Q4

**How will we bridge the growth gap by 2030?**



Section 4

# Strategy for achieving the targets for 2030


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# Overview of the 2030 Medium-Term Business Plan

**The Toyota Boshoku group is pursuing the enhancement of corporate value and sustainable growth, setting out our 2030 Target in order to realize our Vision. Inheriting our founding spirit of "for the world and for people," we aim to achieve steady growth by consistently contributing to society in our own unique way, and linking this to solid business results.**

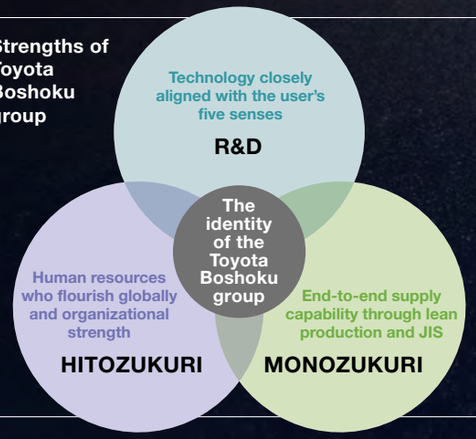
## 2030 Target

Become a company as the Interior Space Creator which contributes to solving social issues while expanding product range and customer base

### Change in the external environment

**Rising expectations for comfortable vehicle interior space**

### Strengths of Toyota Boshoku group




### Corporate strategies

1. Enhance **"Planning & Proposals Capability"** for comfortable mobility interior space and **"R&D Capability"** for realizing it
2. Acquire **"MONOZUKURI Competitiveness"** to be trusted and selected throughout our supply chain
3. Strengthen **"Sales Capability"** to expand the range of products and customers
4. Strengthen **"Management Foundation"** to support growth

### Financial targets for 2030

| | |
|---|---|
| **Revenue** | 2,200 billion yen |
| **Operating profit** | 150 billion yen |
| **Operating profit ratio** | 7% |
| **DOE**[1] | 3% or higher (Dividend payout ratio approx. 30% is considered) |
| **Equity ratio**[2] | Approx. 50% |

We are aiming for our highest ever operating profit ratio, while maintaining and increasing our share of each market. We have also introduced DOE in order to achieve stable shareholder returns over the long term.

### Non-financial targets for 2030

**To become a company with which all of our stakeholders feel an affinity and say, "I like Toyota Boshoku," we have established KPIs for each of the ESG categories and are conducting activities.**

1 Dividend on equity ratio
2 Ratio of equity attributable to owners of the parent

P.46–47

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Medium-Term Business Plan




p. 46: Progress on financial KPIs

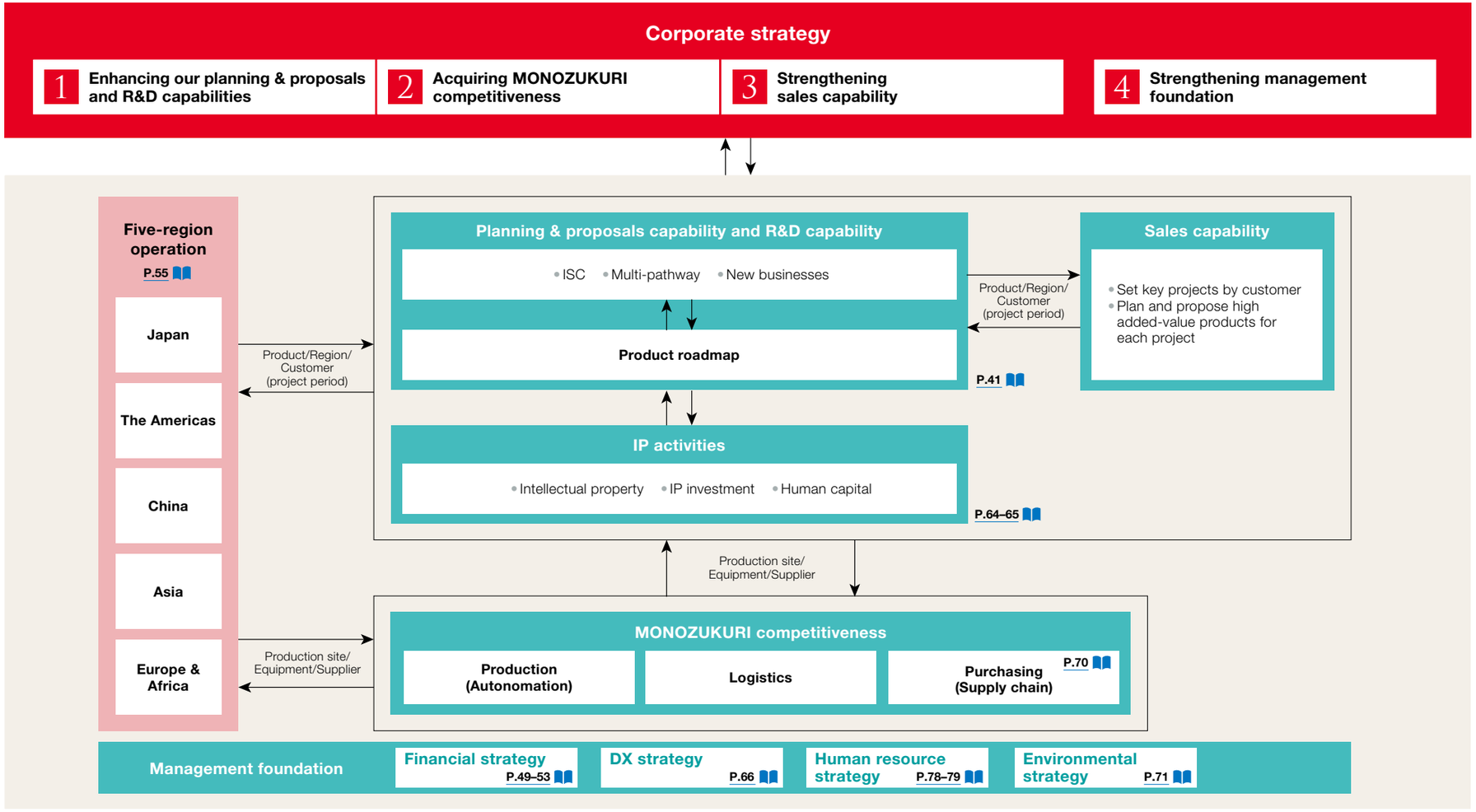


p. 47: Progress on ESG KPIs



# Corporate strategies framework

The Toyota Boshoku group has set four corporate strategies to realize our 2030 Target: Enhance planning & proposals and R&D capabilities; Acquire MONOZUKURI competitiveness; Strengthen sales capability; and Strengthen management foundation.
These strategies are structured based on our unique framework, and we have formulated 22 action plans tied to each strategy.
Concrete target values and a roadmap have been set through to 2030 for action plans, and as we strive to steadily advance them, we are sharing the progress status and issues throughout the company.
In addition, we are deploying our strategies across each function and division, and our five regions, and advancing flexible and effective plans developed in view of our global business expansion and regional characteristics.




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p.41: Product roadmap



pp. 64–65: IP strategies



pp. 55–60: Regional overview

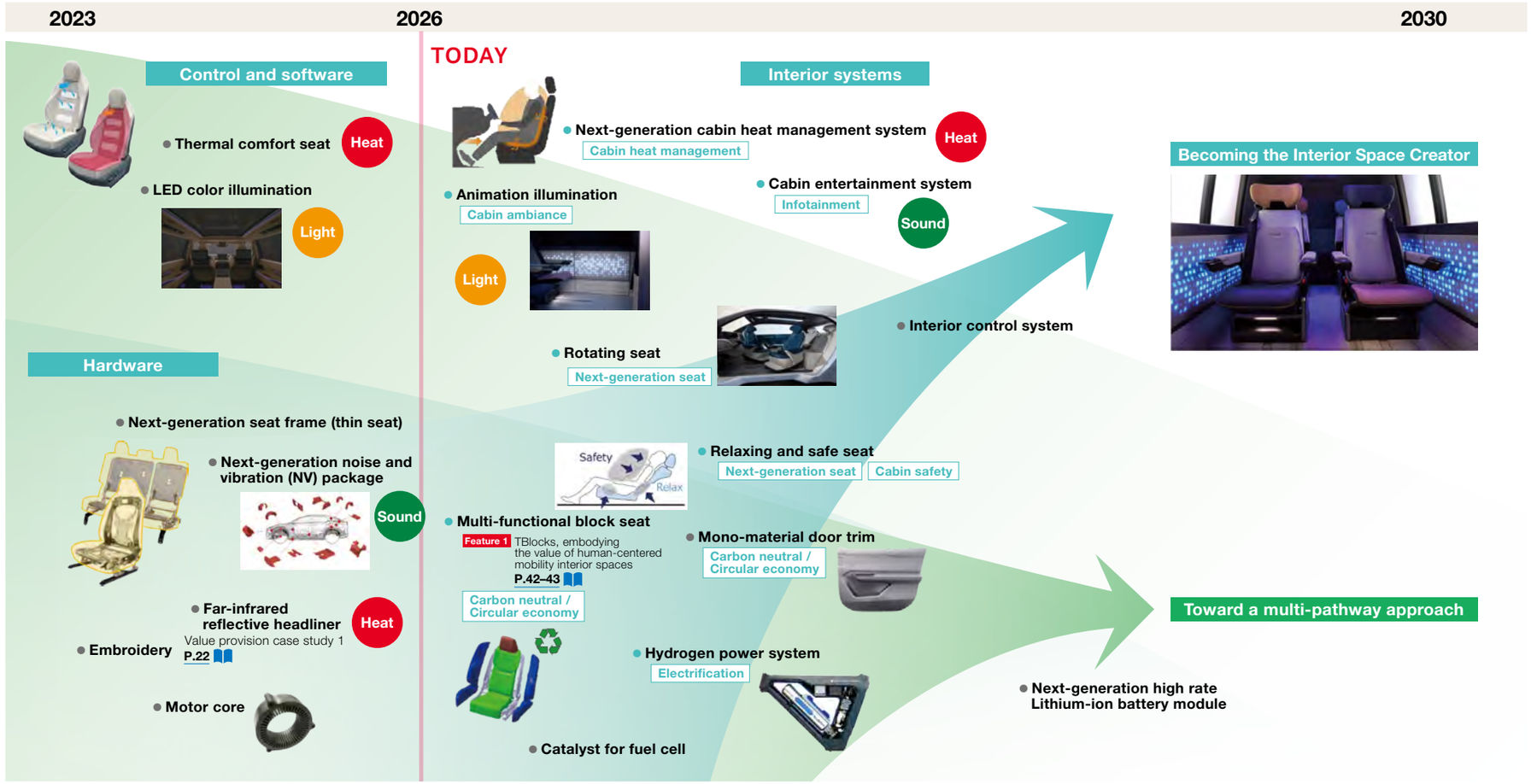


# Product roadmap

## Aiming to maximize added value, we bring to fruition those technologies that should be internalized in the product roadmap

We have incorporated the development status of high-value-added items into our roadmap. In addition to our existing hardware, such as seats and interior and exterior components, we are also venturing into new fields such as control systems and software. Furthermore, to support a multi-pathway approach, we will actively promote development in the fields of hydrogen power systems and lithium-ion batteries, from elemental technologies through to commercialization.

