

Apr. 28<sup>th</sup>, 2026

TOYOTA BOSHOKU CORPORATION

## Summary of Q&A at FY2026 4th Quarter Financial Results

**Q 1 : Please provide a breakdown of the transitory expenses recorded in the fourth quarter (January–March) of fiscal year 2026.**

A 1 : The main item of transitory expenses is approximately JPY 16 billion in quality-related costs associated with the recall response reported in March 2026. In addition, impairment losses in the Americas region amounted to approximately JPY 3.5 billion, and the impact of tariffs—previously estimated at JPY 3 billion—was revised upward to JPY 5 billion, resulting in an additional JPY 2 billion being recorded in the fourth quarter.

**Q 2 : Could you please explain in detail the cost assumptions included in the next fiscal year's forecast?**

A 2 : Regarding material costs, we have factored in an additional cost of JPY 1.5 billion for April 2026 due to the impact of the situation in the Middle East. However, as prices pass-through and payment conditions have not been finalized for May and beyond, these factors have not been reflected in the current financial forecast. As for recovering wage increases from customers, we plan to negotiate with each customer individually going forward, and since nothing has been decided yet, this has been excluded from the assumptions for the financial forecast.

**Q 3 : Could you please explain the assumptions regarding seat volume in the financial forecast for the next fiscal year, as well as your outlook on the increase in orders from OEMs other than Toyota?**

A 3 : Our seat volume projections have been formulated after fully incorporating all the latest information, including Toyota's recent reported production reduction of approximately 38,000 units—linked to the situation in the Middle East—and the actual production reductions in Japan during March and April. We are basing our projections on the assumption that Toyota's total production will be over 10 million units.

Although the increase in our seat production volume appears to exceed the growth in Toyota's global production volume, we believe this is partly due to a gradual increase in orders from customers other than Toyota. Compared to actual results

for fiscal year 2026, the forecast assumes that seat production volume for non-Toyota customers will increase by approximately 25% in the next fiscal year, driven by a broadening customer base, particularly in Asia.

**Q 4 : Please let us know to what extent we should be aware of the downside risks to next fiscal year's forecast, including the impact of materials prices and tariffs.**

A 4 : Regarding material prices, while the pass-through capability will depend on future negotiations, we recognize that the JPY1.5 billion increase in costs for April—which has already been factored in—could potentially become a factor reducing profits by approximately JPY16.5 billion on an annualized basis. Regarding the impact of tariffs, the cost in fiscal year 2026 was JPY2 billion higher than anticipated. However, this was primarily due to administrative issues, such as invoices received from suppliers in the fourth quarter that remained unpaid because there was insufficient time to negotiate with customers. We believe that by taking the time to negotiate, this could contribute positively to the next fiscal year compared to the current one. For certain parts exported from outside the U.S., we have explained the economic rationale to customers but have not yet reached agreement in some cases, so continued negotiations are necessary. However, for other items, we believe the issue will be resolved as a matter of timing differences between payments and collections due to administrative procedures.

**Q 5 : Please provide detailed information on the causes of quality-related costs and the measures being taken to prevent their recurrence.**

A 5 : Of the quality-related costs incurred in fiscal year 2026, those related to welding and bolt fastening defects in the Sienna were attributable to the manufacturing process and are recorded as expenses in the Americas region.

On the other hand, the approximately JPY 16 billion in costs related to the recall filed in March 2026 were attributable to recliner components designed in Japan; since the design is largely responsible for the issue, these costs are being recorded in the Japan region. Although this is not a safety-critical issue, we are conducting the recall to address the significant inconvenience caused to customers from a usability perspective. We are currently reviewing each process—development, evaluation, production preparation, and mass production—to identify where the problem originated, and the design itself has already been updated, with the

revised parts now in use. Going forward, we will conduct a comprehensive review of the entire process to prevent recurrence.

**Q 6 : Could you explain the basis for the financial forecasts for the next fiscal year in North, Central, and South America, China, and Asia?**

A 6 : For the Americas region, excluding transitory factors such as recall costs of approximately JPY 6 billion, impairment losses of JPY 3.5 billion, and tariff impacts of JPY 5 billion—all of which are included in the FY2026 results—we estimate that operating profit on an underlying basis was in the range of JPY 4.0 to 5.0 billion. For the next fiscal year, we project approximately JPY 6.0 billion on a basis excluding tariff impacts and anticipate a substantial increase in profit driven by the effects of increased production. Regarding the impact of the new RAV4, as it is still in the early stages after launch, while we are seeing an effect from increased unit sales, we are taking a conservative view on its contribution to unit pricing at this point. We believe the benefits will gradually become apparent as production efficiency improves.

In the China region, we anticipate a slight decline in sales volume, but we plan to mitigate the decline in profits through a lean production system.

In the Asia region, profits are expected to remain flat despite an increase in revenue, due to a series of upfront investments, primarily in India.

**Q 7 : Please tell us how you view upfront investments and R&D expenses in this challenging external environment.**

A 7 : In line with our 2030 Medium-Term Business Plan, we will continue to pursue our strategy of becoming the interior space creator without wavering. To that end, we will continue to make the necessary investments, focusing primarily on Japan, India, and North America.

Regarding R&D expenses, we plan to allocate resources and man-hours to strengthen our technical capabilities for proposing comprehensive interior space solutions and to support the localization of development in China.