6%	-2%	-4%
OE	+4%	+6%	-4%	+7%	+8%	+2%	+7%	+0%	-9%	-4%	+6%	+25%	+16%

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Aisin: Neutral, PO ¥4,600→¥5,500

Exhibit 26: Medium-term plan targeting FY3/26 OP of at least ¥300bn needs scrutiny

Aisin: BofAe, CoE, consensus

Aisin (7259)

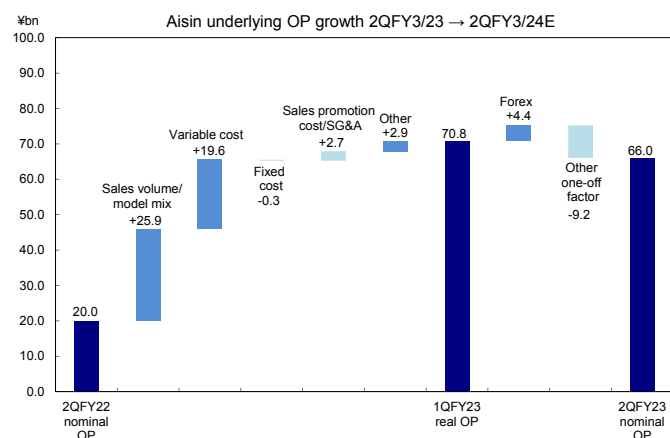
		Sales		OP		PBT		Net Profit		EPS	P/E	P/B	ROE
		JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY mn	yoy %	JPY	x	x	%
Fiscal Year													
FY3/23	Actual	4,402,823	+12.4%	57,942	-68.2%	73,741	-66.5%	37,670	-73.5%	139.8	39.4	0.8	2.1%
FY3/24	E New	4,757,600	+8.1%	224,600	+287.6%	244,400	+231.4%	134,900	+258.1%	500.5	11.0	0.8	7.5%
	E Old	4,736,400	+7.6%	225,800	+289.7%	245,600	+233.1%	137,900	+266.1%	511.6	10.8	0.8	7.7%
	IFIS E	4,792,184	+8.8%	214,873	+270.8%	234,709	+218.3%	144,100	+282.5%	525.8	10.5		
	CoE	4,600,000	+4.5%	190,000	+227.9%	200,000	+171.2%	125,000	+231.8%	463.8	11.9		
FY3/25	E New	4,877,700	+2.5%	258,300	+15.0%	279,200	+14.2%	149,400	+10.7%	554.3	9.9	0.8	7.9%
	E Old	4,864,300	+2.7%	252,800	+12.0%	273,700	+11.4%	148,100	+7.4%	549.5	10.0	0.8	7.8%
	IFIS E	4,930,150	+2.9%	234,100	+8.9%	253,280	+7.9%	152,600	+5.9%	554.4	9.9		
FY3/26	E New	4,896,300	+0.4%	260,100	+0.7%	183,711	-34.2%	145,300	-2.7%	539.1	10.2	0.7	7.3%
	E Old	4,887,000	+0.5%	255,400	+1.0%	277,100	+1.2%	144,500	-2.4%	536.1	10.3	0.7	7.2%
	IFIS E	5,083,825	+3.1%	247,588	+5.8%	268,975	+6.2%	159,738	+4.7%	577.3	9.5		
1H (Apr-Sep)													
FY3/23	Actual	2,106,616	-23.4%	26,633	-75.9%	54,902	-55.1%	31,922	-59.4%				
FY3/24	E New	2,428,900	+15.3%	100,500	+277.4%	138,700	+152.6%	79,600	+149.4%				
	E Old	2,378,300	+12.9%	96,200	+261.2%	134,300	+144.6%	76,300	+139.0%				
2H (Oct-Mar)													
FY3/23	Actual	2,296,200	+97.0%	31,300	-56.2%	18,800	-80.7%	5,700	-91.0%				
FY3/24	E New	2,328,700	+1.4%	124,100	+296.5%	105,700	+462.2%	55,300	+870.2%				
	E Old	2,358,100	+2.7%	129,600	+314.1%	111,300	+492.0%	61,600	+980.7%				
1Q (Apr-Jun)													
FY3/23	Actual	997,887	+12.5%	6,603	-73.9%	31,445	+19.9%	21,637	+32.6%				
FY3/24	Actual	1,191,724	+19.4%	34,467	+422.0%	54,464	+73.2%	40,990	+89.4%				
2Q (Jul-Sep)													
FY3/23	Actual	1,108,729	-40.5%	20,030	-76.5%	23,457	-75.6%	10,285	-83.5%				
FY3/24	E New	1,237,176	+11.6%	66,033	+229.7%	84,236	+259.1%	38,610	+275.4%				
	E Old	1,186,576	+7.0%	66,121	+230.1%	79,836	+240.4%	35,310	+243.3%				
3Q (Oct-Dec)													
FY3/23	Actual	1,104,521	+5.3%	431	-99.0%	-8,849	-115.2%	-8,309	-119.8%				
FY3/24	E New	1,190,500	+7.8%	49,000	+11268.9%	35,400	NM	12,700	NM				
	Old E	1,211,600	+9.7%	51,500	+11849.0%	37,900	NM	14,500	NM				
4Q (Jan-Mar)													
FY3/23	Actual	1,191,679	+923.2%	30,869	+7.8%	27,649	-29.6%	14,009	-34.0%				
FY3/24	E New	1,138,200	-4.5%	75,100	+143.3%	70,300	+154.3%	42,600	+204.1%				
	E Old	1,146,500	-3.8%	78,100	+153.0%	73,400	+165.5%	47,100	+236.2%				