● : Development completed (● : FY2027 focus product)




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pp. 22–23: Value provision case study 1



pp. 42–43: Feature 1 "Embodying the value of human-centered mobility interior spaces"



## Feature 1 Embodying the value of human-centered mobility interior spaces

# Development of the modularized, multi-functional block seat “TBlocks.” Balancing environmental sustainability with comfort



**Following approximately four and a half years of development beginning in 2021, we developed “TBlocks,” a multi-functional block seat consisting of six blocks divided into backrest, seat cushion, and side bolsters. Toyota Boshoku independently designed and developed the seat, and then proposed it to automakers. It was recognized as a seat offering a new competitive edge, leading to its adoption in the new Lexus ES.**

### Market Redefining seats to meet changing user values and environments

As a result of the increasing ownership of automobiles and changes in how people use the cabin space, the value of vehicles is becoming increasingly diverse, shifting from simple “mobility” to time spent and experiences inside the vehicle.

In addition, while approximately 80–90% (by total weight) of scrapped vehicles are being recycled, interior components such as the seats are composed of multiple materials, making them difficult to disassemble and separate. As a result, recycling has not progressed as much.

In light of these changes in the market structure, at Toyota Boshoku we realized that we needed to reconsider the value expected of seats.

### Features Realizing human-centered functional modularization

**1. Achieving a reduction in environmental impact**

We have reduced urethane usage by approximately 20%, enhancing environmental performance (P.43 ❶).
In addition, the ease of disassembly and replacement also contributes to improved recyclability.
The seat has already reached practical application, including its adoption in the new Lexus ES, and we aim to expand its use across more models in the future.

**2. Pursuing improved comfort based on ergonomics, as well as safety and compatibility**

Ride comfort is achieved through a human-centered design that optimizes features such as pressure distribution (P.43 ❷). Furthermore, we have ensured compatibility, enabling it to be installed directly onto existing frames while also meeting safety standards.

**3. High customizability and maintainability through a block-based structure**

The seat is divided into six blocks (three back sections + three cushion sections). It can be disassembled without special tools, allowing for design expression through different combinations (P.43 ❸). We are also looking at expanding our services into the aftermarket in the future.

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Feature 1: Embodying the value of human-centered mobility interior spaces



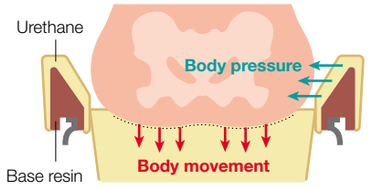

## ❶ Sustainability

The seat's structure, which allows for disassembly on a block-by-block basis, improves the efficiency of the recycling process and reduces the workload. By addressing the long-standing challenge of ease of dismantling and sorting, efficiency in the dismantling process is expected to improve by approximately 15%. In this way, we are promoting the reuse of resources and contributing to the realization of a recycling-based society. In addition, by expanding the range of resins used in the base material, we have reduced the amount of urethane used by approximately 20%, thereby curbing resource consumption and $CO_2$ emissions during manufacturing and disposal. While balancing environmental performance with safety and durability, this contributes to a lower environmental impact throughout the seat's life cycle.




## ❷ Ride comfort

The new structure reduces surface tension in the seat cushion, improving body pressure distribution when seated. Furthermore, by incorporating a structure that combines the base resin with urethane on the sides, the design achieves both the rigidity needed to support the user and the flexibility to conform to the body, resulting in stable support and a comfortable ride. In addition, by repeatedly verifying the optimal placement of resin components and their combination with urethane shapes to support the occupant, the system helps minimize lateral and forward-backward body movement during vehicle maneuvers such as accelerating, turning, and braking, thereby contributing to improved stability and reduced fatigue while driving.




**Improved ride comfort performance**

By dividing the backrest, seat, and sides into blocks, the design enhances support and improves comfort and driving stability

## ❸ High customizability

The seat's block-based structure enables the optimal design for each section, something that was difficult to achieve with the conventional integrated structure. It allows for customization to meet a variety of uses and needs. Also, by adopting an approach that tailors the performance to each section of the seat, the structure is designed to simultaneously achieve multiple values, including comfort and aesthetics. Moreover, by combining a diverse range of design expressions, such as color, surface finish, and decorative elements, with the optimization of rigidity and materials for each section, the seat offers the flexibility to accommodate a wide range of customizations tailored to customer needs, and has the potential to deliver both comfort and added value.



**A structure that allows for design expression through combinations**

**A structure that can be customized to suit different body types and preferences**

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p. 64: IP strategies



Creating a Segmented Seat Structure—A New Structure Realized by Tblocks



## Feature 2 Embodying the value of human-centered mobility interior spaces

# Applying the seat development technologies we have honed in the automotive seat and interior business to the aviation sector.



**In the aviation industry, the standards for safety, comfort, and reliability are also extremely high, and compliance with strict certification systems is required. Leveraging our strengths including ergonomics-based design for comfort and production engineering, acquired through our automotive business, we are now developing aircraft seats.**
**By meeting the demanding requirements specific to aircraft, we will further hone our technical capabilities and deliver new value to our customers.**

### Market The global aircraft market

Global passenger demand is growing at an annual rate of about 3–4% and is expected to roughly double in 20 years

Demand for new aircraft is expected to reach approximately 40,000 units over the next 20 years

In addition to growth-driven demand, replacement demand is supporting the market

(Calculated in-house based on long-term market forecasts by Boeing and Airbus)

### Results Building a track record of successful adoption and expanding sales

**Approved as Offerable Products for Boeing 737 and 787**

- Listed in the official catalog that airlines use when ordering new aircraft
- Expanding opportunities to win orders from new airlines
- Accelerating market expansion by broadening relationships with airlines in Japan and overseas

**Timeline of product adoption**

| | |
|---|---|
| FY2016– | Installed on Boeing 767 aircraft (domestic flights in Japan) |
| FY2020– | Installed on Boeing 777 aircraft (domestic flights in Japan) |
| FY2023– | Installed on Boeing 787-9 aircraft (domestic flights in Japan) |
| FY2024– | Installed on Boeing 787-10 aircraft (domestic flights in Japan) |
| FY2027 and after | Expanded rollout to airlines in Japan and overseas (planned) |

### Outlook Expansion into high value-added fields

While we have primarily focused our business on economy class until now, we are exploring the possibility of entering the business-class seat market to capture further growth opportunities. Business class is a high value-added field with stringent demands for comfort and roominess, where we can leverage the expertise in ergonomics and comfort design we have cultivated in our automotive seat business. By expanding our business fields within the aviation sector, we aim to accumulate new technologies and insights and apply them to our automotive business, thereby enhancing the value of human-centered mobility interior spaces.

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# 4. Strategy for achieving the targets for 2030

Feature 2: Embodying the value of human-centered mobility interior spaces



## Case study Achieved Top-ranking in Boeing's Supplier Evaluation

In Boeing's evaluation of seat suppliers, our company received high marks in areas such as performance, innovation, strategic alignment, partnership, and supply chain, and achieved the top-ranking.

We were highly commended for applying the production management expertise and quality control systems we developed in our automotive seat business to our aircraft business, thereby consistently achieving high quality standards and a stable supply system. In addition, our efforts to foster close collaboration with Boeing, from development through to production and supply, and to build a relationship of trust, have also contributed to this recognition.

Against the backdrop of the commercial aircraft market, which is expected to continue growing over the medium to long term, we will further strengthen our partnership with Boeing and work to bolster our position as a strategic supplier by expanding our aircraft seat business.



Supplier Summit, together with Boeing members








## Case study Market development through participation in AIX in Germany

In April 2026, at Aircraft Interiors Expo (AIX) held in Germany, we conducted market research and customer acquisition activities in collaboration with Panasonic Electric Works Co., Ltd. (referred to below as "Panasonic EW"). We showcased an integrated concept that combines Panasonic EW's lighting solutions with our economy-class seats, with the aim of enhancing the experiential value around each seat within the cabin space. The exhibit featured a design that incorporates small reading lights into the seats. Unlike conventional overhead lighting, this design places the light source closer to the user's hands, offering a space that balances usability with consideration for the surroundings. This approach goes beyond the functional value of individual seats and demonstrates the potential to enhance the in-flight experiential value by considering seats and the surrounding space as a unified whole. Based on this concept, we held business discussions with airlines and aircraft manufacturers. We will continue working to enhance our presence in the global market by making proposals aimed at enhancing the value of the mobility interior space.

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# Progress on financial KPIs

| | FY2026 results | FY2027 forecast | FY2031 targets |
|---|---|---|---|
| Revenue | 2,037.0 billion yen | → 2,100.0 billion yen | 2,200.0 billion yen |
| Operating profit | 53.9 billion yen | → 76.0 billion yen | 150.0 billion yen |
| Operating profit ratio | 2.6% | → 3.6% | 7% |
| DOE | 3.3% | → 3.1% | 3% or higher |
| Dividend payout ratio | 66.0% | → 33.4% | Around 30% |
| Ratio of equity attributable to owners of the parent | 41.0% | → – | Around 50% |
| Capital investment (partially including strategic investments) | 68.0 billion yen | → 92.0 billion yen (partially including strategic investments) | 450.0 billion yen (FY2027–2031 total) (including 150.0 billion yen in strategic investments) |
| R&D expenses | 61.3 billion yen | → 66.0 billion yen | 300.0 billion yen (FY2027–2031 total) |

**Review**

In fiscal 2026, despite the effects of exchange rates and other external environmental factors, revenue increased due to the launch of new products and expanded sales, particularly in Asia, and we achieved our target. Although uncertainty surrounding the outlook is expected to persist in fiscal 2027 due to factors including geopolitical risks and policy trends in various countries, we anticipate higher revenue driven by factors such as growth in seat production volume.

