Apr. 25th, 2025
TOYOTA BOSHOKU CORPORATION

Summary of Q&A at FY2025 4th Quarter Financial Results

Q 1 : We would like to know the number of vehicles from Toyota Motor that you are assuming for your forecast of seat production volume for the next fiscal year.

A 1 : The next fiscal year, FY2026, is based on the assumption of Toyota Motor's volume of 10 million units. Based on this assumption, we have factored in a very small amount of risk in some regions.

Q 2 : What is your assumption of the impact of tariffs on the gross amount to be paid and recovered from the customers during the next fiscal year?

A 2 : The tariff impact is basically not factored into the forecast for the next fiscal year, only the portion of actual payment in April (about USD 2M) is factored in. We have not included in our forecast the recovery from customers. We plan to discuss this with the customers in the future.

We have conducted a simulation of the impact of tariffs and estimated the maximum impact to be approximately JPY40 to 50 billion for items imported from outside the U.S. by our U.S. business entities. However, this is a fairly worst-case scenario. Since tariff rates are still under discussion, it is difficult to assume the most likely figure.

Q 3 : We would like to confirm transitory factors in the results for the 4th quarter (Jan-Mar) of FY2025. In addition, we would like to request supplemental information if there are any other transitory income/expenses other than impairments.

A 3 : There are negative factors of about JPY38 billion including impairment losses, and positive transitory factors of about JPY8 billion, resulting in a net worsening effect of about JPY30 billion. Excluding these factors, we estimate the real performance figure to be around JPY20 billion. The negative JPY38 billion includes about JPY32 billion in impairment losses and about JPY6 billion in other items, of which JPY6 billion is due to the items specific to 4th quarter, such as recording fixed asset taxes or booking accounting reserves. Conversely, the positive JPY8 billion is mostly compensation from customers for operation stoppages in North America.

Q 4 : Please provide additional information on the factors that led to the impairment in the North, Central and South America region.

A 4 : The trend changed after the COVID-19 pandemic, and it became difficult to earn returns on investments made prior to the COVID-19 pandemic due to lower volume, inflation, labor shortages, and other factors. The North, Central, and South American regions, with the exception of South America and other regions, had been in a severe profit situation for some time, but since new models were expected to start up in North America in FY2025 and earnings were expected to recover, the region did not record any impairment losses until this time. However, due to the stoppage of operations at customers and other factors, as a result, the North America business remained at a loss in FY 2025. As a result, after thorough discussions with the audit firm, an impairment loss of JPY28.3 billion was recorded. Since last year, activities to improve profitability in North America, which include members from the Japanese side, are showing positive results.

As for initiatives starting from this fiscal year, we have established a special team directly under the CEO to work on improvements such as reviewing production processes, improving operational efficiency, raising workplace capabilities to thoroughly accomplish what is planned, and in terms of fixed costs, working on equipment standardization and slimming down the indirect departments as well. At the same time, we are also reviewing the organizational management structure, and we are positioning FY2026 as the year of a fresh start for North America, planning to strengthen our foundation from the ground up with that kind of spirit.

Q 5 : I would like to know if the impairment in the North, Central, and South America region is for all facilities mainly in the U.S., or for specific facilities.

A 5 : We considered operations in the U.S., Canada, and Mexico to be a single entity and assessed the impairment as a cash-generating unit. Although the operations in Canada are profitable and the operations in the U.S. and Mexico are struggling, we have deemed them to be a single entity and recorded an impairment loss due to accounting requirements.

Q 6 : Regarding the FY2025 results for the North, Central, and South America region, the 4th quarter impairment loss of JPY -28.3 billion and the consolidation adjustment and others of JPY 14.2 billion had a considerable impact on the full-year operating profit. After all, what was the real performance figure for the North, Central, and South America region in the

4th quarter (Jan-Mar)?

A 6 : The actual performance in the North, Central, and South America region for the 4th quarter (Jan-Mar) is about positive JPY2.0 billion. As a supplementary note, slide 23 shows operating income of JPY-20.1 billion for the 4th quarter of FY2025 in North, Central, and South America, and the difference from the actual performance of JPY2 billion is mainly due to impairment losses of JPY-28.3 billion and the recovery of JPY7.5 billion from customers for compensation for operation stoppages in North America.

Q 7 : Regarding the forecast for the North America region for the next fiscal year, I believe that the impairment loss this time will result in a decrease in expenses for the next fiscal year, so please tell us how much effect you expect from the impairment. Also, I believe that the recovery of production volume has been factored in, so how much effect will the recovery of production volume have? In addition, please tell us why the forecast for the North, Central and South America region for the next fiscal year shows a difference in operating profit of JPY 7 billion in the first half and JPY 5 billion in the second half, while sales will remain flat in the first and second half of the fiscal year.

A 7 : We assume that the decrease in depreciation in the next fiscal year will be around JPY3.0 to JPY3.5 billion as a result of the impairment.

Regarding the production volume, while there was a production stoppage in FY2025, it is expected to recover in the next fiscal year, increasing by 90,000 units in the North, Central, and South America region compared to FY2025. However, since we received compensation from customers for 70% of the impact of the production stoppages in FY2025, the effect of the recovery in the production volume will not be as large as it seems.

The balance of operating profit between the first and second half of the year is affected by transitory factors in the second half of the year. There will be a temporary decrease in volume due to the model change of some vehicles in the second half of the year, as well as costs associated with start-up, such as production preparation.

Q 8 : Can you explain how the 2.2% operating profit ratio forecast in the North, Central, and South America region for the next fiscal year on slide 13 might be improved in the future?

A 8 : The operating profit ratio of 2.2% includes the South American region. Excluding

South America, North America has an operating profit of about JPY2 billion, and the operating profit ratio is still less than 1%. Since the fixed cost ratio will be lowered due to a decrease in depreciation, we will work to increase the marginal profit ratio so that we can achieve an operating profit ratio from 3% to 4%.

Q９ : **In the China region, the volume was decrease by 130,000 units in FY2025 from the previous fiscal year and further decrease by 180,000 units is projected in the next fiscal year from FY2025. How should we consider the risk of worsening profits in the China region as the production volume declines? What are your strategies and countermeasures for the China region?**

A９ : Although the production volume has been decreasing year by year, some SUVs and minivans have maintained or slightly increased in volume, and we have expectations for the future.

Under such circumstances, the operating profit ratio for the China region is projected to be 7.4% for the next fiscal year. We are making considerable efforts in the China region to increase the profit ratio even if the production volume decreases by 180,000 units. Specifically, we are making efforts to reduce manpower, promote autonomation, cost reduction, maintain selling prices, and streamline operations. We consider the current period as a time of patience and are making efforts to maintain and improve the profit ratio even as the production volume declines.

Q10 : Operating profit in the Asian region dropped slightly in the 4th quarter (Jan-Mar). The forecast for the next fiscal year also shows an increase in volume but a decrease in profit. What are the reasons for these trends and how do you intend to improve the situation?

A10 : A retroactive revision of about JPY -2.0 billion is included as a transitory factor. Without this, there would be no discrepancy in the quarterly (three-month) profit trends for the Asian region.

In the next fiscal year, the production is expected to increase compared to FY2025, due to an expected increase in production of compact cars for OEMs other than Toyota in India, while production of some Toyota models (SUVs and MPVs) will be reduced, which is expected to worsen the model mix and affect profits.

As a way to break out of this situation, we are investing in India and our basic stance is to recover in India where price competition in Thailand and other countries is becoming more severe.