Source: Company data, IFIS consensus, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 27: Set to recover 1Q hit from cost inflation in 2Q, too

Aisin: 2Q FY3/24 BofAe OP variance analysis (YoY)

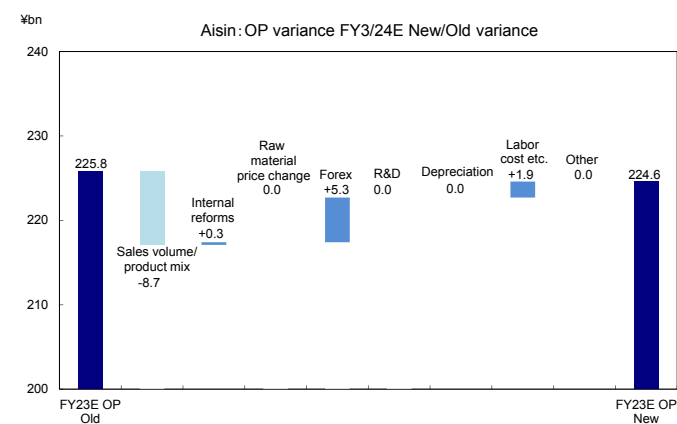


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 28: We tweak forecasts

Aisin: FY3/24 BofAe OP variance analysis (vs previous BofAe)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 29: We raise our PO sharply, reflecting balance sheet reforms disclosed in the medium-term plan

Aisin: Our estimates, PO, background to changes

Aisin (7259)

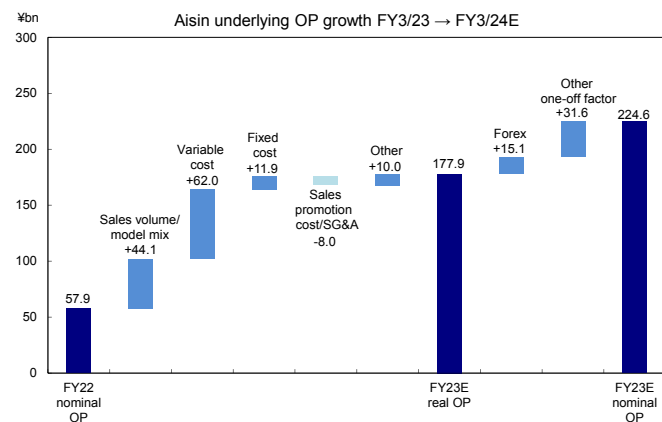
Rating		AT sales volume ('000s)				Comments (production, sales)
		24/3 E	25/3E	26/3E	24/3 CoE	
New	NEUTRAL	New	10,214	10,464	10,548	We make modest adjustments to our power train unit (PTU) shipment forecasts to reflect updated OEM production assumptions. We forecast earnings slightly below FY3/24 guidance. OEM sales and output in China remain weak, including at Japanese OEMs, but Aisin's 1H earnings are likely to be broadly in line with guidance due to relatively cautious assumptions.
Old	NEUTRAL	Old	10,207	10,449	10,551	
					10,300	
Price objective		Operating profit (¥bn)				Comments (OP, NP)
		24/3 E	25/3E	26/3E	24/3 CoE	
New	5,500	New	225	258	260	We make modest adjustments to our earnings estimates. Aisin's medium-term business plan, announced in September, calls for OP of more than ¥300bn in FY3/26, which appears to be premised on mix improvement and structural reforms, but details are lacking and investors will be looking for more news on concrete measures to achieve the target. However, Aisin is clearly committed to balance sheet reform and we have reflected substantial inventory reduction in our updated estimates.
Old	4,600	Old	226	253	255	
					190	
10/13/2023		ROE				Price Objective
		24/3 E	25/3E	26/3E	24/3 CoE	
Share price	5,506	New	7.5%	7.9%	7.3%	We increase our 12-month PO from ¥4,600 to ¥5,500, which is based on a fair EV/EBITDA multiple of 2.8x (previously 2.6x), the average for FY3/17-19 (3.1x) plus a decarbonization premium of +5% (previously 0%) and a topline visibility discount of -15%. Applying the multiple to our 12-month forward EBITDA estimate of ¥508.1bn gives fair-value EV of ¥1.4tn and market cap of ¥1.5tn.
+/- vs PO	-0.1%	Old	7.7%	7.8%	7.2%	
					NA	
					-	