**Review**

In fiscal 2026, results left room for improvement due to one-time factors such as impairment losses in the Americas and quality-related expenses. Although there remains uncertainty regarding the outlook for fiscal 2027, in order to bridge the gap with our fiscal 2031 targets we will ensure that our investment in resources to accelerate future growth yields tangible results, and we will pursue further cost-reduction initiatives to counter factors including rising market prices and tariffs.

**Review**

Our basic policy regarding returns to shareholders is to continue providing stable dividends over the long term, with a target dividend on equity (DOE) ratio of 3% or higher, as in fiscal 2026. For fiscal 2027, we plan to pay an annual dividend of 86 yen per share.

**Review**

We believe that increasing the ratio of equity attributable to owners of the parent is essential as a financial foundation for expanding our business with a diverse range of customers and taking on new business challenges. We will steadily work toward our fiscal 2031 targets while maintaining a balance with returns to shareholders.

**Review**

Investments associated with product changeovers and investments aimed at strengthening competitiveness will be managed as capital expenditures, while investments in sales expansion and Value Time 2X (VT2X) will be managed as strategic investments; this will be implemented in line with regional characteristics with the goal of enhancing our MONOZUKURI competitiveness. In India, we will establish new sites in the northern, western, and southern regions to keep pace with Toyota's expansion of production capacity, while also aiming to increase orders from OEMs other than Toyota. In Japan and the Americas, we will invest in autonomation to drive logistics reform and process innovation.

**Review**

We are investing in research and development with the goal of internalizing the technologies needed to realize our vision of becoming the Interior Space Creator and bolstering our R&D capabilities. In fiscal 2026, we developed the multi-functional TBlocks seat, which offers improved ride comfort and recyclability, as well as door trim that provides uniform illumination over a large area. In the Unit Components Business, building on our core technologies, in filter and powertrain (FPT) products we continued to develop affordable, high-quality and high-performance filters, while in electric products, we focused on developing compact fuel cell stacks for automated conveying equipment, as well as motor cores.

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Financial Highlights (Consolidated)



# Progress on ESG KPIs

KPIs for measuring the Toyota Boshoku group's social value are organized within an ESG framework to manage progress on materiality. These KPIs are reflected in officers' compensation according to the degree of achievement.
In this report, we identify the key items from among our initiatives aimed at realizing the 2030 goals, based on their relevance to our business and finances as well as their social impact, and describe their progress. Please note that other KPIs are disclosed on our website.

| | FY2025 results | FY2026 results | FY2031 targets |
|---|---|---|---|
| **Plant GHG emissions reduction ratio** (total volume) (compared to FY2020) | –41% | –49% | –50% |
| **Ratio of recycled materials applied to products[1]** | 5.6% | 5.6% | 30% |
| **Number of "people-friendly" autonomation items implemented[2]** | | | |
| **(1) Implementation rate on mass production[3]** | (1) 71% | (1) 100% | (1) 100% |
| **(2) Achievement rate of processing cost reduction target** | (2) 56% | (2) 89% | (2) 100% |

**Progress and evaluation**

Under the 2030 Environmental Action Plan, in fiscal 2026 we successfully reduced GHG emissions from our plants by more than our target of a 25% reduction by fiscal 2026, through continued energy-saving improvements, the introduction of renewable energy, and the development and utilization of an energy visualization system.

**Progress and evaluation**

To contribute to a recycling-based society, we aim to establish technologies that will enable us to achieve a recycled material content rate of 30% in our products by fiscal 2031. In fiscal 2026, we promoted the development of recycled resins that meet the quality standards required for automotive applications and conducted evaluations of their use in products. At the same time, preparing for an increase in the required volumes, we began developing materials using recycled raw materials derived from packaging and construction materials. In fiscal 2027, we will work to resolve issues related to mass production through demonstrations conducted as part of pilot projects, with the aim of increasing the use of recycled materials and promoting resource circulation.

**Progress and evaluation**

We are promoting autonomation as one of our initiatives to address the labor shortage, which is also a societal issue, and to realize production processes where everyone can work safely and comfortably. In fiscal 2026, we implemented improvements focused primarily on processes with high workloads, such as the automated supply of seat frame components that eliminates the need to handle heavy loads, and the autonomation of adhesive application that does not involve working with organic solvents, and successfully achieved our plan for introducing autonomation. These initiatives aim to reduce workloads and ensure consistent quality, while also helping to lower processing costs through labor savings. With regard to our target reduction for processing costs, although the schedule fell behind the original plan due to delays in launching some initiatives, we achieved our target in May 2026. Going forward, we will continue aiming to achieve both ease of working and enhanced competitiveness by promoting initiatives based on our autonomation roadmap.

| | FY2025 results | FY2026 results | FY2031 targets |
|---|---|---|---|
| **Ratio of new product development leading to Interior Space Creator** | 15% | 15% | 30% |
| **Ratio of female managers** | 2.6% (40 people) | 3.3% (52 people) | >5.0% (>65 people) |
| **Degree of implementation of the Toyota Boshoku Group Guiding Principles** | 89% | 95% | 90% |

**Progress and evaluation**

As a metric for measuring progress in product development toward the realization of the ISC, we monitor the development rate of products in our product roadmap that deliver new value within the automobile interior space. In fiscal 2026, we achieved our target of 15% as a result of steadily advancing the development of products in new business fields to expand sales. For fiscal 2027, we have set a target of 18% and will work to increase our product lineup toward the realization of the ISC, by promoting development based on our product roadmap.

**Progress and evaluation**

To increase the proportion of women in management positions, we are implementing systematic development programs for key development candidates and are promoting initiatives to further women's career advancement. In fiscal 2026, we drew up segment-specific development plans for Next100 participants (P.80) and promoted systematic talent development through collaboration between the HR Division and other divisions to clarify promotion timelines. In addition, to promote women's advancement in the workplace, we provided career development support through career training and one-on-one consultations. As a result of these initiatives, we achieved our target of 3.3%. As our initiatives to date have helped build a talent pool, in fiscal 2027, in addition to accelerating talent development, we will work to foster a supportive environment, including introducing the Career Development Leave Program, to facilitate the continued promotion of company members.

**Progress and evaluation**

We use a global questionnaire as a metric for tracking the extent to which fairness and moral behavior have been embedded among company members, and we monitor trends over time. In fiscal 2026, as a result of expanding multilingual support and continuing to implement group-wide awareness activities, the implementation rate reached 95%, exceeding our 90% target. We will continue working to ensure that the Toyota Boshoku Group Guiding Principles are fully embedded among our company members.

1 Weight percentage of recycled resin that is technically suitable for use in plastic products of key vehicle models
2 A process metric indicating the percentage of planned autonomation projects successfully implemented on mass production lines
3 A performance metric indicating the extent to which productivity gains from autonomation have been achieved

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Policy for Deciding the Amount of Officers' Compensation and the Calculation Method



ESG KPIs



# Strengthening monitoring of KPIs

We are promoting standardization so that management decisions in relation to economic and social value KPI targets for 2030 can be made based on quantitative data, thereby aiming to refine business management.

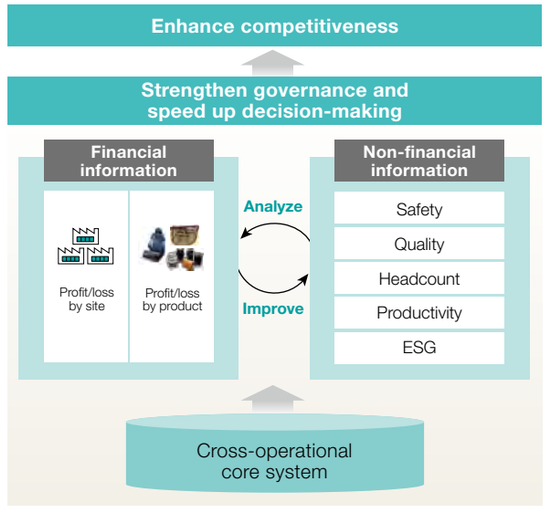
In addition to financial information, non-financial information such as safety, quality, headcount, facility productivity, and environment was collected and visualized globally. In particular, in the area of environment, we manage information such as GHG emissions and the rate of introduction of renewable energy. The economic value KPIs and certain social value KPIs, which have now been visualized, are centrally managed by means of the management information infrastructure, and monitoring is carried out for each KPI item while utilizing this in the Corporate Management Meeting. Thresholds can be set for predictive management to immediately identify issues and take appropriate countermeasures. We are promoting faster decision making by shortening the lead time to information visualization, with visualization of the previous month's activities now operational within 8 business days of the current month (applicable to financial information; within 10 business days for non-financial information).

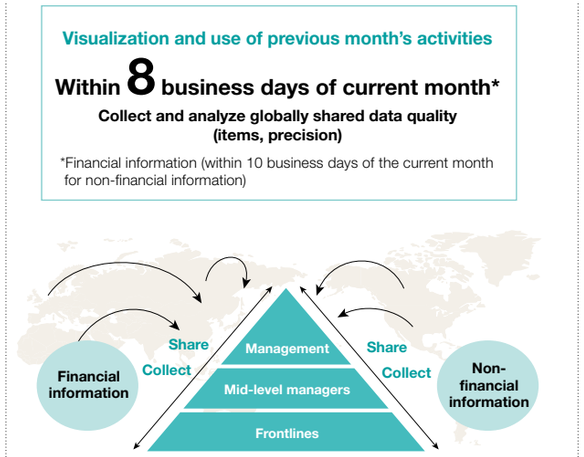
## Business Management Structure

We have developed the Business Management Structure, which is a system for effectively utilizing and controlling management resources, and we follow up on progress using KPIs. While strengthening the monitoring of management, we measure the degree of achievement of our medium-term business plan and implement the PDCA cycle, as necessary, to get back on track.

We aim to enhance both economic and social value, and control them with the Management KPI, Financial KPI, Operational KPI, Competitiveness KPI, and ESG KPI.

