

Feb. 2nd, 2024

TOYOTA BOSHOKU CORPORATION

Summary of Q&A at FY2024 3rd Quarter Financial Result

Q 1 : You have lowered your full-year sales volume assumption, but have you factored in the impact of the suspension of engine shipments by Toyota Industries Corporation? Is it possible that Toyota Motor Corporation has given you an advanced notice of production that will slightly reduce the number of units for the next fiscal year, and that you have adjusted including this?

A 1 : We have reduced the sales volume from the plan we announced at the end of the Q2 in consideration of the suspension of production in Japan, by Daihatsu and Toyota Motor East Japan, as well as the production reduction in Thailand and other Asian countries. We have not included impact of Toyota Industries Corporation. For Thailand, we have included the decrease in the near future due to stricter automobile loan regulations. We will make the plan for the next fiscal year by comparing the daily production volume with annual production plan from Toyota Motor Corporation.

Q 2 : About the dissolution of crossholdings and share buyback, what assumptions are being discussed for the elimination of cross-holding within the Toyota Group? Is it correct to understand that your share buyback this time is an action came from the movement within the Toyota Group?

A 2 : We have decided to buy back our own shares as a result of various internal discussions including the opinion about capital efficiency and the large cash position we have. In response to the cash allocation in the "2030 Mid-Term Business Plan" announced in November, it may be pointed out that the buyback will be carried out between 2026 and 2030, but we would like to continue to do what we can ahead of schedule to promote capital efficiency while securing funds for future growth investments. We have heard and seen various information about the movement of Toyota Group's cross-shareholdings policy. We will closely monitor the situation and consider how to respond to it while watching the impact on liquidity and stock prices.

Q 3 : In the Q3 (October-December), operating profit was 27.1 billion yen with the operating profit ratio of 5.3%, a fairly high level of profit. How do you view these figures in relation to your internal assumptions? Also, do these figures include transitory factors such as price pass-through and easing of price declines? If so, please also give us a sense of the scale of these items.

A 3 : At this point, we believe that operating profit will be 22.2 billion yen, with an operating profit ratio of about 4.6% with our current actual ability. This time, operating profit is 27.1 billion yen as a result of the sales team's considerable efforts to add 4.9 billion yen which includes the recovery of compensation for the suspension of operations in previous years, which had been negotiated, and the settlement of tooling costs, among others. Also, productivity has been increasing due to high swing of cost reduction mainly in manufacturing. In addition to strengthening our competitiveness in these areas, we will continue to talk with our customers politely and work on various initiatives to ensure profitability.

Q 4 : What is your view of the direction of profit levels for the next fiscal year? The year is likely to be a year of consolidation rather than an increase in volume. As for costs, labor costs are expected to rise in the U.S., and fixed costs are expected to rise in other regions as well. On the other hand, there are upside impacts such as receiving orders and productivity improvements. Can we assume that the Q3 operating profit of JPY22.2 billion and operating profit margin of 4.6%, which is at the level of your actual ability, will be the basis for the next fiscal year's forecast?

A 4 : In the current Q4, the Chinese market is experiencing slightly lower volume than expected due to low volume caused by the Chinese New Year and the situation that we are in the middle of a model change period, but we are of the opinion that the market environment has not changed significantly at this point. Therefore, we expect the market to return to regular position in the next fiscal year. We are in the process of making the volume plan for the next fiscal year while receiving information from Toyota Motor Corporation including information on foothold solidification, but one thing to keep in mind is how the shift to BEVs will affect Chinese market. In Japan, the composition of sales within and among vehicle types has been favorable in this fiscal year, but we assume this to drop off a bit in the mid-grade segment. We would like to keep a close watch on this shift. As an internal

initiative, the company has formed a team in the Americas region to improve profitability and reform the profit structure and is putting considerable effort into the project. There will be no visible financial impact this fiscal year, but we expect to harvest the benefits for the next fiscal year. In Japan, we have been promoting various cost reduction and VA activities in response to the launch of a fairly large SUV in the current fiscal year. We expect these activities to flourish in the next fiscal year and make considerable progress in cost improvement.

Q 5 : Please give us some background on the forecast increase in the volume of seats in the Americas region in the Q4.

A 5 : In the Q4 of the Americas region, production is expected to increase by about 30,000 units from the Q3 due to the launch of new models and increased production in Canada. The impact of the wage hike in the U.S. overall is beginning to be seen and we reflected in operating profit for the Q4 with the amount of close to -2 billion yen. Considering this impact, we believe that improving profitability in the U.S. is an extremely important initiative for the next fiscal year. We will continue to make company-wide efforts.

Q 6 : You mentioned about upfront investment, but I would like to know what kind of investment you are considering. I believe that you are also making upfront investments with regarding to motor cores. If you have any updates on the motor core business, please let us know.