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 30: We think guidance is eminently feasible, with FX also a factor

Aisin: FY3/24 BofAe OP variance analysis (YoY)

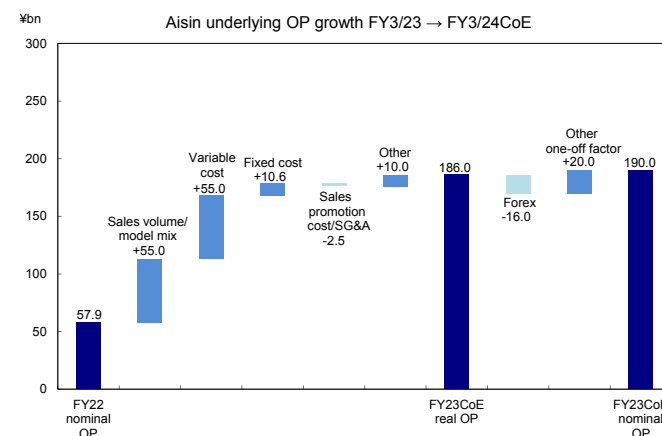


Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 31: Scope for upside to guidance in FX

Aisin: FY3/24 CoE OP variance analysis (YoY)



Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 32: We forecast sharp QoQ growth in 2Q, partly on usual seasonality