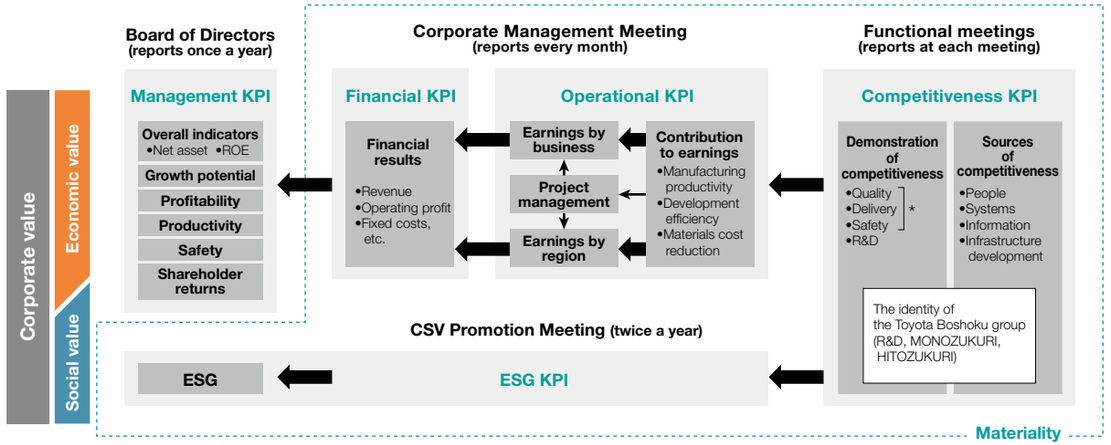
**Target of management information infrastructure**




**Voluntarily use the information infrastructure at each level to identify issues and make improvements**

**Business Management Structure**




* Reported at Corporate Management Meeting

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# Message from the CFO



From lessons learned in the 2025 Medium-Term Business Plan to a leap forward in 2030

# Reliable cash generation and a cycle of growth investment

Hiroyuki Suzuki
Chief Financial Officer

## Basic financial approach and policy

### Reliably generating cash and distributing it in a balanced manner

The cornerstones of our financial strategy are maximizing cash flow and optimizing allocation. While we have consistently adopted this approach for some time, we are currently focusing on how to make it more effective.

In driving this initiative forward, we will pursue growth investment, shareholder returns, and financial soundness in a unified manner, while paying even closer attention to the overall balance of our financial strategy. To that end, it is important to first generate solid profits from our business and enhance our cash-generating capacity. We will build a financial foundation that supports sustainable growth while ensuring that our day-to-day management decisions align with our 2030 Medium-Term Business Plan (referred to below as "2030 MTP"). (➔See Fig. 1)

## Review of fiscal 2026

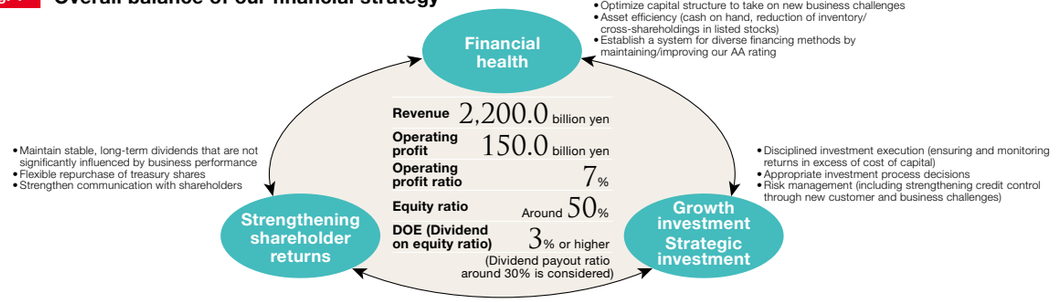
### Challenges and lessons learned amid change

Our 2025 Medium-Term Business Plan, which began in fiscal 2022, concluded in its final year, fiscal 2026, with revenue of 2,037.0 billion yen and operating profit of 53.9 billion yen. With regard to revenue, even after accounting for the significant depreciation of the yen relative to the exchange rates assumed at the time, we were able to achieve our target of 1,600.0 billion yen. On the other hand, operating profit fell short of our initial target of 100.0 billion yen.

We recognize that, while there were non-recurring costs in fiscal 2026 such as recall-related free-of-charge repair costs and additional US tariffs, there were also challenges stemming from our profit structure itself.

Specifically, I am referring to the rise in costs due to inflation following the COVID-19 pandemic. Raw material, logistics, and labor costs rose significantly, and although we passed on some of these increases to prices, we were unable to fully absorb the costs. In addition, challenges remain in relation to investment projects that resulted in impairment losses and the management of post-investment returns; as a result, we recognize that there is

**Fig. 1** **Overall balance of our financial strategy**




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p. 39: Overview of the 2030 Medium-Term Business Plan



room for improvement in our overall profit structure. We will continue working on improving our processes, from the investment planning stage through to verification.

Looking at fiscal 2026 results by region, while Japan and the Americas pushed down earnings, Asia helped offset the decline. Although in Japan we promoted new product launches and cost-cutting measures, quality-related expenses and other factors weighed on results, leading to an operating profit of 5.1 billion yen. While the Americas region curtailed its losses through rationalization and increased production, quality-related costs and additional US tariffs resulted in an operating loss of 9.8 billion yen. In Asia, operating profit reached 40.0 billion yen, driven by increased production and streamlining.

With regard to quality-related expenses, we recorded approximately 21.8 billion yen for measures related to customer experience and convenience, including recalls involving the Highlander. Quality is one of the most fundamental elements in building a relationship of trust with our customers. We are working to prevent a recurrence, led by the Quality Assurance Division, while systematically identifying what happened in each division.

Amid the rapid environmental changes following the COVID-19 pandemic, new challenges, such as weaknesses in our profit structure and shortcomings in investment management, have also become apparent. We will incorporate these reflections and lessons learned into our 2030 MTP. (➡See Fig. 2)

### Fiscal 2027 forecast

For fiscal 2027, we project operating profit of 76.0 billion yen, based on the assumption that production volume will increase due to factors such as the launch of new models. While some have pointed out that the profit contribution from the increase in the number of units is being offset by upfront investments, we are currently in the investment phase aimed at achieving the goals of our 2030 MTP. We are now investing in future growth, including autonomation, R&D, sales expansion, and human capital, and we expect to reap the benefits a little further ahead. Furthermore, the current business environment remains highly uncertain, with factors such as developments in the Middle East, rising material prices, and the risk of supply chain disruptions. Effectively and rapidly addressing these changes in the business environment is a key management challenge for fiscal 2027.

## Toward achieving the 2030 Medium-Term Business Plan

### Earnings improvement in Japan and the Americas set to boost overall performance

The 2030 MTP sets a target operating profit ratio of 7%. Currently, we are still at less than half of our target, and I believe that improving earnings in Japan and the Americas will be key to achieving it. Currently, Japan's profit ratio is less than 1%, while the Americas is operating at a loss. If we can raise the profitability of these two regions to the general level for the manufacturing industry, an operating profit ratio of 7% will be well within our reach. In addition to improving profitability in Japan and the Americas, we also need to expand our product lineup, increase business with customers other than Toyota, and tap into growth markets such as India, while also enhancing the profitability of our existing businesses. Our target for achieving the 2030 MTP is to maintain our revenue base in Asia and China while boosting overall profitability through improvements in Japan and the Americas.

Next, I will describe the initiatives being undertaken in each region.

**Fig. 2 Progress on financial KPIs**

| | FY2025 results | FY2026 results | FY2027 forecast | 2030 Medium-Term Business Plan |
|---|---|---|---|---|
| **Revenue** | 1,954.2 billion yen | 2,037.0 billion yen | 2,100.0 billion yen | 2,200.0 billion yen |
| **Operating profit** | 42.3 billion yen | 53.9 billion yen | 76.0 billion yen | 150.0 billion yen |
| **Operating profit ratio** | 2.2% | 2.6% | 3.6% | 7% |
| **Equity ratio[1]** | 40.9% | 41.0% | – | Around 50% |
| **DOE[2] (Dividend payout ratio)** | 3.4% (**91.8%**) | 3.3% (**66.0%**) | 3.1% (**33.4%**) | 3% or higher (Envisaging approx. **30%**) |

1 Ratio of equity attributable to owners of the parent 2 Dividend on equity ratio

### • Japan

In Japan, there are many challenges regarding the profitability of individual products. As part of our efforts to improve, we are reviewing all direct material costs (the costs of raw materials and parts directly consumed in the manufacture of specific products), processing costs, and fixed costs; however, our approach is not simply about cutting costs. While the cost of free-of-charge repairs should be reduced, in other respects it is important to improve the cost per function through VE (Value Engineering: a method aimed at achieving sufficient functionality at a lower cost). With regard to direct material costs, we will conduct extensive benchmarking, including against competitive automotive and parts manufacturers in China, and will work to adopt affordable, high-quality parts during product changeovers. Concerning processing costs, we are promoting the Value Time 2X (VT2X) initiative, which aims to double the added value per hour, and are working to increase productivity through autonomation and logistics reforms. We will also rigorously manage fixed costs by comparing them with those of our competitors and calculating back from our profit targets. As for wage increases, we will address them by enhancing and streamlining our operations through autonomation and the use of IT and AI, thereby improving productivity.

### • The Americas

In the Americas region, improving the profitability of unprofitable sites, primarily in North America, is the most critical challenge. To improve profitability, in addition to increasing the contribution margin, we need to strengthen our earnings structure through reforms in support divisions and productivity improvements. Furthermore, retaining human resources is a significant challenge in North America, and fundamental improvements are required in both profitability and

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p. 57: Regional overview "The Americas"



organizational management. Going forward, we will strive to improve operational efficiency by promoting integrated regional management under the new organizational structure revised in April 2026, with the goal of achieving a structure that consistently generates profits.

**• China**

In China, enhancing our cost competitiveness and strengthening local R&D capabilities are key challenges. While China is the most intensely competitive market in the world, it is also a market that represents the cutting edge of the automotive industry. When I myself took a test drive in an autonomous vehicle in China, I felt it would be only a matter of time until widespread adoption. As initiatives to strengthen our local R&D capabilities, we have significantly increased the number of seconded company members and local engineers, and we have established joint ventures with local companies in areas where our technical capabilities are insufficient. Going forward, we will maintain and enhance our competitiveness by improving our development speed and customer service capabilities, and by reducing costs.