A 6 : In our "2030 Mid-Term Business Plan," our direction is to become more like the Interior Space Creator. This includes not only seats but also interiors, and we are working to strengthen our R&D team and create new associates in order to bring various areas in-house. In order to firmly develop such capabilities, we are increasing expenses, R&D costs, etc. We have also declared in our Mid-Term Business Plan that we will actively pursue motor cores, and although we did not include motor cores in our capital investment plan for FY2024, we will work on them in FY2025 and FY2026, with firmly considering the feasibility. The ratio of electrification will increase in the future, so we need to shift our focus to this area. We have a lot of competitors in the market, so we need to make a strong effort to become more competitive.

Q 7 : In considering the earnings for the next fiscal year, I think it is very difficult to consider and forecast the mix of vehicle models. For the current fiscal year, the mix has been very good, but you mentioned several risks such as the possibility that it may shift to middle grade more in the future. Has there been any advanced production notice that the mix of models will become worse? Also, if there is a regional difference, please explain that point as well.

A 7 : Regarding the mix of vehicle type, the grade mix this fiscal year was dominated by high-grade models for SUVs and minivans, but we are keeping a close eye on whether the mix will settle down to a more average grade in the next fiscal year. As for the model mix, new models have been launched in the second half of the current fiscal year, which have been adding much more value, so we believe that the composition will improve. However, looking at the current situation, there are some effects from the production suspension within the group, and we will closely monitor how it will affect the plan for the next fiscal year.

Q 8 : Regarding the Toyota Group Vision, I got the impression that you must come up with various measures within a limited time frame, such as electing a master driver or making some new plans by the time of the General Shareholders' Meeting. I would like to know how your company perceives the Toyota Group Vision and how it relates to your capital policies.

A 8 : What we need to take into consideration regarding the Group Vision is how we should confront the various irregularities that have been occurring frequently in the Toyota Group. We are now discussing and debating with top management and others on what the five principles of attitude mentioned in the Group Vision mean, what the foundation of Toyota Boshoku is, and whether we have lost sight of that foundation. We are also beginning to discuss whether we have properly planted seeds for the future. However, since discussions at the management level alone will not lead to a transformation of the company, President Shirayanagi and the top managements will prioritize how to share and disseminate these values among the members of Toyota Boshoku and the Toyota Boshoku group, while steering the management of the company. Since Mr. Shirayanagi became president, he has been particularly focused on creating an open workplace where people can express their opinions to each other and on human resource development, which he will continue

to do firmly and without wavering. I also believe that there is no direct relationship between the Group's vision and the capital policy or the ongoing dissolution of cross shareholdings.

Q 9 : Please tell us about the frequency of model changes at Toyota Motor Corporation and how the collection of tooling costs associated with these changes will affect the company's performance in the next fiscal year.

A 9 : Although we do not have specific information from Toyota Motor Corporation regarding the frequency of model changes at this time, we are assuming a number of things, such as, postponing model line-offs or suspending development. As soon as we know the details, we will follow up closely by securing internal resources, reviewing investment plans, etc. In response to the model change, we are strengthening our development, production engineering, and corporate personnel considerably. We have also been strengthening our manufacturing division, and once we have more time and extra capacity, we will use it for human resource development and to secure and build a strong management foundation, including sharing the group vision.

Q 10 : I would like to know how the fluctuation and recovery of material costs will affect the company's performance in the next fiscal year.

A 10 : The relationship between market price hikes and recovery is a little difficult to understand because in the U.S. and some parts of Europe, the impact of the previous year's cost is recovered in the current year, which is a time lag, however, we believe the global recovery of material, freight, and energy costs, which rose this year, has been making considerable progress in recovery. On the other hand, labor costs must be addressed in the future. The global rise in labor costs is an issue not only for our company but also for the industry as a whole, and we believe that such initiatives will take place in the context of a larger trend.

Q 11 : Regarding the Asia and Oceania region, the profit ratio is quite high in the Q3 alone. Are there any risks, such as the possibility of sales price discounts in the next fiscal year?

A 11 : Although profit ratios in the Asia and Oceania region have remained relatively high so far, production reductions have recently occurred in Thailand and Vietnam due

to stricter automobile loan examinations. Also, in Thailand and other countries, the China-based BEVs are slowly spreading. Although the overall percentage is still only a few percent, we consider it to be a slight risk.

On the other hand, sales are expanding to new customers in India and Indonesia. In these countries, we have been developing seat frames for relatively small cars for emerging countries and have completed sufficiently competitive frames. We would like to gain a good reputation in these areas and continue to build up our production capacity to be competitive with Chinese and local makers.