Aisin: Consolidated P&L at a glance

¥ mn, ¥, %	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE	2023/3		2024/3E					
						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Revenues	4,402,823	4,757,600	4,877,700	4,896,300	4,600,000	2,106,616	2,296,200	1,191,724	1,237,176	2,428,900	1,190,500	1,138,200	2,328,700
Cost of revenues	4,001,434	4,201,600	4,283,100	4,292,600		1,928,726	2,072,700	1,077,299	1,083,001	2,160,300	1,055,100	986,200	2,041,300
Gross profits	401,389	556,000	594,600	603,700		177,889	223,500	114,425	154,175	268,600	135,400	152,000	287,400
SG&A expenses	339,175	331,400	336,300	343,600		159,965	179,200	84,346	83,754	168,100	86,400	76,900	163,300
Operating profits	57,942	224,600	258,300	260,100	190,000	26,633	31,300	34,467	66,033	100,500	49,000	75,100	124,100
Pretax profits	73,741	244,400	279,200	281,800	200,000	54,902	18,800	54,464	84,236	138,700	35,400	70,300	105,700
Corporate tax, etc.	25,832	69,700	79,600	80,300		15,222	10,600	8,980	30,520	39,500	10,100	20,100	30,200
Minority interests	10,238	39,800	50,200	56,200		7,757	2,500	4,493	15,107	19,600	12,600	7,600	20,200
Net profits	37,670	134,900	149,400	145,300	125,000	31,922	5,700	40,990	38,610	79,600	12,700	42,600	55,300
R&D expense	218,600	212,000	216,200	220,500	210,000	105,200	113,400	54,100	54,900	109,000	50,900	52,100	103,000
Depreciation & amortization	263,500	258,200	258,200	263,400	258,000	131,900	131,600	64,100	65,100	129,200	64,700	64,300	129,000
Capex	221,400	232,500	232,500	232,500	248,000	88,600	132,800	35,900	66,400	102,300	54,100	76,100	130,200
Sales ratios													
Gross profits	9.1%	11.7%	12.2%	12.3%		8.4%	9.7%	9.6%	12.5%	11.1%	11.4%	13.4%	12.3%
Operating profits	1.3%	4.7%	5.3%	5.3%	4.1%	1.3%	1.4%	2.9%	5.3%	4.1%	4.1%	6.6%	5.3%
Net profits	0.9%	2.8%	3.1%	3.0%	2.7%	1.5%	0.2%	3.4%	3.1%	3.3%	1.1%	3.7%	2.4%
Tax rate	35.0%	28.5%	28.5%	28.5%		27.7%	56.4%	16.5%	36.2%	28.5%	28.5%	28.6%	28.6%
Yoy change													
Revenues	+12%	+8%	+3%	+0%	+4%	+13%	+12%	+19%	+12%	+15%	+8%	-4%	+1%
Operating profits	-68%	+288%	+15%	+1%	+228%	-69%	-68%	+422%	+230%	+277%	+11269%	+143%	+296%
Net profits	-73%	+258%	+11%	-3%	+232%	-49%	-93%	+89%	+275%	+149%	NM	+204%	+870%
Forex assumptions	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE	1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
¥/USD	136.0	143.0	145.0	145.0	130.0	134.0	136.2	137.5	144.6	141.1	145.0	145.0	145.0
¥/EUR	140.6	154.2	155.0	155.0	135.0	138.7	142.5	149.7	157.3	153.5	155.0	155.0	155.0
¥/THB	3.8	4.0	4.0	4.0	3.8	3.8	3.9	4.0	4.1	4.1	4.0	4.0	4.0
¥/CNY	19.8	19.9	20.0	20.0	18.8	19.9	19.6	19.6	20.0	19.8	20.0	20.0	20.0
OP factor analysis	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE	1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Sales/product mix changes	-90,000	+44,100	-14,200	-32,600	+55,000	-20,000	-70,000	+16,500	+25,900	+42,400	+19,800	-18,100	+1,700
Change in sales volume	-45,000	+94,500	+32,300	+4,700	+95,000	+2,000	-47,000	+27,000	+43,200	+70,200	+30,100	-5,800	+24,300
Impact of price change	-35,000	-45,400	-46,500	-37,300	-45,000	-18,000	-17,000	-8,500	-14,300	-22,800	-10,300	-12,300	-22,600
Mix	-10,000	-5,000	0	0	+5,000	-4,000	-6,000	-2,000	-3,000	-5,000	0	0	0
Internal reforms	+43,000	+50,000	+48,800	+49,000	+50,000	+23,000	+20,000	+10,000	+10,600	+20,600	+13,100	+16,300	+29,400
Raw materials price changes	-58,000	+12,000	+1,700	0	+5,000	-65,000	+7,000	+5,500	+9,000	+14,500	-2,200	-300	-2,500
Forex	+45,000	+15,100	+2,200	0	-16,000	+28,000	+17,000	+3,300	+4,400	+7,700	+2,800	+4,600	+7,400
Fixed costs and others	-43,100	+10,200	-9,800	-9,400	+6,100	-10,700	-32,400	-11,300	-7,700	-19,000	+11,300	+17,900	+29,200
R&D	-24,500	+6,600	-4,200	-4,300	+8,600	-12,000	-12,500	-2,600	-1,200	-3,800	+4,300	+6,100	+10,400
Other	-18,600	+3,600	-5,600	-5,100	-2,500	+1,300	-19,900	-8,700	-6,500	-15,200	+7,000	+11,800	+18,800
Depreciation	-9,000	+5,300	0	-5,200	+2,000	-5,800	-3,200	+1,800	+900	+2,700	+1,300	+1,300	+2,600
Restructuring	+15,000	+10,000	+5,000	0	+10,000	+7,000	+8,000	+2,000	+3,000	+5,000	+2,500	+2,500	+5,000
Investment for focus area	-7,000	0	0	0	0	-15,000	+8,000	0	0	0	0	0	0
Other one-time items	-20,000	+20,000	0	0	+20,000	0	-20,000	0	0	0	0	+20,000	+20,000
Total	-124,100	+166,700	+33,700	+1,800	+132,100	-58,500	-65,600	+27,800	+46,100	+73,900	+48,600	+44,200	+92,800

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Exhibit 33: China sales certainly not strong, but initial guidance correspondingly conservative