**• Asia**

Asia remains our core revenue base, but in anticipation of the entry of Chinese manufacturers, I feel it is necessary to further enhance our cost competitiveness. For this reason, we are promoting cost reductions through process reforms focused on eliminating waste, autonomation, and process consolidation. We also view India as our most important growth market leading up to 2030. Under the banner of the India Challenge 1000, we are aiming to achieve sales revenue of 100 billion yen. While strengthening our competitiveness through the development of specialized products and a shift toward local procurement, we will promote sales expansion activities tailored to the market characteristics of the northern, western, and southern regions to ensure that we fully capitalize on the growth of the Indian market.

**• Europe & Africa**

In Europe, against the backdrop of the shift toward electrification and stricter environmental regulations, the competitive landscape is evolving, including the rise of Chinese OEMs. Going forward, as well as further contributing to strengthening the competitiveness of our key customers, we will also leverage our existing locations, including Poland, to pursue new business opportunities with European OEMs. Furthermore, we will create opportunities to win new orders by strengthening our environmentally friendly technologies, thereby improving profitability. (➡See Fig. 3)

**Fig. 3 Revenue and operating profit by region**

(billion yen) (FY)

| | Japan | The Americas | China | Asia | Europe & Africa |
|---|---|---|---|---|---|
| Revenue | 968.0 **1,010.0** | 542.3 **560.0** | 216.0 **200.0** | 302.2 **330.0** | 124.0 **120.0** |
| Operating profit (Operating profit ratio) | 5.1 (0.5%) **19.0 (1.9%)** | –9.8 (–1.8%) **4.0 (0.7%)** | 14.7 (6.8%) **11.0 (5.5%)** | 40.0 (13.2%) **40.0 (12.1%)** | 3.7 (3.1%) **2.0 (1.7%)** |

2026 2027 (forecast)

## Maximizing cash flow

### Enhancing our cash generation capacity through growth investments and asset efficiency improvements

We are working to enhance our ability to generate operating cash flow by improving business profitability and increasing asset efficiency.

As mentioned earlier in relation to increasing profitability, I will now describe several initiatives aimed at improving asset efficiency. First, we calculate ROIC by country across our five global regions and use these figures as the hurdle rate for new investment projects, with the aim of improving the return on investment.

We are moving forward with inventory reduction and the implementation of a cash management system, while also working to consolidate funds within Japan and establish a global cash management framework. In addition to strengthening financial governance by addressing the uneven distribution of funds, we continue to closely monitor inventory turnover and the cash conversion cycle. (➡See Figs. 4 and 5)

Although ROE stands at 5.0%, which is below the 9.5% cost of equity, we are in a recovery trend compared to fiscal 2025,

**Fig. 4 Inventory turnover (raw materials, work in progress, finished products)**

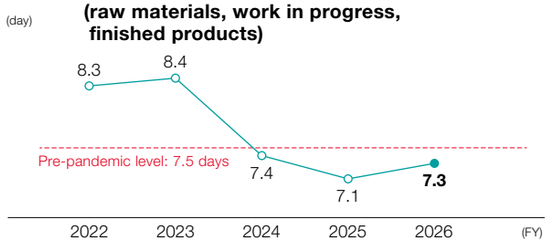
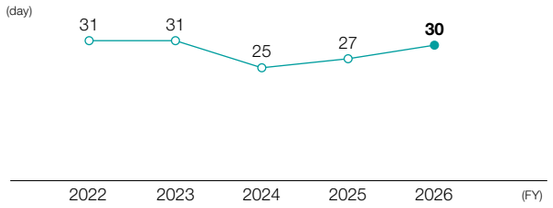



**Fig. 5 Cash conversion cycle**




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driven primarily by profit growth while moving forward with the sale of idle assets and the reduction of strategic shareholdings. Our strategic shareholdings have been reduced to virtually zero, and we are also managing our borrowings as planned. We have also established a system for tracking global funds and visualizing risks, and we will use this to improve the accuracy of our investment decisions and capital allocation going forward. (➡See Fig. 6)

## Optimal allocation and shareholder return policy

### Continuing to invest in growth and generating a cycle of returns

To optimize cash allocation, we will appropriately allocate the cash we generate toward growth investments and shareholder returns. With regard to growth investments, this fiscal year we again plan to allocate a record-high amount to R&D (66 billion yen) and capital expenditure (92 billion yen) aimed at realizing the Interior Space Creator (ISC) concept. We view our company members as key stakeholders, and will continue to invest in human capital, including initiatives to improve their well-being and support reskilling. We allocate capital expenditures based on regional characteristics, prioritizing the expansion of our operations in India and autonomation in Japan and the Americas. Furthermore, in order to realize the ISC, rather than a self-reliant approach we are also considering options such as forming alliances and investing in corporate venture capital (CVC). We will stay well positioned to seize the necessary investment opportunities while maintaining financial soundness. (➡See Fig. 7)

With regard to shareholder returns, we have adopted the Dividend on Equity (DOE) metric with the aim of providing stable, long-term returns that are not influenced by short-term fluctuations in business performance. To meet the expectations of our shareholders, who support our sustainable growth, we will continue to provide stable and consistent returns. (➡See Fig. 8)

## The current status and evaluation of PBR

### Aiming to exceed a P/B ratio of 1x through growth and sustainability

Enhancing shareholder value is one of management's top priorities. Although our P/B ratio has remained below 1x recently, we clearly recognize that we need to bring it above 1x. To that end, in addition to improving our current business performance, it is important that investors gain a clear understanding of our growth potential and sustainability. (➡See Fig. 9)

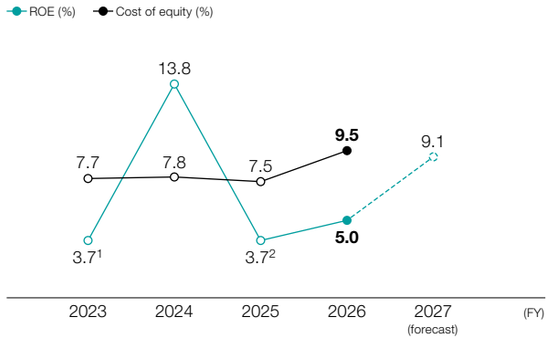
Regarding our growth prospects, we will gradually disclose the specific details of our 2030 MTP and provide more opportunities to explain it. With regard to sustainability, I believe it is important for us to become a company that is needed by society, through the realization of the ISC. Striving to become a

**Fig. 7 CVC**

| Area related to our company | Investment results & specific examples | |
|---|---|---|
| | Results | Company |
| Mobility interior space MONOZUKURI | 2 companies | Diver-X Inc.* and others |
| Mobility interior space | 6 companies | WHILL, Inc. and others |
| MONOZUKURI | 5 companies | Phoxter Corporation and others |
| ESG SDGs | 3 companies | Agritree Co., Ltd. and others |
| Others | 3 companies | Synspective Inc. and others |
| | Investments in 19 companies | |

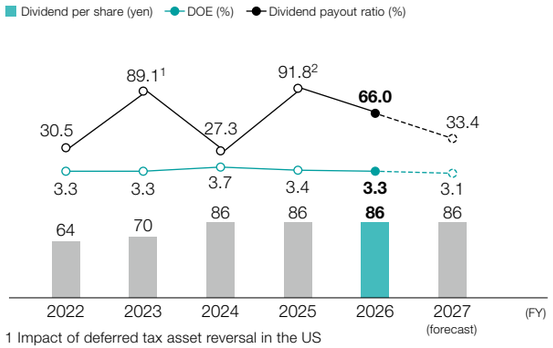
* Diver-X Inc. changed its name to Melt Interface Technologies Inc., effective July 1, 2026.

**Fig. 6 Cost of equity × ROE**



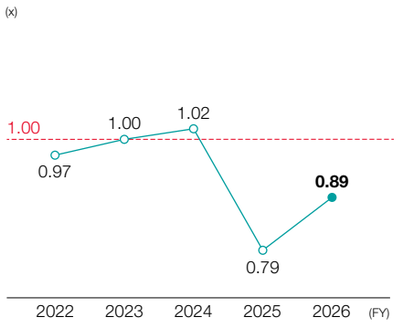

1 Impact of deferred tax asset reversal in the US
2 Impact of impairment loss

**Fig. 8 Changes in dividend-related KPIs**




1 Impact of deferred tax asset reversal in the US
2 Impact of impairment loss

**Fig. 9 P/B ratio trend (at end of period)**




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company that makes all our stakeholders think, “I like Toyota Boshoku,” will ultimately lead to an increase in our corporate value and PBR.

As part of our initiatives to achieve this, we are moving forward with the company-wide implementation of the Management Tree (➡See Fig. 10) starting in fiscal 2026. The ultimate goal of the Management Tree is to enhance our corporate value. It serves as a tool to help each company member clearly understand how their work contributes to corporate value and to ensure that everyone is aligned in addressing management challenges. In fiscal 2026, we held a company-wide briefing session on the need to enhance corporate value and the objectives of introducing the Management Tree. Building on that, we identified the initiatives being undertaken by each division and the KPIs they prioritize, and by exchanging views with each division, we worked to gain a clear understanding of the specific initiatives being taken by each individual. In fiscal 2027, we will work to ensure that company members fully understand the Management Tree we have established through these activities, while also providing them with an opportunity to reflect on the connection between enhancing corporate value and their own work. If our company members feel connected through the Tree and everyone moves in the same direction, I think we can expect to see positive outcomes that we cannot yet foresee.

## Message to stakeholders

### Applying the lessons learned through dialogue to future dialogue

As CFO, engaging in dialogue with our shareholders and investors has been a great learning experience for me. Not only do their incisive observations based on our financial data provide valuable insights, but their candid opinions regarding our strengths and challenges, as well as their own future expectations of Toyota Boshoku, also offer important insights for management. We are committed to providing tangible benefits to our long-term shareholders, and this approach has also become increasingly clear through our dialogue with investors. (➡See Fig. 11)

On the other hand, I recognize that awareness of our company varies by region, and that there is room for improvement. By helping more people learn about our company and gain a deeper understanding of our strengths and growth potential, I hope to turn as many people as possible into Toyota Boshoku fans.

At the core of our company lies a corporate culture that values diligence and integrity, and is committed to continuously improving the quality of our work. I believe that as long as this culture is passed on to the next generation and management continues to set the right direction, our company will be able to achieve sustainable growth. We will continue to engage in dialogue with our shareholders and investors as we strive to become a company that resonates with and is trusted by all of our stakeholders.

