

Jul. 31st, 2025

TOYOTA BOSHOKU CORPORATION

Summary of Q&A at FY2026 1st Quarter Financial Results

Q 1 : Please explain any transitory factors affecting the results for the first quarter.

A 1 : Regarding operating income of JPY18.7 billion for the first quarter, there are some transitory expenses and revenues, but after adding and subtracting these, we believe that approximately JPY19.0 billion is an actual basis income.

Q 2 : Please comment on the progress made toward the plan regarding the operating income of JPY18.7 billion achieved in the first quarter.

A 2 : Although it is slightly above the plan, there are gaps in the consumption of overhead costs, etc., and excluding those items, the figures are almost as planned.

Q 3 : Regarding analysis of operating profit in the full-year earnings forecast on slide 11, please analyze the differences in Model & Product Mix and Foreign Exchange between the previous year-end forecast and the current forecast.

A 3 : Regarding the previously announced earnings forecast, there were revision in Model & Product Mix and Foreign Exchange, and the correct figures were a Model & Product Mix of negative JPY0.2 billion and a Foreign Exchange of negative JPY1.0 billion (the previously announced figures were a Model & Product Mix of negative JPY 4.0 billion and a Foreign Exchange of JPY2.8 billion). When comparing the previous forecast with the current one, the Model & Product Mix difference has changed to a decrease of JPY3.0 billion (from negative JPY0.2 billion to negative JPY3.2 billion). This is primarily due to the fact that, in the Japanese market, lower-grade models of SUVs are selling better than initially anticipated, and production volumes for another SUV model have decreased more than expected, reflecting a deterioration in the model mix. On the other hand, the company expects to absorb such profit declines through increased rationalization efforts and efficiency improvements in various expenses, aiming for an annual forecast of JPY80.0 billion.

Q 4 : On slide 6, operating income in North, Central, and South America was JPY4.6 billion in the first quarter. Compared to the full-year forecast of JPY12.0 billion, it progressed significantly. How will profitability develop going forward?

A 4 : The rationalization effects are beginning to show in the revenue situation in the Americas. However, due to factors such as model changes in production vehicles, the launch of new factories, and the impact of tariffs, the full-year forecast is expected to be JPY12.0 billion, as initially anticipated.

Q 5 : On slide 6, is the JPY0.5 billion tariff impact on first quarter earnings in North, Central, and South America gross or net? Please provide separate figures for gross costs and recoveries.

A 5 : The JPY0.5 billion in tariffs is net, and grossed up, the tariff cost is JPY0.7 billion, with JPY0.2 billion recovered. Assuming a 15% tariff rate starting August 1, we estimate annual tariff costs to be approximately USD50 million to USD70 million. In the first quarter, it is difficult to reasonably estimate the impact of tariffs due to factors such as a time lag in invoicing from suppliers and ongoing negotiations with customers regarding price pass-through. Therefore, this impact has not been factored into the current performance forecast. In the case of our products, we have been advancing local procurement efforts compared to the past, and we believe the impact amount itself is less than 0.5% of sales. We aim to minimize the impact amount by absorbing it through internal efforts while also requesting customers to bear their share of the burden.

Q 6 : Regarding the results for the first quarter in North, Central, and South America, was there a rush in demand before the tariffs were applied?

A 6 : Production volume has increased compared to last year, and although this may have included rush demand, we do not expect production volume to decline in the second half as a reaction to this, and we expect the full-year production volume forecast to remain unchanged.

Q 7 : In the China region, I feel that production volume is slightly lower than Toyota Motor's volume. In addition, the unit price per vehicle, which is calculated by dividing sales by production volume, is decreasing. I would like you to analyze this.

A 7 : I believe that part of the growth in Toyota Motor's volume in China is attributable to BEVs, but there are some models that we have not been able to secure orders for, resulting in a slight difference in growth rates. In terms of unit prices, the China region is facing intense price competition amid the rapid growth of Chinese OEMs. Against this backdrop, our business entities in China are working to reduce costs through various on-site improvements and the Xiaohudao smart factory in the Guangzhou area, and our profit margin in China is higher than last year.

Q 8 : I believe that profits are solid in the China region, but are there any risks anticipated for the second half of the fiscal year?

A 8 : Regarding production volume in China, we factored in risk at the beginning of the fiscal year and reduced our plan by 5% from our customers' planned volume. Actual results for the first quarter exceeded the reduced plan by more than 6%, showing steady growth. Although maintaining our initial forecast may seem a little conservative, this production volume may have a supporting effect of government subsidies. We will continue to closely monitor future trends, such as price reductions by Chinese OEMs.

Q 9 : I would like to ask again about the dissolving of cross-shareholdings within the Toyota Group, given the delisting of Toyota Industries. Please also let me know if there are any updates regarding shares held by Toyota Motor Corporation.

A 9 : Regarding cross-held shares, we review the appropriateness of holding every year, following the appropriate steps within our company. Furthermore, there are currently no changes in the status of our company's shares held by Toyota Motor Corporation.