Aisin: AT wholesales volume trend

AT production (1,000 units)	2023/3	2024/3E	2025/3E	2026/3E	24/3 CoE	2023/3		2024/3E					
						1H	2H	1Q	2QE	1HE	3QE	4QE	2HE
Toyota group	4,155	4,853	5,132	5,113	4,991	2,074	2,081	1,282	1,406	2,688	1,203	962	2,165
VW group	1,059	1,097	1,062	1,074	1,082	564	495	287	279	566	262	268	530
European OEMs (ex VW)	1,577	1,607	1,619	1,630	1,614	730	847	433	431	864	371	372	743
Detroit Three	347	359	377	397	379	204	143	103	77	180	85	94	179
Chinese local makers	683	801	753	714	723	383	300	177	164	341	220	241	461
Others	1,441	1,496	1,521	1,619	1,511	668	773	372	358	730	377	390	766
Total	9,262	10,214	10,464	10,548	10,300	4,623	4,639	2,654	2,716	5,370	2,517	2,327	4,844
yoy % change	-3%	+10%	+2%	+1%	+11%	-1%	-4%	+16%	+17%	+16%	+7%	+2%	+4%

Source: Company data, BofA Global Research.

BofA GLOBAL RESEARCH

Price objective basis & risk

Bridgestone (5108 / BRDCF)

Our 12-month PO for Bridgestone is ¥6,500 (ADR US\$21.51). We calculate a fair-value EV/EBITDA multiple of 5.0x by taking the FY12/15-12/19 average EV/EBITDA of 4.7x and applying a 15% decarbonization premium and +5% for potential action in response to share price weakness, as well as a 15% top-line visibility discount (net +5%). Applying this to 12-month forward EBITDA of ¥846bn we calculate fair-value EV of ¥4.2trn and fair-value market cap of ¥4.5trn. Upside risks are greater-than-expected recognition of positive earnings impact of shift to electric vehicles and a sharp decline in raw material costs. Downside risks are an increase in raw material costs including a rise in crude oil prices and tougher competition in the US.

Sumitomo Rubber Industries (5110 / SMTUF)

Our 12-month PO for Sumitomo Rubber Industries is ¥1,400. We calculate a fair-value EV/EBITDA multiple of 4.6x by taking the FY3/17-3/19 average EV/EBITDA of 4.8x and applying a 5% decarbonization premium and +5% for potential action in response to share price weakness, as well as a 15% top-line visibility discount (net -5%). Applying this to 12-month forward EBITDA of ¥131.4bn we calculate fair-value EV of ¥599bn and fair-value market cap of ¥347bn. Upside risks are a sharp decline in raw material costs and a faster-than-expected improvement in containership shortages. Downside risks are an increase in raw material costs including a rise in crude oil prices, a rise in marine freight costs owing to containership shortages, and oversupply and consequent price declines. North American inflows of low-price products are also a risk.

DENSO (6902 / DNZOF)

Our 12-month PO for Denso is ¥3,100. We calculate a PO basis EV/EBITDA multiple of 8.5x by taking the FY3/17-3/20 average EV/EBITDA of 6.1x and applying a 50% decarbonization premium and 5% for potential action in response to the low share, as well as a 15% top-line visibility discount (net +40%). Applying this to 12-month forward EBITDA of ¥1.12trn we calculate an EV of ¥9.1trn and a market cap of ¥9.3trn. Downside risks are a rapid decline in auto OEM production volume owing to chip shortages, intensified competition in BEV products in the future and changes in electrification expectations.

Aisin (7259 / ASEKF)

Our 12-month PO for Aisin Corporation is ¥5,500. We calculate a PO basis EV/EBITDA multiple of 2.8x by taking the average FY3/17-3/19 EV/EBITDA of 3.1x and applying a premium of 5% for decarbonization and a 15% discount for top-line visibility. Applying this to 12-month forward EBITDA of ¥508.1bn we calculate an EV of ¥1.4trn and a market cap of ¥1.5trn. Downside risks are a rapid decline in auto OEMs' production volume owing to chip shortages, intensified competition in BEV products in the future and changes in electrification expectations.

Analyst Certification

I, Kei Nihonyanagi, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Special Disclosures

BofA Securities is currently acting as Financial Advisor to Coherent Corp in connection with its separation and contribution of its silicon carbide business to a newly formed subsidiary consisting of investments from Denso Corp and Mitsubishi Electric Corp, which was announced on October 10, 2023.

APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Aima Technology	XHBF	603529 CH	Joey Yang, CFA
	Ashok Leyland	XDBVF	AL IN	Gunjan Prithyani
	Bajaj Auto	XBJBF	BJAUT IN	Gunjan Prithyani
	BYD	BYDDF	1211 HK	Ming Hsun Lee, CFA
	BYD	XYMPF	002594 CH	Ming Hsun Lee, CFA
	BYD	BYDDY	BYDDY US	Ming Hsun Lee, CFA
	CATL	XMOQF	300750 CH	Ming Hsun Lee, CFA
	DENSO	DNZOF	6902 JP	Kei Nihonyanagi
	Desay SV	XGDFF	002920 CH	Jessie Lo
	Eicher Motors	XEIMF	EIM IN	Gunjan Prithyani
	EVE	XEVVF	300014 CH	Ming Hsun Lee, CFA
	GAC	GNZUF	2238 HK	Ming Hsun Lee, CFA
	Hankook Tire	XHTRF	161390 KS	KJ Hwang
	Hesai	HSAL	HSAL US	Jessie Lo
	HL Mando	XMADF	204320 KS	KJ Hwang
	Honda Motor	HMC	HMC US	Kei Nihonyanagi
	Honda Motor	HNDAF	7267 JP	Kei Nihonyanagi
	Huayu	XHASF	600741 CH	Jessie Lo
	Hyundai Motor	HYMLF	005380 KS	KJ Hwang
	Isuzu Motors	ISUZF	7202 JP	Kei Nihonyanagi
	Li Auto	LI	LI US	Ming Hsun Lee, CFA
	Li Auto	LAAOF	2015 HK	Ming Hsun Lee, CFA
	Maruti	MUDGF	MSIL IN	Gunjan Prithyani
	Mazda Motor	MZDAF	7261 JP	Kei Nihonyanagi
	Minth	MNTHF	425 HK	Jessie Lo
	NIO	NIO	NIO US	Ming Hsun Lee, CFA
	NIO	NIOF	9866 HK	Ming Hsun Lee, CFA
	NIO	XLTFW	NIO SP	Ming Hsun Lee, CFA
	Nissan Motor	NSANF	7201 JP	Kei Nihonyanagi
	Nissan Motor	NSANY	NSANY US	Kei Nihonyanagi
	PARK24	PKCOF	4666 JP	Kei Nihonyanagi
	SAMIL (Mother International)	XMSUF	MOTHERSO IN	Gunjan Prithyani
	Shenzhen Kedali	XWCSF	002850 CH	Jessie Lo
	Shuanghuan Driveline	XZSHF	002472 CH	Jessie Lo
	Suzuki Motor	SZKMF	7269 JP	Kei Nihonyanagi
	Tata Motors	XTTSF	TTMT IN	Gunjan Prithyani
	Tinci Materials	XCVHF	002709 CH	Miriam Chan, CFA
	Toyota Motor	TOYOF	7203 JP	Kei Nihonyanagi
	Toyota Motor	TM	TM US	Kei Nihonyanagi
	TVS Motors	XFKMF	TVSL IN	Gunjan Prithyani
	Wuxi Lead	XZSRF	300450 CH	Ming Hsun Lee, CFA
	XPeng Inc	XPEV	XPEV US	Ming Hsun Lee, CFA
	XPeng Inc.	XPNGF	9868 HK	Ming Hsun Lee, CFA
	Yadea	YADGF	1585 HK	Joey Yang, CFA
	Yongda	CYHFF	3669 HK	Joey Yang, CFA
	Yunnan Energy	XLGFF	002812 CH	Jessie Lo
	Zhejiang Sanhua	XZSIF	002050 CH	Jessie Lo
	Zhongsheng Auto	ZHSIF	881 HK	Joey Yang, CFA
NEUTRAL				
	Aisin	ASEKF	7259 JP	Kei Nihonyanagi
	Bridgestone	BRDCF	5108 JP	Kei Nihonyanagi
	Bridgestone	BRDCY	BRDCY US	Kei Nihonyanagi
	CALB	XCLSF	3931 HK	Ming Hsun Lee, CFA
	Dong Feng	DNFGF	489 HK	Ming Hsun Lee, CFA
	Great Wall Motor	GWLLF	2333 HK	Ming Hsun Lee, CFA
	Hino Motors	HINOF	7205 JP	Kei Nihonyanagi
	Hyundai Mobis	HYPLF	012330 KS	KJ Hwang
	Kia Corp	KIMTF	000270 KS	KJ Hwang
	Leapmotor	XZSSF	9863 HK	Ming Hsun Lee, CFA
	Mahindra & Mahindra (M&M)	XKQRF	MM IN	Gunjan Prithyani
	MeiDong Auto	CMEIF	1268 HK	Joey Yang, CFA
	Mitsubishi Motors	MMTOF	7211 JP	Kei Nihonyanagi
	Mother International	XMWDF	MSUMI IN	Gunjan Prithyani