**Fig. 10** Management Tree

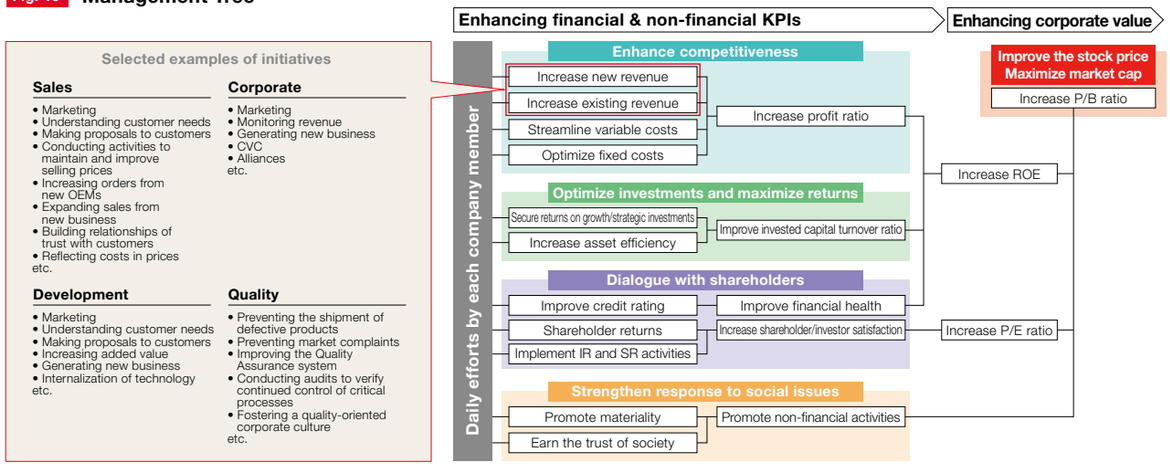



**Fig. 11** Frequency of dialogue with stakeholders

| Contents | FY2026 Frequency | FY2026 No. of people |
|---|---|---|
| Financial results presentations and business briefings (interim and year-end) | 5 | 377 |
| Briefings | 1 | 12 |
| Individual meetings | 152 | 313 |
| Investor visits by our officers | 2 | 15 |
| Conferences involving investors outside Japan | 6 | 33 |
| **With institutional investors** | 166 | 750 |
| **With individual investors** | 4 | 1,279 |
| **Total** | 170 | 2,029 |

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Stakeholder Engagement



# Investment strategy

## Cash flow maximization and optimal allocation

The Toyota Boshoku group aims to enhance corporate value on a sustainable basis by prioritizing the allocation of generated cash toward growth investments, such as R&D and capital expenditures, while also ensuring shareholder returns and maintaining financial soundness. We evaluate and execute investment opportunities through a rigorous review process, and are promoting capital allocation that leads to the enhancement of corporate value over the medium to long term.

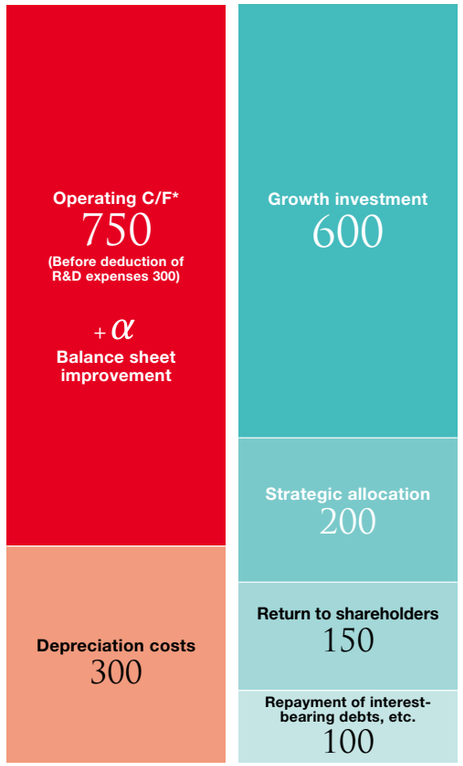
**Cumulative forecast for the five-year period from fiscal 2027 to fiscal 2031** (billions of yen)

**Cash in**

- **Maximize operating cash flow**

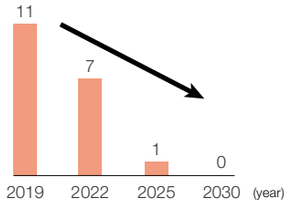
  **Aiming to achieve our 2030 financial targets by implementing a growth strategy as the ISC**
  - Customer expansion (orders from non-Toyota customers (Japan, U.S., China, India))
  - Effects of changeover to new products (control technology enabling comfort [sound, light, heat])
  - Promotion of VT2X (new methods, digital twins, process innovation)
- **Increase asset efficiency**
  - Reduction of cross-shareholdings
  - Reduction of cash on hand (global cash management)

**Cash out**



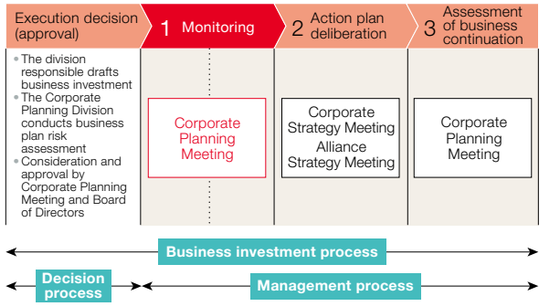

- **R&D expenses: 300 billion yen**
  - Internalization of technologies for the ISC (device control, multi-functional integrated control, etc.)
  - New product development (multi-functional block seat, animation illumination, etc.)
- **Capital investment: 300 billion yen**
  - Investment to support product changeovers
  - Investment to strengthen competitiveness
- **Strategic investments: 150 billion yen**
  - Sales expansion (new sites in India, etc.), VT2X (process innovation, etc.)
  - Implementation of strategic alliances
- **Additional shareholder returns: 50 billion yen**
- **Maintain dividends with a DOE of 3% or more, targeting a payout ratio of approx. 30%**

**Number of cross-shareholdings**




* Assuming operating profit ratio of 7% is achieved in fiscal 2031

**Investment risk management**




### Disciplined decision-making in business investments

The Toyota Boshoku group views business investments as critical management decisions that contribute to our future competitiveness and the creation of corporate value, and we make disciplined decisions based on factors such as the cost of capital and return on investment. When evaluating investment opportunities, we make comprehensive judgments based not only on quantitative factors, such as the prospects for return on investment and profit generation, but also on considerations such as alignment with our growth strategy, future competitive advantage, and business sustainability. Furthermore, we have introduced an internal rate of return (IRR) based on country-specific cost of capital that reflects each country's risk level, and stress tests are conducted, led by Head Office, incorporating factors such as downward revisions to production volumes and interest rate fluctuations. In this way, we take decisions in the light of investment risk and conduct ongoing monitoring.

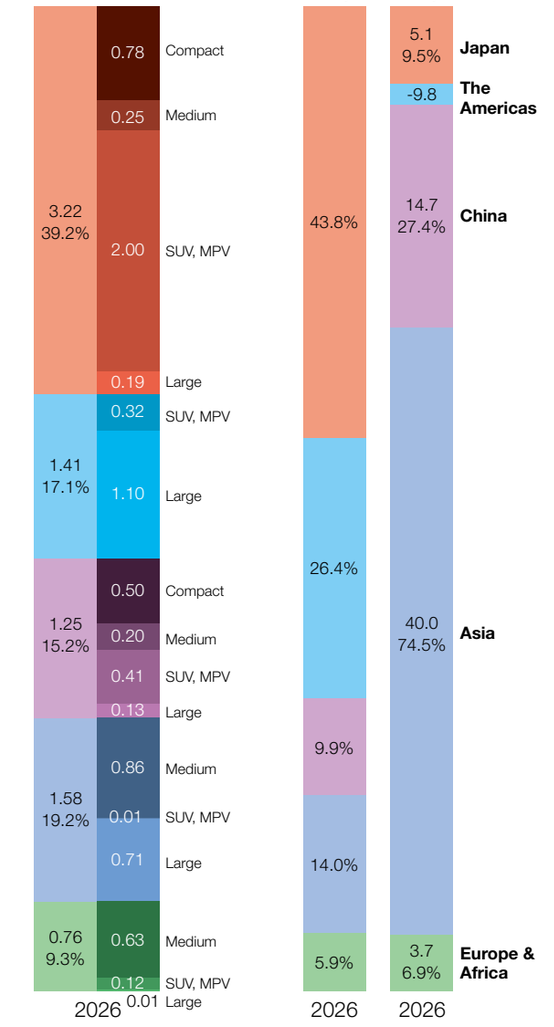
Through these initiatives, we are making investments that go beyond short-term profits to enhance our corporate value over the medium to long term.

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# Regional overview

| | Seat production volume (10,000 units) | Revenue (billion yen) | Operating profit (billion yen) Operating profit ratio (%) |
|---|---|---|---|
| **Japan** | 273 276 328 322 **322** | 700.6 732.9 922.8 939.2 **968.0** | Operating profit 9.6 11.6 10.6 10.1 **5.1**; Operating profit ratio 1.4 1.6 1.2 1.1 **0.5** |
| **The Americas** | 122 126 142 136 **141** | 311.7 388.7 500.3 489.0 **542.3** | Operating profit 2.9 −1.1 0.6 −26.0 **−9.8**; Operating profit ratio 0.9 −0.3 0.1 −5.3 **−1.8** |
| **China** | 149 156 147 133 **125** | 212.1 244.6 236.2 233.5 **216.0** | Operating profit 15.7 21.2 18.4 16.5 **14.7**; Operating profit ratio 7.4 8.7 7.8 7.1 **6.8** |
| **Asia** | 109 143 154 153 **158** | 190.4 249.6 273.9 286.2 **302.2** | Operating profit 26.7 14.0 36.9 36.1 **40.0**; Operating profit ratio 14.0 5.6 13.5 12.6 **13.2** |
| **Europe & Africa** | 78 82 86 75 **76** | 96.2 108.2 131.2 118.1 **124.0** | Operating profit 5.3 5.5 1.9 11.9 9.1 5.4 4.6 **3.7**; Operating profit ratio 1.8 **3.1** |

All: 2022 2023 2024 2025 2026




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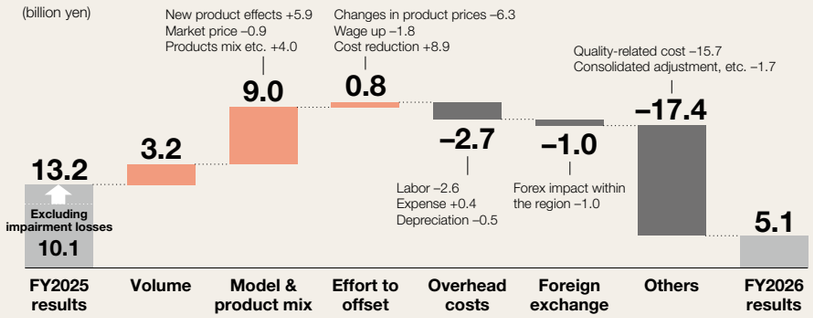
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# Japan




## Profit decreased due to quality-related cost despite the effects of new products and cost reduction

Since the Japan region serves as the headquarters that oversees the entire global operation, this structure tends to lead to an increase in fixed costs. Although we have maintained a production volume of at least 3 million units in recent years, the operating profit ratio has remained low due to factors such as upfront investments. While the launch of new products and cost reductions boosted profits in fiscal 2026, there was ultimately a decrease in profit due to the impact of recall-related expenses recorded in the Japan region, which bears design responsibility, in the year to March 2026. Going forward, we will work to prevent the recurrence of quality issues by reviewing the entire process. In addition, we will promote Value Time 2X (VT2X) by focusing on high value-added products, adopting cost-competitive components, shortening lead times, and improving operational efficiency, with the aim of enhancing our earning power.

