

Oct. 31<sup>st</sup>, 2025

TOYOTA BOSHOKU CORPORATION

## Summary of Q&A at FY2026 2<sup>nd</sup> Quarter Financial Results

**Q 1 : Please explain the actual performance of operating profit for the first half.**

**While the actual operating profit of JPY 37 billion matches the first-half forecast announced at the end of the previous fiscal year, it also includes approximately JPY 5 billion in quality-related expenses of JPY 3.7 billion and tariff impacts of JPY 1.3 billion that were not factored in. Excluding these, I think the profit turned out quite well.**

A 1 : Quality-related expenses and other costs are included in the second quarter. Excluding temporary positive factors, operating profit for the second quarter (July-September) is estimated to be approximately JPY21 billion based on underlying operating profit. We estimate the actual performance for the first quarter to be around JPY19 billion, and the actual performance for the first half to be around JPY40 billion. Production volume has exceeded initial forecasts by approximately 50,000 units in the first half and additional activities to control fixed costs in each region as a countermeasure to tariffs are beginning to show positive effects.

**Q 2 : Please tell me what quality-related costs are incurred in the Americas region.**

A 2 : Quality-related expenses of JPY3.7 billion include costs for two recalls. One is approximately JPY2.2 billion for the recall of the North American Sienna due to defective long-slide rail welding, which TOYOTA reported in early October. This was just reported in October, and the actual cost burden has not been determined yet, but we conservatively estimated and recorded it. The other amount, approximately JPY1.5 billion, reflects a revision to the provision for a recall reported in the previous fiscal year (ended March 2025), which was previously underestimated.

**Q 3 : The tariff impact is included as a factor reducing profits by JPY3 billion for the full year. Please provide the gross impact amount.**

A 3 : The full-year impact of tariffs is estimated at a net cost of JPY3 billion, with gross tariff charges of JPY6.3 billion and recoveries from customers of JPY3.3 billion. This net JPY3 billion costs can be divided into two main elements. First, regarding parts

imported into the U.S. from overseas, we are exploring options with our customer, including seeking new suppliers, to determine if local production could be more competitive. Negotiations with the customer have been temporarily suspended on some items. The other is simply due to procedural factors in collection, where the timing difference between the occurrence of tariffs and their collection cannot be recovered within the current fiscal period.

**Q 4 : On page 14 of the materials, operating profit for the Americas region is projected to be a JPY200 million loss in the second half, compared to a JPY1.2 billion profit in the first half. The launch costs for the model change were originally included in the second half, but has there been any change from the original plan?**

A 4 : Comparing the first and second half of the fiscal year for the Americas region, we anticipate a decline in production volume of approximately 140,000 units in the second half. This reflects the original plan, which projected strong performance and high volume in the first half, while the second half includes volume reductions around the launch of new models being changed over, as well as the impact of the shutdown at TOYOTA's engine plant in Brazil due to tornado damage. Additionally, we expect tariff costs to increase in the second half.

**Q 5 : Regarding the situation in the China region, some parts suppliers are increasing their structural reform costs. I believe competition may intensify starting with models from fiscal years 2027 and 2028 onward. Please provide an outlook for the China business.**

A 5 : We recognize that the competitive environment in the China region is becoming even more challenging. However, our largest customer, TOYOTA, is performing solidly and working hard, and we currently have no plans to close any of our facilities in China. On the other hand, Chinese suppliers and Chinese OEMs have become highly competitive in both quality and performance as well as offering lower costs. Therefore, we must respond with speed and shorten development cycles to remain competitive. To achieve this, we are rapidly strengthening our R&D structure in the China region to enable local planning and development.

**Q 6 : There have been reports that TOYOTA is using parts from Chinese suppliers in ASEAN as well. Is there any such movement?**

A 6 : We have not received any such reports at our company. However, in preparation for the entry of Chinese suppliers, we are working within the Asian region to further enhance our competitiveness.

**Q 7 : When TOYOTA starts to utilize local platforms in China, are you able to secure orders?**

A 7 : It is true that as TOYOTA's Chinese partners become more deeply involved in development, meaning competition is becoming more open and performance based. We participate in open competitions, and if we win, we receive the project. If not, we lose it. This principle applies everywhere, and we view it the same way here.

**Q 8 : Japan's regional profits for the first half are quite strong. Could you explain the background behind this?**

A 8 : Operating profit in Japan for the first half doubled to JPY7.6 billion this fiscal year compared to JPY3.7 billion in the same period last year. This increase was driven by improved capacity utilization due to an increase of approximately 50,000 units in production volume. Additionally, the product mix includes a positive impact of JPY2.2 billion from new products, contributed by the newly launched SUV model this fiscal year. Meanwhile, overhead costs were controlled more effectively than in previous years and did not increase so much. Furthermore, several hundred million yen in costs incurred last fiscal year were recovered from customers this fiscal year, contributing to the results.

**Q 9 : On page 14 of the materials, I believe the projected operating profit of JPY10.3 billion for Japan in the second half is a very good figure, but please allow me to confirm whether there are opportunities.**

Q 9 : We anticipate a production volume increase of over 100,000 units compared to the first half, while fixed costs are expected to be higher in the second half, leading to a forecast of JPY10.3 billion for the second half.

**Q 10 : Looking at the operating profit analysis on page 3 and 11 of the materials, differences in product mix and other factors resulted in a JPY5.3 billion increase in the first half and a JPY2.0 billion decrease for the full year, which is a JPY7.0 billion decrease in profit for the second half compared to the first half. Furthermore, the full-year operating profit forecast has been**

**revised downward this time, and while it seems to have factored in negative elements, is it reasonable to assume there is room for upward movement?**

A 1 0 : We had a long production suspension in Indiana, US, for the first half of the last fiscal year. This year, those operations have fully resumed, and the impact is also reflected in the JPY5.3 billion increase in the first half. The elimination of operational losses experienced last year, along with an improvement in product mix due to an increase in large vehicles, may make the comparison appear significantly larger. On the other hand, for the second half of the year, we expect the production volume to temporarily decline due to the impact of model changes, and the product mix is also expected to worsen.

Our full-year forecasts are not particularly conservative. Regarding tariffs, we will continue discussions with customers and remain flexible about switching to locally procured parts if they offer competitive advantages. In this respect, we see room for improvement.