APR - Autos Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Shenzhen Senior	XHYRF	300568 CH	Jessie Lo
	Sona Comstar	XBNXF	SONACOMS IN	Gunjan Prithyani
	Subaru Corp	FUJHF	7270 JP	Kei Nihonyanagi
	Subaru Corp	FUJHY	FUJHY US	Kei Nihonyanagi
	Toyota Industries Corporation	TYIDF	6201 JP	Kentaro Hosoda
	Toyota Industries Corporation	TYIDY	TYIDY US	Kentaro Hosoda
	Wencan	XSCDF	603348 CH	Joey Yang, CFA

UNDERPERFORM

	Astra International	PTAIF	ASII J	Paul Dewberry
	BAIC Motor	BMCLF	1958 HK	Ming Hsun Lee, CFA
	Bharat Forge	XUUVF	BHFC IN	Gunjan Prithyani
	China Grand Auto	XMURF	600297 CH	Joey Yang, CFA
	Escorts Kubota	XSCOF	ESCORTS IN	Gunjan Prithyani
	Fuyao Glass	XFGIF	600660 CH	Edward Leung, CFA
	Fuyao Glass	XFUYF	3606 HK	Edward Leung, CFA
	GAC	XGNHF	601238 CH	Ming Hsun Lee, CFA
	Great Wall Motor	XGWMF	601633 CH	Ming Hsun Lee, CFA
	Hero Motocorp	HRHDF	HMCL IN	Gunjan Prithyani
	Hyundai Wia	XWHYF	011210 KS	KJ Hwang
	Joyson	XQMWF	600699 CH	Jessie Lo
	Nexteer	NTXVF	1316 HK	Jessie Lo
	Putailai	XVHGF	603659 CH	Jessie Lo
	SAIC Motor	XZNF	600104 CH	Ming Hsun Lee, CFA
	Sumitomo Rubber Industries	SMTUF	5110 JP	Kei Nihonyanagi
	Yamaha Motor	YAMHF	7272 JP	Kei Nihonyanagi