### Issues

- Increasing profitability

**[External factors]**
- Rising costs due to inflation
- Lower demand

**[Internal factors]**
- Rising capital investment and development costs (due to upfront investment phase)
- Low profitability in unit components

### Priority actions

- Increasing added value during product changeovers
- Adopting cost-competitive parts
- Promotion of VT2X

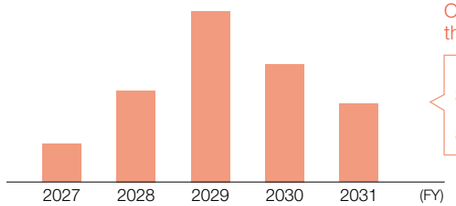
### FY2026 themes

**Maximizing added value** **Minimizing cost**

### Increasing added value during product changeovers

From fiscal 2027, several product changeovers are scheduled in the Japan region. We view this as an opportunity to improve profitability and are working to drive this forward. During a product changeover, we promote the adoption of high value-added items from our product roadmap to ensure strong profitability. We are also working to reduce manufacturing costs by optimizing suppliers and increasing in-house production for each product, as well as by reducing the number of components and streamlining product types through standardization.

**Trend in the number of vehicle models with a model changeover**




Opportunity to improve profits through numerous changeover models

1. Adoption of product roadmap items
2. Activities to strengthen competitiveness by product category
3. 33% reduction in component types

**Minimizing cost**

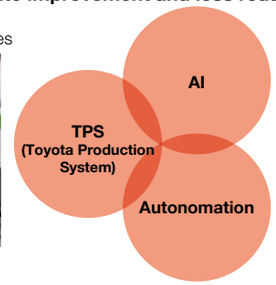
### Reducing processing and logistics costs; and reforming fixed costs

We aim to reduce processing costs through process innovations that integrate TPS, autonomation, and AI, as well as through rigorous loss mitigation achieved by continuously implementing on-site improvements. We also plan to open a new logistics relay hub (in Ikoma-cho, Toyota City, Aichi Prefecture), which will enable us to overhaul our pickup logistics, reduce logistics costs by at least 10% compared to pre-opening levels, and help alleviate the driver shortage. In addition, to reduce fixed costs, we will promote cost minimization by improving efficiency through the active use of AI in administrative and support divisions, and by reviewing our business operations.

**Measures that lead to on-site improvement and loss reduction**

- Reform of production processes






- Reform of in-house logistics



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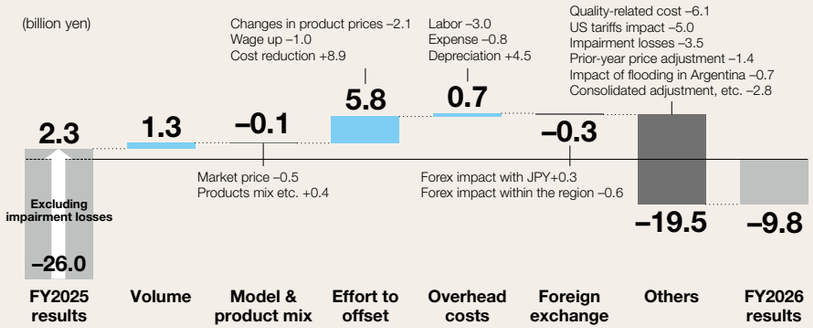
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# The Americas




## Profit decreased due to quality-related costs and additional US tariffs, despite a smaller operating loss thanks to cost reductions and volume increase

In the Americas region, improving the profitability of unprofitable sites, primarily in North America, is a key challenge. We made breaking free from our low-profit structure our top priority, and launched the Americas Region Support Department in fiscal 2025 to begin laying the groundwork for improving profitability. In fiscal 2026, we expanded our activities, and with a focus on Toyota Boshoku Indiana (TBIN), we have been implementing initiatives that directly contribute to increasing marginal profit. At the same time, we are starting to promote autonomation while eliminating redundancies and achieving standardization in support divisions in preparation for structural reforms from fiscal 2027 onward. Although these factors led to a narrowing of the operating loss, we were unable to fully offset the impact of quality-related costs and additional US tariffs, resulting in a decline in profit. From fiscal 2027, we will promote sales expansion and smart factories, among other initiatives, and will press forward with reforms to build a profit-generating structure.

### Issues

- Reforming the earning structure of unprofitable sites

**[External factors]**
- Rising costs due to inflation

**[Internal factors]**
- Production inefficiencies due to labor shortages and higher turnover rates

### Priority actions

- Promoting autonomation on the production floor
- Streamlining support divisions
- Increasing in-house production rates with new seat frames
- Launching full-scale smart factory operations

### FY2026 themes

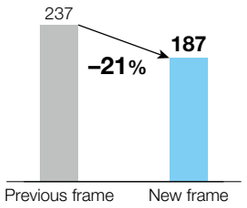
**Maximizing added value** **Full-scale rollout of a new seat frame**

From fiscal 2027 through fiscal 2031, we plan to begin production of a new seat frame for six vehicle models. With the new frame, we will reduce costs by cutting the number of components and production steps and increasing the in-house production rate, thereby strengthening our cost competitiveness. Building on this competitive strength, we will enhance our ability to propose competitive pricing and win orders, thereby expanding sales to new customers and driving reforms to build a structure capable of generating sustainable profits.

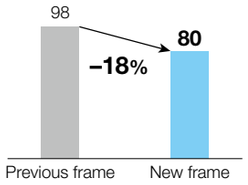
#### Achieving cost reductions and strengthening cost competitiveness

Production of seats featuring new seat frames for six vehicle models will begin from fiscal 2027 through fiscal 2031

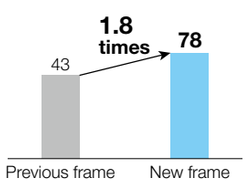
1. Reduction in number of components




2. Reduction in number of processes




3. Increase in the in-house production rate (number of processes)

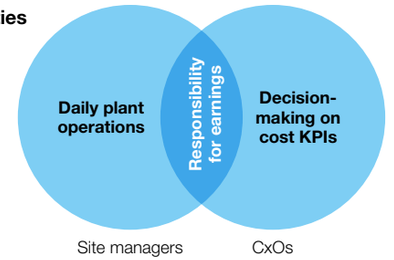



**Minimizing cost** **Promoting integrated management across the entire region**

Until now, a lack of mutual trust and understanding between headquarters and manufacturing sites has led to structural challenges, such as duplication of work and delays in standardization. To address this, we will work to accelerate decision-making by redefining roles and authorities and clarifying responsibilities. In addition, we will introduce a CxO structure and an integrated plant management system to harness the collective strength of the entire region and maximize our organizational capabilities.

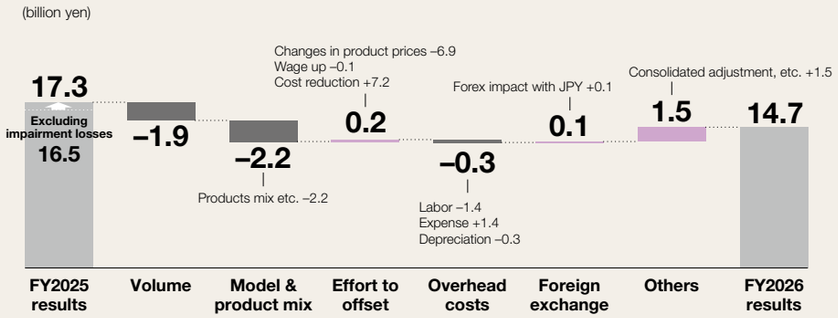
#### Illustration of the scope of responsibilities for site managers and CxOs

By redefining roles and authorities, we aim to clarify responsibilities and accelerate decision-making, thereby maximizing the organizational strength of the entire region




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# China




## Profit decreased due to volume decrease and changes in the products mix

China is positioned as a leading market in the automotive industry, and we recognize that gaining a strong reputation in this market is of the utmost importance. Currently, the trend of reduced production due to the market slowdown continues, and profits declined in fiscal 2026, partly due to changes in the model and product mix. We view this period as an opportunity to transform our business structure in preparation for the next growth phase, and are working to strengthen our management foundation through structural reforms and enhance our local R&D capabilities. Although sales and operating profit ratio are expected to trend downward through fiscal 2028, we will enhance our planning proposal capability for the entire automobile interior space by internalizing technologies in fields where we currently lack them, with the aim of expanding orders and improving profitability.

