Oct. 29, 2026

TOYOTA BOSHOKU CORPORATION

Summary of Q&A at FY2027 2nd Quarter Financial Results

Q1: Please explain the one-time factors in the second quarter (July-September) and the underlying level of profitability.

A1: The main one-time factor was JPY 4.2 billion in quality-related costs. Operating profit for the second quarter (July-September) was JPY 13.6 billion, and we estimate that underlying operating profit, excluding one-time factors, was approximately JPY 18.0 billion.

Q2: Please explain why the first-half results in Japan and the Americas fell short of the plan.

A2: In Japan, first-half operating profit was approximately JPY 1.0 billion below the plan. However, the results included JPY 4.2 billion in quality-related costs. Excluding these costs, operating profit was effectively approximately JPY 3.0 billion above the plan. The main driver of the improvement was profit improvement activities, including cost reduction. In the Americas, the impact of rising market prices associated with the situation in the Middle East was greater than initially anticipated, resulting in a negative impact of more than JPY 2.0 billion.

Q3: Please provide details on the JPY 4.2 billion in quality-related costs recorded in Japan in the second quarter.

A3: These costs represent an additional amount related to the recall of recliner components used in the seats of the Highlander in North America, which was recorded in the fourth quarter of the previous fiscal year. The recall was filed in March of the previous fiscal year, and slightly less than JPY 16.0 billion was recorded in the fourth quarter.

Initially, vehicles produced during certain periods in which special inspections had been conducted were excluded from the recall. However, a subsequent detailed investigation confirmed that, even when special inspections had been conducted, a defect could still occur in rare cases. Therefore, a conservative decision was made to include the additional production periods in the recall, resulting in the costs recorded this time.

Q4: Page 9 of the presentation materials shows a negative year-on-year impact of JPY 1.9 billion from additional U.S. tariffs. Please explain the background and the outlook for recovery in the second half.

A4: Of the additional tariffs incurred this fiscal year, the portion relating to this fiscal year has not yet been recovered. As a result, this had a negative year-on-year

impact of JPY 1.9 billion. In the previous fiscal year, the tariffs took effect in May and the applicable rates also changed, so the tariff impact was not incurred in full throughout the entire first half. This difference makes the impact in the current fiscal year appear larger.

In the second half, we plan to proceed with the recovery of tariff costs. For the full year, we expect a positive year-on-year impact on profit of JPY 5.0 billion.

Q5: Page 5 of the presentation materials shows that profit for the period increased due to a positive impact of JPY 8.6 billion from the recognition of deferred tax assets. Please explain the details.

A5: The deferred tax assets recognized this time reflect an agreement that has been substantially reached between the Japanese and U.S. tax authorities regarding the advance pricing arrangement (APA) between Japan and the United States.

As income is transferred from Japan to the United States, the related tax expense is also reallocated between the two countries. This reduces taxes in Japan, and the corresponding amount was recognized as deferred tax assets. As a result, tax expense was reduced, contributing to a year-on-year increase in profit for the period. This is an accounting treatment that does not involve an actual cash movement and has no impact on operations in either Japan or the United States.

Q6: Please explain why the seat production volume forecast in the full-year financial forecast was lowered.

A6: We lowered our seat production volume forecast by 300,000 units, from 8.4 million units in the previous forecast to 8.1 million units. The revisions were made in Japan, Asia, and China.

In Japan, we lowered the forecast by 100,000 units, reflecting the fact that production has already fallen short of the plan by tens of thousands of units due to the Kumamoto earthquake and typhoons since the summer, as well as lower production of completed vehicles for China. In Asia, we lowered the forecast by 100,000 units, taking into account lower production volumes for the Middle East, flooding in Thailand, and weaker-than-expected growth in certain models in India. In China, this is the second downward revision, and the latest forecast largely reflects the updated production guidance received from Toyota.

Q7: Please explain your outlook for profits in each region in the second half.

A7: In Japan and Asia, we intend to absorb the impact of lower production volumes through our internal efforts to maintain the previous plans.