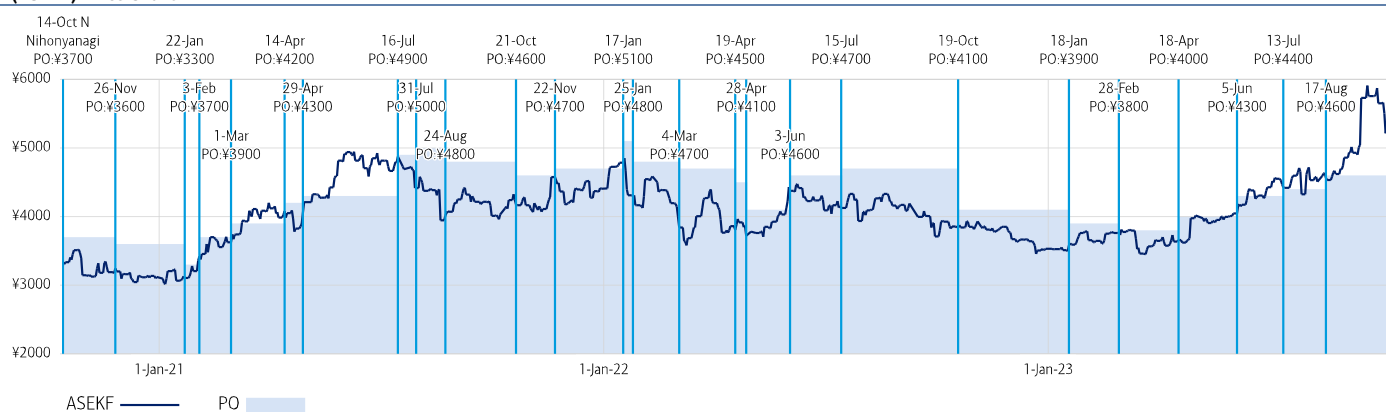
RVW

	Geely	GELYF	175 HK	Ming Hsun Lee, CFA
	Nextage	XIOIF	3186 JP	Kentaro Hosoda

Disclosures

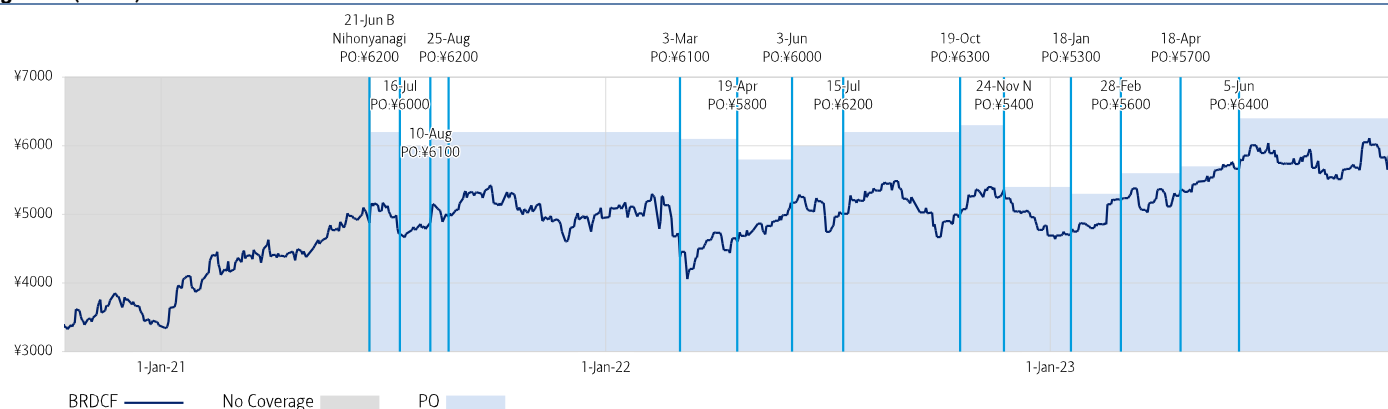
Important Disclosures

Aisin (ASEKF) Price Chart



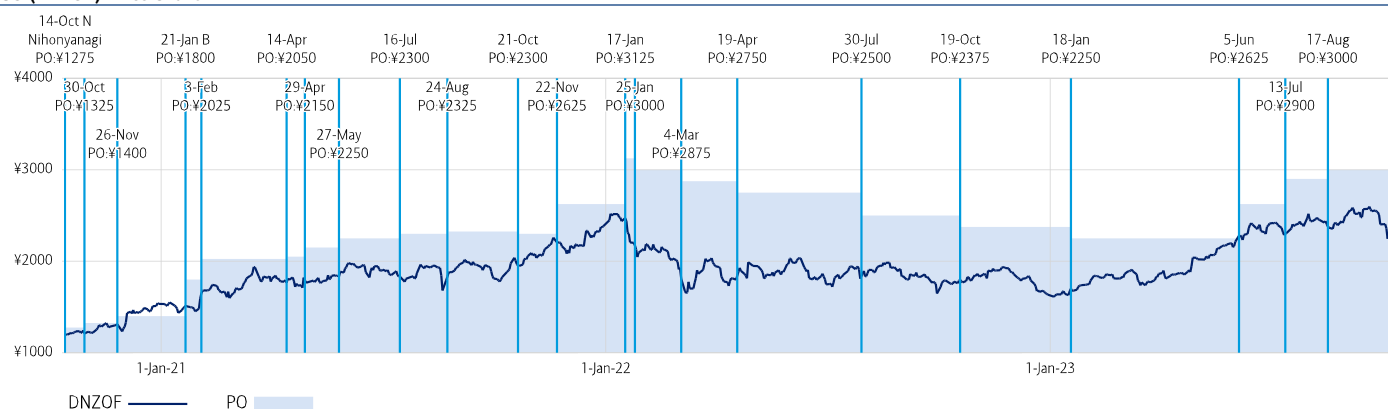
B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Bridgestone (BRDCF) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

DENSO (DNZOF) Price Chart

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Sumitomo Rubber (SMTUF) Price Chart

The picture can't be displayed.

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Autos Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	64	53.78%	Buy	37	57.81%
Hold	31	26.05%	Hold	16	51.61%
Sell	24	20.17%	Sell	11	45.83%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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