### Issues

- Transforming our structure for the next growth phase

**[External factors]**
- An intensely competitive environment
- Trend toward reduced production due to market slowdown

**[Internal factors]**
- Expanding technologies in fields where we lack them

### Priority actions

- Strengthening (speed up) local R&D capabilities
- Strengthening our proposal capability for the automobile interior space (local needs)

### FY2026 themes

**Maximizing added value**

#### Strengthening partnerships in the control and software fields

We will enhance our planning proposal capability for the entire automobile interior space by internalizing technologies in fields where we currently lack them, with the aim of expanding orders and improving profitability. As part of this process, in June 2026 we launched Toyota Boshoku Huaqin (Shanghai) Automotive Electronics Co., Ltd. as a joint venture with Huaqin Technology Co., Ltd., a company with global operations in the development and manufacturing of smart devices. This joint venture will be responsible for strengthening our development capabilities and establishing a production system in the smart device field, and will work to advance the sophistication of our value-added offerings.

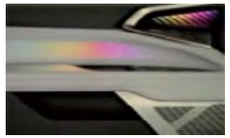
**Control and Software Field**

Build a platform for smart device design and manufacturing

- ECU



- Illumination



- Display



**Maximizing added value**

#### Internalization of technologies in the Noise and Vibration (NV) field

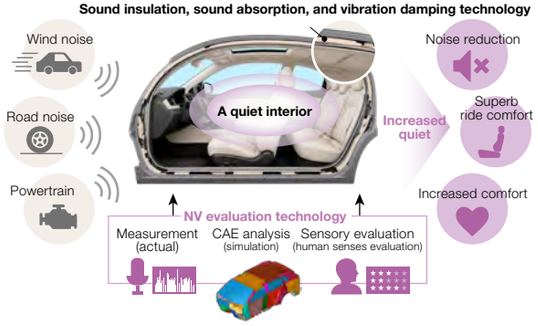
In the Chinese market, as electric vehicles become more widespread, wind noise, road noise, and vibration—which were previously less noticeable—have become more apparent, making NV performance even more critical. In light of these environmental changes, we are not limiting our efforts to individual interior components, but are instead focusing on NV development for the entire vehicle, including both the interior and exterior. To achieve this, we will move forward with consideration of alliances, aiming to finalize the details by the end of fiscal 2027, while also seeking to acquire NV core technology to develop low-cost, lightweight, and high-performance NV packages.

**NV Field**

By developing exterior vehicle components that contribute to improved NV performance, we can propose a package that ultimately reduces costs and also leads to weight reduction

Suppressing all kinds of noise and vibration to achieve a quiet and comfortable automobile interior space

**Sound insulation, sound absorption, and vibration damping technology**




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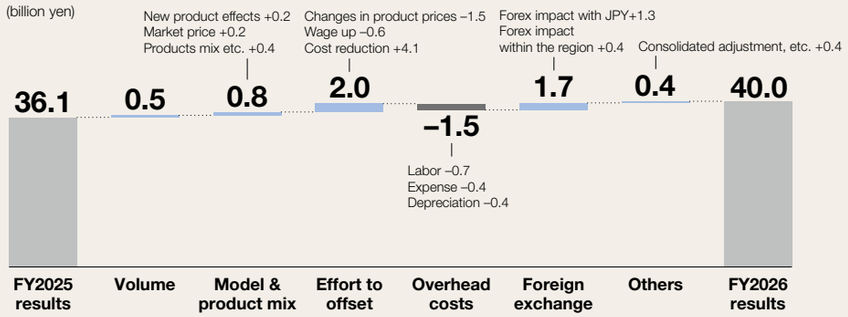
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# Asia




## Profit increased due to volume increase and cost reduction despite an increase in overhead costs

The Asian region is one where the growth potential of markets like India coexists with the threat posed by Chinese suppliers. Although there were factors that could have led to a decline in profits in fiscal 2026, such as an increase in various costs, profits rose due to the effects of volume increase and cost reduction in India. Production volume is expected to increase about 1.3-fold by 2030, with production growth in India continuing to be particularly significant. On the other hand, while volume growth is expected to be limited outside of India, a gradual increase is anticipated. Under these circumstances, it is expected that Chinese OEMs will gain a stronger foothold as electrification progresses. With this in mind, we will pursue a two-pronged strategy focused on expanding our business in India while strengthening our MONOZUKURI (manufacturing) competitiveness.

### Issues

- Strengthening cost competitiveness

**[External factors]**
- Cost competition with components manufacturers in China and India

**[Internal factors]**
- Decreasing competitiveness of Japanese brands

### Priority actions

- Consolidating processes and improving equipment productivity
- Expanding orders and promoting localization in India

### FY2026 themes

**Maximizing added value**

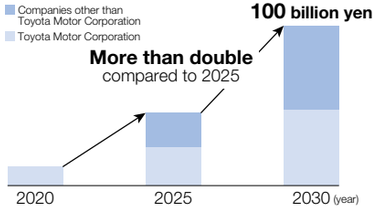
### Capitalizing on growth in the Indian market to expand our business

The automotive market in India is expected to expand through 2030. To ensure we capitalize on this growth, we have launched the India Challenge 1000, which aims to achieve revenue of 100 billion yen by 2030. While continuing to develop products for the Indian market, we will work to strengthen our competitiveness by promoting local procurement and local production, with the aim of expanding our business. In addition, while working to increase orders in the northern and western regions, we will address the need to boost production capacity in the southern region and strengthen our efforts to localize procurement of electrified products.

#### Capitalizing on growth markets to expand our business

Strengthening R&D capabilities tailored to the Indian market × Enhancing competitiveness by promoting localized procurement

**2030 revenue target**




**Northern region**
- Expanding production capacity aligned with Suzuki's growth
- Expanding orders through product proposals

**Western region**
- Responding to Toyota's expansion into western India
- Expanding orders from Indian OEMs

**Southern region**
- Expanding production capacity aligned with Toyota's growth
- Expanding business through localization of electrified products

**Maximizing added value** **Minimizing cost**

### Strengthening local on-site capabilities

We will strengthen our local capabilities in the region by implementing tiered, specialized training and skills certification programs. Our aim is to raise the overall level of expertise across Asia using ASIA Master trainers, who train technical trainers in each country, as the starting point. Through this, we will strengthen our production engineering, machinery, and maintenance capabilities—which are the sources of our competitiveness—and work to improve the overall process quality, the rate of equipment produced in-house, and equipment productivity. To ramp up these initiatives, in 2028 we plan to establish an Asia MONOZUKURI Innovation Center in Bangkok, Thailand.

**Asia MONOZUKURI Innovation Center**

- **Education**
  Developing skilled trainers in each country
- **Production engineering capabilities**
  Process reform and improved process completion levels
- **Tooling and equipment capabilities**
  Increasing in-house production of equipment and dies
- **Maintenance capabilities**
  Enhancing equipment productivity through reduced downtime



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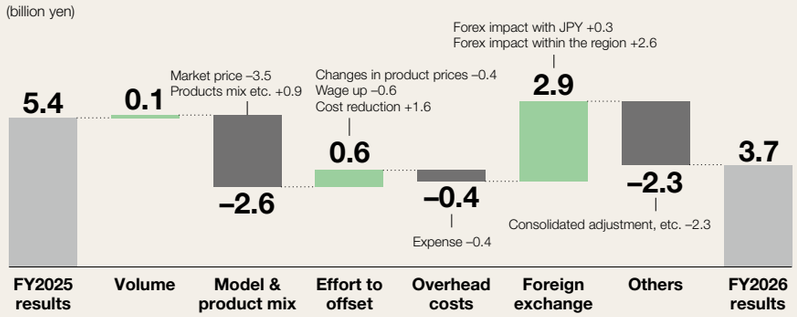
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# Europe & Africa




## Profit decreased due to market prices despite foreign exchange impact and cost reduction

In Europe region, although electric vehicle demand slowed temporarily in 2024 due to reduced subsidies, signs of a recovery were evident in 2025. In the medium to long term, the market environment continues to be characterized by a shift toward electrification. Against this backdrop, Chinese manufacturers are gaining a stronger foothold, and competition is intensifying not only on price but also in terms of development speed and the battery sector. At the same time, due to price and infrastructure constraints, the importance of a multi-pathway approach—including HEVs—is being reaffirmed. In this competitive environment, profitability has become increasingly challenging, and although we made progress in streamlining operations in fiscal 2026, profits declined. Going forward, while maintaining the Toyota business as our foundation, we will focus on securing business from OEMs other than Toyota Motor Corporation and expanding our lineup of BEV-compatible products.

### Issues

- Responding to environmental regulations and markets

**[External factors]**
- Strengthening environmental regulations

**[Internal factors]**
- Increasing supply chain complexity

### Priority actions

- Secure OEM business other than Toyota Motor Corporation
- Expanding products to support the shift to electrification

### FY2026 themes

**Maximizing added value** **Minimizing cost**

## Expansion of our Poland site

In light of changes in the automotive market and the diversification of customer needs, we are strengthening our production structure in Poland. Through the construction of Toyota Boshoku Poland's second plant, we are working to expand our production capacity while laying the groundwork for future business growth. In addition, in fiscal 2026 the company made TBLE (Toyota Boshoku Legnica), which had been under the umbrella of Toyota Boshoku Europe, a wholly owned subsidiary. This enables faster decision-making and the optimal allocation of management resources, further strengthening our ability to execute strategies within our unit components business. Going forward, we will leverage our business foundation in Europe to expand sales of our own brand products, grow our aftermarket business, and strengthen sales to non-Toyota customers, thereby driving sustainable growth.



Aerial view of Plant No. 2 at Toyota Boshoku Poland




Groundbreaking ceremony

**Maximizing added value**

## Strengthening competitiveness through compliance with environmental regulations

In Europe, regulations including the ELV* Regulation aimed at realizing a recycling-based society are being strengthened. In addition to lightweighting and adopting environmentally sound materials, we are promoting circular design practices such as the use of recycled materials, easy-to-disassemble designs, and a shift to mono-materials. We have also built a stable supply system for eco-friendly materials, such as recycled and bio-derived materials, and have put in place an integrated system incorporating everything from material procurement to product design and production. Through this, we aim to turn compliance with environmental regulations into a competitive advantage and expand our business with European OEMs.

### Product adaptation in anticipation of environmental regulations

Aiming to turn compliance with environmental regulations into a competitive advantage and expand business with European OEMs

| Circular design | + | Lightweighting | + | Utilize eco-friendly materials |
|---|---|---|---|---|
| ● Design for the use of recycled materials<br>● Easy-to-disassemble design<br>● Mono-materialization | | ● Adopt lightweight materials<br>● Reduce materials usage<br>● Achieve a balance with safety | | ● Develop recycled and bio-derived materials<br>● Ensure quality<br>● Build a procurement structure |

* End-of-life vehicle

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