In Japan, the second-half operating profit forecast has been raised by about JPY 1.0 billion, from the previous plan of JPY 10.0 billion to JPY 10.9 billion. Since we expect a negative impact of approximately JPY 2.0 billion from lower production

volumes, the forecast incorporates approximately JPY 3.0 billion in additional internal improvements. We plan to continue the profit improvement initiatives implemented in the first half into the second half.

In China, on the other hand, our capacity to absorb the impact has become limited following the second reduction in production volume assumptions. We therefore revised the profit forecast downward to reflect lower production volumes. Seat production volume in China differs by approximately 100,000 units between the first and second halves, and the impact of the volume decrease alone is expected to reduce operating profit by slightly less than JPY 2.0 billion. However, because production volumes declined suddenly in the first half, we were unable to reduce labor and personnel costs sufficiently, and profitability was low relative to the production volume. In the second half, we plan to make the production structure leaner and limit the decline in operating profit even with lower production volumes.

In Europe and Africa, costs incurred before new-product launches and losses during the ramp-up phase were greater than anticipated in the first half. We expect these factors to be resolved in the second half and operations to return to a largely normal level in the fourth quarter.

Q8: Please explain the launch effect of the RAV4 in the Americas and the current situation at TBWK and the operations in Canada and Mexico.

A8: Among the entities involved in the RAV4 business, Canada is responsible for seat assembly, TBWK in the United States manufactures components such as seat tracks and recliners, and Mexico produces seat covers.

In Canada, we assume that the new-model effect will be fully realized as planned in the second half, and we have confirmed a corresponding recovery. Mexico has no major production issues, but the appreciation of the Mexican peso has increased U.S. dollar-based costs and has had a negative impact.

TBWK in the United States is a new company. Although it has been able to recruit personnel, employee retention remains a challenge, and workers are not reaching the expected level of proficiency as quickly as planned.

We are currently dispatching support personnel from Japan to drive improvements. We have also established a structure to provide close support from Japan for the planned expansion of the production lines. We expect improvements to take some additional time, but we will continue providing persistent support to bring performance to the planned level.

Overall, from a manufacturing perspective, we expect the RAV4 business to return to a level largely in line with the plan in the second half. Several factors contributed to the upward revision of the second-half profit forecast for the

Americas, and we believe the new-model effect of the RAV4, particularly in Canada, will also contribute.

Q9: Please explain the outlook for a recovery in profitability in China from the next fiscal year onward.

A9: For the next fiscal year and the following fiscal year, we expect seat production volume to recover from approximately 1.0 million units to 1.1 million and then 1.2 million units. This expectation is based on planned model changes for key vehicle models from next year onward, and we aim to supply competitive products for those models.

To enhance the development of vehicles that meet local needs in China, we have been preparing by dispatching engineers to China and recruiting personnel locally. This recovery scenario remains unchanged. However, the rise in gasoline prices associated with the situation in the Middle East, which has driven the share of new energy vehicles (NEVs) in China higher than anticipated, represents a new risk. We believe the key challenge going forward will be whether the new models can succeed in this competitive environment.

Q10: Please explain the purpose of considering the establishment of a joint venture with Delta Kogyo Co., Ltd. and Toyo Seat Co., Ltd.

A10: As competition in the automotive industry becomes increasingly severe, it is becoming difficult for each company to enhance its competitiveness independently. The purpose of considering the establishment of this joint venture is to bring together the three companies' respective strengths in technology, manufacturing, and development and to provide customers with more competitive seats in a timely manner.

We also expect benefits from greater development efficiency and standardization, as well as economies of scale. In 2019, the three companies established a joint venture in Alabama, United States, and have been supplying seats to the Toyota-Mazda joint-venture plant. The companies therefore already have a track record of joint manufacturing built on mutual trust.

Going forward, we will begin specific discussions with the aim of respecting each company's strengths and contributing to improvements in the product appeal and competitiveness of our customers.